



London
Stock Exchange

London Stock Exchange: Building a Komodo bond market

Discover London Stock Exchange's
market leading Komodo offering

Supporting Indonesia's growth and infrastructure funding ambitions

“Investors can benefit from accessing investment opportunities in Indonesian infrastructure. Our landmark Komodo bond enables foreign investors to access high quality infrastructure to diversify their portfolios. Investors also gain access to the local currency, enabling them to gain a higher return compared to USD Bonds. IDR Bonds will effectively be rupiah-denominated funds, a proactive approach to risk management in relation to foreign currency.

The issuance of global bonds in local currency Indonesian Rupiah will diversify the investor base of public companies wishing to target investors seeking 'local currency assets' and create new funding sources. With the issuance of global IDR Bonds, or Komodo Bonds, companies have the flexibility to opt for the best funding alternatives amidst the immense funding needs for investment.”

Rini M. Soemarno, Ministry of State Owned Enterprises, Republic of Indonesia

Indonesia is one of the fastest growing economies in the G20, growing over 5%, and is expected to be a major destination for global investment flows. A driver of this positive outlook is its significant investment in infrastructure development, a key pillar of the reform agenda of the Government of Indonesia. The World Bank estimates Indonesia will need US\$500 billion infrastructure investment over the next five years to build roads, ports and bridges.

Building a Komodo bond market

“Komodo” bonds, the name by which global Indonesian rupiah (IDR) bonds are referred, could help Indonesian State Owned Enterprises (SOEs) and corporates access large scale foreign investment without foreign exchange currency risk.

With a stable fiscal policy and a recent uplift to its sovereign credit rating to investment grade, Indonesia can successfully build an offshore bond market denominated in its local currency achieving higher diversification to its global investor base.

London's expertise in helping raise capital in Indonesian Rupiah

London provides access to the deepest pool of internationally oriented capital in the world, and accounts for 70% of the secondary market turnover in international bonds.

With 17* active Indonesian rupiah-denominated bonds, London Stock Exchange is developing its leading position as the largest Komodo bond centre. Corporates, supranationals and large investment banks including Inter-American Development Bank, European Bank for Reconstruction & Development, Barclays and HSBC have chosen London to become repeat IDR issuers, raising approximately \$2bn equivalent to finance operations in Indonesia. Raising capital in London ensures issuers are benchmarked against global comparables and can reach the broadest and deepest possible range of investors globally.



* Data correct as at 12 December 2017

Our commitment to supporting Indonesian issuers

London Stock Exchange stands ready to support first-time Komodo bond issuers with Indonesia-dedicated resources, leveraging the unique experience and network it has built up at the heart of the financial community over the years.

International Securities Market – efficient, visible and liquid

International Securities Market (ISM) is an exchange-regulated market of London Stock Exchange aimed at professional investors and tailored to issuers of debt securities. It is has been designed to provide issuers with an efficient and streamlined admission process. Indonesian issuers seeking admission to ISM only need to liaise with the London Stock Exchange.

Issuers joining ISM benefit from London Stock Exchange's distinguished reputation, heritage, and status. Due to its flexibility, ISM's innovative Rulebook allows international issuers to utilise local GAAP accounting standards when producing financial disclosure.

The Primary Regulation Team, with a depth of regulatory and fixed income experience utilises a customer-centric approach towards admission to trading to the ISM with a decision given within a competitive timeframe.

London Stock Exchange expertise in developing offshore currency bond market

London Stock Exchange is now the largest international centre for offshore rupee-denominated "Masala Bonds". Starting from the first Masala bond listing in London in 2007, we have been committed to developing long term strategic partnerships with issuers to ensure the success of the market and help Masala bonds evolve from a specialist to mainstream asset class.

Historically over 40 Masala bonds have been issued on our market – initially by supranational and investment banks raising funds in Indian rupee. In July 2016, the first ever Indian corporate listed a masala bond on LSE plc,

with Housing Development Finance Corp (HDFC), one of India's leading banks issuing a bond that was 4.3 times oversubscribed.

Since then, London Stock Exchange has welcomed Masala bonds from India's largest corporates, state owned companies and government agencies to fund infrastructure projects, including National Thermal Power Corporation (NTPC), National Highways Authority of India (NHAI) and Indian Renewable Energy Development Agency (IREDA). The bonds have achieved high level of investor diversification and, in specific cases, tighter pricing than on-shore paper.

Financing Infrastructure with Green Bonds

London Stock Exchange Group is a committed supporter of green financing and sees huge growth potential for the sector.

We are the first exchange in the world to launch a range of dedicated 'green bond' segments, offering issuers a flexible range of market models. A range of green transactions have been listed across LSE's markets by different institutions, including supranational, local governments and municipalities as well as corporates, many of which are world firsts in terms of currency, geography or structure.

Indian Renewable Energy Development Agency (IREDA), a state owned non-banking financial institution company which promotes, develops and extends financial assistance for renewable energy and energy efficiency conservation projects in India listed a Climate Bonds Initiative (CBI) certified green Masala bond on ISM. The transaction enjoyed high level of diversification across Asia and Europe and was 1.7x times oversubscribed.

The Western Hub for Islamic Finance

London Stock Exchange (LSE) is a key global venue for the issuance of Sukuk, having created one of the most attractive regulatory and tax systems for Islamic finance anywhere in the world. We believe Sukuk will remain a growing segment of the Islamic finance industry and LSE is committed to support the development of this asset class.

The UK government cemented Britain's position as the western hub for Islamic finance by becoming the first country outside the Islamic world to issue sovereign Sukuk. The UK's first sovereign Sukuk received very strong demand, with orders totalling around £2.3 billion, and allocations were made to a wide range of investors including sovereign wealth funds, central banks and domestic and international financial institutions.

Raising International Profile

Listing on London Stock Exchange provides issuers with enhanced visibility and additional marketing opportunities, which can be further boosted by Market Open ceremony, Investor Roundtables and Capital Market Days providing extensive media coverage in the world's most international financial centres.

Medium-term note programmes

A medium-term note (MTN) programme is an efficient way of listing debt securities. Under the umbrella of one base prospectus, a number of notes can be drawn down in a cost effective manner. MTNs are most similar to revolving credit lines as they enable issuers to take advantage of changes in market conditions and are a convenient cash flow management tool, allowing quick access to funds.

For MTNs on ISM, LSE approval is required for the base prospectus only. Subsequent draw-down issues are allowed at any time during the one year validity period of the prospectus, subject to publication of a relevant Pricing Supplement by 2pm the day before the issue.

"London Stock Exchange is committed to establishing London as the global centre for Indonesian offshore rupiah-denominated capital raising. Through our International Securities Market, issuers benefit from an efficient listing process and access to the deepest pool of internationally oriented capital in the world. We look forward to building this market with Indonesian partners and authorities and supporting the internationalisation of Indonesia's capital markets."

Nikhil Rathi, CEO, London Stock Exchange Plc

Case study: Jasa Marga issues world's first Komodo bond

London Stock Exchange welcomes world's first Komodo bond by an Indonesian State Owned Enterprise to its new International Securities Market



“The issuance, through London Stock Exchange, the world’s most international stock exchange, allowed Jasa Marga to further diversify its funding sources, having tapped the local markets through securitisation and project bond issuances earlier this year, which were also firsts in the local capital markets.”

Desi Arryani, CEO, Jasa Marga

Use of Proceeds

Proceeds will be used to finance capital expenditure, working capital and other general corporate purposes.

Transaction Details

Bond Details	Geographical Distribution	Investor Distribution
Company: Jasa Marga (Persero)	Indonesia: 15%	Fund Managers: 84%
Issue date: 12 December 2017	Rest of Asia: 40%	Banks / Public institutions / Private banks: 16%
Issue size: IDR 4 tn	U.S.: 26%	
Coupon: 7.5%	Europe: 19%	
Maturity: 3-Y		
Market: ISM		

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