Indonesia Clearing and Guarantee Corporation (KPEI)

Institutional Delivery
ACG Cross Training - Yogyakarta
According to KPEI Rules No. II-5, current Settlement of Securities Transaction on Equity is attainable to be carried out through the Custodian Bank as a Settlement Agent or known as Institutional Delivery mechanism.

**Background**

**Main Benefit**

**Efficiency Funding for Clearing Members**
Provides greater opportunities for Clearing Member reserve fund previously used as funding.

**Simplification of Settlement Process for Institutional Investors**
Custodian Banks will directly transfer the Institutional Investor’s obligation to KPEI.
Current Condition (*Funding - Sell*)

- **Institutional Investor**
  - Order
  - Confirmation

- **Custodian Bank**
  - Funding

- **Clearing Member (Sell)**
  - Matching Process
  - Confirmation

- **IDX**
  - Trade Data

- **Clearing Member (Buy)**
  - Clearing Recapitulation List

- **E-Clears KPEI**
  - Settlement Instructions

- **Clearing Member (Sell)**
  - DVP/RVP Pre-Settlement
    - Clearing Member – Custodian Bank by CBEST KSEI
  - Settlement Instructions
    - KPEI – Clearing Member

*Clearing Member (Sell) provides funds to redeem securities received on Custodian Bank to be deliver to KPEI*
* Clearing Members (Buy) provide funding to redeem securities received from KPEI to be deliver to Custodian Bank.
Institutional Delivery (ID)

Process in Clearing Member

Institutional Investor

Order

Confirmation

Clearing Member (Sell)

Matching Process

Matching Process

IDX

Clearing Member (Buy)

Process in e-Clears

Institutional Investor

Confirmation

Clearing Member (Sell)

Confirmation / Trade Allocation

Matching Process

IDX

Clearing Member (Buy)

Trade Data

Process in Clearing Member

Trading

Settlement Instruction

Confirmation

Clearing Member (Sell)

Confirmation

Clearing Member (Sell)

Affirmation

Custodian Bank

Confirmation

Clearing Member (Sell)

Confirmation

KPEI - Custodian Bank

Clearing/Settlement

Custodian Bank

Affirmation

Clearing Member (Sell)

Affirmation

e-Clears KPEI

Clearing Member (Sell)

Affirmation

e-Clears KPEI

Settlement Instruction

KPEI - Custodian Bank

= New Process
Key Success Factors

- Supports from Regulator
  Implementation of the initiative shall be encourages, and supervised by the Financial Services Authority (OJK)

- Supports from Industry: Custodian Banks
  The development of the initiative heavily relied on the cooperation of the Custodian Banks in supporting the Clearing Members to utilize Institutional Delivery as additional services for the Institutional Investor transactions.

Challenges

- Enhancement on Custodian Bank’s System
  As custodian banks will directly transfer the investors’s cash or/and securities obligation to KPEI through KPEI’s system, system enhancement are required to be completed in utilize this services.

- Adjustment to Operational Settlement procedures in Custodian Bank
  The technical procedures should accommodate both for regular settlement and settlement with Institutional Delivery (with specific procedures & time frame)
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