

Press Release

25 October 2018

## **Maybank Provides First ever Sharia Hedging Financing of USD128 million in Indonesia to PT SMI**

Maybank Indonesia has successfully arranged Indonesia's first ever Sharia hedging facility worth USD128 million for PT Sarana Multi Infrastruktur ("PT SMI"). The facility is in the form of a Foreign Currency Hedging iB. President Director of Maybank Indonesia, Taswin Zakaria and President Director of PT SMI Emma Sri Martini formalised the agreement for this facility in Bali Indonesia recently.

The Foreign Currency Hedging iB will be implemented through a Cross Currency Hedging iB transaction mechanism. It is a contract between two parties to execute two different foreign exchange transactions within a certain period of time based on the Sharia al-Wahawwuth al-Murakkab (Complex Hedging Transaction) or al-Tahawwud al-Basith (Simple Hedging Transaction) principles.

The benefit of the hedging product to PT SMI is to enable the company to mitigate the risk of volatility of foreign exchange within the period which it needs to pay its obligation, whether in the form of profit sharing/margin/rental as well as the principal of financing in the specified currency although the source of funds or income to pay the obligation are obtained in a different currency.

Emma Sri Martini said, "As a state-owned enterprise under the Ministry of Finance of the Republic of Indonesia, which is engaged in facilitating infrastructure financing, PT SMI has the mandate to leverage capital that is provided by the government to fulfill national infrastructure development needs. Various funding alternatives were sought by PT SMI, from the banking and capital markets as well as funding from domestic and overseas sources. The sharia hedging facility or Foreign Currency Hedging iB is a breakthrough that was achieved by PT SMI and Maybank Indonesia as it will increase foreign exchange liquidity in the domestic market as well as deepen the sharia finance market."

"Foreign Currency Hedging iB is relevant given the current foreign exchange rate volatility as it promotes risk mitigation and prudent financial management. We hope this transaction will be a pioneer for alternative funding and sound risk management of foreign exchange as it prioritises prudential principles," added Emma.

Meanwhile, Taswin Zakaria said, "The hedging partnership is a tangible manifestation of Maybank Indonesia's support to corporations, including state-owned enterprises in ensuring effective management of their financing through mitigating foreign exchange risks."

“Our partnership is in line with Maybank Indonesia’s focus to support strategic SOEs, especially PT SMI, which play an active role in facilitating Indonesia’s infrastructure financing needs, as well as in supporting the development of infrastructure projects in the country.”

“To us, this sharia hedging product is very much in line with Maybank’s mission to humanise financial services, and being at the heart of the community by providing the best services and solutions to our business partners,” added Taswin.

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