



**PT. BURSA KOMODITI DAN DERIVATIF INDONESIA**

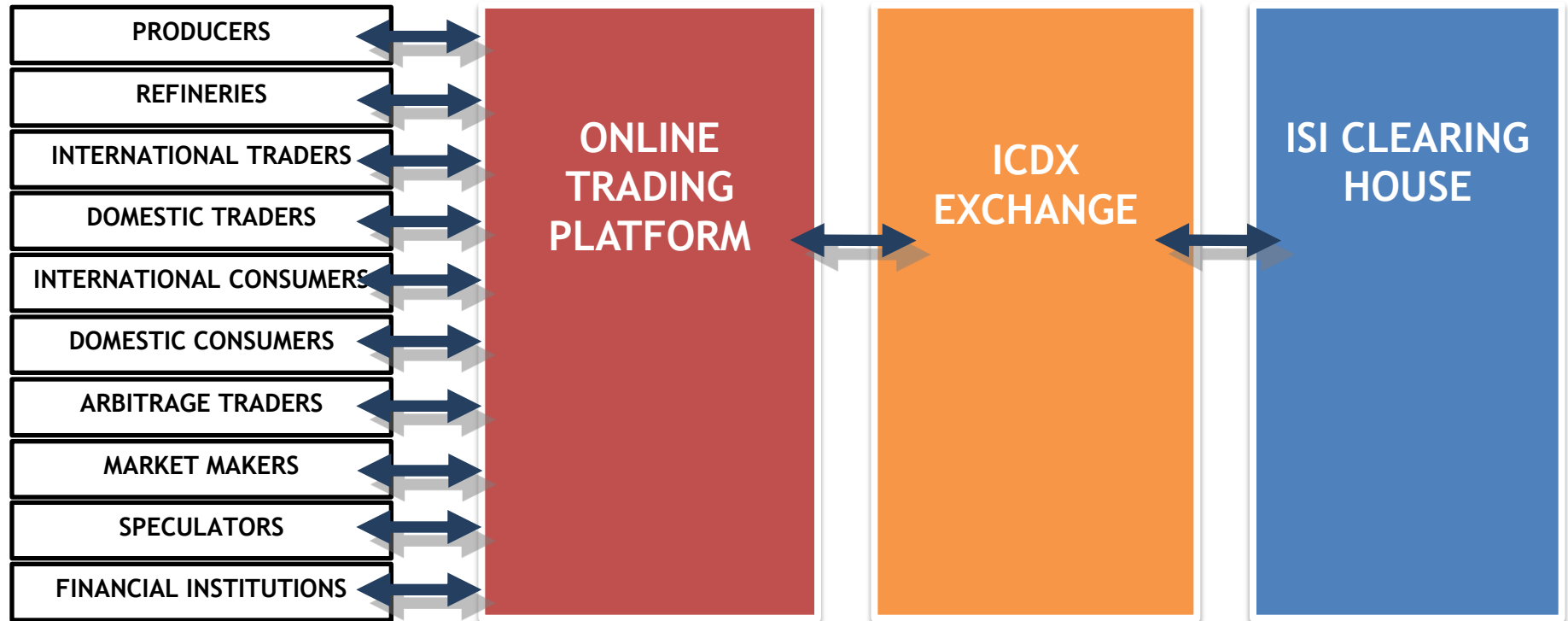
**Jakarta, 16 October 2012**

# Organizing the Commodities Markets:

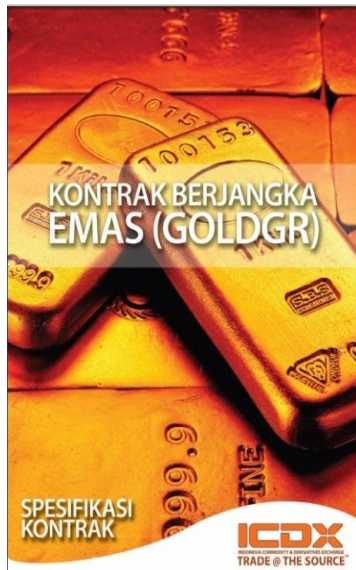
The role of large corporations,  
large commodity traders and  
commodity exchanges

# Market Structure

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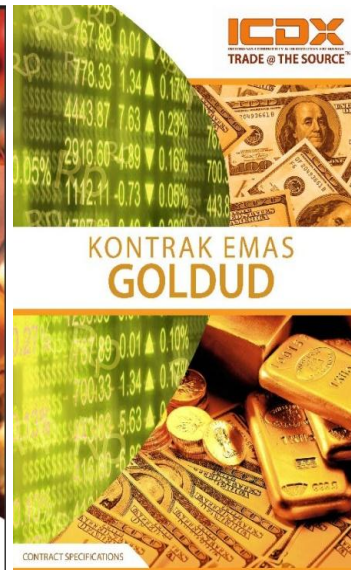
# ICDX Products



Launched on  
November  
2009



Launched on  
May 2010



Launched on  
April 2011



Launched on  
April 2011



Launched on  
December  
2011

**Over US \$17 Billion has been transacted in ICDX**

# Functions of Commodity Exchange

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- Price Discovery
- Hedging
- Other Economic functions

# Price Discovery

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- Price that is formed on the exchange becomes the reference price for the industry, including small stakeholders
- The exchange price becomes the benchmark of buy/sell price of the underlying commodities
- Through a proper price dissemination methods, small stakeholders can see a more transparent prices, which doesn't exist previously
- Case Study: The Crude Palm Oil (CPO) price in ICDX gives the market a better pricing indication on what is the current FOB price of CPO from Belawan/Dumai Port. Furthermore, the Indonesian Government has adopted ICDX CPO price as the basis of export duties calculation

# Hedging

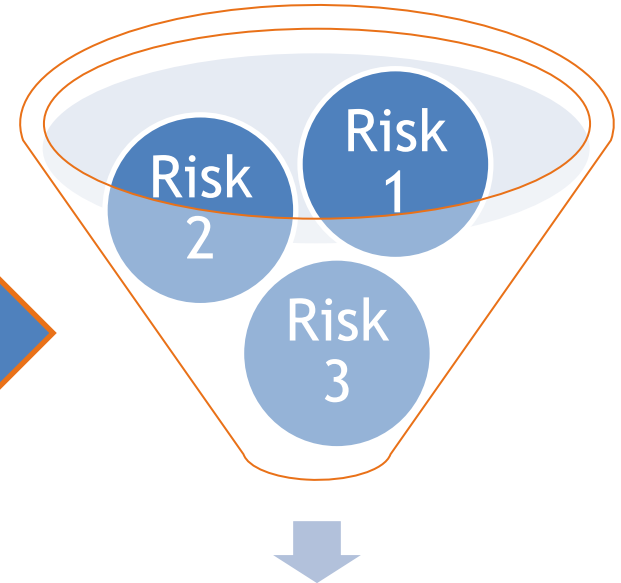
## Hedging: Focus on Competitive Advantages

Downward price risk of products

Upward price risk of raw materials

Interest rate / currency risks

Other risks



HEDGING

Corporations, traders, and industries need to focus on identifying risks and mitigate the risks to achieve competitive advantage in the market

# Other Economic Functions

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## Macro Economic View

- Providing long term signals:
  - Markets may have price expectation and reliable price quotation
  - Farmers may base their planting decisions on futures market prices
- Inflation and deflation can be monitored through the basis of futures prices
- Government can utilize commodity exchange as one of the important tools for policies making



# Continue..

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## Commodity Exchange helps the establishment of Modern Agricultural System

- Standardization of qualities: The industry is forced to improve the quality of the their products used for deliveries in commodity exchange. Typically the standards are higher than those in the spot market
- Exchange helps to streamline and define more standardized logistic process through the physical delivery that takes place when the futures month rolls over to spot months
- Corporations, traders, and market participants are encouraged to integrate futures market and spot market in their operation, which greatly enhance their ability to manage enterprise risks, monitoring productions, sales, storage, cost control, business policy and financial management

# Achieving Global Growth through Global Trade

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Commodity Exchange provides the infrastructure and facilitates efficient commodity trades, linking countries to the global arena through a transparent platform and thus promoting global growth

# The Exchange Manifesto

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- ICDX aims to deepen the Indonesian financial market by completing the availability of the full suite risk management tools covering commodities and financial contracts on a regulated and an exchange-traded platform
- ICDX has successfully launched FX Futures contract. Making it the first exchange in Indonesia to list financial contracts
- The introduction of financial contracts will provide international community a strong signal of Indonesia's commitment toward foreign investment and being pro-business
- It will also attract deeper liquidity in the commodity and capital market

# Policies to enhance the Commodity Market

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- Cooperate with international organizations
  - Partner with World Bank and Asian Development Bank
  - Collaborate with ITC in expanding opportunities to connect small producers to markets
- Promote communication and dissemination of prices through the Ministry of Trade and Local Governments
- Empower the market with successful Agri-Risk Management Pilot program
  - ICDX Road shows in major commodity producing cities

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# Thank You

**megain@icdexchange.com**

**PT. Bursa Komoditi dan Derivatif Indonesia**

**The Capitol Building, 2<sup>nd</sup> Floor**

**Jl. Letjen S. Parman Kav. 73**

**Jakarta 11410 - Indonesia**

**Telp. +62.21.29297788 Fax. +62.21. 5482652**

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