



THE PRESIDENT
OF THE REPUBLIC OF INDONESIA

COPY OF

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 19 YEAR 2008

CONCERNING

STATE SHARIA BONDS

BY THE GRACE OF GOD ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. That national development strategies and policies to achieve an equitable, and prosperous, and to restore the economy, should be accompanied by efforts to optimal management of state finances through increased efficiency in the management of state property and financial resources of the state budget;
 - b. That in order to manage state financial to enhance the capacity of the State Budget in moving national economy on a sustainable basis requires the development of a variety of financial instruments that can mobilize public funds at wide aspects with respect to the values of the economic, social and culture that flourished in the community;
 - c. That sources for financing national development using Sharia financial instruments that have a huge potential yet been optimally utilized;
 - d. That Sharia financial and economic sector needs to be foster through the development of Sharia financial instruments as part of the national economic system in order to increase social welfare for all Indonesian citizens;
 - e. That financial instruments based on Sharia principles have different characteristics with conventional financial instruments, so it needs management and regulation in particular, both concerning the instrument as well as the necessary legal instruments;
 - f. That based on considerations referred to in letters a, b, c, d, and e, it's necessary to form the Law on State Sharia Bonds;

- In View of :
1. Article 5 paragraph (1), Article 20 paragraph (1) and paragraph (2), Article 20A paragraph (1), Article 23, and Article 23C of the Constitution of the Republic of Indonesia Year 1945;

With the joint Agreement Between
HOUSE OF REPRESENTATIVES OF REPUBLIC OF INDONESIA
And

PRESIDENT OF REPUBLIC OF INDONESIA

DECIDES:



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To stipulate : LAW OF STATE SHARIA BOND.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Law referred to as:

1. State Sharia Bond hereinafter abbreviated to as State Sharia Bond (State Sharia Bond (SBSN)) or can be referred as Sukuk, are bonds issued by state based on Sharia principles, as the evidence of part equity to assets State Sharia Bond (State Sharia Bond (SBSN)) either in Rupiah and foreign currencies.
2. State Sharia Bond (SBSN) Issuing Company shall be a legal entity established under the laws and regulations regarding State Sharia Bond (SBSN), to carry out activities issuing State Sharia Bond (SBSN).
3. SBSN assets are the object and / or the State Property that has economic value, such as land and / or buildings or others than land / or buildings, that in order to issue SBSN serve as the basis for the issuance of SBSN.
4. State Property Goods is all goods purchased or obtained at the expense of the State Budget or from other legitimate acquisition.
5. Akad is a written agreement which is not contrary to Sharia principles and in accordance with applicable legislation.
6. Ijarah is Akad which one party acting alone or through a representative lease rights over an asset to another party based on the agreed rental price and rental period.
7. Mudarabah is Akad cooperation between two or more parties, which one party as capital providers and others as providers of labor and expertise, the benefits of such cooperation would be shared based on a pre-agreed ratio (nisbah), while losses will be borne solely by the capital provider, except for losses caused by the negligence of providers of labor and expertise.
8. Musharakah is Akad cooperation between two or more parties to combine capital, either in money or otherwise, for the purpose of gain, which will be distributed in accordance with a previously agreed ratio (nisbah), while losses will be shared according to the amount of capital participation each party.
9. *Istishna* 'is Akad trading assets such as object financing between the parties in which the specification, the method and period of time for delivery, as well as asset prices are determined by mutual agreement of the parties.



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10. Benefits shall be payments that can be rented, margin or profit sharing or other forms of payment in accordance with the contract issuing State Sharia Bond (SBSN), which shall be given to the holder until the end of the period State Sharia Bond (SBSN).
11. Government shall be the Central Government of the Republic of Indonesia.
12. Minister shall be the Minister of Finance of the Republic of Indonesia.
13. Initial Market shall be offering and selling activities for SBSN both inside and outside the country for the first time.
14. Secondary market shall be trading activity of SBSN that has been sold in prime market both at home and abroad.
15. Nominal value shall be the SBSN value specified in the SBSN certificate.
16. Benefit rights shall be the right to own and acquire full rights over the use of an asset without the need for registration of the ownership and rights.
17. Trustee shall be a party that represents the interests of the State Sharia Bond (SBSN) holder in accordance with the agreement referred to in the legislation regarding State Sharia Bond (SBSN).
18. State Bond Maximum Net Value shall be addition to the amount of the State bonds that have been circulating in one fiscal year, which represents the difference between the numbers of Bond to be issued, with the amount of State Bonds to be due and / or bought back by the government.
19. State Obligations shall be bond in the form of debt acknowledgement denominated in rupiah and or foreign currencies of which payment for interest and principal is guaranteed by the Republic of Indonesia, in accordance with the validity period.
20. State Bonds shall be State Obligations and SBSN.
21. Each person shall be an individual or a corporation.
22. Corporation is a group of people and / or property which is well organized both legal and non-legal entity.

CHAPTER II

FORMS AND TYPES
STATE SHARIA BOND
Article 2

1. SBSN issued in the form of Clearing Account Letter or without Clearing Account Letter.
2. SBSN referred to in paragraph (1) may be traded or not traded in the secondary market.



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Article 3

1. SBSN shall be in the forms:
 - a. SBSN Ijarah, issued pursuant to the Akad Ijarah;
 - b. SBSN Mudarabah, issued pursuant to the Akad Mudarabah;
 - c. SBSN Musyarakah, issued pursuant to the Akad Musyarakah;
 - d. SBSN *Istishna* ', issued pursuant to the Akad *Istishna*':
 - e. SBSN issued pursuant to other Akad extent not contrary to Sharia principles; and
 - f. SBSN issued based on a combination of two or more of the Agreement (Akad) referred to in letter a to letter e

CHAPTER III

PURPOSE OF ISSUANCE
STATE SHARIA BOND

Article 4

SBSN issued in order to finance the Budget of the State, including finance for development projects.

CHAPTER IV

AUTHORITY AND ISSUANCE IMPLEMENTATION
OF STATE SHARIA BOND

Article 5

1. Authority for issuing SBSN for the purposes referred to in Article 4 on behalf of the government.
2. The authority referred to in paragraph (1) carried out by the Minister.

Article 6

1. SBSN Issuance can be implemented directly by the Government or through SBSN Issuing Company.
2. SBSN can be issued either by the Government or SBSN Issuing Company as referred to in paragraph (1) is all kinds of SBSN referred to in Article 3.
3. SBSN Issuance through SBSN Issuing Company appointed by the Minister.

Article 7

1. In terms SBSN will be issued for purposes specified in Article 4, the Minister shall first coordinate with Bank Indonesia.
2. Especially for SBSN issuance in order to finance the project, the Minister coordinates with the minister in charge of national development planning.



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Article 8

1. Issuance of SBSN must first obtain the approval of the House of Representatives at the ratification of the State Budget are counted as part of the State Bond Maximum Net Value to be issued by the State Government in one budget year.
2. Minister is authorized to determine the composition of State Bond both in rupiah and / or foreign currency, as well as establish the composition of State Bond in the form of State Obligations or SBSN and other things necessary to ensure the issuance of State Bond carried out carefully.
3. In specific matters, SBSN can be issued exceeds the Maximum Net Value which has been approved by the House of Representatives as referred to in paragraph (1), which were reported in a Budget Realization Report of the current year.

Article 9

1. Approval of the House of Representatives as referred to in Article 8 paragraph (1) including payment of all Benefit obligations and Nominal Value arising from the issuance of SBSN and State Assets intended to be used as SBSN Assets.
2. Government is obliged to pay Benefit and Nominal Value per SBSN, whether issued directly by the government or SBSN Issuing Company, in accordance with the provisions of the SBSN issuing Agreement (Akad).
3. Funds to pay for Benefit and Nominal Value referred to in paragraph (2) is provided in the State Budget each year until the end of the obligation.
4. In the case of payment of Benefit and Nominal Value referred to above exceeding fund estimation as referred to in paragraph (3), Government making delivering the realization of payments to the House of Representatives in the discussion of State budget Amendment.
5. All the obligations referred to in paragraph (2), paragraph (3), and paragraph (4) shall be transparent and accountable.

CHAPTER V

USAGE OF STATE ASSETS TO ISSUING STATE SHARIA
BOND

Article 10

1. State Property can be used as the basis for the issuance of SBSN, hereinafter referred to State Owned Assets called SBSN Assets.
2. SBSN assets referred to in paragraph (1) shall be:
 - a. Land and / or buildings, and
 - b. Others than land and buildings.
3. Types, values, and specification of State Assets to be used as



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SBSN Assets referred to in paragraph (2) shall be determined by the Minister.

Article 11

1. Usage of State Property as SBSN Assets as referred to in Article 10 paragraph (2) shall be conducted by Minister by sell or lease the Benefit Right of State Property or other means in accordance with the Agreement used in purpose the issuance of SBSN.
2. SBSN Assets referred to in paragraph (1) may be leased back by the Minister based on a certain Akad (Agreement).
3. In the event of State Property referred to in Article 10 paragraph (1) is being used by government agencies and will be used as an SBSN Assets, the Minister shall first notify the related government agencies using the State Property.
4. SBSN lease term assets by the Government to the SBSN Issuing Company referred to in paragraph (1) shall not exceed 60 (sixty) years.

Article 12

1. Minister must buy back SBSN Assets, cancel lease Agreement (Akad), and terminate other SBSN Agreement (Akad) upon the SBSN maturity.
2. In order to buy back SBSN Assets, Akad lease cancellation and termination of other SBSN Issuance Agreement (Akad) as referred to paragraph (1), Minister paid a Nominal Value SBSN or other payment obligations in accordance with SBSN Issuance Agreement to the SBSN holder.

CHAPTER VI

SBSN ISSUING COMPANY AND TRUSTEE

Article 13

1. In order of SBSN issuance, the Government may incorporate SBSN Issuing Company as referred to in Article 6 paragraph (1).
2. SBSN Issuing Company as referred to in paragraph (1) is a statutory body incorporated under this Act.
3. SBSN Issuing Company as referred to in paragraph (1) is a legal entity domiciled in the territory of the Republic of Indonesia.
4. SBSN Issuing Company is responsible to the Minister.
5. Further provisions on the establishment, structure, funding, functions, and responsibilities for SBSN Issuing Company regulated by the Government Regulation.

Article 14

1. Minister shall appoint other parties directly as Trustee, in the



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case of SBSN issued directly by the government.

2. SBSN Issuing Company as Trustee for the holders SBSN, in event SBSN issued by the SBSN Issuing Company.
3. SBSN Issuing Company may appoint other parties with the approval of the Minister to help carry out the functions of the trustee as described in paragraph (2).

Article 15

Trustee referred to in Article 14 has the task, among others:

- a. Conduct engagement with others for the benefit of SBSN holders;
- b. Supervising SBSN Assets for the benefit of SBSN holders; and
- c. Representing other interests for SBSN holders, related to the engagement to issuing SBSN.

Article 16

SBSN Issuing Company and the other parties shall be appointed as Trustee must separating SBSN Asset from the company's assets for the benefit of SBSN holders.

Article 17

In carrying out the functions of the Trustee, the SBSN Issuing Company must guard the interests of SBSN holders.

CHAPTER VII

MANAGEMENT OF

STATE SHARIA BOND

Article 18

1. Management for SBSN either issued directly by the government or through SBSN Issuing Company carried out by the Minister.
2. SBSN management as referred to in paragraph (1), among others, includes:
 - a. Determining strategy and SBSN management policy, including risk management policy;
 - b. Planning and determining SBSN portfolio structure;
 - c. SBSN Issuance;
 - d. SBSN sale by tender and / or without tender;
 - e. Repurchase SBSN before maturity date;
 - f. SBSN settlement;
 - g. Other activities in order to develop the SBSN Initial Market and Secondary Market.



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3. Management referred to in paragraph (2) is part of the management of State Bond as a whole.

Article 19

1. In order to support the implementation of SBSN management referred to in Article 18, the Minister opened an account that is part of the State Treasury.
2. The procedure for opening and managing accounts referred to in paragraph (1) shall be determined by the Minister.

Article 20

SBSN must include terms and conditions that govern, among other things, on:

- a. Issuers;
- b. Nominal Value;
- c. Date of Issuance;
- d. Maturity Date;
- e. Benefit payment date;
- f. Amount or Benefit ratio (nisbah);
- g. Benefit payment frequency;
- h. Calculation method for Benefits payment;
- i. Currency or denomination;
- j. State property types used as SBSN Assets;
- k. Usage of provisions from applicable laws
- l. Provision on the right to buy back SBSN before maturity; and
- m. Provisions on transfer of ownership.

Article 21

1. In the event of SBSN issued inside the country, Minister appointed Bank Indonesia as administrative agency to implement the administration that include, among other activities ownership registration, clearing, and settlement for SBSN, both in terms of SBSN issued directly by the Government or issued by SBSN Issuing Company.
2. Bank Indonesia may request Minister to appoint another party as an administrative agency to administering activities referred to in paragraph (1).
3. In the event SBSN published abroad, the Minister appointed Bank Indonesia or other parties as administrative agency to administering activities as referred to in paragraph (1).



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4. In administering activities as referred to in paragraph (1), Bank Indonesia or other designated party shall make accountability report to the government.

Article 22

1. Minister appoints Bank Indonesia or the other as the paying agent, either in terms of SBSN issued directly by the Government or issued by the SBSN Issuing Company.
2. Minister may appoint another party as the paying agent referred to in paragraph (1) by first coordinating with Bank Indonesia.
3. Paying agent activities referred to in paragraph (1) and paragraph (2), among others, include:
 - a. Receive Benefits and / or SBSN Nominal Value from government, and
 - b. Pay Benefits and / or SBSN Nominal Value as referred to in letter (a) to SBSN holders.

Article 23

Minister may appoint Bank Indonesia as the SBSN tender agent, whether issued directly by the government or through SBSN Issuing Company.

Article 24

Minister shall determine the provisions regarding the issuance and sale of SBSN with the Minister Regulation.

Article 25

In order issuance of SBSN, Minister asked fatwa or declaration of SBSN conformity to the Sharia principles to institutions that have authority in determining fatwa concerning Sharia concepts.

Article 26

Managing and monitoring of SBSN trading activities carried out by the authorities conducting management and supervision of the capital market.

CHAPTER VIII

ACCOUNTABILITY AND TRANSPARENCY

Article 27

1. Minister shall hold the administration and held accountable for managing SBSN
2. Accountability as referred to in paragraph (1) shall be submitted as part of the accountability report for Realization of State Budget for the current year.

Article 28

Minister shall periodically publish information about:



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- a. SBSN management policies and plans which include estimation amount for SBSN issuance and the time schedule for issuance, and
- b. Amount of circulating SBSN and its composition, includes the type of currency, maturity structure, and amount for Benefits.

Article 29

In purpose of its duties and functions, the authority conducting the regulation and supervision of the capital market as referred to in Article 26 have authorization to obtain data and information on the SBSN directly from Bank Indonesia or other parties designated as SBSN administrative agency.

CHAPTER IX

PENAL CODE

Article 30

1. Any person who imitates, making false or falsified SBSN with the intent of trading SBSN imitation, counterfeit, or falsified shall be punished with imprisonment of 5 (five) years and a maximum of 10 (ten) years and a fine of at least 10,000,000.000,00 (ten billion rupiahs) and at most Rp20.000.000.000,00 (twenty billion rupiahs).
2. Any person without authority knowingly publish SBSN by this Act, shall be punished by imprisonment of at least 10 (ten) years and a maximum of 20 (twenty) years and a fine of at least Rp20.000.000.000,00 (twenty billion rupiahs) and not more Rp40.000.000.000,00 (forty billion rupiahs).

Article 31

1. In the event of a crime referred to in Article 30 carried by the Corporation that the criminal charges will be addressed to:
 - a. Corporations and / or
 - b. Person doing or giving commands either alone or together to commit a crime or acting as a principal or neglecting any prevention actions.
2. In the event that criminal charges are made against the Corporation, the principal criminal penalty be imposed only in the amount referred to in Article 30 paragraph (1) or paragraph (2) plus 1/3 (one third) of the intended penalty.
3. In addition to crime as referred to in paragraph (2) corporation was sentenced to an additional penalty in the form of revocation of their business license.

CHAPTER X

CLOSING PROVISIONS

Article 32



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This Act comes into force on the date of promulgation

For public cognizance, it is ordered that the Act was promulgated
in the State Gazette of the Republic of Indonesia.

Promulgated in Jakarta on May 7, 2008

PRESIDENT OF THE REPUBLIC OF
INDONESIA

DR H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta
on May 7, 2008

MINISTER OF LAW AND HUMAN RIGHTS

REPUBLIC OF INDONESIA

ANDI MATALATA

STATE GAZETTE NUMBER 70 YEAR 2008



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EXPLICATION
ON
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 19 YEAR 2008
CONCERNING
STATE SHARIA BOND

I. GENERAL

The successful implementation of national development programs in creating a just and prosperous society, based on Pancasila and the Constitution of the Republic of Indonesia Year 1945 should be accompanied by, among others, financial management efforts in an optimal state. This can be achieved through increased efficiency in the management of state assets and the development of financing the state budget, in order to increase the carrying capacity of the State Budget in driving sustainable economic development.

Development of alternative financing instruments of the state budget, in particular the financing instruments based on sharia principles in order to mobilize the public at large need to be implemented immediately. Financial instruments to be issued shall be in accordance with the principles of Sharia, with legal certainty, transparency, and accountability. Financing instrument development efforts based on sharia principles, among others, aims to: (1) strengthen and enhance the role of the Sharia financial system in the country, (2) broaden the basis for state budget financing, (3) create a good *benchmark* of Sharia financial instruments in Sharia market both domestic market and international market, (4) expand and diversify its investor base, (5) developing alternative investment instruments for investors both domestically and abroad who seek Sharia financial instruments, and (6) encourage the growth of the Sharia financial market in Indonesia.

The concept of Islamic finance is based on the principles of morality and justice. Therefore, in accordance with the basic operations of Islamic Sharia derived from the Qur'an and Hadist and Ijma, Islamic financing instruments should be aligned and meet Islamic principles, which include transactions made by the parties must be fair, lawful, *thayyib*, and interests. In addition, financial transactions in accordance with Islamic sharia restriction should be free of the following elements: (1) *Riba*, i.e is the element of interest or *return* obtained from using money to make money (*money for money*), (2) *Maysir*, i.e is an element of speculation, gambling, and the attitude of *gravy*, and (3) *Gharar*, which is an element of uncertainty which include those relating to delivery, quality, quantity, and so on. Another characteristic of the issuance of Sharia financial instruments that require the transaction support (*underlying transaction*), the procedures and the mechanism is specific and different from financial transactions in general. Therefore, given the financial instruments based on sharia principles are very different from conventional financial instruments, for the purpose of issuance of Islamic financing instruments such adjustments should be made specifically, both concerning the instruments and other devices deem necessary.

One form of Islamic financial instruments that have been widely published both by the Corporation and the state are securities based on sharia principles, or internationally known as *Sukuk*. This particular Sharia financial instrument is



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different from conventional securities. Another principle difference between Sharia securities using concepts Benefits not Interest as well known in the conventional financial instruments and the need for a certain number of assets that are used as a basis for conducting transactions using Akad (Agreement) based on Sharia principles.

Method or sharia financing structure basically follows Akad used in the transaction. Several types of Agreement that can be used in the issuance of Sharia securities, among others, include Ijarah, Mudarabah, Musharakah, *Istishna* ', and another Agreement does not conflict with Islamic principles, as well as a combination of two or more of these Akad.

Along with the increasingly widespread use of Sharia principles in financial markets at domestic market and abroad, which is characterized by more and more countries issuing Sharia-compliant financing instruments and the increasing number of investors in Sharia financial instruments, Indonesia needs to harness the momentum by issuing SBSN both in domestic and in international markets as an alternative source of financing. This is consistent with the limited carrying capacity of the State Budget to drive sustainable economic development and not yet optimal utilization of other financial instruments. With increasing instruments of Government Securities consist of Government Securities and SBSN expected government's ability in managing the state budget, particularly in terms of financing will increase. In addition, the SBSN will be able to meet the needs of the investment portfolio of Sharia financial institutions including Sharia banking, Sharia mutual funds (reksadana) and Takaful (Sharia insurance). With increasing number of financial instruments based on Islamic principles, is expected to drive growth of Islamic financial institutions in the country. Accordingly, in order to provide the legal basis for the issuance of financial instruments based on Islamic principles and to support the development of the Islamic financial market especially in the country, need to do the preparation of the Law on State Sharia Bond, which specifically regulate the issuance and management of SBSN.

SBSN is a securities denominated in rupiah and foreign currency based on sharia principles issued by the Republic of Indonesia, either directly carried out by the Government or through SBSN Issuing Company, as evidence of part of the assets SBSN inclusion, and must be paid or guaranteed payment of Benefits and Nominal Value by the Republic of Indonesia, according to the terms of the agreement governing the issuance for SBSN.

Law on State Sharia is largely set things up as follows:

- a. SBSN management transparency in fiscal policy framework and SBSN market development policies to set further issuance goals and the type of Akad used;
- b. Government authority to issue SBSN, either carried out directly by the Government are delegated to the Minister, or implemented through SBSN Issuing Company;
- c. Government authority to use the State Property as a basis for the SBSN issuance (*underlying asset*);
- d. Government authorities to establish and assign the legal entity that will carry



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out the functions as SBSN Issuing Company;

- e. Trustee authority to act on behalf of the interests of SBSN Holders;
- f. Government authorities to pay all obligations arising from the issuance of SBSN, whether issued directly by the government or through SBSN Issuing Company, in full and on time until the expiration of such obligations, and
- g. Legal basis for further regulation on procedures and mechanisms in Issuing SBSN in Initial Market and SBSN trading in the secondary market in order to obtain certainty for investors had traded SBSN easily and safely.

II. PER ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

SBSN with Clearing Account Letter is securities based on sharia either a certificate on behalf of or at designation. Certificate in the name of the certificate owner's name is listed, while the bearer certificate is a certificate that does not include the owner's name so that Every Man who is holding it considered as their respective owners. SBSN without paper or *scriptless* securities is based on sharia principles whose ownership is recorded in electronic database (*book-entry system*). In terms of paperless SBSN, proof of ownership is authentic and legitimate ownership records electronically. How to electronically record the administration intended to as proprietary data (*registry*) and SBSN trading settlement in the secondary market can be organized in an efficient, fast, secure, transparent, and accountable.

Paragraph (2)

SBSN In-Traded is SBSN traded on the secondary market both at domestic market and abroad. Trading can be done through the stock exchange and / or outside the stock exchange which is called *over-the-counter* (OTC). SBSN shall not be traded are (1) SBSN that shall not be traded in the secondary market and are usually issued specifically to certain institutional investors, both domestic and foreign, who are interested to have SBSN according to the specific needs of its investment portfolio and (2) SBSN with its nature of issuing Akad shall not be traded.

Article 3

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.



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Letter e

Self-explanatory.

Letter

f

SBSN Akad (Agreement) Combination among others can be done between the Mudarabah with Ijara, Musharaka with Ijara, and *Istishna* 'with Ijarah.

Article 4

The term "finance construction of the project" is to finance development projects that have been allocated in the State Budget, including infrastructure projects in the sectors such as energy, telecommunications, transport, agriculture, manufacturing, and public housing.

Article 5

Self-explanatory.

Article 6

Paragraph (1)

SBSN issuance by the Government either directly or through SBSN Issuing Company is conducted for the benefit of the Republic of Indonesia. In practice, Issuing SBSN can be done at domestic and abroad. SBSN issuance through SBSN Issuing Company can only be done in terms of SBSN structure require a *Special Purpose Vehicle* (SPV).

Paragraph (2)

Self-explanatory.

Paragraph (3)

The Minister shall determine all matters relating to SBSN issuance policy, including Issuing the indicative target number, date of publication, Issuing methods, denominations, Akad structure, *pricing*, and other matters contained in the terms and conditions (*terms and conditions*) of SBSN. Thus, SBSN Issuing Company authorization is limited only to publish SBSN.

Article 7

Paragraph (1)

Government coordinating with Bank Indonesia at the beginning of the year when planning to issues SBSN, as an integral part of plan for issuance of State Bond for one fiscal year. Coordination is intended to evaluate the monetary implications of issuance of State Bond, so that the alignment of fiscal policy, including debt management and monetary policy can be achieved. Opinions from Bank Indonesia became input into decision-making by the Government to issuance of State Bond can be done on time and done with terms acceptable to the market and provide benefits for both the Government and public.

Paragraph (2)

Coordination with the minister responsible for national planning



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includes the type, value, and timing of the project. Projects to be funded are an integral part of the State Budget Program.

Article 8

Paragraph (1)

The approval was preceded by proposing the issuance and repayment plans and / or repurchase delivered concurrently with the delivery of the Draft Memorandum of Finance and Budget of the State, to the House of Representatives, in this case the House of Representatives fittings in charge of finance, for obtaining approval.

Paragraph (2)

Self-explanatory

Paragraph (3)

What is meant by "certain things", among others, is Issuing SBSN in order to cover the budget shortfall financing, project development, and / or Government Securities portfolio management by the end of the fiscal year due consideration of the conditions and financial market developments that shall not be anticipated in advance so that the approved State Bond Maximum Net Value, can be exceeded.

Article 9

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

All Benefits obligation and Nominal Value arising from SBSN issuance allocated in the Budget of the State each year until the end of the obligation. Estimated funding needs to be allocated for the payment of the obligation for one fiscal year submitted to the House of Representatives to be taken into account in the State Budget for the current year.

Paragraph (4)

Self-explanatory.

Article 10

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

What is meant by "land and / or buildings" including all projects that will or are being built.

Letter b

The meaning of "in addition to land and / or buildings" can be tangible goods and intangible goods that have economic value and / or have a flow of cash receipts.



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Paragraph (3)

Minister as State Property Manager establish in detail the type, value, and specification of State Property that will serve as SBSN Assets. Minister may issue a statement on the ownership status, usage and control of the State Property that has been listed in the Register of State Property, in term are not yet available of Usage Right Certificate or other proof of ownership on the State Property that will serve as SBSN Assets.

Article 11

Paragraph (1)

Transfer of State Property is special and different from the alienation of State Property as stipulated in Law No. 1 of 2004 on State Treasury. The nature of the transfer in question, among others: (i) the sale and / or lease made only upon the Benefit of State Property Rights, (ii) does not occur the transfer of rights of ownership (*legal title*) of State Property, and (iii) does not occur the physical transfer of State Assets so that do not interfere with the implementation of the Government task.

Sales and rental of State Property Rights Benefits done based on SBSN Ijarah structure. Another way that is used in accordance with the Agreement for the issuance of SBSN among others, the use of State Property as part of the participation in the framework of cooperation efforts based on SBSN Musharaka (*partnership*) structure.

Paragraph (2)

Self-explanatory

Paragraph (3)

Use of State Property as an Asset SBSN not diminish the authority of the State Property agency users to continue to use the State Property in accordance with the usage initially, so the responsibility for the management of the State Property is still attached to the user agency of State Property in accordance with laws and regulations . Such Notification is not as request for approval or consideration.

Paragraph (4)

Based on the structure of SBSN Ijarah-*Head Lease Agreement and Sub Lease*, SBSN lease term on Government Assets to SBSN Issuing Company longer than the period of the lease of SBSN assets from SBSN Issuing Company to Government.

Article 12

Paragraph (1)

Other Akad for SBSN issuance are Akad other than SBSN using Ijarah Agreement, among others are SBSN using Akad Musharaka, Mudarabah, and *Istishna* '.

Paragraph (2)

Other payment obligations in accordance with Akad SBSN Issuing



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among others, the remaining repayment for SBSN Nominal Value SBSN done by amortization and Benefits are not yet paid.

Article 13

Paragraph (1)

Governments can set up more than 1 (one) SBSN Issuing Company as needed.

Paragraph (2)

Appointed SBSN Issuing Company has special characteristics that are different from legal entity Limited Liability Company, Foundation or other legal entity, known in Indonesia as up to date, it is necessary to set up specialized legal entity to fit this Act to accommodate the characteristics and objectives of the establishment of referred SBSN Issuing Company.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Accountability is only related to the operationalization of SBSN Issuing Company and execution of SBSN issuance.

Paragraph (5)

Self-explanatory.

Article 14

Paragraph (1)

Other Parties who may be appointed as Trustee, among others, are financial institutions that have received permission from the appropriate authorities and other agencies to carry out the functions as Trustee.

Paragraph (2)

SBSN Issuing Company as Trustee basically perform a legal obligation arising from the transfer of ownership of an asset Benefits Rights of the Government to other parties who act as Trustee for the benefit of holders of SBSN as beneficiaries.

Paragraph (3)

Other Parties who may be appointed to assist the implementation of the function as Trustee, among others, are financial institutions that have received permission from the appropriate authorities and other agencies to carry out the functions as Trustee.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Self-explanatory.

Article 18

Paragraph (1)

Self-explanatory.



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Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

When set in the Agreement, the Minister may repurchase SBSN, whether issued directly by the government or through SBSN Issuing Company, prior to maturity date. Repurchase of a portion of the Nominal Value is not accompanied by the cancellation of SBSN Issuance Akad.

Letter f

Repayment of part or all SBSN Nominal value, whether issued directly by the government or through SBSN Issuing Company prior to maturity date, can only be done if set in the Agreement (Akad).

Letter g

Self-explanatory

Paragraph (3)

Self-explanatory.

Article 19

Paragraph (1)

Minister to open an account is needed both to accommodate the sale of SBSN and to provide funds for the payment of Benefit and SBSN Nominal Value.

Paragraph (2)

The procedure for opening and managing accounts referred to in this paragraph shall comply with the legislation in the areas of state treasury, while the procedure of opening an account at Bank Indonesia to comply with Bank Indonesia regulations.

Article 20

Self-explanatory.

Article 21

Paragraph (1)

Self-explanatory.

Paragraph (2)

The appointment of another party by Bank Indonesia as administrative agency to implement the administrative activities, must first coordinate with Minister with respect to laws and regulations concerning the capital market.



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Paragraph (3)

Self-explanatory.

Article 22

Self-explanatory.

Article 23

SBSN tender conducted by Bank Indonesia up to when the Government considered to have prepared and technically able to implement the tender individually or jointly with Bank Indonesia.

Article 24

In terms of issuance and sale of SBSN, among other things, set up procedures for the implementation of the issuance and sale, including the criteria for SBSN bidders either issued directly by the government or through SBSN Issuing Company.

Article 25

The term "institution that has the authority to establish sharia fatwas in the field of sharia concepts" is the Indonesian Ulama Council or other agency designated by the Government.

Article 26

Controlling and monitoring of SBSN trading activities intended to provide protection to the interests of investors and traders. Secondly it is necessary for SBSN trading activities can be carried out efficiently and well mannered. Controlling is carried out through the issuance of various provisions, among others, regarding the transparency of the data and information on the procedure for the issuance and SBSN trading. Controlling and monitoring is an attempt to gain confidentiality in the compliance of market participants with applicable provisions.

Article 27

Paragraph (1)

Administration includes administrative activities and accounting all transactions all relating to the management of SBSN.

Paragraph (2)

Self-explanatory.

Article 28

Self-explanatory.

Article 29

Requesting data and information on the SBSN to Bank Indonesia or other parties designated as SBSN administrative agency shall be done in writing.

Article 30

Paragraph (1)

The term "imitations or counterfeit SBSN" are securities issued with forms deliberately similar or identical to the legitimate SBSN, in order to benefit both to themselves and others. Falsification of data in paperless trading SBSN, including counterfeiting as referred to in this article.

Paragraph (2)



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Self-explanatory.

Article 31

Self-explanatory

Article 32

Self-explanatory

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