

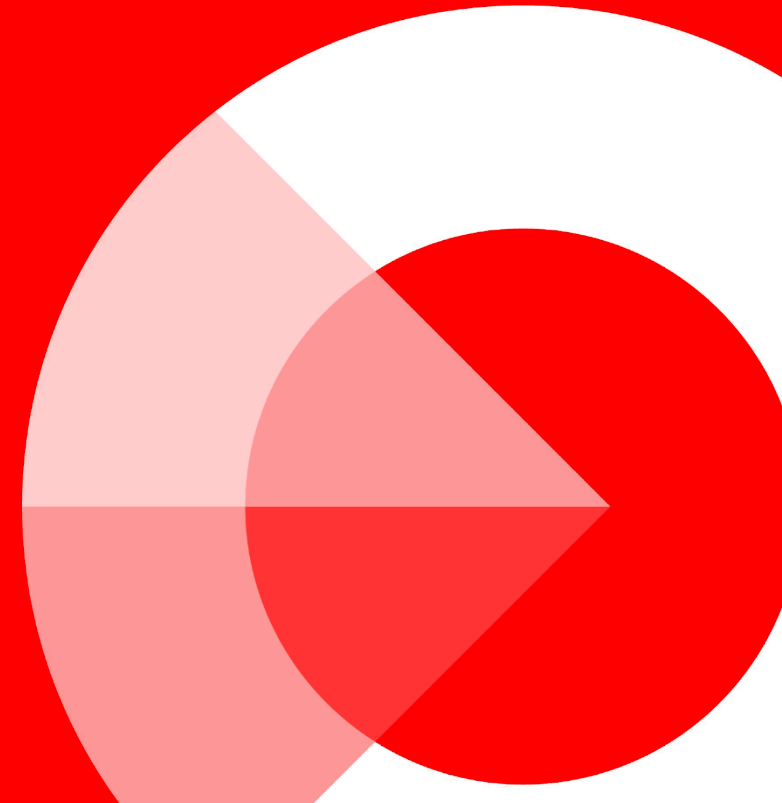


New Business Initiatives:
**Central Counterparty for Over-the-Counter
Interest Rate and Exchange Rate Derivatives
Transactions**



Agenda :

- 1 Background : CCP for OTC Derivatives Products**
- 2 The Benefits**
- 3 IDCClear Preparation**





Background CCP for OTC Derivatives Products

The Beginning of CCP for OTC Derivatives



2008

Global Financial Crisis:

High volume of OTC derivative transactions were not monitored and regulated by the relevant authorities



2009

Pittsburgh, US:

G20 meeting regarding to OTC Derivative market reforms



2011

Cannes, France:

G20 meeting: additional aspects to OTC Derivative market reform agenda



2018

Indonesia

Indonesia's response to G20 recommendations: establishment of CCP OTC Derivative's Taskforce
(Source: Bank Indonesia)

Recommendations from the G20 Meetings in 2009 & 2011, as follows:

- All standardized OTC derivative transactions must be traded on exchange or ETP & cleared through CCP
- All OTC derivative transactions must be reported to Trade Repository (TR)
- Any derivative transactions uncleared through CCP must be subject to higher margin & capital requirements

G-20 Countries Initiatives

as responses to G20 OTC Derivative Market Reforms

US: Issued law & regulation named Dodd-Frank Act (DFA)

EU: Issued law & regulation named European Market Infrastructure Regulation (EMIR)

Japan: Established CCP by providing clearing services (covering IRS & CDS) through JSCC

India: established CCP to give clearing services for forex settlement and interest rate derivatives segments through CCIL

Journey to Establish CCP OTC Derivatives in Indonesia

“By now, 18 of the 24 Financial Stability Board (FSB) member jurisdictions have provided for mandatory central clearing frameworks in place, covering at least 90 percent of all standardized OTC derivatives in their jurisdictions.”

-IMF Working Paper WP/22/14, January 2022-





The Benefits a CCP for OTC Derivatives Products

Benefits of Clearing through CCP



- Clearing through a Qualified CCP provides a **lower risk weight** than clearing through a non-qualified CCP.
- **Standardized and enhanced** risk management roles.
- **Transparency and monitoring** of OTC derivative transactions
- **Netting Efficiency:** operational efficiency benefits through the multilateral netting function.
- **Collateral Efficiency:** The CCP manages collateral based on PFMI standard where accepted collateral by FMI must have low credit risk, liquidity risk, and market risk
- **Counterparty Risk Efficiency:** the counterparty risk arising from transactions can be mitigated through CCP
- **Capital Efficiency:** the CCP function (margin management, netting and settlement) may increase the operational efficiency, reduce member costs, and reduce legal risk in terms of providing centralized rules.
- **Integrated Monitoring:** The transaction cycle can be monitored in an integrated manner through CCP system



IDClear Preparation to be a CCP for OTC Derivatives Products

IDClear Preparation as CCP for OTC Derivatives

Intensive group discussions with Market Players and Regulator (IFEMC, BI), consultant hiring, internal research



**Research &
Discussion**



**System
Development**

Clearing system;
Risk Management
System; Trading
Gateway; BI Gateway;
Connectivity Test with
Central Bank System

Scoping: Collateral Management, Trade Management, Accounts segregation, Clearing & Settlement, Membership, Fee, and so on



**Structuring
Rulebook**



**System
Hands-on**

With market players as
potential participants

IDClear Preparation as CCP for OTC Derivatives : CCP Functions

Account segregation in IDClear Omnibus Account:

- Settlement Account
- Collateral Account
- Default Fund Account
- KPEI's Internal Account

Account Management

Membership

2 types of members:

- Individual Clearing Member
- General Clearing Member

Collateral Management

Accept collateral in form of Cash and Government Securities

CCP Functions

Clearing Components:

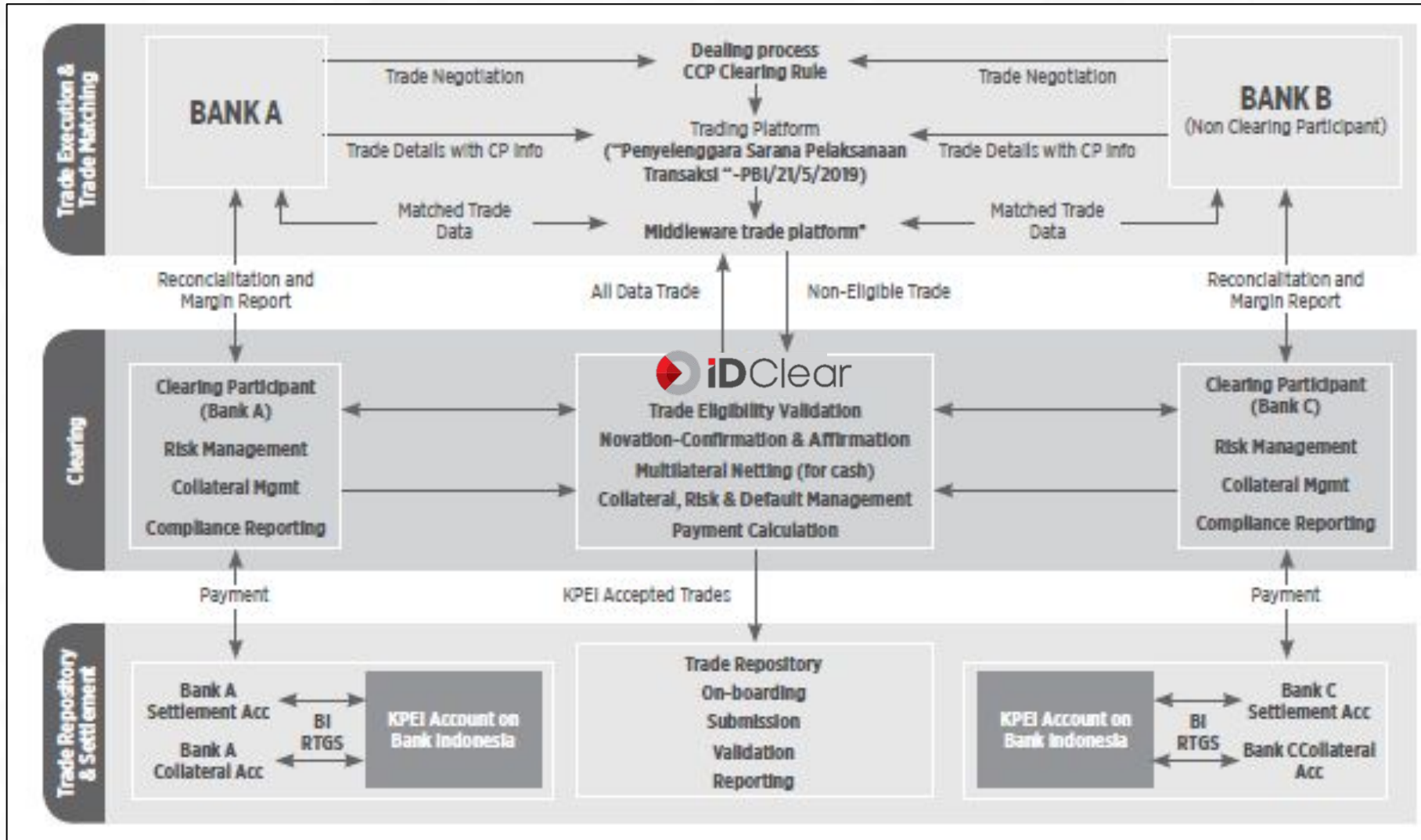
- Variation Margin
- Price Alignment Amount
- Fees & Charges
- Default Fund Contribution
- Minimum Cash Maintenance

Clearing & Settlement

Risk Management

developed a Risk Management Framework consisting of various risk control tools.

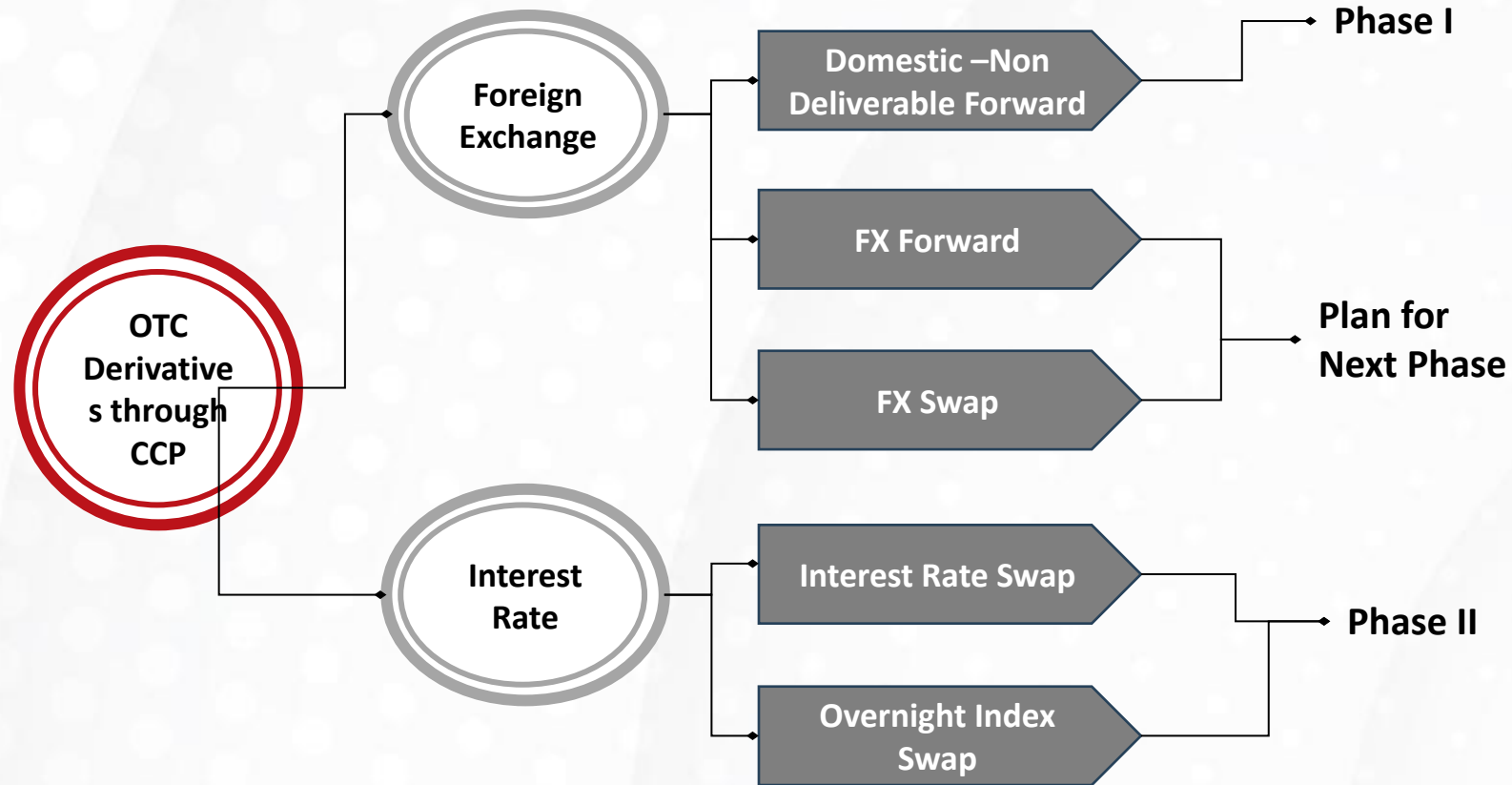
General Process Flow of OTC Derivatives Transactions



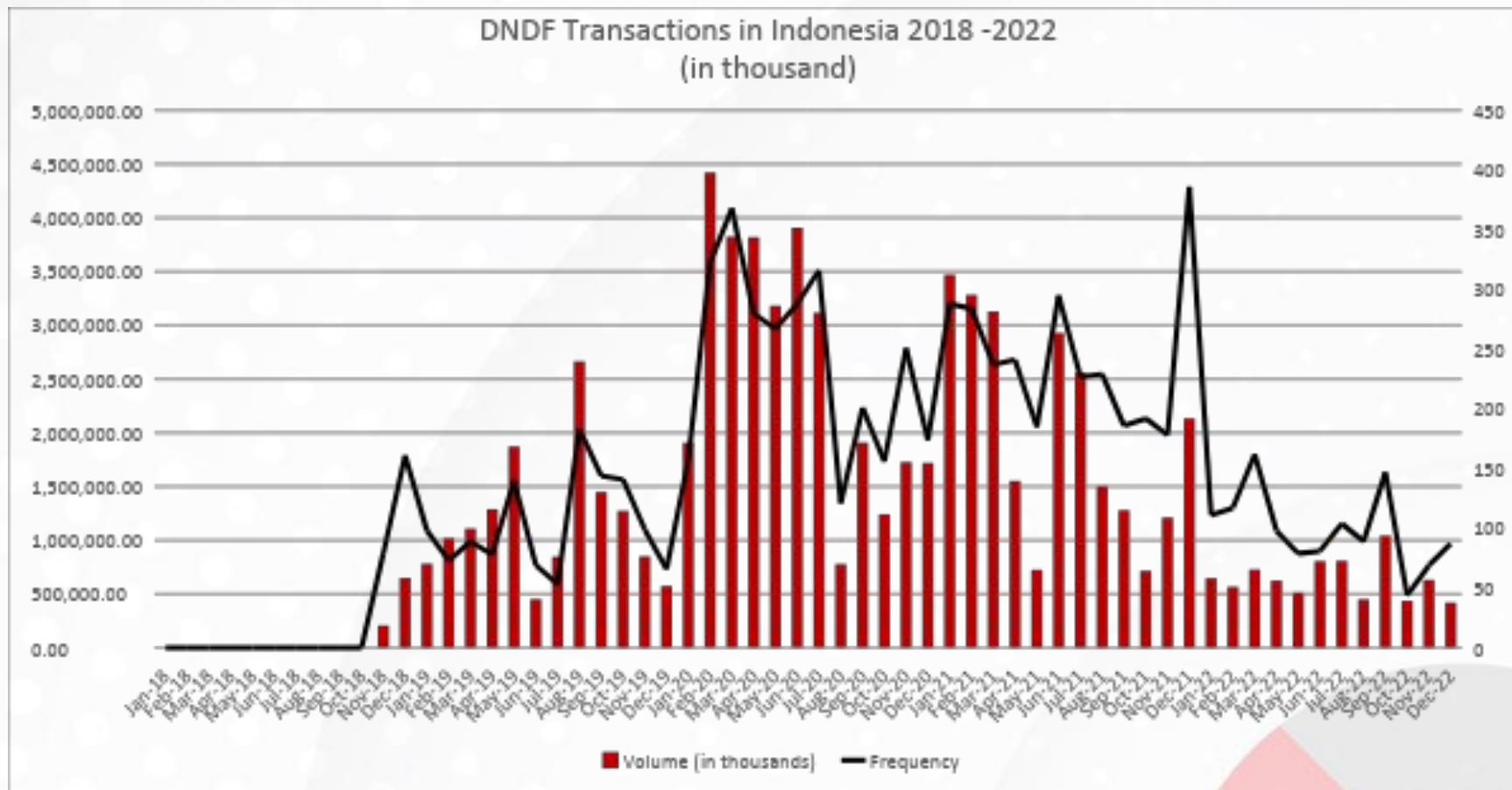
The functions in which FMI is involved in implementing the OTC Derivatives Market Reform mandate based on figures below:

- **Payment System Providers:** BI-Real Time Gross Settlement System (BI-RTGS)
- **CSD & securities settlement system:** BI-Scriptless Securities Settlement System (BI-SSSS),
- **Central Counterparty:** iDClear
- **Trade Repository:** (currently being developed within the regulatory framework of Bank Indonesia)

Indonesia CCP's Product Development Plan for OTC Interest Rate and Exchange Rate Derivatives Transactions



D-NDF Transactions in Indonesia (2018 -2022)



Summary	2018		2019		2020		2021		2022	
	Volume	Freq.	Volume	Freq.	Volume	Freq.	Volume	Freq.	Volume	Freq.
Total	\$855,790.23	240	\$14,177,466.00	1233	\$31,560,333.74	2901	\$24,490,395.52	2928	\$7,674,941.45	1188
Highest	\$649,313.88	161	\$2,663,853.14	183	\$4,424,022.63	368	\$3,472,334.92	386	\$1,042,659.78	162
Lowest	\$0.00	0	\$451,825.00	53	\$778,231.37	121	\$715,099.82	178	\$420,002.62	44
Mean	\$71,316.00	20	\$1,181,455.00	103	\$2,630,028.00	242	\$2,040,866.00	244	\$639,578.00	99



Thank you



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