Risk Impact and Mitigation Approach: Best Practices in Indonesian Capital Market

Bali, June 20th, 2023

PT Kliring Penjaminan Efek Indonesia
AGENDA

1. About KPEI
2. Default Management
3. Recovery
4. Resolution
KPEI as an CCP carries out clearing and guarantees for the settlement of stock exchange transactions.

The clearing activity referred to determine the rights and obligations of exchange transactions, of each Clearing Member (CM) which must be completed on the settlement date (T+2).

Guarantee settlement of stock exchange transactions is carried out by providing legal certainty for the fulfillment of rights and obligations for CM arising from exchange transactions.

KPEI’s Rules

AGENDA 2
Default Management
KPEI Guarantee Scope

31 May 2023

ONE Collateral (Defaulting CM)
TWO KPEI's Skin in The Game ($12 Mio)
THREE Credit Facility ($4 Mio)
FOUR Guarantee Fund ($482.4 Mio)
FIVE Credit Ring (CCP Recovery)
SIX CCP Resolution

KPEI Default Waterfall

01 Collateral
Fund, Securities, and/or other financial instruments belong to Clearing Member as guarantee that can be used by Clearing Guarantee Institution to settle Securities Exchange Transaction.

02 Guarantee Reserve (KPEI's Skin in the Game)
Provision from KPEI net profit set aside to carry out the function of guarantee and settlement of stock exchange transactions and has been approved at the General Meeting of Shareholders.

03 Bank Loan (Credit Facility)
Contractual loan between KPEI and bank.

04 Guarantee Fund
Is a pool of fund contributed by Clearing Member based on transaction to guarantee settlement exchange transaction. Guarantee Fund is non-refundable.

05 Credit Ring
Clearing Members which are, either individually or collectively, required to fulfill the obligation of Clearing Guarantee Institution regarding the Securities Exchange Transaction Settlement Guarantee. Financial Sources from other Credit Rings according to the proportion stated in the regulations.

KPEI Default Waterfall Fund, Securities, and/or other financial instruments belong to Clearing Member as guarantee that can be used by Clearing Guarantee Institution to settle Securities Exchange Transaction.

Provision from KPEI net profit set aside to carry out the function of guarantee and settlement of stock exchange transactions and has been approved at the General Meeting of Shareholders.

Contractual loan between KPEI and bank.

Is a pool of fund contributed by Clearing Member based on transaction to guarantee settlement exchange transaction. Guarantee Fund is non-refundable.

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AGENDA 3
Recovery
In accordance with FSA Regulation No. 26/POJK.04/2014 Chapter IV Article 23 Clause (3), then the order of repayment of financial sources must be conducted in accordance with the following priority order:
Credit Ring Mechanism
FSA Regulation No. 26/POJK.04/2014 (Article 21 Clause 2)

Credit Ring mechanism is carried out since day 1 of the default until guarantee fund is fulfilled by Defaulting Clearing member and Credit Ring.

Guarantee Fund available

KPEI Default Waterfall through Credit Ring Mechanism

CM's Collateral Default

Credit Ring from Non-Default CM

Replenishment Financial Resources

80% 20%

20% prorate from Credit Ring Value
80% based on Clearing Result from non-defaulting CM

20% 80%

FSA Regulation No. 26/POJK.04/2014 Article 21 Number 2 Letter d

FSA Regulation No. 26/POJK.04/2014 Article 21 Number 3

FSA Regulation No. 26/POJK.04/2014 Article 24
AGENDA 3
Resolution
KPEI’s Proposal for Resolution

KPEI (CCP) is part of the Financial Infrastructure

KPEI as CCP will enter into the Resolution Regime for the Capital Market as well as Financial Market (if the CCP Derivative is implemented)

The authorized institutions for the Resolution Regime:

- CCP
  - IFSA (OJK)
  - IDIC (LPS)

- Banking

IFSA asked shareholders to increase capital

IFSA revoked the business license and dissolved the CCP according to the mechanism set out in the POJK

Law Number 4 of 2023 concerning Financial Sector Development and Strengthening
Thank you

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