TRUE SALE ACCOUNTING ON SECURITIZATION IN INDONESIA

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Abstract
Asset securitization is one of the financing solutions. One application for the use of asset securitization is in the residential mortgage sector. Securitization in Indonesia so far has been discussed in terms of financial management and legal aspects. This article discusses securitization in Indonesia in terms of accounting perspective using PSAK 55 (Rev.2014). The accounting aspects of securitization transactions are based on the occurrence or non-occurrence of the derecognition of the financial assets securitized (true sale in accounting). The data is taken from prospectuses available on the Indonesia Stock Exchange (IDX) which are 11 securitization transactions. For each prospectus, an analysis of aspects of the true sale in accounting perspectives is carried out by studying and analyzing the assets being transacted and the transaction itself, then determining whether the transactions are true sale or not true sale in accounting perspectives. Asset securitization in Indonesia is carried out with the issuance of Asset-Backed Securities Collective Investment Contracts (KIK EBA) and Asset-Backed Securities in the form of Participation Certificate (EBA SP) with a total of 15 EBAs classes which are still traded in May 2019. Results show that twelve accounting true sale of EBA are residential mortgages backed securities (RMBS) type of asset, two non-accounting true sales of EBA are future cash flows and one accounting true sale of EBA with receivables type of asset. The accounting treatment of securitization transactions conducted by the originator and in the event of an accounting true sale and non-true sale are discussed, also the securitization accounting treatment for the originator, Special Purpose Vehicle (SPV), and investors. Broader socialization is needed so securitization can be applied in various economic activities to benefit national development in Indonesia.

Keywords: Accounting True Sale, Assets Securitization, Asset-Backed Securities

JEL Classification: G21, G24, G28
INTRODUCTION

Indonesian president elected 2014-2019, Joko Widodo, in his speech during the Submission of the Government's Statement on the Draft Law on the 2019 State Budget (RAPBN) along with the 2019 Financial Note on August 16, 2018, in Jakarta said that: a) State Budget (APBN) is arranged with prudent, realistic, and effective to advance the Indonesian development, and anticipatory domestic and global challenges, b) structural improvement is pushed as an effort to accelerate economic growth, strengthen the nation's competitiveness, strengthen economic endurance, and to strengthen the micro, small, and medium businesses, and keeping investment activity, export, and tourism as economic growth machines that create productivity, high value-added, and nation's saving, c) Government's concern about infrastructure is formed through the construction of 12,783 KM road, 11 new airports, 369 KM rail road, the 10,000 MW power plant construction phase 1, provision internet access in the non-commercial area and broadband on villages, guarantee of drinking water supply to 11 regional drinking water companies (PDAM), and guarantee of cooperation between government and the business entity. Besides that, the government has been facilitated the ownership of 781 houses for low-income people through a revolving fund, rate subsidy, down payment support, and tax incentive, d) In 2019 the government is planning to continue the construction of 667 KM national road section, 905 KM highway, 48 dams, 162,000-hectare irrigation system, and the other infrastructures, e) Find a very large funding requirement, that the development plan will be implemented through the development financing scheme of the APBN and involving the private sector.

The above development needs active participation and creativity from state-owned enterprises (BUMN) and private parties to looking for the solution of the financing development gap. There's some alternative to get infrastructure development financing, that is: firstly, do the Initial Public Offering (IPO), secondly, bond issuance, and thirdly, assets securitization. Corporations can fulfill infrastructure financing by assets securitization. Assets securitization is an alternative financing model that is prospective enough to implement. Assets securitization is one of the financial solutions that brought the capital recycling concept from productive assets and has stable cash flows (Investor, 2019). A follow-up to financing the development through assets securitization already implemented by PT Bank Tabungan Negara (BTN). The securitization fund that it gets from residential mortgage-backed securitization (RMBS) is used to build new houses to resolve the occupancy deficiency or backlog (Detik, 2019). Iman Nugroho Soeko, BTN's director explains that the securitization outcome will be used to support housing financing. Also, the Rp2 trillions fund will maintain the bank's liquidity and capital adequacy ratio (Kontan, 2019).

Securitization is a very suitable transaction model for residential mortgage (KPR) distribution that wishes to fix their capital structure. Securitization transaction is implemented by transforming illiquid assets to become liquid by selling financial assets from the original creditor and issuing EBA in the form of a KPR claim (SMF, 2019). From financial system aspect, the securities from assets securitization is also an investment alternative for the surplus in the financial market, it also can be one of central bank's monetary policy instrument, and strengthen the mechanism of transmission that finally improve monetary policy effectivity. Monetary policy that uses securities from assets securitization is expected to increase the flexibility from the source of funding channel and in the end, it can improve the financial system stability (Bank Indonesia, 2017).

Bank Indonesia provides the policy that motivates the originator to contribute to the securitization transaction. For example, at present there is a regulatory issue concerning the accounting policy that is during securitization the assets are not stated in the balance sheet (off
balance), so that will decrease Loan Deposit Ratio (LDR). It needs a certain policy to decide. PT Sarana Multigriya Financial (Persero) (SMF) is an Indonesian state-owned secondary mortgage finance company that has a license to involve in financial assets securitization. One of the challenges in securitizing assets is to arrange the assets that will be securitized. The assets should have stable cash flows to pay the yield for securities holders. Besides, the assets usually homogeneous, very safe, and have a relatively long life. Investor's interest in securities of asset securitization is relatively large. Based on the EBA KPR's buyer, most of them are institutions that need a place to invest in the form of long-term investment, like pension funds or insurance companies. This kind of investor also sensitive to the yield from securities. Socialization and introduction of the product of securitization need to be done to encourage the presence of investors (Bank Indonesia, 2017).

Until present articles concerning securitization in Indonesia discusses the management and legal aspect. There has not been any discussion of securitization from the accounting perspective so far. Therefore, it is necessary to discuss securitization in Indonesia from the accounting aspect. It also needs to explain the types of securitization assets that exist in Indonesia. This article also reviews the accounting treatment of securitization transactions conducted in Indonesia. Then in the event of a true sale transaction and the event of a non-true sale accounting treatment is necessary to be discussed for the originator, Special Purpose Vehicle (SPV), and investors side.

LITERATURE REVIEW

All securitization transactions always involve the sale of assets from the legal aspect, but it does not necessarily exist in the sale of assets from the accounting aspect. This could happen since there are differences perspectives on both aspects. Usually, the substance and form aspects go hand in hand, but when the two differ a little or a lot, then the accountant is required to prioritize the aspects of the substance rather than the aspects of the form. The principle of accounting is known as the concept of "substance over form", which means that accounting is more favoring the economic substance of the transaction than the legal form (IAI, 2016). The accounting treatment gives priority to the aspect of the substance rather than the aspect of the form, so the securitization process needs to see the securitization transaction more in the perspective of the substance rather than the perspective of the form. The difference in perspective from the legal aspect and the accounting aspect can cause a difference in the opinion, which could be, securitization transaction is a true sale (sale) according to the legal opinion, but not a true sale according to the accounting opinion. From an accounting perspective, the concept of substance is outperforming. This is the main principle that becomes the guidance for accountants when analyzing whether a securitization transaction is a loan transaction or a sale transaction. The continuation implication accounting treatment for these transactions is determined by the previous transactions. An accountant may not see the transaction from the legal side/legal treatment, but need to look far ahead when bankruptcy occurs, whether the asset is owned by the buyer, or still belongs to the seller. If the asset still belongs to the seller, the liquidator can execute the asset. However, when the asset belongs to the buyer, the liquidator cannot execute the asset (bankruptcy-remote).

There is not any specific statement of accounting treatment on securitization transactions, there is not any accounting treatment that regulates securities issuance transactions (securitization) in the Indonesian Financial Accounting Standards (SAK). The existing accounting treatment is the accounting treatment in terms of derecognition of its financial assets (derecognition), from the seller's side (originator). Furthermore, accounting standards in securitization transactions also do not regulate the sale of assets other than financial assets. Until present, there has been no sale of fixed assets that have been converted
into securities. Therefore, when sales of fixed assets occur, the accounting treatment is the accounting treatment of the sale of fixed assets, and not securitized. The transfer of rights to future cash flow or interest, which is securitized, is also not regulated in accounting standards. This is because future cash flows are not financial assets, therefore they are not recorded as financial assets until the right to collect is available, and recorded as receivables in its balance sheet statement.

Related Regulations. After the issuance of Law No. 8 of 1995 concerning the Capital Market, the government seeks to encourage the use of asset-backed securities as a source of financing for business and alternative investments, by issuing legal instruments that are in line with the characteristics of the asset-backed securities industry. The regulation regarding asset-backed securities issued through a Decree of the Capital Market Supervisory Agency Number Kep 28/PM/2003 dated July 21, 2003, concerning Guidelines for Asset-Backed Securities Collective Investment Regulations which regulate the securitization mechanism of Asset-Backed Securities (EBA) in the form of Contract Contracts. Collective Investment (KIK). Furthermore, the government through the Financial Services Authority Regulation No. 23 / POJK.04 / 2014 concerning Guidelines for Issuance and Reporting of Asset-Backed Securities in the Form of Participation Certificates in the Secondary Financing of Housing Asset securitization in Indonesia provides two schemes, namely using KIK EBA legal entities as SPV or issued in the form of Participatory Certificates (EBA SP). Each scheme has a basis in the form of provisions from Bapepam LK and the Financial Services Authority.

POJK Number 23/POJK.04/2014 concerning Guidelines on Issuance and Reporting of Asset-Backed Securities in the Form of Participation certificates in the framework of Secondary Housing Financing it is mentioned that secondary housing finance in the implementation of medium and/or long-term fund distribution activities to the Originator can be done with 2 (two) events namely; a) buy a collection of credit from the original creditor and sell it through the issuance of EBA-SP; or b) purchase a collection of creditors originating from the issuance of EBA-SP. The accounting treatment of securitization transactions is distinguished from True Sale and Non-True Sale transactions. Accounting True Sale Transactions. Bank Indonesia Regulation (PBI) Number 7/4/PBI/2015 states that the Bank can only function as the original creditor and can remove financial assets that are transferred from the balance sheet (derecognition) if it meets the conditions of true sale conditions and is not a party related to the issuer. Conditions of a sale (true sale) can only occur if they meet the requirements that all benefits obtained and or will be obtained from financial assets have been transferred to the issuer, the credit risk of the transferred financial assets has been transferred significantly to the issuer, and the original creditor does not have control, either directly or indirectly, to the transferred financial assets. The sale condition must not only be supported by an independent legal opinion but must also be accompanied by the opinion of an independent public accountant.

Financial Services Authority Regulation (POJK) Number 11 /POJK.03/2019 dated March 27, 2019, concerning Prudential Principles in Asset Securitization Activities for Commercial Banks defines asset securitization as the process of issuing securities by issuers of asset-backed securities or issuers of sharia-backed securities, which is based on the transfer of financial assets or sharia assets from the original creditor (originator) followed by payments from the sale of asset-backed securities to investors or payments from the issuance of funds. Asset-backed securities are defined as securities issued by issuers based on financial assets transferred by the originator. The Government (OJK) is aware that EBA, which is a product of asset securitization activities, is important since the product can be an alternative investment for deepening financial markets in Indonesia. Therefore, effectively on March 27, 2019, OJK revoked PBI Number 7/4/PBI/2005, the Prudential Principle in Asset Securitization Activities
for Commercial Banks and replaced it with POJK Number 11/POJK.03/2019 concerning Prudential Principles in Asset Securitization Activities for Commercial Banks. One important change of this regulation is in articles 4 and 5 which no longer require the opinion of an independent public accountant as a condition of the true sale. But opinions from an independent legal perspective is still required.

Type of securitization assets. Kothari (2006) classifies several securitizations based on their collateral assets and cash flows generated by the securitized assets. There are 11 (eleven) types of securitization, 1) RMBS (Residential Mortgage-Backed Securitization), 2) CMBS (Commercial Mortgage-Backed Securitization). CMBS is securitization supported by commercial property loans (shared apartments, condominiums, shop houses, hotels, restaurants, hospitals, warehouses, or offices), 3) Credit cards. Credit Card Securitization is securitization with the support of credit card loans, 4) Auto loan vehicle leasing. Auto loan securitization is securitization supported by vehicle leasing loans, 5) Equipment leasing. Equipment lease securitization is securitization with equipment leasing asset support, 6) CDO (Collateralized Debt Obligations) is the generic name of CLO (collateralized loan obligations) and CBO (collateralized bond obligations). Collateralized Loan Obligations are securitizations whose collateral is in the form of loans (not bonds). Collateralized Bond Obligations are securitizations similar to CLO, but in CBOs it is easier to get the market price since the collateral is bonded rather than notes and Re-securitizations. Re-securitization is the activity of securitizing securitized assets (securitization of securitization), 7) Asset-backed commercial paper (ABCP). ABCP is a tool used by banks to oversee operating assets of entities such as accounts receivable which are securitized, 8) Future flows securitization. This security is used to securitize future cash flows, 9) Whole business asset-backed securities are also called Whole business and Operating Revenues Securitization (WBORS) which bases its collateral on the entity's business value (residual value of the business), 10) Other types of assets securitized (other classes of asset securitization) are collateral securitizations of types of assets that are not included in the asset groups above. For example, intangible asset-backed assets, such as copyright and royalties, or non-performing loans. 11) Synthetic securitization is securitization that is a derivative backed from assets or as a tool to transfer risk. is a transfer of financial assets from the originator.

Parties involved. The parties involved in securitization transactions are 1) EBA or Sharia EBA Issuers are legal entities, Asset-Backed Securities Collective Investment Contracts (KIK-EBA) or Sharia Asset-Backed Securities Collective Investment Contracts (KIK-EBAS), issuers of asset-backed securities in the form of participation certificates (EBA-SP) or sharia asset-backed securities issuer in the form of a participation certificates (EBAS-SP), special purpose entities or other forms following statutory regulations, which have the specific purpose of carrying out Asset Securitization activities. 2) Initial Creditors are a) Parties transferring financial assets or sharia assets to Issuers, or b) Parties that sponsor special purpose entities in the issuance of Asset-Backed Commercial Paper (ABCP) securities or other similar securities which aim to take after exposure from third parties. 3) Reference Entity. A reference entity is a party that is in debt or must pay (obligor) from an underlying financial asset or sharia asset, including a,) Issuer of securities in the case of an underlying Islamic financial asset or asset. (underlying) in the form of securities; or b) the party that is obliged to pay off in the case of an underlying financial asset or sharia asset in the form of credit or financing, or an equivalent bill. 4) Credit Enhancement Providers are parties that provide credit enhancements. 5) Liquidity Facility Providers are parties that provide liquidity facilities. 6) Service Providers (Servicer) are parties who provide services, administer, process, supervise, and perform other actions in pursuing a smooth flow of cash assets or sharia assets transferred to the Issuer following the agreement between the service provider (Servicer) and the issuer, including
giving a warning to the reference entity (Reference Entity) in the event of late payment, negotiating and settling claims, 7) Investor is a party that buys EBA or EBAS, and 8) Custodian Bank is a bank that provides EBA or EBAS deposit services and assets and other services relating to asset securitization following statutory regulations.

Benefits of securitization. There are many benefits of securitization for financial institutions (Bank Indonesia, 2017), namely 1) Improving the intermediation function because of getting additional sources of funds that can be used for lending; 2) Better asset management and asset liability management (ALM) by mitigating the risk of maturity mismatch arises. At present, financial institutions generally obtain short-term funding sources to finance credit, but by securitizing assets, it will get a long-term source of funds; 3) Diverting credit risk. Financial institutions will be avoided from potential debtor defaults because, with the concept of selling off assets (true sale), the default risk will automatically go to investors; 4) Improve cash flow and financial ratios, especially on capital ratios and profitability. Reducing outstanding credit will reduce the amount of Risk-Weighted Assets (ATMR), while the amount of fixed capital will boost the Capital Adequacy Ratio (CAR) ratio. Besides, financial institutions will get fee-based income for EBA management services (role as servicer). Against the backdrop of the global economic crisis in 2008 due to sub-prime mortgages, the Basel Committee on Bank Supervision (BCBS) in 2014 renewed the Basel Securitization Framework: regulatory capital requirements and risk weights which are part of Basel III and are planned to be effective in 2018. With the renewal of the securitization framework, BCBS is trying to improve the weaknesses in the Basel II securitization framework through a simplified hierarchy in determining the rating approach used, reduction depends on the rating approach by using the services of an external rating agency, and improve risk sensitivity by balancing the weighted risk weighting between highly rated securitization and low-rated securitization, 5) Helping to reduce the effects of authority regulations such as capital requirements, the establishment of minimum statutory reserves (reserve requirement)/reserve requirements, and payment insurance premiums for third party funds (DPK) to guarantee institutions. Considering that the source of funds does not come from DPK, banks avoid the obligation to establish a reserve requirement and do not need to pay a premium to the Deposit Insurance Corporation (LPS); 6) Originators can increase their profile in the capital market while opening opportunities for developing new business lines. Besides, financial institutions that can form certain types of assets efficiently can increase their market share in certain business lines without creating a balance sheet concentration; 7) For originators of smaller scale, asset securitization transactions can often provide funding sources at a lower cost than if the originator issues his debt securities directly; 8) The ability to make "securitized" asset securitization transactions to meet various investor needs, coupled with various possibilities to strengthen the asset securitization product with credit enhancements, provide an opportunity for the originator to have access to a broader and more diverse investor base; and 9) Through asset securitization, some or most of the credit risk that may arise from the collection of pledged assets is transferred to the capital market, with risk exposure to the originator is limited only the portion held by the originator as part of credit enhancement.

The securitization benefits for investors (Bank Indonesia, 2017) is 1) Providing an alternative investment with a better risk level because the return on investment depends only on cash flow on credit/debit bill payments and does not depend on the performance of financial institutions as credit/debt suppliers (originator). In this case, it differs from bonds whose return on investment depends on the performance of the bond issuing company; 2) The existence of the principle of bankruptcy remoteseness, making investors' positions secure because they are not exposed to the risk of loss if the originator goes bankrupt; 3) Has an underlying asset portfolio in the form of strong credit/debit bills, according to the criteria of credit/healthy debt
issued by arranger/investment manager/rating agency; 4) Investment instruments with high rates and certainty in periodic payments of principal and interest and can be traded on the secondary market; 5) Institutions that become investors, both banks and non-banks, use asset securitization products as instruments to diversify their investment portfolios and exposure to various types of assets, industries, and the economic portion of the real sector while still earning favorable yields and following their risk profiles. By diversifying, investors can manage their exposure so that it is limited to the type of product or region or level of liquidity or other characteristics to meet the diversified needs of the investors' portfolios. The results of pooling, tranching and credit enhancement in asset securitization products can be combined and matched to meet the various needs of different investors. The flexibility of the structure can benefit and meet the needs of investors that are limited by the principle of prudence or investment criteria such as investing only in securities that have investment-grade; 6) The ability of securities products to customize the time, the level of risk, yields, coupons, type of collateral, and credit quality allows investors to adjust between the required asset securitization products and their asset-liability profile. This is especially important for institutional investors such as insurance companies and pension fund management institutions that focus their investments on long-term instruments. Flexibility in structuring the determination of the maturity of the cash flows associated with each tranche of securities provides a way to adjust the risks arising from the mismatch between their assets and liabilities, and assist in the management of their assets (ALM) (especially in the medium term) which is generally contained in the tenor of EBA products; 7) Also ALM, securities also offer institutional investors a variety of opportunities for diversification in the sector/class of assets that if not through asset securitization they cannot invest, such as the Small Medium Enterprise (SME) sector. Funding directly to SMEs is principally difficult for institutional investors to do in the current condition due to lack of expertise, infrastructure, historical information on SME performance, lack of liquidity in the secondary market and other causes. With asset securitization, a bridge between institutional investors and SMEs can be formed, open opportunities for long-term funding in the real economy sector and facilitate SME financing by institutional investors or other alternatives such as hedge funds; 8) With monetary stimulus around the world to push bond yields to a lower level, the presence of asset securitization products automatically help investors who are looking for higher yields. This is an example of a case, especially in lower and riskier tranche structures.

Theoretically, asset securitization is a product in the capital market that is useful for bringing together those who are overfunded with those who need funds. Asset securitization is beneficial for various parties (Bank Indonesia, 2017): 1) Can change less liquid assets to become more liquid; 2) Can change assets that are less attractive to be easier to trade because the instruments produced from asset securitization are instruments that are easily traded; 3) For investors to expand an asset; 4) For the originator, asset securitization as a tool to transfer portfolio risk; 5) For investors who buy products resulting from an asset securitization will benefit in the form of higher interest than bank interest; 6) It is a suitable funding source for long-term loans; currently, in the banking sector the source of funds used to provide long-term credit is the source of short-term funds originating from deposits and savings, this causes an inadequate source of funding. With asset securitization, companies can match funding to corporate funding strategies; 7) Asset securitization can move accounts receivable from the original creditor’s balance sheet or known as an off-balance sheet transaction. This makes the original creditor does not bear the burden of the receivables and reduces the pressure on the required capital ratio adjustment and facilitates the calculation of capital adequacy; 8) Make the company withdraw funds by selling its receivables without needing to add new obligations. For private companies, asset securitization can be used to issue debt securities without the need to disclose a capital market standard disclosure to the public (public disclosure); 9) The
existence of diversified sources of financing which so far only comes from the capital and debt is increased by securitization of these assets. For banks securing KPR assets, their fee-based income can come from originating fees or service fees or custodian fees (Bank Indonesia, 2017).

METHODS

This study is a qualitative study with a documentation study to be able to describe aspects of the true sale in accounting in securitization transactions in Indonesia. The data is taken from prospectuses available on the Indonesia Stock Exchange (IDX) which are 11 securitization transactions. For each prospectus, an analysis of aspects of the true sale in accounting perspectives is carried out by studying and analyzing the assets being transacted and the transaction itself, then determining whether the transactions are true sale or not true sale in accounting perspectives. The analysis was limited to EBA classes traded on the IDX in May 2019. There were 11 EBA transactions traded with 15 EBA classes since in one EBA transaction there could be more than one class traded. Originators who conducted securitization transactions in this study were PT Bank BTN (Persero), PT Bank Mandiri (Persero), PT Indonesia Power, PT Jasa Marga (Persero), and PT Garuda Indonesia (Persero).

RESULTS

The following Table-1 shows that there are 15 classes of securitization's SPV traded currently in Indonesia. The types of securities that are transacted primarily are 12 RMBS (80%) in the form of KIK EBA and EBA SP; and one KIK EBA with leasing receivables as the financial asset (DIPP01) and two KIK EBA of future cash flows (MGIA01 and MJAG01). Furthermore from the 15 SPV securitization in Indonesia that were still active traded in May 2019, 2 securitization transactions were not accounted for true sales in accounting perspectives (does not meet the derecognition criteria) which are future cash flows of Garuda Indonesia Jakarta Jeddah Ticket (MGIA01) and future cash flows of Jagorawi Toll Road (MJAG01), the rest were true sale transactions (meet the derecognition evaluation based on PSAK 55, Rev.2014):

Table-1:
**SPV Securitization Traded in Indonesia (May 2019)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Code</th>
<th>Name</th>
<th>Outstanding Value</th>
<th>Due date</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DBTN03</td>
<td>EBA Danareksa BTN 03 - KPR Class A Year 2012</td>
<td>17.254.725.600</td>
<td>Jan 7, 23</td>
<td>idAAA</td>
</tr>
<tr>
<td>2</td>
<td>DBTN04A2</td>
<td>EBA Danareksa BTN 04 - KPR Class A Series A2</td>
<td>55.680.565.200</td>
<td>Des 27, 19</td>
<td>idAAA</td>
</tr>
<tr>
<td>3</td>
<td>DBTN05A2</td>
<td>EBA Danareksa BTN 05 - KPR Class A Series A2</td>
<td>331.007.230.000</td>
<td>Sep 7, 25</td>
<td>idAAA</td>
</tr>
<tr>
<td>4</td>
<td>DIPP01</td>
<td>EBA Danareksa assets of Indonesia Power PLN1 – account receivables Class A</td>
<td>2.898.456.480.000</td>
<td>Sep 19, 22</td>
<td>idAAA</td>
</tr>
<tr>
<td>5</td>
<td>MGIA01</td>
<td>EBA Mandiri GIAA01 - Securities Right to Ticket Sales Class A</td>
<td>1.800.000.000.000</td>
<td>Jul 27, 23</td>
<td>idAA+</td>
</tr>
</tbody>
</table>
The real benefit of the securitization is real in practice as stated below concerning the increasing of Capital Adequacy Ratio (CAR), originator fee received, and also the liquidity result from the securitization process. PT Bank Tabungan Negara (Persero) Tbk (BTN) is increasing it towards the end of the year. Efforts to increase the capital adequacy ratio to maintain the credit rate was carried out by securitizing the KPR assets. Bank BTN Director of Finance, Planning & Treasury, Nixon LP Napitupulu said, amid a fluctuating IHSG (CSPI), EBA-SP SMF-BTN 05 which has a 9.09 year weighted average life could be an investment option for investors. This is BTN Strategy "Especially with the AAA rating, the EBA-SP can provide additional spreads between 195-197 basis points (bps) when compared to state debt instruments with the same tenor". By releasing the Asset-Backed Securities Participation Certificate (EBA-SP), said Nixon, BTN was able to increase Capital Adequacy Ratio (CAR) by around 0.08 percent after securitization transactions. "This improved CAR has made BTN more free to expand public housing loans which have been its main business," said Nixon. Nixon said the funding obtained through this corporate action did not need to be returned because BTN sold off a good quality mortgage portfolio (true sale). Being an originator, Bank BTN also has the potential to reap non-interest income or fee-based income of approximately Rp 23 billion per year," he said. OJK has also set EBA-SP as a good product choice for investors. This is by a letter from the Financial Services Authority (FSA) regarding an appeal letter to place funds in Asset-Backed Securities in the form of Participation Certification (EBA-SP) issued by the Housing Secondary Financing Company (Ulya, 2019).

Praditya (2018) stated that KIK EBA GIAA01 is the first instrument of securitization of financial assets in Indonesia that makes the right of income from the sale of airplane tickets as collateral. Revenues from ticket sales that are pledged are Jeddah and Madinah flight routes. Serpent Inten Cahyani (Indonesia Power's CEO) said: "this securitization is a form of funding diversification for the company. Acting as EBA Investment Managers are PT Danareksa Investment Management and Custodian Bank PT Bank BRI (Persero)” (Zafna, 2017 and Indonesia Power, 2017). In terms of investors, investment in EBA will provide competitive returns with more predictable cash flow, an alternative investment in financial instruments and the need for rapid principal returns, especially with the principal amortization structure. For countries, this securitization can be alternative funding in the infrastructure sector (Zafna, 2017).
According to the plan, the results of this securitization by Bank BTN will be used to support housing finance which is the company's core business to succeed in the One Million Homes Program. The national housing program requires substantial long-term funding. This listing is an active role of SMF and Bank BTN in supporting the growth of the Housing Finance Market in Indonesia to realize decent and affordable housing ownership for the people of Indonesia (BTN, 2017 and SMF, 2019). The fund received from securitization in PLN will be used to support the construction of several new plants, including Surabaya PLTU units 9 and 10 with a capacity of 2 x 1000 MW (Zafna, 2017). This all proved that securitization is newly alternative funding to support the development of Indonesia. Furthermore, the benefits of securitization for the Capital Market (Bank Indonesia, 2017) are 1) one of the developments of investment products in the capital market based on portfolio assets that can be traded on the securities secondary market and 2) provides alternative investment products for investors.

DISCUSSION

Securitization in Indonesia is regulated by Financial Services Authority (OJK) through the POJK Number 11 /POJK.03/2019 dated March 27, 2019, concerning Prudential Principles in Asset Securitization Activities for Commercial Banks. The accounting aspects of securitization in Indonesia are regulated by PSAK number 55 issued by the Indonesian Institute of Accountants (IAI) in 2014 concerning Financial Instruments: Recognition and Measurement paragraphs 15 to 37. The securitization mechanism is presented in Figure-1 below. There are 8 (eight) steps to the securitization process.

**Securitization Mechanism.** The securitization mechanism is as follows (Figure 1): 1) The investment manager together with the custodian bank makes a contract to create/establish a Special Purpose Vehicle (SPV). 2) In the SPV the investment manager will be authorized to manage the investment portfolio of financial assets, whereas the custodian bank will be authorized to carry out the safe keeping of financial assets. 3) The investment manager negotiates with the initial creditor to purchase the financial assets they hold. 4) SPV issues debt certificates (Asset-Backed Securities/EBA) that are a debt to SPV and other EBA certificates which are equity in nature. 5) The initial creditor sells/transfers his financial assets to SPV. 6) Debtors of the financial assets sold, pay off their obligations to the original creditor, and the initial creditor transfer the amount in a passthrough since the financial assets and cash flows arising from the financial assets belong to the SPV. 7) For the management of these financial assets, the initial creditor gets a fee as a service provider (servicer). 8) SPV manages the funds it receives from the debtor through the service provider and then uses the funds to pay off the EBA certificates that are in debt to investors. 9) When all debt EBA certificates received by SPV from investors have been fully paid, all rights to assets existing residuals in SPV becomes the property of EBA holders in the form of equity (like shareholders in a limited liability company).

**Figure-1. Securitization Mechanism (processed, IAI, 2014)**
In more complex transactions the portfolio of financial assets can consist of financial assets in the form of bills arising from commercial paper, credit card bills, bills that arise in the future (future receivables), lending including loans for housing or apartment ownership, debt securities that are guaranteed by the government, a means of increasing credit (credit enhancement), as well as equivalent financial assets and other financial assets related to these financial assets. The structure of certificates from SPV can also vary with senior, mezzanine, and junior tranche (type).

**Analysis of true sale accounting.** The evaluation to determine whether the transaction is accounting true sale or non-accounting true sale transaction is carried out using the step for the derecognition of financial assets as regulated in PSAK 55 paragraphs 15-37. Basically, in a simple financial transaction, it is not difficult to determine whether the financial assets are derecognized if the seller or producer receives cash in the case of paying off their receivables, then there is no longer the right to receive cash from these financial assets, and therefore these receivables are no longer recognized as financial assets or in other words, the said financial assets are derecognized. However, in practice, many transactions are more complex or very complex and as a result, the derecognition requirements in PSAK 55 (2014 revision): Financial Instruments: Recognition and Measurement, become very complex following the conditions of practice. PSAK 55 (revised 2014), specifically paragraphs 15 to 37 contains a set of requirements that apply to the derecognition of all financial assets, ranging from simple derecognition of financial asset transactions such as receivables due to the more complex derecognition of financial assets including for securitization transactions in financial assets.

The flowchart below summarizes the requirements of PSAK 55 (revised 2014) in terms of evaluating whether, and to what extent, financial assets are derecognized. Each transaction is analyzed using the strict sequence specified in the flowchart below. There are two separate approaches for evaluating the derecognition of financial assets based on PSAK 55 (revised 2014), namely the "Risk and Benefits Approach" and "Control Approach". The Control Approach can only be used in the Risk and Benefit Approach does not provide a clear answer to the termination of financial asset recognition transactions. Therefore, an evaluation using the Risk and Benefits Approach must be done first. Detailed explanations of the two approaches have also been illustrated in a flowchart. The flowchart below in Figure 2, illustrates the evaluation process to determine whether and to what extent a financial asset is derecognized.

Step 1: Consolidate all subsidiaries. An entity is consolidated if the substance of the relationship between an entity indicates the entity’s control of another entity. PSAK 65 concerning Consolidated Financial Statements discloses that control can arise when the controlling entity is exposed or has the right to variable returns from its involvement with the control entity and can influence those returns through its power over the controlled entity. PSAK 4 on Separate Financial Statements paragraph 10 describes several situations where control can be obtained, even in cases where an entity has 50% or less voting rights in another entity. Correspondingly, an entity is referred to as a controlling entity (investor) if and only if the controlling entity (the investee) has all of the following, namely: a) Power over the control entity, b) Exposure or rights to variable returns from its involvement with the control entity, and c) The ability to use its power over the controlling entity to influence the amount of the yield of the controlling entity. Applying the concept of control requires consideration of all factors relevant to each case.

Step 2: Determine whether the termination of the recognition principle below can be applied to one part of the whole asset (or a group of similar assets). The next step is to determine whether the analysis applied is for a part of a financial asset (or part of a group of similar financial assets) or a whole financial asset (or a group of similar financial assets as a whole).
Following PSAK 55 paragraph 16, the termination of recognition requirements must be applied to part of the financial asset (or part of a group of similar financial assets) only if the part that is being considered for derecognition meets one of the following three conditions: a) The part consists only of cash flows from the financial asset (or from a group of similar financial assets) that are specifically identified, b) the part consists of only a full or pro-rata proportion of cash flows from the financial asset (or from a group of similar financial assets), and c) The portion consists of only a fully proportionate portion of cash flows from financial assets (or from groups of similar financial assets) that are specifically identified. The above criteria must be strictly applied to determine whether the termination of recognition requirements must be applied to all assets or only a portion of assets. If none of the above criteria are met, the termination of recognition requirements is applied to the financial assets as a whole (or all groups of similar financial assets).

Step 3: Have the rights to cash flow originating from the assets expired? Paragraph 17 (a) This step considers whether the contractual rights to the financial asset have expired. If it has ended, the financial assets are no longer recognized. This will happen, for example, when the credit is due, or in normal activities, by paying the full amount due, so that there are no more obligations of the debtor. Securitization transactions are not included in this group, because contractual rights to cash flows from assets remain even if the creditor no longer has rights to the cash flow from the debtor. PSAK 55 paragraph 17 states that an entity will stop the recognition of financial assets if and only if: (a) the contractual rights to receive cash flows from the financial assets, or (b) the entity transfers the financial assets, and the transfer meets the criteria for derecognition.

Step 4: Has the entity transferred all rights to receive cash flow from the asset? PSAK 55 paragraph 18 states that an entity transfers, financial assets, if and only if, the entity (a) transfers contractual rights to receive cash flows from the financial assets, or (b) retains contractual rights to receive cash flows from financial assets but also bears contractual obligations to pay cash flows received to one or more recipients through an agreement that meets the requirements (in this case a "pass-through arrangement").

Step 5: Is the entity responsible for paying cash flows from the asset following paragraph 19? PSAK.55 paragraph 18 states that an entity transfers, financial assets, if and only if, the entity (a) transfers contractual rights to receive cash flows from the financial assets, or (b) retains contractual rights to receive cash flows from financial assets but also bears contractual obligations to pay cash flows received to one or more recipients through an agreement that meets the requirements (in this case a "pass-through arrangement"). PSAK 55 paragraph 19 states that when an entity retains contractual rights to receive cash flows from financial assets (initial assets) but also bears contractual obligations to pay the cash flows received to one or more entities (final recipients), then the entity treats the transaction as a transfer of financial assets, if and only if, all of the following conditions are met: a) The entity is not required to pay the recipient end, except if the entity obtains an equivalent amount of its initial assets. Short-term advances given by an entity with the right to recover the loaned amount in full plus the outstanding interest calculated based on market interest rates do not violate this requirement; b) Entities are not permitted based on the terms of the transfer contract to sell or pledge their initial assets except to guarantee the right of the final recipient to receive cash flow, and c) the Entity is obliged to surrender any cash flows it bills for and on behalf of the final recipient without significant delay. Also, entities are not entitled to reinvest cash flows, except investments in cash or cash equivalents (as defined in PSAK 2 (revised 2009): this requirement helps ensure that the transferor no longer owns the asset. Insignificant time delays are permitted for practical reasons. This means that the transferor is not allowed to invest the funds in the medium-term investment, even if it is in the interest of the party receiving the
transfer. In this situation, the transferor only functions as the receiving agent and is no longer the owner of the financial assets.

**Figure-2: Derecognition of Financial Assets Flowchart (IAI, 2014)**

Step 6: Has the entity substantially transferred all the risks and benefits? PSAK 55 paragraph 20 states that when an entity transfers financial assets, the entity evaluates the extent to which the entity still has risks and benefits of ownership of the financial assets. In this case:

a) If the entity substantially transfers all risks and benefits of ownership of financial assets, then the entity stops the recognition of financial assets and recognizes separately as an asset or liability for any rights and obligations that arise or are still held in the transfer; b) If the entity has substantially all the risks and benefits of ownership of financial assets, then the entity still recognizes the financial assets; and c) If the entity does not transfer substantially and does not have all the risks and benefits of ownership of the financial asset, then the entity determines whether the entity still has control over the financial asset. In this case: i) If the entity no longer has control, then the entity stops the recognition of the financial asset and separately recognizes it as an asset or liability for any rights and obligations that arise or are still held in the transfer and ii) If the entity still has control, then the entity still recognizes financial assets in the amount of ongoing involvement with those financial assets. In determining whether there are transfers...
of risks and benefits to financial assets, an analysis of the extent of risks and benefits transferred by comparing conditions before and after the transfer is carried out through several cash flow scenarios. The analysis uses the following methods, assumptions, and limitations. In analyzing the variability of cash flows, several measuring instruments are used, namely: the prepayment ratio, the loss ratio (default), and Scenarios and Probabilities.

Step 7: Does the entity still substantially have all the risks and benefits? PSAK 55 paragraph 20 states that (a) an entity has transferred financial assets when there has been a substantial transfer of all risks and rewards of ownership of financial assets, and therefore the entity has stopped recognizing financial assets and recognizes them separately as assets or liabilities for each right and obligation arising out of or still being owned by the transfer and (b) the entity does not transfer its financial assets when the entity substantially still has all the risks and benefits of ownership of the financial assets, and therefore the entity continues to recognize the financial assets.

Step 8: Does the entity still have control over the asset? PSAK 55 paragraph 20 (c) states that if an entity does not substantially transfer and does not have all the risks and benefits of ownership of the financial asset, then the entity determines whether the entity still has control over the financial asset. In this case: a) If the entity no longer has control, then the entity stops the recognition of the financial asset and separately recognizes it as an asset or liability for any rights and obligations arising or still held in the transfer and b) If the entity still has control, then the entity continues to recognize financial assets as much as ongoing involvement with these financial assets. Paragraph 23 of PSAK 55 further states that determining whether an entity still has control over the assets transferred depends on the ability of the party receiving the transfer to sell the asset. If the recipient of the transfer has the practical ability to sell the asset as a whole to a party that has no special relationship and can carry out the ability independently without the need to provide additional restrictions on the transfer, then the entity no longer has control. Therefore, the entity no longer has control over the assets transferred if the transferee has the practical ability to sell the transferred assets.

The steps above are to determine whether a transaction which stops the recognition of financial assets and can be recognized as a sale (true sale) in accounting perspectives. In the event of a true sale, the originator derecognize its financial assets, and in the event of not a true sale, the originator still recognizes the financial assets in his financial statements. Since there are a lot of detail procedures to evaluate on every step as above, there is not any other evaluation on accounting true sale actually, but there are some conditions in practice that might exist to be aware and could negate the accounting true sale. That condition is 1) Agreement to repurchase it at a fixed price or the sale price plus a return, 2) Agreement to return it to the transferor, 3) Agreement to repurchase the same or substantially the same asset at a fixed price or the sale price plus return, 4) Agreement to return the same or substantially the same asset to the transferor, 5) Agreement of net cash-settled forward contract to repurchase, 6) There is a deeply in the money on a put or call options, 7) Specific agreement in a clean-up call options, 8) Specific agreement in a total return swaps or interest rate swaps.

originator. As the bank need fund to make another residential mortgage, BTN sold those pool of assets to the SPV which are KIK on behalf of investors or SMF on behalf of EBA SP holder. There is not any condition which may negate the selling process, therefore all those transactions are true sale in accounting perspectives.

In the event of KIK-EBA Danareksa Indonesia Power PLN 1-Piutang Usaha. 2017 it is more or less are the same with the securitization process of prior BTN process. There is two difference which is the type of financial asset and the portion of the pool of assets sold. In this transaction, the assets sold are only part of the total of the receivables as the pool of assets. All the rest are the same, therefore the transaction is a true sale transaction in accounting perspectives.

The analysis of KIK-EBA Mandiri GIAA01- Securities Right to Ticket Sales, 2018 and KIK-EBA Mandiri Jasa Marga 01- Securities Rights over Jagorawi Toll Revenues, 2017 prospectus these prospectuses are different from the prior. In this two prospectus clearly stated that the Garuda ticket and the toll road revenues are not recorded in the balance sheet yes. Then it is a loan that is a pledge with the specific assets which are the specific period of the revenues of Jakarta-Jeddah ticket sales and Jagorawi toll road revenues. It is, therefore, these two transactions are not a true sale in accounting perspectives.

Accounting true sale. One of the objectives of securitization is to stop the recognition (to derecognize) or to off-balance the assets owned by the originator from the statement of financial position. There are two types of the true sale in securitization transactions, namely legal true sale supported by legal opinion, and accounting true sale supported by the opinion of a public accountant (OJK, 2019). True sale can legally be interpreted as a sale within an arm's length transaction so that if bankruptcy occurs to the original owner, the asset securitized is not included in the bankruptcy folder since it has been sold to and owned by another party (Roever and Fabozzi, 2003). Accounting true sale occurs, if and only if, substantial benefits and risks or control over the asset have been transferred to the buyer (IAI, 2014). Therefore, the rules that apply in the accounting perspective receive great attention from all securitization transaction agents. This accounting treatment in Indonesia is stipulated in the Statement of Financial Accounting Standards (PSAK) number 55 issued by the Indonesian Institute of Accountants (IAI) in 2014 concerning Financial Instruments: Recognition and Measurement paragraphs 15 to 37. The main issue of concern in the accounting area is the substance of the derecognition of securitized financial assets (off-balance-sheet) from the entity's financial position statement. If the assets have been sold, then all cash flows benefit and all risks that occur in the future are also not recorded anymore, since they have been sold or off-balance sheet. Conversely, if in the process of securitization, it turns out that there is not any sale occur or there are not any transfers of financial assets, then all cash flows and all risks that will occur in the future will be recorded in the entity's (originator) book balance because substantially there are no asset sales (no off-balance sheet). If there is not any sale transaction, then the securitization transaction is recorded as a loan transaction with a guarantee of the financial assets. The originator entity will record the transaction as a loan transaction with collateral. Therefore, the main issue of concern to securitization in accounting perspectives is whether there has been a substantial sale or transfer of financial assets.

Accounting treatment for the sale of assets and loans. The two main questions in the accounting perspective of securitization transactions are 1) has an asset being sold, and 2) is there a profit or loss on the sale of the asset? The Originator will stop the recognition of its assets (remove from the statement of financial position) if the sale of the financial asset occurs, and will recognize the profit or loss on the sale transaction. On the other hand, the special purpose vehicle (SPV) or a special entity for securitization transactions that buys the asset, will
record the assets bought at the acquisition price. An originator will not stop the recognition of its assets if the sale of financial assets does not occur, and profit or loss certainly does not exist, since there is not any sale of assets exist. The originator will record the receipt of funds from the buyer as a loan. On the other hand, SPV will continue to recognize the transaction as a financial asset that was purchased at the acquisition price. There are two ways to determine whether a sale has occurred or not, using a risk and benefits approach. It is necessary to determine whether there has been a transfer of risks and benefits of financial assets that are transacted from the originator to the specific entity for the transaction, and secondly is the control approach, whether the originator still has control over the assets (IAI, 2014).

When there is a termination of recognition of financial assets, the following treatment will occur. (1) The Originator recognizes the profit or loss on the sale of his financial assets, thereby increasing the profit or loss on the sale, and the aftermath is a tax payable on that income. The performance ratio (for example the ratio of return on assets) is better, (2) When the originator stops recognizing his financial assets, the number of groups of financial assets sold decreases, and the next result is a change in certain financial ratios (for example, the ratio of risk of weighted assets in the banking industry). Therefore, when the derecognition of a financial asset does not occur then the originator will record the receipt of funds as debt, and consequently, income tax cannot be applied to the receipt of these funds, because the additional funds are funds received from the onset of debt, not from profits on asset sales. Revenues will be recognized proportionally over the lifetime of the asset.

CONCLUSIONS

The procedure for derecognizing financial assets (true sale) in accounting follows the evaluation procedure in PSAK 55 paragraphs 15-37 which is described in 8 steps following the flow chart for derecognizing financial assets.

Currently, in Indonesia there is some EBAs transaction which is a true sale and non-true sale accounting, there are 2 non-accounting true sale transactions out of 15. The rest (86.67%) are accounting true sale securitization transactions. The types of EBA assets in Indonesia are mostly RMBS (80%) and 20% are future cash flow and other assets.

One of the changes in the enactment of POJK 11/23 in 2019 is the deletion of the obligation to include a true sale opinion from an independent accountant for a banking institution, but the true sale opinion from a legal perspective is still needed.

Accountants need to distinguish between the accounting treatment for bilateral asset sales and the accounting treatment for securitization. Securitization is the process of changing financial assets into securities that can be traded on the capital market. Therefore, when the originator sells his assets to a particular entity, and the particular entity does not convert them in the form of securities, then the accounting treatment is the same as the accounting treatment of ordinary asset sales transactions. On the other hand, there are also securitization transactions that do not sell assets at all, for example, loans with certain asset collateral.

Securitization transactions are expected to increase in quantity and types of assets in the future and will benefit more parties. The parties involved in this transaction will understand the process, risk, and benefit of securitization, and it is necessary to conduct more intensive socialization for stakeholders. Knowledge concerning securitization needs to be transferred to students, moreover students who study accounting so that socialization is spreading to the earlier generation. Further research on securitization in Indonesia also needs to be carried out to find out the factors that determine the success or failure of the securitization process in Indonesia, and other aspects so that securitization transactions and activities in Indonesia are
wider and support the national economic development.

REFERENCE


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