

BANK INDONESIA INSTITUTIONAL REPORT 2023



COORDINATION, ACCOUNTABILITY, AND TRANSPARENCY
Strengthening Policy and Institutional Transformation
for National Economic Resilience and Revival



COVER

The building of Bank Indonesia Office Complex (KOPERBI) located in Indonesia's new capital city of Nusantara (IKN) is based on the concept of the Garuda Eagle in flight and metamorphosing into physical form, symbolising Bank Indonesia's presence in the nascent capital city as part of the journey towards an advanced Indonesia (*Indonesia Maju*). The golden hues outlining the sketch signify glory, authority and nobility, while the bright accents embellishing the Garuda Eagle represent optimism in the spirit of revival.

The red nuances of the Dayak fern motive denote eternal life, courage and strength. The digital lines that form the building's foundations reflect Indonesia's readiness to embrace the era of the digital economy. Blue and red shades characterise the spirit of struggle and highest commitment to synergy with various elements of the nation towards the realisation of *Indonesia Maju*.



BANK INDONESIA INSTITUTIONAL REPORT 2023

The Bank Indonesia Institutional Report is an institutional performance report compiled to fulfil the transparency and accountability obligations of Bank Indonesia in accordance with Article 58 of the Bank Indonesia Act (Number 23) of 1999, as amended several times and most recently by Act Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Act).

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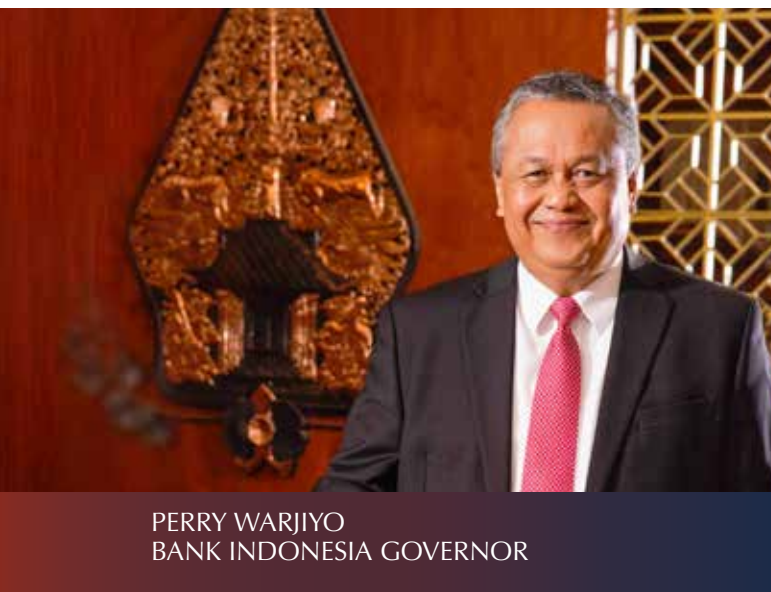
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GOVERNOR'S FOREWORD



PERRY WARJIYO
BANK INDONESIA GOVERNOR

In 2023, Bank Indonesia continued implementing and strengthening its transformation agenda in the policy and institutional areas as tangible support for the Financial Sector Development and Strengthening Act (P2SK Act)

Alhamdulillah, praise to God Almighty, Allah Subhanahu wa Ta'ala (SWT), with His grace Bank Indonesia has published the Bank Indonesia Institutional Report 2023. The report demonstrates our utmost commitment to strengthening BI accountability, as mandated by Article 58 of Act No. 23 of 1999 concerning Bank Indonesia, as last amended by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector (P2SK Act). Furthermore, the report also indicates our firm commitment to remaining a credible central bank in terms of effectively and efficiently achieving our mandated goals in accordance with the principles of accountability.

In 2023, global economic dynamics were susceptible to rapid change, accompanied by high uncertainty. Recovery optimism in early 2023 gradually faded in line with the ongoing scarring effect of the pandemic, coupled with deepening geopolitical-economic fragmentation. At home, however, the domestic economy maintained solid growth (5.05% yoy) and resilience on the back of exports, building investment and the favourable impact of the general election. Indonesia's Balance of Payments (BOP)

also remained solid, thereby bolstering external sector resilience. Furthermore, rupiah stability was maintained thanks to rupiah stabilisation policies instituted by Bank Indonesia despite the strong US dollar. This was also supported by a faster disinflation process, managed within the target corridor.

The Bank Indonesia policy mix response, instituted in synergy with the national economic policies of the Government and Financial System Stability Committee (KSSK), was key to sustaining economic resilience in Indonesia. Bank Indonesia continued orienting monetary policy towards maintaining stability (pro-stability), while focusing the four other policy elements, namely macroprudential policy, payment system policy, money market deepening as well as economic and financial inclusion, on stimulating economic growth (pro-growth). In 2023, the Board of Governors Meeting (RDG) agreed to increase the policy rate in January and October 2023 by 25 bps each time, which was then held at 6% until year end. This decision was consistent with the pro-stability focus of monetary policy, namely to safeguard rupiah stability against the impact of elevated global uncertainty

and as a pre-emptive and forward-looking measure to mitigate imported inflation, thereby maintaining inflation within 3,0%±1% target corridor in 2023 and the 2.5%±1% target corridor in 2024 and 2025. Close synergy between Bank Indonesia and the Government was also key to Indonesia's successful ASEAN Chairmanship in 2023, particularly the transformation of important agendas to strengthen the regional economy and finance, not only for greater resilience in the face of global turmoil but also as an epicentrum of growth.

In 2023, Bank Indonesia also continued implementing and strengthening its transformation agenda as tangible support for P2SK Act implementation. In the policy area, transformation intended to refine the Bank Indonesia Policy Mix framework to ensure conformity and harmony with the P2SK Act. The Bank Indonesia Policy Mix framework integrates monetary, macroprudential and payment system policies into a policymaking framework, underpinned by various supporting policies. Institutionally, transformation strengthened the framework and regulations concerning Bank Indonesia's governance system, with a focus on 3 (three) strategic areas, namely: (i) strengthening the BI

policy and institutional governance system based on the principles of independence, consistency, coordination, accountability and transparency; (ii) strengthening the policy framework by streamlining digital-based business and work processes as well as transforming human resources to support work processes in the digital era; and (iii) accelerating digital transformation for the policy and institutional work processes based on the Bank Indonesia Digital Innovation Masterplan towards the vision of becoming the foremost digital central bank.

In closing, we take this opportunity to extend our utmost appreciation and gratitude to all parties for enabling Bank Indonesia to execute its mandated duties in terms of maintaining stability and supporting sustainable economic growth in Indonesia. We sincerely hope the Bank Indonesia Institutional Report 2023 serves as a trusted reference for the public and all stakeholder when formulating our collective efforts towards advancing the Indonesian economy. May God Almighty always bestow His blessings, perfection and expedience in all our endeavours with the spirit of synergy and transformation to realise national economic resilience and revival.

Jakarta, June 2024

Bank Indonesia Governor



Perry Warjiyo



AIDA S. BUDIMAN
DEPUTY GOVERNOR

DONI P. JOEWONO
DEPUTY GOVERNOR

PERRY WARJIYO
BANK INDONESIA GOVERNOR



DESTRY DAMAYANTI
SENIOR DEPUTY GOVERNOR

JUDA AGUNG
DEPUTY GOVERNOR

FILIANINGSIH HENDARTA
DEPUTY GOVERNOR

EXECUTIVE SUMMARY



Economic Outlook and Challenges

Global economic dynamics in 2023 were susceptible to rapid change, accompanied by elevated uncertainty. After recording solid 3.5% growth in 2022, global economic growth in 2023 retreated to 3.1% with further moderation to 3.0% projected in 2024. Global economic performance in 2023 was also characterised by divergence between advanced economies, particularly the high growth recorded in the United States (US), and emerging markets and developing economies (EMDEs), which succumbed to lower growth and stagnation. In terms of EMDEs, Chinese growth moderated on the back of weak consumption and deteriorating property sector performance, contrasting maintained economic performance in India and ASEAN-5.

At home, the domestic economy maintained solid growth in 2023 along with resilience against the impact of global spillovers and persistently high uncertainty. Indonesia's economy in 2023 recorded 5.05% (yoy) growth on the back of exports, building investment and the favourable impact of the general election. Solid private consumption was driven by high consumer confidence, maintained public purchasing power and fiscal stimuli, which included the provision of subsidies and various social assistance programs. Investment also performed well given the ongoing completion of national strategic projects (PSN) and non-building investment. Spatially, the national economy was supported by solid economic growth in nearly all regions of the Indonesian archipelago. Economic growth is projected to accelerate to reach 4.7-5.5% in 2024.

Bank Indonesia Policy Response

The Bank Indonesia policy mix response was key to resilient economic performance in Indonesia. The scope of the Bank Indonesia policy mix in 2023 covered 5 (five) important aspects, namely; (i) fiscal and monetary coordination; (ii) accelerating financial sector transformation, (iii) accelerating real sector transformation; (iv) economic and financial digitalisation; and (v) the green and inclusive economy and finance. The policy rate was set at each monthly Board of Governors Meeting (RDG) as a forward-looking and pre-emptive measure directing inflation forecasts for the upcoming two years within the target corridor. In 2023, Bank Indonesia raised the policy rate in January and October by 25bps each time, which was then held at 6% until year end. This decision was consistent with the pro-stability focus of monetary policy, namely to safeguard rupiah stability against the impact of high global uncertainty and as a pre-emptive and forward-looking measure to mitigate imported inflation, thereby maintaining headline inflation within the 3.0%±1% target in 2023 and 2.5%±1% target in 2024 and 2025.

Bank Indonesia continued strengthening coordination with the Government to control inflation and maintain the external resilience of the national economy. Managing inflation, close coordination between Bank Indonesia through monetary policy by raising interest rates and stabilising the rupiah was implemented with the Government through fiscal policies to disburse energy subsidies and social assistance, thereby minimising the



impact of the upward global oil price on domestic inflation. Bank Indonesia also coordinated in synergy with the Government within the Central Government and Regional Government Inflation Control Teams (TPIP and TPID) to strengthen the National Movement for Food Inflation Control (GNPIP) at the head office and 46 BI representative offices throughout Indonesia. Bank Indonesia also provided support through the operation of affordable markets, food security, interregional cooperation, food distribution, data digitalisation as well as massive ongoing campaigns. Meanwhile, coordination to maintain domestic financial market stability against the impact of global turmoil was achieved through BI monetary operations for policy rate effectiveness and rupiah stability, while the Ministry of Finance also issued domestic and global Government Securities (SBN) to fund the fiscal deficit within the State Revenue and Expenditure Budget (APBN). Coordination was implemented during the planning stage at the beginning of the year, during the auctions and in terms of monitoring.

Bank Indonesia Transformation

In accordance with the mandate of the P2SK Act, Bank Indonesia in 2023 continued implementing and strengthening its transformation agenda to establish and maintain a credible, professional, accountable and transparent central bank based on good governance. In the policy area, Bank Indonesia's transformation is carried out by refining the Bank Indonesia Policy Mix Framework (BKBI), which integrates monetary policy, macroprudential

policy, and payment systems within a formulation frameworks that is also strengthened by various supporting policies. Institutionally, transformation is focused on 3 (three) strategic areas that encompassed the organisation and work processes, human resources and work culture as well as digital aspects. First, strengthening the BI policy and institutional governance system based on the principles of independence, consistency, coordination, accountability and transparency. Second, strengthening the policy framework by streamlining digital-based business processes and work processes as well as transforming human resources to support work processes in the digital era. Third, accelerating digital transformation for the policy and institutional work processes based on the Bank Indonesia Digital Innovation Masterplan (RIVIBI) towards the vision of becoming the foremost central bank.

Bank Indonesia Performance Milestone

Performance excellence in 2023 was achieved at Bank Indonesia in line with the targets set. This was reflected in the realisation of key performance indicators (KPI) and budget performance, supported by stakeholder recognition as well as national and international awards. The performance milestones represent the tangible realisation of consistent policy implementation, continuous innovation and close synergy between Bank Indonesia, the Government and relevant ministries/agencies. This was also bolstered by efforts to maintain institutional credibility by honing the Bank Indonesia institutional and governance system policy mix.

01

ECONOMIC OUTLOOK AND CHALLENGES

The Tengkawang Ampiek motive from East Kalimantan
means fertility and goodness of the universe





Bank Indonesia Representative Office Building at Balikpapan



Opening Ceremony 1st ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) in Bali

1.1. Global Economy

The global economy in 2023 was replete with serious challenges stemming from moderating economic growth and wider growth divergence between countries. After recording solid 3.5% growth in 2022, global economic growth in 2023 retreated to 3.1% with further moderation to 3.0% projected in 2024. Recovery optimism in early 2023 gradually faded in line with the ongoing scarring effect of the pandemic, coupled with deepening geopolitical-economic fragmentation. Global economic performance in 2023 was also characterised by divergence between advanced economies, particularly the high growth recorded in the United States (US), and emerging markets and developing economies (EMDEs), which succumbed to lower growth and stagnation. In terms of EMDEs, Chinese growth moderated on the back of weak consumption and deteriorating property sector performance, contrasting maintained economic performance in India and ASEAN-5.

Accompanying economic moderation, the prolonged global disinflation process progressed slowly, with inflation remaining above target in advanced economies. On the one hand, global inflation fell to 6.8% in December 2023 from its

peak in the second quarter of 2022. The decrease in inflation is in line with the decline in energy and food prices, the easing of supply constraints, and the effects of the tightening of monetary policy by central banks in many countries. On the other hand, however, the disinflation process took longer than initially projected. Rigidity persisted in the labour market, triggering inflation in advanced economies well above the target set, namely 2%. In emerging markets and developing economies, inflation was recorded above the target in several countries, including Brazil and Mexico in Latin America as well as the Philippines in Asia, contrasting several other EMDEs where inflation had already returned to the target range, including Indonesia.

Persistently intense inflationary pressures prompted monetary tightening in advanced economies, accompanied by higher for longer policy rates. In the US, the FOMC is expected to hold the current Federal Funds Rate (FFR) of 5.25-5.50% in the first semester of 2024 before lowering the rate in the latter half of the year. A similar trend is happening in Europe with the policy rates of the European Central Bank (ECB) and Bank of England (BoE) currently recorded

at 4.50% and 5.25%, respectively, which will be maintained in the first half of 2024. In Latin America, central banks that had previously tightened monetary policy earlier and more aggressively began to lower interest rates. Meanwhile, monetary policy rates in emerging Asia will be held for longer into 2024 to mitigate global spillovers triggered by high interest rates in advanced economies. The higher-for-longer phenomenon taking place in advanced economies has severely restricted the room available to central banks in EMDEs to lower their policy rates and stimulate economic growth despite inflation in several jurisdictions already falling within the target corridor.

The complexity of global economic challenges has been exacerbated due to uncertainty triggering the 'cash is king' and 'strong US dollar' phenomena. High policy rates in advanced economies coupled with heavy fiscal burdens, particularly in the US, have pushed up long-term bond yields sharply. Such conditions have prompted a reallocation of portfolio assets globally and broad-based US dollar appreciation. Aggressive FFR hikes against a backdrop of high fiscal financing needs and government debt in the US edged up long-term bond yields precipitously, including higher term premia. In turn, this sparked a rebalancing by global portfolio investors away from higher risk securities towards more liquid instruments. The cash is king phenomenon re-emerged in line with increasing risk perception given persistently high global financial market uncertainty. Such developments led to a strong US dollar and intensified currency pressures globally, including the rupiah.

1.2 Domestic Economy

Overall economic growth in Indonesia was solid in 2023 at 5.05% (yoy) on the back of exports, building investment and the favourable impact of the general election. Solid private consumption, including consumption in the services sector, was driven by persistently high consumer confidence, maintained public purchasing power in line with low inflation and fiscal stimuli, which included the provision of subsidies and various social assistance programs. Investment also performed well given the ongoing completion of national strategic projects (PSN) and non-building investment. Spatially, the national economy was supported by solid economic growth in nearly all regions of the Indonesian archipelago. Economic growth is projected to accelerate to 4.7-5.5% in 2024.

The economic recovery is expected to remain intact in 2024, primarily driven by domestic demand in response to higher salaries for civil servants, the general election and development of the new Nusantara Capital City (IKN). National economic growth, therefore, is projected to increase in the 4.8-5.6% range in 2025.

Indonesia's Balance of Payments (BOP) remained solid in 2023, thereby supporting external sector resilience. BOP performance in 2023 amassed a USD6.3 billion surplus, up from USD4.0 billion in 2022, underpinned by a manageable current account deficit together with a capital and financial account surplus. The current account (CA) in 2023 recorded a manageable USD1.6 billion deficit (0.1% of GDP), after posting a USD13.2 billion surplus (1.0% of GDP) in 2022. Sound current account performance was supported by a maintained trade surplus in 2023 against a backdrop of global economic moderation, a lower terms of trade in Indonesia and persistently solid domestic demand. Despite increasing global financial market uncertainty throughout 2023, foreign capital flows maintained a net inflow. The position of foreign reserves at the end of December 2023 was recorded at USD146.4 billion, equivalent to 6.7 months of imports or 6.5 months of imports and servicing government external debt, which is well above the international adequacy standard of around 3 months of imports. Looking ahead, BOP performance in 2024 is expected to maintain a surplus, supported by a capital and financial account surplus and foreign capital inflows given positive investor perception of the promising domestic economic outlook and attractive yields on financial assets for investment. Meanwhile, a manageable current account is also projected with a narrow 0.1-0.9% of GDP deficit.

At the end of 2023, the rupiah regained 1.1% (ptp) of lost value compared with conditions at the end of 2022. Rupiah appreciation outperformed other currencies in the region, including the Thai baht (1.03%) and the Ph peso (0.62%). Rupiah stability was maintained despite the strong US dollar, which minimised the impact of imported inflation and helped to maintain economic stability overall. Moving forward, rupiah stability is expected to be maintained and track an appreciating trend in response to foreign capital inflows given positive investor perception of the promising domestic economic outlook. In addition, Bank Indonesia stabilisation policy, coupled with strengthening the pro-market monetary operations strategy by optimising Bank

Indonesia Rupiah Securities (SRBI), Bank Indonesia Forex Securities (SVBI) and Bank Indonesia Forex Sukuk (SUVBI) will also bolster the prospect of further rupiah appreciation. Moreover, Bank Indonesia will continue strengthening coordination with the Government, banking industry and businesses to support the effective implementation of instruments that retain the proceeds of natural resources exports in accordance with Government Regulation Number 36 of 2023 concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources.

The domestic disinflation process occurred more quickly, with inflation controlled in the target corridor. With consistent pro-stability monetary policy and close policy synergy between Bank Indonesia and the (central and regional) Government, all inflation components were managed effectively. Core inflation fell to 1.80% (yoy) in December 2023 as a corollary of low imported inflation, anchored inflation expectations to the target corridor and massive economic capacity in response to domestic demand. Despite intense inflationary pressures on food prices caused by El Niño, volatile food (VF) inflation was controlled at 6.73% (yoy) with close synergy and support to manage inflation between Bank Indonesia and the (central and regional) Government through the National Movement for Food Inflation Control (GNPIP) in various regions within the Central Government and Regional Government Inflation Control Teams (TIPI and TPID). Meanwhile, administered prices (AP) inflation decreased to 1.72% (yoy) in line with government fiscal policy that continued to act as a shock absorber against the impact of global economic uncertainty on domestic economic resilience. Moving forward, Bank Indonesia will continue strengthening its monetary policy mix and building synergy with the (central and regional) Government to ensure inflation remains under control and within the 2.5%±1% target corridor in 2024 and 2025.

Liquidity in the economy and banking system remained ample to support credit growth in 2023. In December 2023, the ratio of liquid assets to third-party funds (LA/TPF) remained high at 28.73%. Adequate liquidity maintained competitive interest rates in the banking industry, thereby

accelerating loan/financing growth. Growth of outstanding loans disbursed by the banking industry in December 2023 was recorded at 10.38% (yoy), supported by bank lending appetite and early signs of increasing demand as corporate performance continued to improve. Furthermore, sharia financing growth continued accelerating to 15.80% (yoy) in December 2023, while growth of MSME loans reached 8.03% (yoy), driven by increasing disbursements of People's Business Loans (KUR), among others. Moving forward, credit growth is projected to continue improving as domestic economic activity increases, which will boost corporate and household demand for financing, including among the younger generation who are playing a larger role in the economy. Consequently, Bank Indonesia projects credit growth increase to 10-12% in 2024 and 11-13% in 2025.

Banking industry resilience and financial system stability remained solid in 2023, supported by a strong capital base and low credit risk. The Capital Adequacy Ratio (CAR) in the banking industry was high at 27.66% recorded in December 2023, with credit risk mitigated effectively, as reflected by low NPL ratios of 2.19% (gross) and 0.75% (nett). Market risk associated with rupiah exchange rates and higher yields on Government Securities (SBN) was also mitigated through portfolio management and adequate loss provisions in the banking industry. Furthermore, Bank Indonesia will continue strengthening synergy with the Financial System Stability Committee (KSSK) to mitigate various risks that could potentially disrupt financial system stability and economic growth momentum.

Digital economic and financial transactions remained solid in 2023, supported by secure, seamless and reliable payment systems. Digital economic and financial transactions are expected to continue tracking an upward trend as payment system digitalisation accelerates and cross-border payment linkages expand further, coupled with growing public acceptance and preference for digital transactions. The value of electronic money transactions grew 43.45% (yoy) to reach Rp835.84 trillion in 2023, which is projected to increase by 25.77% (yoy) in 2024 to Rp1,051.24 trillion. The value of digital banking transactions was recorded at Rp58,478.24 trillion in

2023, with growth of 13.48% (yoy) which is projected to increase by 9.11% (yoy) to reach Rp68,803.77 trillion in 2024. Meanwhile, the value of e-commerce transactions continues to grow from Rp474 trillion in 2023 to Rp487 trillion projected in 2024. In terms of rupiah currency management, Bank Indonesia continues ensuring the availability of rupiah currency fit for circulation in suitable denominations throughout all regions of the Republic of Indonesia. Total currency in circulation grew 7.33% (yoy) in December 2023 to Rp1,101.75 trillion.

The promising economic outlook is expected to persist, underpinned by the Bank Indonesia policy mix response instituted in synergy with the national policy, thereby supporting the ongoing economic revival towards an advanced Indonesia, or *Indonesia Maju* (Onward Indonesia). In the medium-long term, economic growth in Indonesia will continue improving on the back of increasing private consumption given maintained purchasing power, fiscal and monetary policy support and the growing economic participation of millennials. Investment will increase in line with higher exports and the ongoing development of national strategic projects (PSN). Exports are predicted to increase in line with the improving global economic outlook, coupled with the expansion of downstreaming programs in various sectors. In addition, real sector transformation policy will foster high economic growth and simultaneously support macroeconomic stability. Downstream processing of natural resources, particularly nickel, will drive growth through higher investment and value-added exports. Structural reforms will facilitate investment and business activity, including implementation of the Omnibus Law on Job Creation, which will attract foreign direct investment (FDI), while boosting efficiency and productivity. Similarly, economic and financial digitalisation will increase national economic efficiency and competitiveness, particularly in the retail transaction segment as well as the MSME sector and local economy.

1.3 Institutional Facets

The global and domestic economic challenges, including post-pandemic monetary policy normalisation, accelerating digital megatrends as well as various issues

concerning economic and financial inclusion, present significant obstacles. This is not merely a challenge in terms of policymaking and implementation but also the institutional facets of the central bank. Since the pandemic, calls for central banks around the world to increase their role have become louder.

As the demand for central banks to play a larger, more complex and dynamic role increases, promulgation of the P2SK Act serves as a significant milestone of financial sector reform. The goal of the P2SK Act is to increase the financial sector's contribution in pursuit of inclusive, sustainable and equitable economic growth. The P2SK Act strengthened the legal foundation for the mandate, policies and institutional arrangements of Bank Indonesia as the central bank to oversee the national economy. The P2SK Act reaffirms Bank Indonesia's objectives to maintain rupiah stability and payment system stability, while contributing to maintain financial system stability as well as expanding the mandate concerning Bank Indonesia's policy support for sustainable economic growth. The P2SK Act also strengthens Bank Indonesia's authority to support task implementation, which includes money market and foreign exchange market deepening, economic inclusion, financial inclusion and sustainable finance, as well as financial system technology innovation, encompassing the development of crypto assets.

In our polarised and digitalised modern world, characterised by a more tangible demographic shift, it is still important to strengthen transformation towards maintaining policy and institutional credibility, and the realisation of Bank Indonesia's vision. Digitalisation is also necessary to build a work process ecosystem in Bank Indonesia that increases the effectiveness, efficiency and compliance of the decision-making process through the Board of Governors Meeting (RDG), among others, while increasing technological infrastructure capabilities to mitigate the ever-present threats posed by cyber risk. To that end, digital transformation at Bank Indonesia aims to support comprehensive Bank Indonesia transformation towards achieving the vision of becoming the foremost digital central bank.

02

BANK INDONESIA POLICY RESPONSE

The Runtun Penyu motive from East Kalimantan has the meaning of humility and unpretentious simplicity





Bank Indonesia Representative Office Building at East Kalimantan Province



Bank Indonesia Annual Meeting (PTBI) 2023: Synergy Strengthens National Economic Resilience and Revival in Jakarta

2.1 Bank Indonesia Policy Stance

The Bank Indonesia Policy Mix in 2023 was oriented towards maintaining stability and reviving economic growth, which remained on a trajectory below its potential capacity. Monetary policy was focused on maintaining stability (pro-stability), while the four other policy elements, namely macroprudential policy, payment system policy, money market deepening as well as economic and financial inclusion, were focused on stimulating economic growth (pro-growth). The Bank Indonesia Policy Mix was also instituted in synergy with national economic policy, which covered 5 (five) salient aspects as follows: (i) fiscal and monetary coordination; (ii) accelerating financial sector transformation; (iii) accelerating real sector transformation; (iv) economic and financial digitalisation; and (v) inclusive and green economy and finance.

In more granular terms, each one of Bank Indonesia's main and supporting policies have a specific goal. The goals of monetary policy are oriented towards managing inflation back towards the target set by the Government without

delay, namely $3.0\% \pm 1\%$ in 2023 and $2.5\% \pm 1\%$ in 2024 and 2025, and stabilising the rupiah from the shock of global spillovers to control imported inflation, while supporting macroeconomic and financial system stability. Meanwhile, supporting national economic growth, accommodative macroprudential policy was maintained to revive lending/financing to businesses, particularly in priority sectors. Similarly, payment system digitalisation was accelerated to expand digital economic and financial inclusion, particularly in the real sector and among micro, small and medium enterprises (MSME) as drivers of private consumption.

In implementation, the Bank Indonesia Policy Mix in 2023 was instituted by optimising the full panoply of instruments available, individually and collectively, to maintain stability and promoting economic growth. Specifically, measured monetary policy was applied to control inflation and maintain rupiah stability, while avoiding an excessive impact on growth. At the same time, accommodative macroprudential policy and payment system policy were implemented to revive growth, while maintaining stability.

2.2 Bank Indonesia Policy Mix Response

Bank Indonesia implemented a policy mix to strike an optimal balance between maintaining stability and promoting national economic growth, while considering the impact on the global economy. The policy mix was formulated based on Bank Indonesia assessments of movements in the national economic and financial cycles. In this case, an accommodative policy mix stance is adopted during a downward cycle when economic capacity is below potential (stagnation or recession) and, in contrast, a tight policy stance is adopted during a boom or overheating period, when the cycle exceeds potential capacity. Bank Indonesia is confident that the economic and financial cycles in Indonesia are currently tracking an upward trend yet remain below potential economic capacity, as reflected by low core inflation, a balanced current account, relatively low credit/financing growth as well as national economic growth that has not fully recovered from the deleterious impact of the Covid-19 pandemic. Conceptually, therefore, Bank Indonesia is maintaining a loose policy stance to balance stability and sustainable economic growth. As a country that embraces an open economy, however, the impact of global spillovers affects national economic stability and resilience. The impact of global headwinds is primarily felt in the form of inflationary pressures given soaring international food and energy prices, coupled with depreciatory and instability pressures on the rupiah and foreign portfolio investment outflows, including Government Securities (SBN) and shares, due to high interest rates and the strong US dollar.

2.2.1 Monetary Policy

In terms of monetary policy, inflation was controlled and rupiah stability maintained through calibrated interest rate hikes supported by foreign exchange market intervention and foreign exchange management. Such measures aimed to optimise the monetary policy trilemma, namely maintaining price stability, rupiah stability and capital flow management. To that end, Bank Indonesia consistently oriented the BI 7-Day Reverse Repo Rate (BI7DRR) in line with efforts to achieve the inflation target in 2023 and 2024. Inflation control, specifically food prices, was supported by close coordination with the central

Government and regional Government through Inflation Control Teams (TPIP/TPID) and the National Movement for Food Inflation Control (GNPIP) in all regions of the Indonesian archipelago. Meanwhile, rupiah stabilisation measures were aimed to mitigate volatility and minimise the impact of imported inflation through intervention in the spot market, Domestic Non-Deliverable Forwards (DNDF) market, as well as SBN transactions in the SBN market (triple intervention) if required. Stabilisation efforts were strengthened through a pro-market monetary operations (MO) strategy and money market deepening using innovative instruments to attract portfolio inflows, which were strengthened by coordination with the Government to support the effective implementation of instruments that retain the proceeds of natural resources exports in accordance with Government Regulation Number 36 of 2023 concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources (DHE SDA).

The policy rate in 2023 was set at each monthly BOG Meeting (RDG) as a forward-looking and pre-emptive measure to manage projected inflation for the upcoming two years.

Since August 2022, Bank Indonesia has raised the BI7DRR aggressively by 200 bps to 5.50% as of December 2022 as a front-loaded, pre-emptive and forward-looking measure to anchor overshooting inflation expectations given government hikes to subsidised fuel prices. Policy rate hikes effectively maintained low core inflation, which was recorded within the $3.0\% \pm 1\%$ target range at 3.36% at the end of 2022 despite relatively high Consumer Price Index (CPI) inflation, edged upwards by administered prices (AP) and volatile food (VF) inflation. Seeking to return inflation back to the target corridor quickly, Bank Indonesia in January 2023 raised the BI7DRR rate by another 25 bps to 5.75%, which was held until September 2023. Bank Indonesia deemed this adequate to bring inflation down promptly and maintain it within the target. Notwithstanding, a build-up of currency pressures on the rupiah caused by global spillovers sparked concerns of intensifying inflationary pressures in 2024, thereby potentially pushing inflation beyond the upper limit of the target. In response, Bank Indonesia in October 2023 raised the BI7DRR rate by a further 25bps to 6.00%. The move strengthened rupiah stabilisation policy against persistently high global uncertainty and was implemented as a pre-emptive and forward-looking measure to mitigate the impact of imported inflation, thereby managing inflation



Announcement of Results of the December 2023 Monthly Board of Governors Meeting (RDG) in Jakarta

within the $3.0\% \pm 1\%$ target corridor in 2023 and $2.5\% \pm 1\%$ in 2024. Further decisions concerning the BI-Rate will be determined as necessary based on global and domestic economic dynamics (data dependent). In addition, Bank Indonesia changed the name of the BI7DRR rate to the BI-Rate on 21st December 2023 as a means of strengthening monetary policy communication. The name change, however, has not altered the meaning or goal of the BI-Rate as the monetary policy stance of Bank Indonesia and which operationally still refers to Bank Indonesia reverse repo transactions with 7 (seven) days tenors. Successful inflation control was also supported by rupiah stabilisation policy and coordinated food inflation control with the Government under the auspices of the TPIP/TPID teams and GNPIP movement. The range of policy measures taken effectively anchored lower inflation expectations to the target corridor, thereby helping to manage headline (CPI) inflation within the target corridor in 2023 and 2024.

Interest rate policy was also strengthened using an innovative pro-market rupiah monetary operations (MO) strategy to maintain independence from the impact of monetary policy in advanced economies, increase the effectiveness of monetary policy transmission and

simultaneously accelerate money market deepening. Central bank independence in orienting interest rate policy for domestic economic goals, namely achieving the inflation target and supporting sustainable economic growth, in a small open economy was hampered by aggressive monetary policy rate hikes in advanced economies, including the extraordinarily high Federal Funds Rate (FFR), which reached 5.25%. Neither of the two subsequent policy options, namely raising the domestic policy rate in line with the FFR or accepting the build-up of depreciatory pressure on the rupiah, were optimal due to their detrimental impact on achieving the inflation target and economic growth. Such considerations served as the basis for Bank Indonesia issuing innovative new pro-market rupiah MO instruments, with underlying assets in the form of SBN held by Bank Indonesia, offering tenors of 6, 9 and 12 months and tradable on the secondary market by residents and non-residents. Bank Indonesia Rupiah Securities (SRBI) rates are in line with market mechanisms through variable rate auctions. Bank Indonesia Rupiah Securities (SRBI) were introduced to replace the Reverse Repo SBN (RR SBN), which will be discontinued except for the 3-month tenors that are used as the basis for calculating SBN "Burden Sharing" with the Government.

There are at least three advantages of using SRBI as a monetary instrument rather than the previous RR SBN.

First, SRBI can be traded in the secondary market, thereby facilitating liquidity management by the banking industry and investors in addition to the MO needs of Bank Indonesia to transmit interest rate policy to the money market. Market players, including banks and investors, can buy/sell SRBI on the money market without having to transact through BI monetary operations. *Second*, SRBI are available to non-residents, thus allowing Bank Indonesia to manage foreign exchange flows as an integral part of efforts to mitigate the impact of global spillovers on the domestic economy. *Third*, Bank Indonesia independence is strengthened against the threats posed by the policy rate stance adopted in advanced economies. Bank Indonesia can choose whether to respond only with a change in the SRBI rate to strengthen rupiah stabilisation efforts and manage forex flows, or with a change in the BI7DRR rate if the global impact affects the future attainment of the inflation target, while also considering domestic economic growth. The market has embraced SRBI issuances enthusiastically, as reflected by high outstanding bids totalling Rp254,46 trillion on 29th December 2023, accompanied by a vibrant secondary market with transactions totalling Rp137,24 trillion. In addition, SRBI issuances have also attracted portfolio inflows, with non-residents booking a net buy totalling Rp62,17 trillion. The various considerations and developments demonstrate that SRBI can effectively replace the role of RR SBN as a pro-market monetary instrument, while simultaneously attracting portfolio inflows to strengthen the external resilience of the Indonesian economy against the impact of global spillovers.

Rupiah stabilisation policy was implemented to dampen short-term volatility and control the direction of future movements in line with achieving the inflation target as well as macroeconomic and financial system stability. Fundamentally, rupiah exchange rate movements are determined by market mechanisms. Under conditions of market distress, however, particularly the impact of global spillovers, rupiah volatility tends to increase and could disrupt monetary, financial market and financial system stability. Intense volatility pressures and the broad-based depreciation of various global currencies, including the rupiah, are the result of aggressive FFR hikes and elevated global uncertainty in 2023, particularly in the latter half of the year. In addition, the direction of rupiah exchange rate movements is not always aligned with domestic interests

to control inflation, particularly imported inflation, maintain macroeconomic stability and support sustainable economic growth. This primarily occurs when excessive depreciatory pressures coincide with high international food and energy prices.

Those basic considerations underlie BI intervention in the foreign exchange market as an integral part of the monetary policy instruments deployed to maintain rupiah stability as mandated in accordance with the Bank Indonesia Act. Triple intervention is still applied to spot and DNDF transactions as well as SBN transactions in the secondary market. Spot intervention primarily aims to dampen short-term rupiah volatility, while DNDF intervention signals the direction of policy movements in line with achieving the inflation target. Intervention in the SBN market is necessary considering that rupiah pressures typically coincide with portfolio flows, which can often impact rupiah movements. Through the comprehensive strengthening of the rupiah stabilisation policy, the rupiah regained significant lost value to peak at Rp15,940 on 27th October 2023 given the strong DXY, before settling at Rp15,395 per US dollar on 29th December 2023. It is important to note that BI intervention is implemented symmetrically, namely by selling or buying foreign exchange during periods of excessive rupiah depreciation or appreciation, which has implications on lower or higher reserve assets. Bank Indonesia constantly ensures adequate reserve assets in accordance with international standards, including the position of foreign reserves recorded at USD146.38 billion on 29th December 2023 to support the servicing of government external debt and rupiah stabilisation policy.

Rupiah stabilisation policy is supported by an innovative pro-market foreign exchange monetary operations strategy to accelerate foreign exchange market deepening. Rupiah exchange rate movements are fundamentally determined by market mechanisms. Under conditions of market distress, however, particularly the impact of global spillovers, rupiah volatility tends to increase and could disrupt monetary, financial market and financial system stability. This concerns is related to limited instruments and transaction volume in the relatively underdeveloped domestic foreign exchange market, which is thus sensitive to movements in portfolio flows and negative sentiment in global markets. That is what fundamentally underlies Bank Indonesia's decision to issue innovative pro-market MO instruments, namely Bank Indonesia Forex Securities

(SVBI) and Bank Indonesia Forex Sukuk (SUVBI), with the reserve assets held by Bank Indonesia used as the underlying assets. SVBI and SUVBI tenors range from 1 up to 12 months and can be traded on the secondary market by residents and non-residents. SVBI rates are in line with market mechanisms through foreign exchange monetary operations according to variable rate auctions by Bank Indonesia. SVBI transactions were recorded at USD434.50 million as of 29th December 2023. Meanwhile, non-resident SVBI transactions were recorded at USD6 million. In addition, Bank Indonesia also issued SUVBI as a foreign exchange monetary instrument, which totalled USD154 million as of 29th December 2023. The pro-market characteristics of SVBI and SUVBI are expected to accelerate foreign exchange market deepening in Indonesia in terms of the instruments and interest rates based on market mechanisms, while attracting portfolio inflows.

Furthermore, SVBI and SUVBI issuances are also consistent with initiatives to strengthen foreign exchange flow management more in line with market mechanisms.

Bank Indonesia also issued an innovative MO instrument in the form of foreign currency term deposits (TD Valas) to retain the foreign exchange proceeds of natural resource exports through banks to Bank Indonesia, while increasing the frequency and tenors of auctions for short-term TD Valas with competitive rates. The TD Valas instrument is also one of 7 (seven) alternative foreign currency asset placement instruments based on Bank Indonesia Regulation (PBI) No. 7 of 2023 as implementation of the requirements to retain the foreign exchange proceeds of natural resource exports in the domestic financial sector for a minimum of three months in accordance with Government Regulation (PP) No. 36 of 2023. The latest developments show that exporter interest in the TD Valas instrument continues to grow. As of 29th December 2023, outstanding TD Valas reached USD2.376 billion, with the number of participating exporters continuing to expand. Nevertheless, several banks continue to place their foreign exchange abroad in nostro accounts to manage portfolios and for the transactional needs of their customers. The introduction of SVBI and TD Valas, including TD Valas DHE SDA, is expected to attract more of the funds deposited in banks abroad.

Bank Indonesia continued strengthening coordination with the Government to control inflation and bolster the external resilience of the national economy. Close policy coordination includes the fiscal policies of the Government and policies of Bank Indonesia. In terms of controlling inflation, close coordination between Bank Indonesia through monetary policy to raise interest rates and stabilise the rupiah in synergy with the Government is reinforced through fiscal policy to disburse energy subsidies and social assistance to minimise the impact of the rising global oil price on domestic inflation. Bank Indonesia also collaborated in synergy with the Government within the TPIP/TPID teams and GNPIP movement at Head Office and all 46 Bank Indonesia Representative Offices throughout Indonesia. Close synergy via the GNPIP movement to control volatile food inflation was also increased in the face of a prolonged drought caused by the El Niño weather phenomenon. Coordination to control food inflation applies the 4K strategy, namely price affordability, supply availability, uninterrupted distribution and effective communication. Bank Indonesia support for the success of the GNPIP movement included operating affordable markets, maintaining food security, inter-regional cooperation, facilitating food distribution, data digitalisation as well as a massive ongoing campaign. The Government safeguarded the availability and distribution of food supply nationally, specifically rice, which included food-related social assistance, monitoring food inflation control by regional governments, as well as offering awards and fiscal incentives to regional governments successful in controlling food inflation. The success of controlling inflation through the GNPIP movement was reflected in volatile food (VF) inflation, which fell from a peak of 11.47% in July 2022 to 6.73% in December 2023. Meanwhile, coordination also sought to maintain domestic financial market stability against the impact of global spillovers through Bank Indonesia monetary operations (MO) towards policy rate effectiveness and rupiah stabilisation by issuing domestic and global SBN by the Ministry of Finance to finance the fiscal deficit in the State Budget (APBN). End-to-end coordination was well performed from planning at the beginning of the year, implementation of the auctions to regular monitoring from time to time.



National Coordination Meeting (Rakornas) for Inflation Control 2023 in Jakarta

2.2.2 Macroprudential Policy

In terms of macroprudential policy, Bank Indonesia oriented all macroprudential policy instruments towards reviving bank lending/financing in pursuit of sustainable economic growth. The direction of macroprudential policy was consistent and strengthened to achieve the three targets of the macroprudential policy trilemma, namely optimal credit growth, financial system stability and financial inclusion. Bank Indonesia maintained accommodative macroprudential policy through additional liquidity incentives in 2023 provided through the implementation of Macroprudential Liquidity Incentive (MLI) policy to revive bank lending/financing to priority sectors, including downstream sectors (mineral and coal mining, agriculture, livestock, plantation crops and fishing), housing (including public housing), tourism and the creative economy, as well as to increase financial inclusion (MSMEs, KUR, micro), and the green economy and finance. Bank Indonesia also provided greater liquidity management flexibility for the

banking industry by lowering the Macroprudential Liquidity Buffer (MPLB), which simultaneously helped to revive lending/financing and maintain financial system stability. Similarly, Bank Indonesia maintained all accommodative macroprudential policy instruments, including the Countercyclical Capital Buffer (CCyB), Macroprudential Intermediation Ratio (MIR), Loan/Financing-to-Value (LTV/FTV) ratio on property loans/financing as well as loose downpayment requirements on automotive loans/financing.

In order to strengthen the credit growth/ higher bank loan to promote sustainable economic growth, Bank Indonesia implements accommodative macroprudential policy through innovative Macroprudential Liquidity Incentive (MLI) policy. MLI policy provides incentives determined by Bank Indonesia in the form of lower average reserve requirements. MLI policy has undergone several reformulation and recalibration stages since its initial implementation in 2022. The latest MLI reformulation,

which was introduced on 1st October 2023¹ aims to revive bank lending/financing to economic sectors providing high leveraged, including sectors associated with downstreaming, housing, tourism, financial inclusion as well as green loans/financing. Bank Indonesia set the maximum MLI policy incentive at 4%, with realisation as of December 2023 totalling Rp163 trillion, up from Rp137 trillion when the policy was first introduced in October 2023, and well above the previous incentive policy that was recorded at Rp108 trillion in September 2023.

Bank Indonesia also increased the flexibility of liquidity management in the banking industry by lowering the Macroprudential Liquidity Buffer (MPLB) to revive lending/financing and simultaneously maintain the stability of the financial system against the impact of global spillovers. Since 1st December 2023, Bank Indonesia has maintained a lower Macroprudential Liquidity Buffer (MPLB) for conventional commercial banks at 5%, down from 6% previously, with repo flexibility of 5% and lowered the sharia MPLB from 4.5% to 3.5% of TPF for sharia commercial banks and sharia business units, with repo flexibility of 3.5%. The move strengthened the flexibility of liquidity management in the banking industry by injecting additional liquidity to the tune of Rp81 trillion, which is available for banks to channel into lending/financing, thereby supporting sustainable economic growth. In addition to lowering the MPLB, Bank Indonesia also adjusted (sharia) Macroprudential Liquidity Buffer (MPLB) policy by including Bank Indonesia Rupiah Securities (SRBI) as eligible securities to fulfil the (sharia) MPLB ratio². SRBI are a monetary operations (MO) instrument to manage liquidity and simultaneously support money market deepening and rupiah stability because SRBI can be transacted and held by non-banks, including residents and non-residents, in the secondary market. In general, the securities eligible for fulfilling the (sharia) MPLB requirements include Bank Indonesia Certificates (SBI), Bank Indonesia Certificates of Deposit (SDBI), Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Sukuk (SukBI) and Government Securities (SBN).

Bank Indonesia maintained an accommodative posture for all other macroprudential policy instruments to revive bank lending/financing and simultaneously strengthen

financial system stability to support the national economic recovery. The CCyB was held at 0% given sound financial system conditions and no indications of excessive credit/financing growth that could trigger systemic risk. With a CCyB of 0%, the banks were not required to hold additional capital, thereby increasing banking capacity to extend loans/financing. The Macroprudential Intermediation Ratio (MIR), which is a macroprudential instrument to stimulate bank intermediation, was held in the 84-94% range, to nurture credit/financing growth. Bank Indonesia also continued improving economic and financial inclusion on the demand side by strengthening MSME corporatisation, capacity and access to finance, and on the supply side by strengthening the Macroprudential Inclusive Financing Ratio (RPIM). In addition, Bank Indonesia also provided Macroprudential Liquidity Incentives (MLI) to banks achieving the RPIM ratio and disbursing ultra-micro loans. In terms of prime lending rate (PLR) transparency, Bank Indonesia continued strengthening PLR transparency policy with a focus on interest rates in the services sector (trade, corporate services, transportation social services), MSME loans as well as loans extended to the housing and tourism sectors. Bank Indonesia strengthened PLR transparency policy to support the effectiveness of monetary and macroprudential policy transmission.

2.2.3 Payment System Policy

In terms of payment system policy, Bank Indonesia continued accelerating payment system digitalisation through innovative instruments and the expansion of digital payment services, while strengthening the national digital economy and finance (EKD) ecosystem and bolstering the stability of the payment system infrastructure. To that end, the three targets of the payment system policy trilemma, namely velocity, industry structure and infrastructure stability are aligned and strengthened regularly. Seeking to increase transaction value and the velocity of digital payments, Bank Indonesia in 2023 advanced QRIS by expanding the user base and participating merchants, extending the Merchant Discount Rate (MDR) for micro merchants, and introducing QRIS Withdrawal, Transfer and Deposit (TUNTAS). Similarly, the electronification of government financial transactions was increased, particularly to accelerate and expand local

1. Bank Indonesia Regulation (PBI) No. 11 of 2023 concerning Macroprudential Liquidity Incentive (MLI) policy.

2. Board of Governors Regulation (PADG) No. 10 of 2023, as the sixth amendment to Board of Governors Regulation (PADG) No. 21/22/PADG/2019 concerning the Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MPLB) for Conventional Commercial Banks, Sharia Commercial Banks and Sharia Business Units.

regional digitalisation (P2DD) and increase acceptance of the Indonesia Credit Card (KKI) in the government segment. Bank Indonesia also strengthened consolidation of the national EKD ecosystem, encompassing bank and non-bank Payment Service Providers (PSP) as well as e-commerce platforms. Meanwhile, Bank Indonesia strengthened payment system infrastructure by expanding BI-FAST acceptance through participation and additional payment services channels, while also expanding cross-border payment system linkages through the Regional Payment Connectivity (RPC) initiative in the ASEAN region.

Payment system policy in 2023 was oriented towards deeper integration of the national EKD ecosystem, development of the Digital Rupiah, and expansion of cross-border payment system linkages. The policy direction is consistent with the vision, strategy and programs contained in the Indonesia Payment System Blueprint (BSPI) 2025 to accelerate payment system digitisation, which has achieved some of the fastest progress recorded worldwide. There are 3 (three) main targets of payment system policy as follows: (i) transaction value and velocity of currency in circulation (banknotes, account-based money and digital money) in the economy, (ii) a healthy, competitive and efficient national payment system industry structure, and (iii) the availability of fast, secure and reliable payment system infrastructure. Implementation is also based on the principle of “One Country, One Nation and One Language” in terms of national EKD ecosystem integration, in homage to the Youth Pledge of 28th October 1928. *First*, formulating national standards as “One Language” of payment system services collaboratively between Bank Indonesia and the industry, along with an acceptance and uptake campaign for consumers. *Second*, accelerating regulatory reform and end-to-end consolidation of the national payment system industry as “One Nation” to create healthy, competitive and innovative national and international unicorns in Indonesia that are ready as wholesalers in the issuance and circulation of the Digital Rupiah. *Third*, further development of (retail and wholesale) payment system infrastructure that is integrated, interoperable and interconnected (3i) as “One Country” to accelerate national EKD integration and as a prerequisite of issuing the Digital Rupiah moving forward.

National development of the digital economy and finance (EKD) continued to progress in 2023, though at a slower pace compared with conditions in 2022.

Digital transactions continued to flourish, with transaction volume growth of 30,85% to reach 4,47 billion transactions, while transaction value increased 13,25% to reach Rp15,87 thousand trillion in the fourth quarter of 2023. Similarly, electronic money (e-money) transactions also tracked an upward trend, with transaction volume increasing 11,10% to reach 666 million transactions and transaction value growing 7,93% to Rp13,79 trillion in the fourth quarter of 2023. Meanwhile, e-commerce transactions also climbed 29,16% in terms of volume, with transaction value increasing 6,96% on the previous year. Public preference for online retail via e-commerce continued following an upward trend, with approximately 156 million buyers retail shopping for commodities ranging from food and beverages, household and office goods, hobbies and other collections, personal care and cosmetics as well as cellular telephones and accessories.

Bank Indonesia expanded the use of Quick Response Code Indonesia Standard (QRIS), as the QR code national standard, to accelerate payment system digitalisation.

QRIS expansion in 2023 targeted 45 million users and 1 billion transactions. Realisation at the end of 2023 stood at 45,58 million users to surpass the 45 million target, dominated by users in the Java region (30,79 million). On the other hand, QRIS transaction volume increase 137% to reach 777,41 million transactions worth Rp82,7 trillion, up 170% on the previous year. Seeking to achieve the QRIS targets in terms of users and transaction volume, Bank Indonesia continued several initiatives, which included adjusting the merchant discount rate (MDR) for micro merchants to 0,3%. Furthermore, Bank Indonesia continued developing innovative QRIS features in synergy with the Indonesia Payment System Association (ASPI) and representatives for payment system service providers, including national standards for QRIS Withdrawal, Transfer and Deposit (TUNTAS), as an innovative new QRIS feature that allows users to withdraw, transfer and deposit cash. Supported by efficient pricing schemes, QRIS TUNTAS will accelerate and expand QRIS acceptance. The development of QRIS features was also oriented towards supporting cross-border payment connectivity through



Launch of Indonesian Credit Card and Implementation of QRIS Between Indonesia and Malaysia in Jakarta

the development and expansion of cross-border QRIS payment linkages with various countries. Cross-border payment linkages using QR code were expanded to the Monetary Authority of Singapore (MAS) in November 2023, after successful implementation with the Bank of Thailand (BoT) and Bank Negara Malaysia (BNM). Bank Indonesia will continue expanding cross-border QRIS payment linkages with other partner countries, which includes initiation with Japan, India and China, to realise fast, affordable, transparent and inclusive cross-border payments, particularly for micro, small and medium enterprises (MSME). This initiative will support economic activity, including the tourism sector, and bolster macroeconomic stability by facilitating broader use of local currencies in bilateral transactions within an optimal local currency transaction (LCT) framework.

Bank Indonesia also accelerated payment system digitalisation for the electronification of government financial transactions. In addition to the electronification of social aid program (bansos) disbursements and different transportation modes, Bank Indonesia also strengthened implementation and acceptance of the Indonesia Credit Card (KKI) in the government segment, which was launched in August 2022, in synergy with the Government and industry. After successful QRIS integration with the

Indonesia Credit Card (KKI) for the government segment, Bank Indonesia in 2023 focused on efforts to accelerate acceptance, with online payment features to be developed moving forward. With QRIS features and physical cards already available, the Government can now perform offline and online transactions conveniently. A number of the benefits offered by the Indonesia Credit Card (KKI) for the government segment include: (i) greater efficiency of government financial transactions; (ii) broader opportunities for MSMEs as government partners to level up and join the national EKD ecosystem; and (iii) significantly lower rates than credit cards issued by foreign principals. Currently, 124 regional governments are using the Indonesia Credit Card, with another 188 regional governments currently drafting regional regulations (*Peraturan Kepala Daerah and Perkada*). Accumulatively, the largest user base in terms of KKI QRIS and physical cards is the province of West Java, followed by Bengkulu. From launch until December 2023, transaction volume totalled 8.956 transactions with a value of Rp31,5 billion. Meanwhile, the electronification of social aid program (bansos) disbursements at the end of 2023 reached Rp71,91 trillion (97,4% of budget) and Sembako Program disbursements reached Rp43,92 trillion (97,33% of budget). Various efforts to improve disbursements of Noncash Social Assistance (BSNT) remain ongoing, which include improving the data, the fund disbursement reconciliation process and

disbursement infrastructure. Bank Indonesia continues to implement various electrification initiatives. On the other hand, total transactions of chip-based electronic money for transportation sector payments increased to reach 677,81 million transactions with a value of Rp10,01 trillion.

Application of the National Open API Payment Standard (SNAP) was expanded to support digitalisation of the banking system and development of payment system industry structure through bank linkages with financial technology (FinTech). SNAP roll-out, which in 2022 focused on the participation of first movers, was strengthened and expanded to the second movers in 2023 in synergy with the Indonesia Payment System Association (ASPI) to help accelerate the digital economy and finance. Consequently, SNAP participation has increased from 15 first movers (10 PSP and 5 non-PSP) to 81 second movers (42 banks and 39 non-banks). In addition, Bank Indonesia has transitioned SNAP management to ASPI as a self-regulatory organisation (SRO). This policy aims to expand SNAP services and boost adoption in order to increase payment sector efficiency, security and innovation in Indonesia moving forward. In line with the various strengthening efforts undertaken by Bank Indonesia in conjunction with ASPI, SNAP adoption by the payment system industry has observed transaction value and volume tracking upward trends.

The modernisation of integrated, interoperable and interconnected (3i) payment infrastructure was continued, thus facilitating the growing needs of retail transactions that are developing rapidly. BI-FAST implementation, as national-driven retail payment infrastructure, which offers real-time features and operates 24/7, was expanded further. Currently, the scope of BI-FAST services encompasses 119 banks, 2 Non-Bank Payment Service Providers (PSP) and 1 Other Party (Indonesian Central Securities Depository-KSEI), accounting for approximately 94% of the retail payment system. By expanding the various delivery channels, including mobile banking and internet banking, public adoption and utilisation of BI-FAST have increased to reach 220 million transactions, averaging 7,3 million transactions per day. The market share of BI-FAST transaction value and volume continues to increase, therefore, against other payment system infrastructure. Such positive developments are inseparable from BI support to provide greater convenience, including open membership, options for shared or independent infrastructure, a maximum transaction limit of Rp250 million, and a competitive BI-

FAST pricing scheme up to a maximum of Rp2,500 per transaction for the customer and just Rp19 per transaction for the participants. Payment system policy support for the economic recovery through pricing policy was continued. *First*, by extending the minimum payment policy and late payment penalties on credit cards until 31st December 2023. *Second*, by extending SKNBI pricing policy with fees of Rp1 from BI to the banks and up to Rp2,900 from the banks to their customers. The policy extension is part of the efforts to support local economic activity by improving transaction efficiency in the payment system.

Bank Indonesia also continued development of the Digital Rupiah to maintain the rupiah as the only legal tender in the territory of the Republic of Indonesia in the digital era.

This is also in line with implementation of the mandate in accordance with the P2SK Act, which designates Bank Indonesia as the only institution authorised to issue the Digital Rupiah currency in Indonesia. Bank Indonesia will focus on issuing the Digital Rupiah for the wholesale segment, while retail uses will be transferred to a number of large players (wholesalers) in the national payment system industry. The Digital Rupiah is being developed iteratively over 3 (three) stages as follows: (i) Stage I (immediate), namely development of the Digital Rupiah for the use cases of issuance, destruction and interparty fund transfers; (ii) Stage II (intermediate), namely the expansion of Digital Rupiah use cases for financial market transactions, including digital securities, and (iii) Stage III (end state), namely the development of wholesale Digital Rupiah integrated with retail Digital Rupiah by the industry. At each stage of the process, digital rupiah development will involve a public consultation process (consultative paper and focus group discussions), technology experimentation (proof of concept, prototyping and piloting/sandboxing), and a policy review of feasibility. On 31st January 2023, Bank Indonesia published a consultative paper and held a series of focus group discussions (FGD) with stakeholders to garner input on the future-proof design of the Digital Rupiah. Bank Indonesia appreciated the various inputs from the industry and associations, government ministries/agencies, academia and the public, who provided feedback for technology experimentation through proof of concept (POC), which was initiated beginning in October 2023 and will continue through to the first quarter of 2024. The next process is prototyping and piloting/sandboxing in phase I (immediate), followed by the starting point for the next development stage (intermediate).

Bank Indonesia continued strengthening policy synergy with the (central and regional) Government, banking industry and industry associations to nurture innovation and integration of the digital economy and finance (EKD).

To that end, Bank Indonesia strengthened policy synergy with the Government and other relevant authorities to accelerate the electronification of social aid program (bansos) disbursements, regional government financial transactions, and various transportation modes and toll roads. The seamless disbursement of Noncash Social Assistance (BSNT) to Beneficiary Families (KPM) was maintained through coordination/facilitation, socialisation/education and monitoring, involving all Bank Indonesia representative offices. The Regional Government Transaction Electronification (ETPD) program was expanded in conjunction with the National Working Group to Accelerate and Expand Local Digitalisation (P2DD), including the TP2DD championship program at the National Coordination Meeting for P2DD in October 2023. Bank Indonesia continued supporting the Transportation Electronification Program through policy coordination to monitor conformity between payment electronification practices in the transportation sector and prevailing payment system regulations. In addition, synergy with government ministries/agencies and other relevant

authorities manifested in the Indonesia Digital Economy and Finance Festival (FEKDI) as part of Indonesia's ASEAN Chairmanship in 2023 in the finance track.

In terms of rupiah currency management, Bank Indonesia continued rupiah currency management transformation based on the Rupiah Currency Management Blueprint (BPPUR) 2025. Transformation was implemented by increasing the efficiency of the currency distribution system and premium cash services in frontier, outermost and remote (3T) regions. Bank Indonesia optimised the distribution routes by leveraging better regional connectivity infrastructure to increase efficiency in the distribution process, human resources and costs. Synergy with strategic partners was also improved to extend the reach, timeliness and security of currency distribution throughout all regions in the territory of the Republic of Indonesia. Furthermore, Bank Indonesia strengthened the capabilities of the Rupiah Currency Management Command Centre through the development of a currency distribution application along with dashboard analytics for near real-time monitoring as well as to monitor currency stock levels at all cash-related work units. Bank Indonesia continued optimising currency distribution through cash deposit services, while increasing cash services in

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*Synergy and Innovation of Digital Economy
Fostering Growth*



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remote regions, including currency exchange services in frontier, outermost and remote regions through the Sovereign Rupiah Expedition (ERB) to ensure the equitable distribution of currency fit for circulation in the community. Bank Indonesia also began initiating the application of green rupiah currency management through collaborative research with strategic partners, especially to study the development of a green waste processing network for the rupiah currency.

2.2.4 Supporting Policies

Bank Indonesia continued accelerating financial market deepening in 2023 to strengthen operational effectiveness and monetary policy transmission, liquid and efficient money markets and liquidity management in the banking industry as well as support economic financing. Bank Indonesia implemented various programs referring to the Money Market Development Blueprint (BPPU) 2025. This is also in accordance with the P2SK Act that mandates Bank Indonesia with regulating, developing and supervising the money market and foreign exchange market. There are 3 (three) main policy targets as follows: (i) increasing transaction volume and liquidity; (ii) improving market mechanism efficiency and market conduct; and (iii) maintaining market stability and supporting infrastructure. In pursuit of those three targets, Bank Indonesia continued strengthening regulations based on 4 (four) important aspects, namely money market Products, Pricing, Participants and Infrastructure (3P+I). Money market deepening across those four aspects is critical to develop the shallow market and close the gap on other countries. For example, the market share of derivative transactions in Indonesia only accounts for around 44% of the money market, lower than in Malaysia, Thailand, South Korea, Brazil and India.

When strengthening regulations, Bank Indonesia considers international practices and rules. This includes advocating the use of the International Swaps and Derivatives Association (ISDA) Master Agreement and the Indonesia Derivatives Master Agreement (PIDI), adapted from the ISDA Master Agreement, the Global Master Repurchase Agreement (GMRA) adopted by Indonesia as GMRA Indonesia, as well as the General Core Principles on Market Infrastructures (CPMI) published by the International Organisation of Securities Commissions (IOSCO). Provisions have been promulgated by Bank Indonesia

in the form of Bank Indonesia Regulation (PBI) No. 6 of 2023, concerning the Money Market and Foreign Exchange Market, dated 27th June 2023. Regulatory strengthening was oriented towards accelerating the development of a modern and advanced money market and foreign exchange market, thereby supporting monetary policy effectiveness, financial system stability and economic financing synergy. As a continuation of the regulatory reform in the money market and foreign exchange market, Bank Indonesia promulgated Bank Indonesia Regulation (PBI) No. 12 of 2023 concerning the Issuance of Money Market Instruments and Money Market Transactions, dated 16th November 2023, to strengthen BI authority in terms of money market regulation, development and supervision. In addition, Bank Indonesia also issued Board of Governors Regulation (PADG) No. 13 of 2023 concerning Strengthening the Quality of Players and Implementation of Self-Regulatory Organisations (SRO) in the Money Market and Foreign Exchange Market on 23rd September 2023, which regulates the tasks, authority and procedures that must be complied with and implemented by transacting parties in the money market and foreign exchange market, treasury dealers, professional treasury associations, and professional certification institutes, as well as the implementation of SRO.

Bank Indonesia continued developing instruments to deepen the money market and foreign exchange market in Indonesia. The main development priorities were repo instruments in the money market and Domestic Non-Deliverable Forwards (DNDF) in the foreign exchange market. Both derivative instruments are critical for a number of reasons, particularly repo transactions that pose low credit risk due to collateral/underlying, which is important for effective monetary policy transmission and deepening a more liquid SBN secondary market, as well as DNDF transactions as hedging instruments, which are important to hedge portfolio investment by financial institutions and foreign investors.

Money market deepening was also strengthened in terms of market mechanisms, consolidation of the market participants and expansion of local currency transactions (LCT). Strengthening the market mechanisms, Bank Indonesia began publishing the Compounded IndONIA and IndONIA Index as reference rates for various financial products, in synergy with the National Working Group on Benchmark Reform (NWGBR). Money market deepening

was also supported by money market infrastructure development by and/or in cooperation with the industry. To strengthen a more efficient and transparent market pricing mechanism, Bank Indonesia continued improving the capabilities of the Electronic Trading Platform Multimatching System (ETP-MMS). In addition, synergy and strengthening also applied to regulatory harmonisation concerning money market taxes to support the development of money market instruments as a source of national economic development financing.

In terms of MSME development, Bank Indonesia also continued strengthening synergy to accelerate development of the green and inclusive economy and finance. Bank Indonesia strengthened 4 (four) strategic pillars as follows: (i) economic empowerment, (ii) expanding financial literacy and access, (iii) increasing access to finance, and (iv) consumer protection. According to the first strategic pillar, economic empowerment, the program direction focuses on 3 (three) important aspects. First, increasing the capacity and productivity of MSMEs and subsistence groups, primarily through the development of food sector MSMEs, which is in line with the National Movement for Food Inflation Control (GNPIP). Second, transformation that allows MSMEs to level up through the development of export MSMEs and green MSMEs. Third, strengthening and expanding the MSME digitalisation program, which not only encourages MSMEs to enter the digital ecosystem but also develops digital 'creativepreneur'. Meanwhile, in the strategic pillar to expand financial literacy and access, Bank Indonesia continued programs to increase financial literacy and access integrated with empowerment programs, specifically targeting MSMEs and subsistence groups. These programs combine supply-side approaches that accelerate development of the digital economy and finance ecosystem and demand-side approaches through financial literacy programs and consumer empowerment for quality financial inclusion. Concerning the third strategic pillar, increasing access to finance, Bank Indonesia remains committed to supporting the realisation of access to finance for sound MSMEs based on their needs and capacity. Programs to increase MSME access to finance include the development of multiple channel financing (MCF) business models, facilitating business matching for financing, capacity building in terms of financial recordkeeping using the Financial Information Recording Application Information System (SIAPIK), as well as surveys to populate the Database

of Bankable MSMEs (BISAID). The various programs are implemented to ensure MSMEs are bankable, thereby supporting government efforts to increase MSME loans.

Bank Indonesia also strengthened consumer protection as an integral part of the policy to accelerate the green and inclusive economy and finance. Consumer protection policy was implemented based on the MATRIC principles, namely massive, technology-based, responsive and consumer-centric, to address the challenges and issues faced by consumers in this era of rapid and complex digital financial innovation. To that end, Bank Indonesia strengthened the consumer protection program in terms of 4 (four) strategic aspects as follows: (i) promulgation of Bank Indonesia Regulation (PBI) No. 3 of 2023 concerning Bank Indonesia Consumer Protection in the second quarter of 2023 in response to the P2SK Act; (ii) market conduct, strengthened by leveraging technology in the development of consumer protection information systems; (iii) increasing education and literacy, including the flagship National Consumer Protection Survey in 2023 as a measure of implementation effectiveness as well as to garner input for the Bank Indonesia consumer protection strengthening strategy; and (iv) handling consumer complaints by optimising the channels and platforms for resolving consumer complaints and disputes, which includes strengthening the role of Alternative Dispute Resolution Institutions - Financial Sector (LAPS-SK) and the development of a fraud detection system (FDS) in synergy with relevant stakeholders.

In addition to its active role in MSME development, Bank Indonesia also nurtures development of the national sharia economy and finance. Bank Indonesia is implementing development through 3 (three) strategic pillars as follows: (i) strengthening the halal product ecosystem (halal value chain); (ii) strengthening Islamic finance; and (iii) strengthening application of the halal lifestyle. According to the first strategic pillar, efforts to strengthen the halal product ecosystem are focused on capacity building, as well as sharia business models, institutional arrangements, supporting infrastructure and halal product guarantees. In the second strategic pillar, namely strengthening Islamic finance, policy is focused on regulatory strengthening, the development of Islamic finance products and expanding transactions to increase Islamic finance. In the third strategic pillar, namely strengthening application of the halal lifestyle, Bank Indonesia is fully committed to increasing sharia



Opening Ceremony of Indonesia Sharia Economic Festival (ISEF) 2023 in Jakarta

economic literacy in the community through 4 (four) approaches as follows: (i) strengthening communication channels through digital media and media networks; (ii) strengthening the participants through synergy and synchronisation of literacy activities with strategic partners; (iii) strengthening the materials according to the corresponding segment; and (iii) strengthening branding through a logo for the sharia economy. Application of the halal lifestyle was strengthened through several flagship programs, including the Sharia Economic Festivals (FESyar) and the 10th Indonesia Shari'a Economic Festival (ISEF) in 2023. The Indonesia Halal Master Plan (MPIHI) 2023-2029 was launched at ISEF 2023 as a joint reference for halal industry development towards Indonesia's vision of becoming a leading global hub for halal producers.

Meanwhile, Bank Indonesia implemented international policy through close synergy with the Government to strengthen macroeconomic resilience and stability, bolster economic recovery, and pursue the interests of Bank Indonesia and the national economy. Against a backdrop of heightened and increasing global uncertainty, international and regional cooperation in Asia through the Global Financial Safety Net (GFSN) was strengthened, including Bilateral Currency Swap Arrangements (BCSA) with the central banks of Japan, Australia, China and South

Korea, which were extended in March 2023. Similarly, Local Currency Bilateral Swap Agreements (LCBSA) with the central banks of Malaysia and China and the Monetary Authority of Singapore (MAS) were extended in November 2023. These cooperation schemes reinforced various external resilience buffers in Indonesia, including the facilities of the Chiang Mai Initiative Multilateralization (CMIM) in the form of swap facilities to overcome BOP needs and short-term liquidity requirements among ASEAN+3 member states, repo cooperation with the US Federal Reserve, and a reserve pool scheme between the Bank for International Settlements (BIS) and several central banks in the Asia-Pacific region.

Bank Indonesia also expanded cooperation using local currencies to bolster rupiah stability and strengthen the resilience of domestic financial markets. Collaboration using local currency settlement (LCS) with China and Japan was expanded into local currency transactions (LCT) with Malaysia, Thailand, South Korea and Singapore, involving current account, capital account, direct investment and financial account transactions. LCT development was also oriented towards supporting cross-border payment linkages and strengthening regional payment connectivity (RPC). Greater payment system connectivity through RPC will also be supported by an expansion of QR code cross-

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border payment linkages, which Indonesia has already implemented with Thailand, Malaysia and Singapore. LCT development efforts were also supported by the creation of a National Task Force for Local Currency Transactions by Bank Indonesia with government ministries/agencies and other relevant authorities in Indonesia, which also represents the concrete realisation of the ASEAN High-Level Principles on the LCT Framework as a priority achievement of Indonesia's ASEAN Chairmanship in 2023. Bank Indonesia also received more international

recognition as the best central bank among emerging market countries. The importance of Bank Indonesia's role was reflected in the successes of Indonesia's ASEAN Chairmanship that achieved several concrete deliverables to build on the success of Indonesia's G20 Presidency in 2022.

An in-depth review of the policy response instituted by Bank Indonesia is presented in the Economic Report on Indonesia 2023.





03

BANK INDONESIA TRANSFORMATION

The Naga Balimbur motive from South Kalimantan
means joy and pleasure





Bank Indonesia Representative Office Building at South Kalimantan Province

Bank Indonesia strengthened transformation, which began in 2018, as tangible support for implementation of the Financial Sector Development and Strengthening Act (P2SK Act). The P2SK Act provides a solid legal foundation for the mandate, policies and institutional facets of Bank Indonesia as the central bank of the Republic of Indonesia to oversee the national economy. In principle, the provisions stipulated in the P2SK Act are consistent with the existing practices undertaken by Bank Indonesia yet require comprehensive transformation to ensure conformity with the mandate. Comprehensive transformation, encompassing policy transformation, institutional and HR transformation, as well as digitalisation transformation, will be continued and improved to strengthen Bank Indonesia professionalism, governance and accountability.

In the medium term (2023-2028), the transformation agenda of Bank Indonesia includes seven strategies. *First*, strengthening the policies and institutional arrangements of Bank Indonesia in accordance with the P2SK Act. *Second*, strengthening the Bank Indonesia policy mix to bolster resilience against the impact of global spillovers and support the national economic revival. *Third*, accelerating payment system digitalisation towards greater integration of the digital economic and financial ecosystem in pursuit of sustainable economic growth. *Fourth*, accelerating money market deepening to support Bank Indonesia policy effectiveness as well as green and sustainable finance. *Fifth*, strengthening policy synergy with the Government and other strategic partners to nurture downstreaming and strengthen the green and inclusive economy and finance. *Sixth*, strengthening policy in synergy with the Government and other strategic partners for international cooperation and relations. *Seventh*, accelerating institutional transformation to strengthen professionalism, good governance and accountability at Bank Indonesia. Comprehensive Bank Indonesia transformation is implemented according to the priorities in each area as follows: (i) policies, (ii) organisation and work processes, (iii) human resources and work culture, and (iv) digital, to create and maintain a credible, professional, good governance, accountable and transparent central bank.

In the policy area, Bank Indonesia transformation involves revisiting and refining the main policy mix (BKU), which integrates monetary policy, macroprudential policy and

payment system policy into a formulation framework that is also underpinned by various supporting policies. Institutional transformation is focused on 3 (three) strategic areas. First, strengthening the Bank Indonesia policy and institutional governance system based on the principles of independence, consistency, coordination, accountability and transparency (IKKAT). The IKKAT principles are applied through seven elements as follows: (i) clear legal mandate; (ii) policies and strategies; (iii) decision-making process; (iv) responsibilities and supervision; (v) ethics; risk management, internal audit and legal functions; (vi) relationship with stakeholders; and (vii) communication and reporting. Strengthening the policy and institutional governance system is based on understanding the characteristics of Bank Indonesia as an independent policy authority accountable to the public that must implement good institutional management practices. In line with refining the governance system, Bank Indonesia also strengthened its strategies by refining the vision and mission, while strengthening strategic planning. The refinements were supported by strengthening strategic planning and honing key performance indicators (KPI) derived from the mandate in accordance with the P2SK Act.

Second, strengthening the policy framework supported by streamlining the business processes and digital-based work processes as well as HR transformation to support work processes in the digital era. The policy framework was strengthened to ensure alignment of the Bank Indonesia policy framework with the refinement and expansion of Bank Indonesia's mandate in accordance with the P2SK Act. In line with the organisational and digital transformation implemented since 2018, the policy framework was strengthened simultaneously with business process re-engineering (BPR) as well as policy and work process digitalisation. This was done to create an organisation with streamlined, concise and standardised business processes, as well as work processes that are agile and in line with the needs of the digital era.

Digital-based BPR implementation, or digital BPR, was achieved through the development of a digital workplace (DWP) which began in 2022 and has been implemented for the formulation of the Bank Indonesia policy mix (BI-wide) at the monthly Board of Governors Meeting (RDG). With the

digital workplace, the phases of decision-making, from the initiation-verification stage, recommendations to approval, are integrated end-to-end within one platform accessible to all employees. In 2023, digital BPR was expanded to support decision-making at the weekly Board of Governors meeting as well as business processes at the work unit level by creating digital collaborative work between management and employees with an emphasis on achieving the salient stages in the business process towards delivering the final output of the work unit. Digital BPR implementation was also supported by strengthening the people aspect by improving the employee value proposition (EVP), developing new capabilities, and strengthening strategic spiritual leadership. HR transformation was pursued by applying new high performance work systems in the digital era, supported by various elements, such as physical and digital facilities to achieve optimal organisational performance by increasing work effectiveness, efficiency and productivity. The new work system in the digital era provides physical work flexibility to employees outside the office network and virtual work flexibility within the network, while maintaining governance and accountability. Providing work flexibility has improved Bank Indonesia's employee value proposition (EVP) and, ultimately, improved Bank Indonesia efforts to attract and retain the best talent, while supporting implementation of a modern office.

Third, accelerating digital transformation of the policy and institutional work processes based on the Bank Indonesia Digital Innovation Master Plan (RIVIBI) towards the vision of becoming the foremost digital central bank. Digital transformation at Bank Indonesia is implemented through 3 (three) strategies as follows: (i) developing digital business platforms to support the policies and institutional arrangements, (ii) developing data centres to build innovative and superior data analytics and create a data-driven institution, and (iii) increasing the capabilities and capacity of technology infrastructure and security end-to-end. Development of digital business platforms prioritises payment system and money market digitalisation as well as exploring digital Rupiah innovation through Project Garuda, which coexists and is interconnected by fulfilling 3i aspects in accordance with the Indonesia Payment System Blueprint (BSPI) 2025 and Money Market Development Blueprint (BPPU) 2025. Bank Indonesia continued developing data centres through infrastructure (platforms) that support the

use of artificial intelligence (AI) and analytical applications, as well as data content to support various types of data management through a self-service data science approach. Bank Indonesia increased the capabilities and capacity of technology infrastructure by adopting the latest technological advancements to support the development of digital business platforms and omni-data intelligence, the implementation of hybrid working patterns and prioritising the implementation of cyber security to mitigate the proliferation of cyber risk.

3.1 Policy Transformation

Bank Indonesia continued implementing and strengthening policy transformation as support for the P2SK Act. In 2023, policy transformation at Bank Indonesia aimed to strengthen the policy mix framework as well as each respective policy area. Policy transformation included strengthening various regulations, instruments, infrastructure and coordination. Policy transformation was implemented to maintain price and rupiah stability, accelerate payment system digitalisation as well as maintain financial system stability in pursuit of sustainable economic growth. All transformation programs were implemented based on good and professional institutional governance.

3.1.1. Monetary Transformation

1) Strengthening the Policy Mix Framework and Settings

Bank Indonesia continued strengthening its policy mix in accordance with the latest developments in the strategic environment. Strengthening was applied, among others, by honing and strengthening the Bank Indonesia Policy Mix (BKBI) in line with Bank Indonesia's mandate in accordance with the P2SK Act. BKBI refinement aimed to: (i) ensure policy mix formulation and implementation are in accordance with the tasks and authority of Bank Indonesia to achieve the goals mandated by prevailing laws and regulations; (ii) provide a legal foundation for policy formulation and implementation by strengthening the BKBI framework; and (iii) transforming the formulation and implementation process for the Bank Indonesia policy mix.

When implementing the policy mix, Bank Indonesia integrates monetary, macroprudential and payment system policies to support sustainable economic growth. Implementation of the policy mix is also underpinned by supporting policies, namely the regional economy and finance, money market and foreign exchange market deepening, financial inclusion and green policy, the sharia economy and finance, international policy as well as consumer protection. All policies aim to create and maintain rupiah stability, payment system stability and to help maintain financial system stability to support sustainable economic growth. Formulation and implementation of the policy mix is based on the IKKAT principles and seven elements of the Bank Indonesia Policy and Institutional Governance System.

Moving forward, Bank Indonesia will also strengthen its policy framework, consisting of the Monetary Policy Framework (KKKM), Macroprudential Policy Framework (KKPM) and Payment System Policy Framework (KKSP) to ensure alignment with its mandate in accordance with the P2SK Act. Bank Indonesia strengthens its policy frameworks alongside business process re-engineering (BPR) as well as the digitalisation of policymaking and work processes to create an organisation with simpler, streamlined and standardised business processes along with agile work processes, which are in line with the needs of the digital era.

2) Strengthening Reserve Asset Management Policy and Framework

Bank Indonesia continued reforming reserve asset management by strengthening the framework and policies with a focus on efforts to maintain the preserved value of FX reserves. Efforts to maintain preserved value are achieved through the implementation of Strategic Asset Allocation (SAA), which focuses on minimising the potential downside risks of reserve assets. This aims to maintain FX reserves at a level deemed adequate in accordance with relevant indicators against a backdrop of global financial market turmoil. In implementation, reserve asset management is based on the principles of security and liquidity, without negating the principle of profitability.

In 2023, Bank Indonesia reformed its reserve asset management strategy to maintain the availability and strengthen the management of foreign currency liquidity, which included the implementation of Triparty and Reverse Repo transactions. At the end of December 2023, the position of reserve assets was recorded at USD146.4 billion, equivalent to 6.7 months of imports or 6.5 months of imports and servicing government external debt, which is well above the international adequacy standard of approximately 3 months of imports. Bank Indonesia is confident the current level of foreign exchange (FX) reserves is sufficient to bolster external sector resilience, while maintaining macroeconomic and financial system stability. Moving forward, Bank Indonesia considers the level of FX reserves adequate, supported by a promising economic outlook and maintained stability in line with the optimal policy mix response instituted by Bank Indonesia and the Government to preserve macroeconomic and financial system stability in pursuit of sustainable economic growth.

Strengthening FX reserve management, Bank Indonesia is revisiting regulations concerning the management of FX assets. This initiative is supported by the digitalisation of reserve asset management, which includes strengthening the treasury system to support business processes, leveraging machine learning to project bond yields and currency, as well as sukuk (Sharia Bonds) management to support monetary operations based on sharia principles in line with the implementation of foreign reserve management reforms. Bank Indonesia also coordinates with the Government regularly concerning reserve exchange management in relation to monitoring the foreign exchange proceeds of exports (DHE), while cooperating with other central banks in the region through the International Financial Cooperation (KKI) program, specifically with the People's Bank of China (PBoC) and Bank of Japan (BOJ). Such efforts have been strengthened through international financial cooperation with other central banks in the region, including Local Currency Bilateral Swap Agreements (LCBSA) with the Monetary Authority of Singapore (MAS) and Bank Negara Malaysia (BNM).

3) Integrated, Interoperable and Interconnected (3i) Monetary Management and Financial Market Deepening through a Holistic Approach

Bank Indonesia continued strengthening innovation to boost monetary policy effectiveness in terms of managing inflation and maintaining rupiah stability. To that end, Bank Indonesia consistently optimised monetary operations (MO) instruments, while simultaneously integrating financial market deepening efforts and supporting efforts to attract portfolio inflows.

In 2023, Bank Indonesia undertook several initiatives to integrate monetary management and financial market deepening as follows:

a) Issuing Bank Indonesia Rupiah Securities (SRBI)

Bank Indonesia has promulgated several regulations concerning SRBI. SRBI are securities denominated in rupiah and issued by Bank Indonesia as recognition of short-term debt using underlying assets in the form of securities held by Bank Indonesia. In addition, SRBI are also an alternative liquidity management instrument for domestic financial institutions that also attract foreign capital inflows from abroad. In 2023, a total of 30 SRBI auctions were held with total outstanding bids totalling Rp254.46 trillion. As a pro-market monetary operations instrument, SRBI are traded actively in the secondary market, as reflected by a total transaction volume in the secondary market of Rp131.54 trillion, accounting for 51.69% of total SRBI issuances. Foreign investors have embraced SRBI issuances enthusiastically, as reflected by high non-resident holdings totalling Rp62.17 trillion, or 24.43% of the total.

Bank Indonesia also hosted a range of socialisation activities for various parties concerning the SRBI instrument, including the banking industry, market operators, investment managers, pension funds, securities companies, money market brokers, price assessors, market associations, the press,

potential investors and relevant authorities. Consequently, the market has embraced SRBI issuances actively, with auctions oversubscribed. Strong interest in SRBI instruments in the primary market is consistent with ample liquidity conditions. In addition, the latest SRBI developments point to increasing purchases by investors in the secondary market (including non-residents).

b) Implementation of Foreign Currency Term Deposits of Foreign Exchange Proceeds of Exports (TD Valas DHE)

Bank Indonesia introduced foreign currency term deposits (TD Valas DHE) as an instrument used by exporters to retain the foreign exchange proceeds of exports within Indonesia's financial system. TD Valas DHE implementation was a form of Bank Indonesia support for the domestic management of export proceeds. The TD Valas DHE instrument is part of the efforts to strengthen foreign currency monetary operations by expanding transaction mechanisms between Bank Indonesia and the banking industry. The TD Valas DHE instrument allows exporters to repatriate foreign exchange proceeds of exports (DHE) through pass-on transactions to Bank Indonesia. The instrument is available to exporters to collateralise rupiah bank loans. Furthermore, the banks can utilise this collateral as underlying for swap hedging with Bank Indonesia as well as for swap transactions with Bank Indonesia in the interest of exporters by transferring the TD Valas DHE funds into swap transactions with Bank Indonesia.

In 2023, Bank Indonesia issued Bank Indonesia Regulation (PBI) No. 7 of 2023 and Board of Governors Regulation (PADG) No. 4 of 2023 concerning Foreign Exchange Proceeds of Exports (DHE) and Foreign Exchange for Import Payments, dated 31st July 2023. The regulations were issued to support the effective implementation of instruments that retain the proceeds of

natural resources exports in accordance with Government Regulation Number 36 of 2023 concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources. In addition, Bank Indonesia was actively involved in a series of socialisation activities coordinated with the Government concerning the implementation of Government Regulation Number 36 of 2023, including the TD Valas DHE instrument as a way to retain the proceeds of natural resources exports. Socialisation activities were implemented in conjunction with the relevant government ministry/agency, including the Ministry of Finance, Financial Services Authority (OJK) and Coordinating Ministry for Economic Affairs as coordinator. The socialisation activities targeted the banking industry, exporters and professional associations in various cities of Indonesia.

Placements of foreign exchange export proceeds in TD Valas DHE have tracked an upward trend since implementation on 2nd March 2023, particularly after the implementation of Government Regulation Number 36 of 2023 concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources in August 2023. The position of TD Valas DHE was recorded at USD2,375.5 million at the end of 2023, up 464.59% compared with conditions prior to implementation of Government Regulation Number 36 of 2023. In addition, the number of appointed banks has been expanded by 2 (two) times, from 20 banks upon first implementation to 26 banks on 17th July 2023 and then to 34 banks on 20th September 2023.

c) Strengthening Foreign Exchange Operation by Issuing Bank Indonesia Forex Securities (SVBI) and Bank Indonesia Forex Sukuk (SUVBI)

Bank Indonesia has continued strengthening monetary policy by launching Bank Indonesia Forex Securities (SVBI) and Bank Indonesia Forex Sukuk (SUVBI) on 21st November 2023 and 29th November 2023, respectively, to maintain Rupiah stability. SVBI are securities denominated in a

foreign currency and issued by Bank Indonesia as recognition of short-term debt using underlying assets in the form of securities denominated in a foreign currency held by Bank Indonesia. Meanwhile, SUVBI are sukuk denominated in a foreign currency issued by Bank Indonesia using underlying assets in the form of sharia-compliant securities denominated in a foreign currency held by Bank Indonesia. SVBI and SUVBI are monetary management instruments that simultaneously support money market deepening and efforts to attract portfolio inflows by optimising the securities denominated in a foreign currency held by Bank Indonesia as the underlying.

The SVBI and SUVBI instruments are regulated in accordance with Bank Indonesia Regulation (PBI) No. 13 of 2023, as the second amendment to Bank Indonesia Regulation (PBI) No. 22/14/PBI/2020 concerning Monetary Operations, promulgated on 16th November 2023 and Board of Governors Regulation (PADG) No. 15 of 2023, as the fifth amendment to Board of Governors Regulation (PADG) No. 22/22/PADG/2020 concerning Open Market Operations Instruments, issued on 13th December 2023. In line with market deepening efforts, SVBI and SUVBI transactions in the secondary market are expected to continue tracking upward trends, thereby bolstering liquidity management in the financial markets. The pro-market characteristics of the SVBI and SUVBI instruments are also expected to accelerate foreign exchange market deepening in Indonesia, while supporting efforts to attract portfolio inflows, which will ultimately strengthen Rupiah stability.

SVBI and SUVBI are issued with tenors ranging from 1 month to 12 months based on market rates and which can be traded in the secondary market by residents and non-residents. In 2023, six SVBI auctions were held 6 (six) times with outstanding bids totalling USD434.5 million. SVBI were also traded in the secondary market (including transactions with non-residents) to the tune of USD11 million. Meanwhile, three SUVBI auctions were held 3 (three) times with outstanding bids totalling USD154 million.



Joint Press Conference on the Implementation of the Government Regulation on Foreign Exchange from Natural Resource Exports (PP DHE SDA) in Jakarta

4) Development of Data/Statistics

Bank Indonesia continued developing data/statistics to support the data-driven policy mix. In addition, the development of data/statistics is also required to provide macroeconomic indicators that underline policymaking.

In 2023, Bank Indonesia undertook various efforts to develop data/statistics as follows:

a) Strengthening the Capabilities of Data/Statistics to Support the Policy Mix

In 2023, Bank Indonesia continued honing the capabilities of data/statistics, which included conducting a Survey on Remittance Payments by Indonesian Migrant Workers (PMI). This was done to improve the quality of Indonesia's Balance of Payments (BOP) statistics. The survey aimed to obtain an up-to-date picture of remittance payments by Indonesian migrant workers, which will be used as the basis for calculating workers' remittances when preparing the secondary income account balance as an integral part of BOP statistics.

Bank Indonesia has also prepared and implemented Standing Operating Procedures (SOP) or data protection protocols at Bank Indonesia to generate quality data/statistics. The SOP are used as a reference and guidelines when regulating and managing access to data/statistics, covering two salient aspects as follows: (i) governance that regulates the procedures for collecting data/statistics, and (ii) technical aspects in the form of data migrating as a way to increase security against the risk of data leaks. Bank Indonesia also continued improving its individual data protection protocol framework across a broader range of purposes to ensure that quality data/statistics can be fulfilled in a timely manner in compliance with security standards and data confidentiality requirements.

b) Developing Statistics using Advanced Analytics to Strengthen Macroeconomic Indicators

In 2023, Bank Indonesia implemented transformation to strengthen external sector statistics using advanced analytics to compile cross-border digital trade statistics (goods and

services). Bank Indonesia compiles cross-border digital trade statistics in response to the rapid development of digital transactions in the cross-border trade of goods and services. Advanced analytics are used to develop domestic sector macroeconomic indicators using data from online portals. Bank Indonesia has also applied advanced analytics to develop methodologies for strengthening external sector macroeconomic indicators, namely by using more granular direct investment and investment income data. The development of indicators using advanced analytics is also in line with the development of digital technologies as well as economic and financial dynamics, which can be used as input when formulating Bank Indonesia policy.

3.1.2. Macroprudential Transformation

1) Strengthening the Macroprudential Policy Framework and Regulation

Bank Indonesia formulates and implements macroprudential policy to maintain the stability of the financial system in accordance with the mandate of the P2SK Act. Financial system stability has been maintained through efforts to revive balanced, quality and sustainable intermediation, while mitigating and managing systemic risk, as well as increasing economic inclusion, financial inclusion and sustainable finance. Bank Indonesia is also authorised to use liquidity-based policy instruments to stimulate sustainable economic growth. In addition, the P2SK Act also strengthens Bank Indonesia's function as lender of last resort.

In 2023, Bank Indonesia undertook several initiatives to strengthen the macroprudential framework and policies as follows:

a) Issuing Regulations Concerning Short-Term Liquidity Assistance and Sharia-Compliant Short-Term Liquidity Assistance as a Follow-Up to the P2SK Act.

In its function as lender of last resort, Bank Indonesia is authorised to disburse short-term liquidity assistance (PLJP) and sharia-compliant short-term liquidity assistance (PLJPS) to banks experiencing a liquidity mismatch in accordance

with Bank Indonesia regulations as well as the Financial System Crisis Prevention and Handling Act, which were subsequently strengthened by the P2SK Act. The P2SK Act strengthens this function, including the requirements for eligible banks to obtain PLJP/PLJPS facilities, the collateral, repayment period and coordination between Bank Indonesia and OJK, as well as strengthening various other aspects. In 2023, Bank Indonesia also strengthened its regulations by refining provisions concerning the PLJP/PLJPS facilities as part of the follow-up actions to the P2SK Act. Bank Indonesia honed its regulations through promulgation of Bank Indonesia Regulation (PBI) No. 4 of 2023 concerning Short-Term Liquidity Assistance for Conventional Commercial Banks and PBI No. 5 of 2023 concerning Sharia-Compliant Short-Term Liquidity Assistance for Sharia Commercial Banks, dated 27th June 2023. Furthermore, Bank Indonesia also issued implementation regulations for conventional commercial banks in the form of Board of Governors Regulation (PADG) No. 21 of 2023 concerning the Implementation Regulations of Short-Term Liquidity Assistance for Conventional Commercial Banks.

b) Refining the Regulations and Coordination Mechanism for the Resolution of Troubled Banks

In 2023, in addition to refining the PLJP/PLJPS regulations, Bank Indonesia also strengthened its cooperation and coordination mechanism with the Financial Services Authority (OJK). The updated coordination mechanism is contained in a Memorandum of Understanding (MoU) between Bank Indonesia and OJK concerning Cooperation and Coordination in the Disbursement of Short-Term Liquidity Assistance for Conventional Commercial Banks and the Disbursement of Sharia-Compliant Short-Term Liquidity Assistance for Sharia Commercial Banks (PLJP/PLJPS). The MoU was signed in October 2023 by the Governor of Bank Indonesia and Chairman of OJK Board of Commissioners. Meanwhile, the implementation mechanism for the MoU concerning PLJP/PLJPS is contained in more detail within a Cooperation Agreement (PKS) concerning PLJP/PLJPS.



High Level Discussion Meeting between the Supreme Court of the Republic of Indonesia, Bank Indonesia, and the Financial Services Authority in Jakarta

Bank Indonesia also coordinated with the Indonesia Deposit Insurance Corporation (IDIC) to strengthen the coordination mechanism for resolving troubled banks through bridge banks. This takes into account Bank Indonesia's role as the monetary and payment system authority, which maintains operational relationships with the banking industry, including participation in the payment system operated by Bank Indonesia, monetary operations and payment services. In addition, the bridge bank mechanism was strengthened to ensure seamless and effective bank resolution measures by IDIC to maintain the stability of the financial system. The operational mechanism between bridge banks and Bank Indonesia was also strengthened by revisiting the Bank Indonesia Regulation (PBI) concerning the Operational Relationship between Bridge Banks and Bank Indonesia. Additionally, the cooperation and coordination mechanisms between Bank Indonesia and IDIC in relation to bridge banks were contained in Bank Indonesia and IDIC Implementation Instructions concerning the Cooperation and Coordination Procedures for the Operationalisation of Bridge Banks with Bank Indonesia, signed in December 2023. The implementation instructions were compiled

based on the results of simulations conducted by each institution separately as well as joint simulations performed by Bank Indonesia in conjunction with IDIC. This ensured the operationalisation process could be implemented seamlessly, particularly during the weekend resolutions.

c) Strengthening the Framework and Features of Macroprudential Liquidity Incentive (KLM) Policy

Bank Indonesia is committed to reviving bank lending/financing to accelerate sustainable economic growth. This forms part of the efforts to increase the bank intermediation function through innovative, liquidity-based macroprudential policy stimuli, namely by honing and increasing the size of macroprudential liquidity incentive (KLM) policy. This policy builds on the previous Bank Indonesia incentive policy by strengthening various aspects, including: (i) increasing the size of the liquidity incentives, (ii) refocusing the sectors eligible to trigger the liquidity incentives, and (iii) providing incentives for banks extending loans to ultra micro enterprises. On 18th September 2023, Bank Indonesia issued Bank Indonesia Regulation (PBI)



Seminar “Macroprudential Liquidity Incentive Policy (KLM): Incentives for Downstream Sector Credit/Financing” in Jakarta

No. 11 of 2023 concerning KLM Policy, followed by Board of Governors Regulation (PADG) No. 12 of 2023 on 27th September 2023, as the second amendment to PADG No. 24/8/PADG/2022 concerning the Implementation Regulations for Fulfilling the Reserve Requirements in Rupiah and Foreign Currency for Conventional Commercial Banks, Sharia Commercial Banks and Sharia Business Units, as the legal foundation for implementation of KLM policy, effective from 1st October 2023.

2) Development of Supervisory Technology (Suptech)

Bank Indonesia continuously strengthens digital surveillance through the development of SupTech applications. Rapidly changing dynamics in the strategic environment and in terms of digital technologies demand Bank Indonesia to make various adjustments in all areas of Bank Indonesia supervision, including dynamic systemic risk surveillance, monetary surveillance, money market surveillance, foreign exchange market surveillance and payment system surveillance. SupTech refers to the tools used by supervisors to create a more agile and responsive supervision mechanism, which aims

to strengthen macroprudential, monetary, money market, foreign exchange market and payment system supervision.

In 2023, Bank Indonesia developed Suptech leveraging reports sourced from high frequency data, including big data, which includes data collection and data analytics to improve the quality of supervisory analysis. Consequently, the analyses produced are not only more descriptive, yet are also more diagnostic, predictive and prescriptive, allowing supervisors to formulate bespoke solutions to the challenges faced. SupTech development also entailed the preparation of various use cases, including qualitative and quantitative use cases. The use of SupTech to strengthen qualitative aspects includes the use of news aggregators by scraping data and information that is available on the internet. Meanwhile, the quantitative aspects were also strengthened through the development of various tools, such as network analysis of transactions in the money market and foreign exchange market, as well as Real Time Gross Settlement (RTGS) system transactions to identify segmentation and/or interconnectedness among participants in the financial system.

Bank Indonesia also develops SupTech by forming tools that focus on the macroprudential supervision and payment system areas. In the macroprudential supervision area, Bank Indonesia has developed a tool in the form of an Early Warning Model (EWM) for liquidity risk. The development of this tool is intended to predict future bank liquidity problems (forward looking) earlier, in order to strengthen further analysis of bank liquidity. In addition, Bank Indonesia also develops behavioral analysis tools for several items such as credit and third party funds. The use of this behavioral analysis will be used to enrich granular stress tests and determine optimal lending. In the payment system supervision area, Bank Indonesia develops a use case network analysis for Payment Service Providers/Payment Infrastructure Providers (PJP/PIP) transactions in RTGS and BI-FAST. The SupTech tool is used to identify the behavior of PJP Institutions other than Banks and PIP, including the interconnectedness between PJP and PIP. In the future, the development and utilization of SupTech as a supervisory tool will continue to be carried out with a focus on the use of AI to strengthen the analysis and forecasting of banking conditions and payment systems.

3) Development of Policy Technology (Poltech)

Bank Indonesia is developing PolTech as a self-service analysis platform to support policymaking at Bank Indonesia, particularly macroprudential policy. The main feature of PolTech is macroprudential policy simulations that accommodate macro-financial linkages, such as projected credit and TPF growth that can be used to determine the direction of macroprudential policy moving forward. PolTech is also used to support policymaking with a longer assessment period than SupTech. PolTech also presents interactive information in the form of supporting indicators for policymaking, such as the financial cycle, which can provide information concerning the expansionary and contractionary phases of credit and financing growth.

In implementation, PolTech uses structured data (such as the data reported by banks) and unstructured data (such as news articles in the media), while using omni-channel features to provide access at anytime and anywhere to policymakers in Bank Indonesia. In 2023, PolTech was integrated into the Bank Indonesia

Digital Workspace Platform (DWP), which facilitates end-to-end collaboration. Such integration allows seamless access to the digital tools of financial system stability, including SupTech and PolTech, through the DWP portal.

4) Regulation and Development of Sustainable Finance

Bank Indonesia is constantly innovating to optimise macroprudential regulations in order to provide incentives for banks to disburse green finance, develop a supporting ecosystem for sustainable finance as well as strengthen coordination with government ministries/agencies to foster the implementation of sustainable finance. This is consistent with the P2SK Act that explicitly mandates Bank Indonesia with regulating and developing sustainable finance as well as nurturing sustainable finance.

In 2023, Bank Indonesia collaborated with the World Wildlife Fund (WWF) and 1in1000, which is a research institution from Germany that focuses on climate change risk. The collaboration emphasised capacity building and joint research looking at the resilience of energy sector corporations against climate change transition risk. In addition, Bank Indonesia also collaborated with the Coordinating Ministry for Maritime Affairs and Investment, French Development Agency (Agence Française de Développement) and external consultants to assess the impact of energy transition risk on the Indonesian economy. In terms of the Financial Sector Assessment Program (FSAP) for Indonesia in 2023/2024, Bank Indonesia coordinated with the Ministry of Finance and OJK to explore the input and recommendations for developing sustainable finance in Indonesia. In addition, Bank Indonesia also planned a technical assistance cooperation program with the International Monetary Fund (IMF), specifically in terms of developing a stress testing methodology for climate change in the Indonesian context. Bank Indonesia also strengthened internal awareness and capabilities in assessing and managing the impacts of climate change risk on financial system stability, including through climate stress tests. Climate stress tests are a way to assess the business resilience of financial institutions against various risks relating to climate change. The implementation of climate stress tests aims to identify potential financial sector

exposure and vulnerabilities to climate change risk. Moving forward, Bank Indonesia will prepare climate scenario analysis and stress tests for the banking sector in Indonesia, with completion targeted in 2024.

5) **Strengthening Analytics Tools to Assess Bank Intermediation using AI**

Bank Indonesia continues strengthening analytics tools to assess bank intermediation using Artificial Intelligence (AI). The use of AI aims to complement existing analytics tools and strengthen the use of big data in the analysis of bank intermediation. AI and ML technologies are also used to identify patterns of correlation between intertemporal factors that influence bank intermediation, thereby providing insight for the formulation of financial sector policies. Consequently, Bank Indonesia is expected to become more responsive to economic dynamics and, hence, support optimal credit growth.

In 2023, Bank Indonesia initiated the preliminary stage of developing analytics tools using ML/AI technology. This was used for Near-Term Forecasts (NTF) to support the assessment of several selected indicators. In general, NTF generates short-term projections for the next 1-2 quarters. At the preliminary stage, Bank Indonesia developed NTF for several main indicators, such as credit growth, TPF growth, non-performing loans (NPL), interest coverage ratio (ICR) and lending rates. Bank Indonesia has started using NTF with ML/AI in the policymaking process, specifically for short-term projections, such as credit growth, deposit growth, NPL and others.

The preliminary stage of using ML/AI for NTF was based on a supervised machine learning approach with structured data. This method represents a type of machine learning that studies the relationship patterns between inputs and outputs. Several algorithms have been applied in the use of ML/AI for NTF, including artificial neural networks, specifically using non-linear autoregressive networks with exogenous inputs (NARX), Support Vector Machine (SVM) and Gaussian Process Regression (GPR). Moving forward, Bank Indonesia will continue developing the use of ML/AI for NTF with other appropriate algorithms and unstructured data from the news, social media and other channels to enrich the input to predict the output.

3.1.3. **Payment System Transformation**

1) **Payment System Infrastructure Development Policy**

Bank Indonesia continues accelerating payment system infrastructure development in pursuit of integrated, interconnected and interoperable (3I) infrastructure to support the national digital economy and finance ecosystem. Payment system infrastructure development remains an ongoing concern to facilitate the needs of fast, convenient, affordable and reliable cross-border transactions.

In 2023, cross-border payment system connectivity was strengthened through Regional Payment Connectivity (RPC) cooperation with the State Bank of Vietnam (SPV). This builds on existing RPC cooperation between Bank Indonesia, Bank Negara Malaysia (BNM), Bangko Sentral ng Pilipinas (BSP), Monetary Authority of Singapore (MAS) and Bank of Thailand (BoT). RPC cooperation aims to create fast, affordable, transparent and inclusive cross-border payment connectivity among ASEAN member states (AMS). Such cooperation also has the potential to unlock market access to the region for businesses in Indonesia. To that end, cross-border payment system connectivity, based on multilateral fast payment linkages through Project Nexus Phase 3 in conjunction with the Bank for International Settlements Innovation Hub (BISIH) are still underway. Detailed discussions are ongoing concerning the schemes, governance, technology, business and commercial aspects in preparation for the Blueprint on Cross-Border Payments via the Nexus platform. Payment system connectivity will also be strengthened on the large value (wholesale) side through development of the multicurrency feature in the third generation Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system.

Bank Indonesia is also accelerating payment system digitalisation by strengthening implementation of the Indonesian Credit Card (KKI) for the Government Segment. Since the KKI launch in 2022 for the government segment, Bank Indonesia has continued expanding acceptance and implementation through socialisation activities targeting government ministries/agencies and several regional governments. In 2023, the value of KKI transactions for the government segment reached Rp31.51 billion, dominated by procurement transactions for office supplies and equipment,

transportation as well as food and beverages. KKI implementation has increased in the government segment due, among others, to the promulgation of regional government regulations (Perkada). At the end of 2023, 174 out of 542 regional governments had issued local regulations (Perkada).

Moving forward, Bank Indonesia will continue developing payment system infrastructure by expanding RPC cooperation with other countries in the region, among others. In addition, Bank Indonesia will continue developing the KKI for the government segment to facilitate online payments via online marketplaces as a form of Bank Indonesia support for government programs. Furthermore, Bank Indonesia will continue nurturing and overseeing KKI implementation for the government segment to ensure use by all government ministries/agencies and regional governments from the provincial level to the city/regency administrative level.

2) Payment System Standardisation

Bank Indonesia continuously supports a healthy, competitive and innovative payment system industry

through standardisation. Standardisation is an integral part of the efforts to create and expand “One Language” for the digital payment system ecosystem, through cross-border Quick Response Code Indonesia Standard (QRIS) and the National Open API Payment Standard (SNAP). Cross-border QRIS implementation allows users or customers of financial institutions to initiate retail payments across borders seamlessly using their existing payment applications. This initiative is also part of the Indonesia Payment System Blueprint (BSPI) 2025.

Bank Indonesia has recorded significant gains in terms of inbound and outbound cross-border QRIS transactions. In 2023, cross-border QRIS transactions with Thailand reached 228.41 thousand transactions with a value of Rp97.43 billion, as well as 259.53 thousand transactions to the tune of Rp73.98 billion with Malaysia. Since launched in November 2023, cross-border QRIS transactions between Indonesia and Singapore have reached 8.60 thousand transactions with a value of Rp2.73 billion. SNAP-based payment transactions have also tracked an upward trend with transaction volume in 2023 reaching 3.17 billion and a value of Rp1,552.39 trillion. This is also consistent



Signing of the Memorandum of Understanding on Expansion of Regional Payment System Connectivity (RPC) Cooperation with the State Bank of Vietnam (SBV) in a series of ASEAN Leaders Summit events in Bali

with the proportion of API SNAP transactions, which has continued to increase against API Payment transactions overall. In 2023, the volume and value of SNAP transactions accounted for 34.80% and 22.23%, respectively, of all API-based payment transactions.

Since the launch of QRIS Withdrawal, Transfer and Deposit (TUNTAS) on 17th August 2023, Bank Indonesia has expanded cross-border QRIS implementation, including cooperation with Singapore in November 2023. The QRIS TUNTAS and cross-border QRIS initiatives between Indonesia and Singapore demonstrate Bank Indonesia's commitment to developing innovative QRIS features on an ongoing basis. Since the implementation of cross-border QRIS between Indonesia and Singapore, users can scan QRIS or Network for Electronic Transfers (NETS) codes displayed by merchants in Singapore or Indonesia. In terms of SNAP transactions, Bank Indonesia in conjunction with the Indonesia Payment System Association (ASPI) continues fostering SNAP adoption by the payment system industry. In 2023, Bank Indonesia issued SNAP recommendations to 48 Payment Service Providers (PJP) working with 560 service users for 2,376 sub-API. In addition, since SNAP management was transferred to ASPI on 1st September 2023 until the end of 2023, ASPI issued SNAP recommendations to 27 Payment Service Providers (PJP) working with 152 service users for

741 sub-API. The growth of SNAP transactions is also inextricably linked to the role of SNAP Service Providers, which urge service users to migrate to digital financial services using the SNAP standard.

3) Digital Rupiah Development

Bank Indonesia also continued development of the Digital Rupiah to maintain the Rupiah as the only legal tender in the territory of the Republic of Indonesia in the digital era. This is also in line with implementation of the mandate in accordance with the P2SK Act, which designates Bank Indonesia as the only institution authorised to issue the Digital Rupiah currency in Indonesia. Bank Indonesia will focus on issuing the Digital Rupiah for the wholesale segment, while retail uses will be transferred to a number of large players in the national payment system industry. The Digital Rupiah is being developed iteratively over 3 (three) stages as follows: (i) Stage I (immediate), namely development of the Digital Rupiah for the use cases of issuance, destruction and interparty fund transfers; (ii) Stage II (intermediate), namely the expansion of Digital Rupiah use cases for financial market transactions, including digital securities; and (iii) Stage III (end state), namely the development of wholesale Digital Rupiah integrated with retail Digital Rupiah by the industry. At each stage of the process, digital Rupiah development will involve a public consultation process



Launch of National Standard New QRIS Features for Cash Withdrawals, Transfers, and Cash Deposits (QRIS TUNTAS) in Jakarta

(consultative paper and focus group discussions), technology experimentation (proof of concept, prototyping and piloting/sandboxing), and a policy review of feasibility.

On 31st January 2023, Bank Indonesia published a consultative paper, entitled Project Garuda: Wholesale Rupiah Digital Cash Ledger, and held a series of focus group discussions (FGD) with stakeholders to garner input on the future-proof design of the Digital Rupiah. Bank Indonesia appreciated the various inputs from the industry and associations, government ministries/agencies, academia and the public, who provided feedback for technology experimentation through proof of concept (POC), which was initiated beginning in October 2023 and will continue through to the first quarter of 2024. The next process is prototyping and piloting/sandboxing in phase I (immediate), followed by the starting point for the next development stage (intermediate).

Innovation Masterplan (RIVIBI). The development of rupiah currency management analytics is intended for the digitalisation of business processes at all stages of the rupiah currency management, namely planning, printing, issuing, circulating, revoking and destroying (6P). The PUR analytics application is an executive information system underlying policymaking and decision-making through high-level reporting and analysis. The development of PUR analytics applies the principles of comprehensive, coherent and convenient (3C). Comprehensive entails all rupiah currency management stages (6P) and enablers. Coherent implies unambiguous and easily understood. Meanwhile, convenient implies remote access from anywhere on different devices. As of December 2023, Bank Indonesia had implemented 30 functions of the PUR analytics application with basic analytics capabilities. In line with the digitalisation of PUR data, Bank Indonesia will continue developing PUR with more advanced capabilities moving forward.

4) Digitalisation of Rupiah Currency Management (PUR)

Bank Indonesia continued Rupiah currency management transformation based on the Rupiah Currency Management Blueprint (BPPUR) 2025. Transformation was implemented by increasing the efficiency of the currency distribution system and premium cash services in frontier, outermost and remote (3T) regions. Bank Indonesia optimised the distribution routes by leveraging better regional connectivity infrastructure to increase efficiency in the distribution process, human resources and costs. Synergy with strategic partners was also improved to extend the reach, timeliness and security of currency distribution throughout all regions in the territory of the Republic of Indonesia.

In 2023, Bank Indonesia continued the digitalisation of PUR with a focus on implementing the Warehouse Management System – Racking System (WMS-RS) and automated storage and retrieval system (WMS-ASRS). By the end of 2023, WMS-RS was implemented in 12 Bank Indonesia Representative Offices and the WMS-ASRS system was implemented in line with the plan at the Bank Indonesia Representative Office in South Sulawesi province in July 2023. In 2023, PUR digitalisation also included the development of PUR analytics as an integral part of the Bank Indonesia Digital

5) Green Rupiah Currency Management (PUR)

In line with BPPUR 2025, Bank Indonesia has begun initiating the implementation of green rupiah currency management. This is achieved through collaborative research with strategic partners, especially to study the development of a green waste processing network for the Rupiah currency. This initiative is implemented, among others, through banknote waste management based on the waste-to-energy (WTE) method.

In 2023, Bank Indonesia undertook various activities to reinforce its commitment to reducing carbon emissions. As a preliminary measure, Bank Indonesia initiated co-firing trials at two steam-electric power stations as proof of concept. The co-firing trials took place at two locations, namely PLTU Paiton, Probolinggo and PLTU Central Java 2 Adipala, Cilacap, using ±138.6 tons of banknote waste or approximately 4% of the daily coal requirement for the Paiton steam electric power station and ±86.39 tons of banknote waste or approximately 5% of the daily coal requirement for the Central Java 2 power station. The trials confirmed that banknote waste could be used as a substitute for coal as fuel at steam-electric power stations. The results of the co-firing trials will be used as the basis for initiating further proofs of concept at other steam-electric power stations.

Seeking to expand the green management of banknote waste at Bank Indonesia Domestic Representative Offices, Bank Indonesia has issued guidelines on green banknote waste management through cooperation with offtakers. The guidelines also aim to standardise cooperation with prospective offtakers at each Bank Indonesia Domestic Representative Office. In addition, Bank Indonesia also conducted life-cycle assessments of rupiah banknotes and coins and explored their environmental impact based on SNI ISO 14040:2016 and SNI ISO 14044:2017. The results of the life-cycle assessment and evaluating the environmental impact of rupiah currency management form the basis for building a strong foundation for the development of sustainable rupiah currency management, particularly in the preparation of a rupiah currency management roadmap towards Net-Zero Emissions (NZE). This is an ongoing process which is continuously refined through the involvement of all stakeholders.

6) Synergy and Coordination for Rupiah Currency Management (PUR)

Bank Indonesia continued strengthening synergy with the Government and industry through various forums concerning PUR. One form of synergy with the PUR industry is the Rupiah Currency Management Industry Forum (FORIN PUR), initiated in 2022.

In 2023, synergy was achieved through Working Group (WG) meetings with the rupiah currency management industry as well as the Rupiah Currency Management Industry Forum (FORIN PUR), which discussed the future plan for PUR policy, particularly in terms of rupiah currency in circulation. Moving forward, Bank Indonesia will host the FORIN PUR regularly as a communication medium between Bank Indonesia and the industry. The goal of FORIN PUR is to ensure that Bank Indonesia can understand the needs and strategic issues in the PUR industry, can communicate policy concepts to the industry and can receive relevant feedback. In 2023, Bank Indonesia coordinated with the PUR industry to prepare a consultative paper and implement a pilot project regarding the standardisation of several sample sorting machines. These standardisation trials were conducted to observe the ability of the machines to detect counterfeit rupiah currency in circulation. The

results of the pilot project and consultative paper have been submitted to representatives of the PUR industry, namely the banking industry, rupiah currency management service providers (PJPUR) as well as the distributors and principals of PUR and recirculation machines. Industry support for the pilot project will be continued through a phased program concerning standardisation trials.

Bank Indonesia has also collaborated and coordinated in synergy with the PUR industry to maintain the availability of quality and trusted Rupiah currency. Bank Indonesia also hosted the Rupiah Currency Coordination Forum (Fomaru) in conjunction with the Ministry of Finance, which aims to strengthen coordination with the Government as mandated by the Currency Act as well as a Memorandum of Understanding (MoU) between Bank Indonesia and the Ministry of Finance. Such activities discuss economic developments in Indonesia, the use of data in regional economic analyses, follow-up actions to the P2SK Act as well as coordination in the planning, printing and destruction of rupiah currency. Bank Indonesia also coordinated with the Ministry of Trade and Ministry of Finance to maintain the continuity of supply for banknote raw materials. In December 2023, the government issued Minister of Trade Regulation Number 36 of 2023 concerning Import Policies and Regulations, which accommodates Bank Indonesia's needs when importing banknote raw materials.

3.1.4. Transformation of Supporting Policies

1) Strengthening the Supporting Policy Framework and Regulations

The Bank Indonesia policy mix integrates monetary, macroprudential and payment system policies into a policy framework underpinned by various supporting policies. Supporting policies consist of, among others, money market deepening policy, green and inclusive economy and finance development policy, MSME and sharia economy and finance development policy as well as international policy. All supporting policies are instituted to support sustainable economic growth. In line with the mandate of the P2SK Act, Bank Indonesia continuously strengthens its supporting policies, including money market and foreign exchange market



Kick Off of Ekspedisi Rupiah Berdaulat (ERB) 2023 in Ternate

deepening, expanding and strengthening money market and foreign exchange market participants, issuing instruments as well as consumer protection.

In 2023, Bank Indonesia undertook various initiatives to strengthen the supporting policy framework and regulations as follows:

a) Money Market and Foreign Exchange Market Deepening

Bank Indonesia continued money market and foreign exchange market deepening efforts by regulating, developing and supervising the money market and foreign exchange market in accordance (PUVA) with the mandate stipulated in the P2SK Act. To that end, Bank Indonesia will issue comprehensive principle-based regulations concerning the money market and foreign exchange market (PUVA) in terms of the products, participants, pricing and financial market infrastructure (3P+1I). The regulations will be agile, industry friendly and innovative in line with international best practices, while also emphasising the regulation and application

of close-out netting in Indonesia. The PUVA regulation also reaffirm the regulation and implementation of close-out netting in Indonesia. Close-out netting aims to provide legal assurance for the implementation of financial transactions in Indonesia as well as secure Indonesia's position as a netting jurisdiction.

In 2023, Bank Indonesia implemented a series of coordination measures with other financial sector authorities to harmonise the understanding of regulatory substance in the P2SK Act, thereby creating policy efficiency across markets. Based on such coordination, Bank Indonesia issued Bank Indonesia Regulation (PBI) No. 6 of 2023 concerning the Money Market and Foreign Exchange Market. The regulation, development and supervision of the money market and foreign exchange market are supported by three strategies, namely: (i) formulating PUVA development policy, including financial market infrastructures (FMIs), (ii) developing an inclusive and modern PUVA, integrated with monetary management, and (iii) strengthening policy synergy to develop sources of economic financing and risk management.

Bank Indonesia maintains coordination and communication with the Financial Services Authority (OJK), Indonesia Deposit Insurance Corporation (IDIC), Indonesian Foreign Exchange Market Committee (IFEMC) and International Swaps and Derivatives Association (ISDA) in order to acquire an ISDA Netting Opinion for Indonesia. The output of cross-party coordination and communication will be contained in regulations promulgated by each respective institution in accordance with its authority in order to issue adequate technical regulations concerning close-out netting. Adequate regulations are a key success factor of obtaining an ISDA Netting Opinion for Indonesia, which will strengthen confidence in the implementation of close-out netting, particularly post-insolvency, in accordance with the Indonesian legal system. The implementation of close-out netting is expected to increase the efficiency and liquidity of financial markets in Indonesia.

b) Developing and Strengthening Money Market and Foreign Exchange Market Participants (PUVA)

Bank Indonesia continues developing and strengthening money market and foreign exchange market participants. Participants or transacting parties hold a crucial role in determining the direction of domestic financial market development policy. Competent transacting parties with integrity are a key success factor in the realisation of a credible, liquid, transparent, secure and reliable PUVA in line with the Money Market Development Blueprint (BPPU) 2025.

In 2023, Bank Indonesia promulgated Board of Governors Regulation (PADG) No. 13 of 2023 concerning Strengthening the Quality of Participants and Implementing Self-Regulatory Organisations (SRO) in the PUVA. The Board of Governors Regulation provides guidelines concerning the development and strengthening of market participant competencies through mandatory treasury certification as well as compliance with the market code of conduct that is aligned with international best practices. In addition, the PADG also serves as implementation regulations for Bank Indonesia Regulation (PBI) No. 6 of 2023 concerning the Money Market

and Foreign Exchange Market (PUVA) and as guidelines for developing and strengthening the competencies of market participants through compulsory treasury certification as well as compliance with market conduct that is aligned with international best practices. The regulations also elucidate the duties, authorities and procedures for PUVA participants, professional associations in the treasury sector as well as professional certification institutes. Helping to improve the quality of PUVA participants, Bank Indonesia also regulates the registration mechanism for professional certification institutes, including a registration mechanism for individual professionals in the treasury sector. Seeking to expand the role of market participants in PUVA development, Bank Indonesia has established PUVA, as an association of self-regulatory organisation (SRO) that represents the institutions to nurture an industry-led direction of financial market development moving forward.

Bank Indonesia also strengthened the institutional facets of PUVA participants by forming the Indonesia Money Market and Foreign Exchange Market Association (APUVINDO). Moving forward, APUVINDO will be appointed as a SRO for the PUVA and become a strategic partner of Bank Indonesia in terms of PUVA development and the implementation of monetary operations. APUVINDO will also be mandated with issuing technical and micro regulations in terms of the PUVA and financial market infrastructures (FMIs), including the Market Code of Conduct, while playing an important role in enhancing the competencies and qualities of human resources in the PUVA.

In 2023, Bank Indonesia also held a series of focus group discussions (FGD) with the banking industry and associations, including the Indonesian Foreign Exchange Market Committee (IFEMC), Association Cambiste Internationale-Financial Markets Association (ACI-FMA) Indonesia, and Indonesia Islamic Global Market Association (IIGMA), to build awareness and support among market participants in the process of forming industry associations. Bank Indonesia also hosted a high-level meeting in June 2023 with 34 banks that are participating actively in the PUVA development initiative to



High Level Meeting of Bank Indonesia and APUVINDO in Jakarta

secure the commitments of major market players in the formation of the Indonesia Money Market and Foreign Exchange Market Association (APUVINDO).

In addition, Bank Indonesia also maintained coordination and communication with the Financial Services Authority (OJK), Indonesia Deposit Insurance Corporation (IDIC) and International Swaps and Derivatives Association (ISDA) in order to acquire an ISDA Netting Opinion for Indonesia. Based on the output of such coordination and communication, Bank Indonesia will promulgate regulations concerning the issuance of money market instruments and transactions, including the standards and mechanisms for settlement finality and close-out netting. This will strengthen market confidence in the implementation of close-out netting, particularly post-insolvency, in accordance with the Indonesian legal system. The implementation of close-out netting is expected to increase the efficiency and liquidity of financial markets in Indonesia.

c) Issuing Money Market Instruments and Money Market Transactions

Bank Indonesia continues efforts to create a modern and advanced money market in accordance with the Money Market Development Blueprint (BPPU) 2025. A modern and advanced money market will contribute to financial market development and deepening, and subsequently support monetary policy effectiveness, financial system stability and national economic financing synergy.

In 2023, Bank Indonesia promulgated Bank Indonesia Regulation (PBI) No. 12 of 2023 concerning Issuances of Money Market Instruments and Money Market Transactions (PITPU) to strengthen its responsibility in the regulation, development and supervision of the money market. The scope of money market regulation, development and supervision by Bank Indonesia encompasses 3P+1I, namely product, pricing, participants and financial market infrastructures which are used in the issuance of money market instruments and/or money market transactions.

Following the promulgation of PBI PITPU, Bank Indonesia organised socialisation activities with relevant stakeholders, namely the banking industry, brokers, money market supporting institutions and representatives from various associations (IFEMC, ACI, IIGMA, ASBANDA, INAMBA, and APEI), which attracted 434 participants. The socialisation activities aimed to provide an update on the latest information concerning money market developments, while aligning the understanding of provisions contained in the PITPU regulations to ensure optimal implementation.

d) Promulgating Regulations Concerning Consumer Protections

Bank Indonesia continuously supports and strengthens regulations concerning consumer protection. Consumer protection is regarded as a prerequisite that must be strengthened to build public trust in using financial products and services, thereby ultimately supporting financial sector stability. The consumer protection issue is becoming more important in line with the innovation and digitalisation of products and/or services in the financial sector that pose increasing risk to consumers.

In 2023, Bank Indonesia promulgated Bank Indonesia Regulation (PBI) No. 3 of 2023 concerning Bank Indonesia Consumer Protection, dated 27th June 2023, to help strengthen consumer protection in the financial sector as mandated by the P2SK Act. Bank Indonesia strengthened the regulations on consumer protection by referring to existing laws and regulations as well as international best practices. This also addresses the challenges of implementing effective consumer protection amid the massive and rapid development of the digital economy and finance. Consumer protection provisions as contained in this Bank Indonesia Regulation (PBI) strengthen the definition of consumers and operators/providers, the scope of consumer protection at Bank Indonesia, consumer protection principles, the goals of consumer protection, the rights and responsibilities of consumers and operators/providers, handling consumer complaints through dispute resolution, as well as the imposition of

administrative sanctions. Strengthening this Bank Indonesia Regulation is also expected to support implementation of the P2SK Act. Following the promulgation of Bank Indonesia Regulation (PBI) No. 3 of 2023 concerning Bank Indonesia Consumer Protection, Bank Indonesia issued Board of Governors Regulation (PADG) No. 20 of 2023, dated 14th December 2023, concerning the Procedures for Implementing Bank Indonesia Consumer Protection, to support the implementation of consumer protection principles by operators/providers.

2) Money Market Deepening

Money market deepening aims to create a modern money market in line with international standards that can strengthen the effectiveness of Bank Indonesia policy mix transmission and support financing for sustainable economic growth. Money market deepening policy will focus on four flagship programs. First, product development to increase market volume and liquidity. Second, strengthening efficient market mechanisms in forming the interest rate structure. Third, strengthening consolidation among market players. Fourth, development of money market infrastructures.

In 2023, Bank Indonesia undertook various endeavours to strengthen the framework and regulations for supporting policies as follows:

a) Forming and Developing Central Counterparties for Interest Rate and Exchange Rate Transactions (CCP SBNT)

Bank Indonesia continuously seeks to accelerate the formation of Central Counterparties for Interest Rate and Exchange Rate Transactions (CCP SBNT), as financial market infrastructure that provides clearing and guarantee services for interbank money market and foreign exchange market transactions. Supporting a comprehensive risk management framework for CCP SBNT, Bank Indonesia coordinates with prospective CCP SBNT to ensure development is in line with existing regulations and the international standards issued by CPMI-IOSCO, namely the Principles for Financial Market

Infrastructures (PFMI). The future direction of CCP SBNT development is based on 3I aspects with other financial market infrastructures, which include supporting development of the Digital Rupiah and Digital Securities (Central Bank Digital Currency – CBDC Platform). Bank Indonesia is also implementing technical coordination with prospective CCP SBNT, the banking industry and market operators to prepare for CCP SBNT system connectivity with the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system and Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) as settlement systems, systems on the piloting member side as well as the electronic trading platform (ETF). In addition, Bank Indonesia continuously coordinates in synergy with OJK concerning regulations on Non-Centrally Cleared Derivatives (NCCD) as well as bank capital requirements against exposure to CCP SBNT, as issued by OJK.

In 2023, Bank Indonesia implemented a range of coordination measures that involved preparing CCP SBNT for capital participation in conjunction with the relevant authorities, Indonesia Stock Market Clearing House (KPEI) as a prospective CCP, as well as market players. Capital participation commitments in the CCP SBNT are stated in a Memorandum of Understanding (MoU) between the Indonesia Stock Exchange (IDX), Indonesia Stock Market Clearing House (KPEI), banking industry and Bank Indonesia. In November 2023, Bank Indonesia received approval from the People's Representative Council of the Republic of Indonesia (DPR-RI) for capital participation in the CCP SBNT using targeted reserves. Bank Indonesia also implemented internal regulatory reform to strengthen the legal aspects and governance of capital participation activity.

b) Developing Money Market and Foreign Exchange Market Instruments

i) Developing DNDF Instruments

Bank Indonesia continued developing Domestic Non-Deliverable Forwards (DNDF) as a hedging instrument in the foreign

exchange market to support exchange rate stability in line with the Money Market Development Blueprint (BPPU) 2025. The promulgation of Board of Governors Regulation (PADG) No. 24/11/PADG/2022 concerning DNDF Transactions in July 2022 increased DNDF use. In 2023, Bank Indonesia hosted a series of socialisation activities with relevant stakeholders as well as discussions with the banking industry and corporate sector to communicate BI policy for developing hedging instruments to mitigate currency risk, including DNDF instruments. This was done as a follow-up activity to surveys of the banking industry and corporate sector that garnered input for the development of hedging transactions in the domestic markets and input to strengthen DNDF regulations moving forward.

Based on the survey of the banking industry, most respondents acknowledged the need to strengthen the supply and demand sides (including DNDF products and participants), DNDF tenors and HR understanding of DNDF transactions. Meanwhile, the survey of the corporate sector revealed that product and pricing factors demand attention, including product variation, underlying flexibility and various tenors as well as efficient pricing. The corporate sector also expected broader socialisation activities to increase public understanding concerning the benefits of DNDF transactions.

In terms of transactions, average daily DNDF market transactions in 2023 reached USD136 million, up 14% (yoy) from the end of 2022 at USD119 million. Meanwhile, the value of non-USD/IDR DNDF transactions in 2023 was recorded at USD7.0 million, up from USD6.6 million one year earlier. Non-USD DNDF transactions in 2023 were dominated by CNH/IDR and JPY/IDR.

In 2023, Bank Indonesia coordinated with Banks as Appointed Cross Currency Dealers (ACCD) as well as with local authorities in partner countries to implement Local

Currency Transactions (LCT), thus strengthening DNDF use in domestic markets, specifically non-USD DNDF transactions. In addition, DNDF regulations were also included when refining the LCS regulations into LCT to further nurture the use of non-USD DNDF in Indonesia. Currently, DNDF transactions are already available under specific LCT schemes with Malaysia, Japan and China. Non-USD DNDF continue to develop in line with increasing market transactions in non-USD currencies. Supporting DNDF development, Bank Indonesia has also published a non-USD reference rate daily since July 2022 as the fixing rate for DNDF transactions. Currently, Bank Indonesia regularly publishes 14 non-USD rates through its website and market operators, including Bloomberg and Refinitiv.

Supporting the preparation of central counterparties (CCP), Bank Indonesia compiled an assessment concerning regulatory standardisation and mandatory clearing through ETP and CCP as an empirical foundation for the development of potential instruments for clearing through CCP, including DNDF. Bank Indonesia also implemented deepening measures in conjunction with the Indonesia Stock Market Clearing House (KPEI) to explore CCP potential in facilitating DNDF transactions moving forward. In terms of regulatory reform concerning foreign exchange market transactions, Bank Indonesia coordinated with relevant authorities and market players to harmonise regulations in the foreign exchange market, including DNDF, as mandated by the P2SK Act and other Bank Indonesia policies.

ii) Developing Repo Instruments

Bank Indonesia continues developing repo instruments to support effective monetary policy transmission. The development of repo transactions is a key deliverable of the Money Market Development Blueprint (BPPU) 2025. In 2023, efforts to develop repo

transactions included strengthening the regulations as contained in Bank Indonesia Regulation (PBI) No. 12 of 2023 concerning Issuances of Money Market Instruments and Money Market Transactions (PITPU). Repo provisions in the PBI PITPU cover: (i) product regulations, including the application of contracts and market standards, (ii) participant regulations, including the harmonisation of regulations to classify participants in the money market with participants in the capital market, (iii) pricing regulations, including the use of credible pricing sources and the means of providing price information, and (iv) infrastructure regulations in the repo market used in repo transactions.

Bank Indonesia also expanded the transactions by expanding the scope of underlying assets to include Bank Indonesia Rupiah Securities (SRBI) held by the banking industry used as underlying assets in repo transactions. This was embraced enthusiastically by the banking industry, with repo transactions using SRBI as the underlying reaching a daily average of Rp566 billion. Meanwhile, the average daily volume of repo transactions increased from Rp7.3 trillion in 2022 to Rp10.9 trillion in 2023. Seeking to expand to the repo market, Bank Indonesia also initiated a Global Master Repurchase Agreement (GMRA), which prompted the signing of 246 new interbank contracts. Supporting such expansion efforts, Bank Indonesia also hosted capacity building activities to increase the repo transaction capabilities of the banking industry in terms of transaction preparedness, transaction deals, transaction settlement, risk management and repo accounting. The activities attracted all representatives of commercial banks and members of the Coordination Forum for Development Financing through Financial Markets (FKPPPK). Bank Indonesia also provides repo price information on longer tenors in line with the influx of liquidity



Joint Signing of Repo Master Agreement and Socialization of Repo Transactions in Jakarta

to non-overnight repo tenors. In addition, Bank Indonesia also continued expanding the repo market by developing supporting infrastructure in the form of transaction systems, tri-party repo and repo CCP as part of the strategy to develop repo on the pricing side.

c) Rupiah Reference Rate Reform

In conjunction with the Ministry of Finance and Financial Services Authority (OJK) under the auspices of the National Working Group on Benchmark Reform (NWGBR), Bank Indonesia continued its commitment to prepare for the transition process in terms of Rupiah reference rate reform in the domestic markets. After issuing guidelines and regulations concerning the use of the Indonesia Overnight Index Average (IndONIA) in 2022, Bank Indonesia strengthened the IndONIA framework as an Alternative Reference Rate (ARR) through publication of the Compounded IndONIA and IndONIA rate. Commencing on 1st February 2023, Bank Indonesia publishes the Compounded IndONIA and IndONIA Rate on the Bank Indonesia website daily at 08:00 WIB. The Compounded IndONIA

and IndONIA rate will continue to be published in parallel with the JIBOR rate until the date of JIBOR discontinuation is finalised. This aims to provide sufficient time for economic players and relevant stakeholders to prepare for the transition from JIBOR to IndONIA.

Supporting the effective use of the Compounded IndONIA and IndONIA rate as alternative reference rates, while expanding the use of IndONIA, the NWGBR implemented various education and socialisation activities under the theme, Domestic Benchmark Reform: Urgency, Potential and Anticipation⁷. Education and socialisation activities aimed to provide greater public understanding regarding IndONIA credibility, which is expected to boost public confidence in using IndONIA as the reference rate for financial transactions. In preparation for the transition away from JIBOR, Bank Indonesia conducted a survey of JIBOR exposure to identify total JIBOR exposure on various financial products in the banking industry. Based on the results of that survey, JIBOR exposure as of 30th June 2023 stood at Rp648 trillion or 7% of total outstanding financial products in the banking industry in the form of loans, financing, securities and interest rate derivatives.

3) Efforts to Level Up MSMEs towards Going Global through Synergy and Digitalisation

Bank Indonesia continued various efforts to foster economic and financial inclusion. One of the keys to success when accelerating economic and financial inclusion as well as consumer protection is the support of closer collaboration and synergy among all relevant stakeholders. Bank Indonesia consistently accelerates its support for MSMEs to become more productive and contribute to national economic growth. Acceleration is achieved by facilitating MSME transformation to become more innovative, creative and adaptive towards the creation of Go Digital and Go Export MSMEs. Bank Indonesia also supports the strengthening of export performance by implementing two flagship strategies, namely: (i) a market-driven pull strategy to identify market needs, and (ii) a push strategy that facilitates strengthening MSME capacity. The implementation of both flagship strategies involves 46 Bank Indonesia Domestic Representative Offices and 5 Bank Indonesia International Representative Offices in synergy with relevant government ministries/agencies.

Improving the effective performance of export MSMEs, Bank Indonesia developed a web-based export MSME ecosystem, known as the Indonesia SME Hub, that provides three main features, namely export preparation, link and match and export facilitation. Bank Indonesia provides continuous support to accelerate export MSMEs by facilitating MSME participation at various international and domestic trade promotion activities to level up Go Global MSMEs, as well as increase revenue and business matching commitments.

Seeking to strengthen Go Digital MSMEs, Bank Indonesia continues increasing its support to accelerate MSME digitalisation by strengthening the onboarding program for digital farming MSMEs, accompanied by the digitalisation of financial reporting. The MSME onboarding program not only seeks to acquire MSMEs to enter the digital market, yet also strives to strengthen the competencies and qualities of existing MSMEs in the digital ecosystem to be more competitive and sustainable through the onboarding of potential and flagship MSMEs.

Bank Indonesia has compiled best practices for food clusters as guidelines for Bank Indonesia Domestic Representative Offices (KPwDN) in terms of increasing the productivity and expanding market access (end-to-end). The development of food clusters aims to increase productivity and downstream activities by replicating best practices, which includes cultivation techniques, post-harvest management and partnerships. In addition, Bank Indonesia has also facilitated the strengthening of food clusters by seeking other clusters that can be used as new best practices to increase productivity and reduce food loss. The new best practices will subsequently be replicated by KPwDN in 2024. Bank Indonesia continues to nurture the use of innovation and the internet of things (IoT) in the development of food clusters, which is oriented towards increasing productivity and unlocking market access.

Bank Indonesia also contributed to the development of Green MSMEs in pursuit of sustainable economic growth by compiling guidelines concerning the implementation of Green MSME business models as a breakthrough not yet achieved by other institutions in Indonesia. The guidelines include detailed indicators of Green MSME development, encompassing production, marketing, human resources (HR) and finance, as well as strategies to fulfil those indicators based on green practices implemented through three stages, namely: (i) eco-adopters, (ii) eco-entrepreneurs, and (iii) eco-innovators.

Furthermore, Bank Indonesia synergy with government ministries/agencies and financial institutions to increase MSME access to finance is constantly strengthened through the integrated AKUBISA: MSME Access to Finance program through business matching activities and literacy to increase competitiveness. In 2023, Bank Indonesia organised a series of AKUBISA MSME facilitation activities, with end-to-end processes that involved improving digital financial accounting literacy using the Financial Information Recording Application Information System (SIAPIK), conducting a national survey to populate the Database of Potentially Financed MSME Profiles (BISAID) database with financially feasible MSMEs, offering consultation services and facilitating access to Financial Information Services System (SLIK) data by OJK to help MSMEs meet the financing requirements, while also facilitating business matching for financing purposes involving several government ministries/agencies as well as banks and non-bank financial institutions.

4) Sharia Economic Development

Bank Indonesia continued developing and transforming the national sharia economy and finance. This was implemented through three strategic pillars, namely: (i) strengthening the halal product ecosystem (halal value chain), (ii) strengthening Islamic finance, and (iii) strengthening application of the halal lifestyle. According to the first strategic pillar, efforts to strengthen the halal product ecosystem focused on capacity building, as well as sharia business models, institutional arrangements, supporting infrastructure and halal product guarantees. According to the second strategic pillar, strengthening Islamic finance, policy is focused on regulatory strengthening, the development of Islamic finance products and expanding transactions to increase Islamic finance. According to the third strategic pillar, strengthening application of the halal lifestyle, Bank Indonesia is fully committed to increasing sharia economic literacy in the community.

In 2023, Bank Indonesia undertook various efforts to strengthen the framework and regulations concerning supporting policies as follows:

a) Strengthening the Halal Product Guarantee Ecosystem

Bank Indonesia continued efforts to accelerate strengthening the halal product guarantee ecosystem to establish Indonesia as a Global Halal Hub through end-to-end strengthening of the ecosystem. Upstream aspects focused on efforts to facilitate halal certification of abattoirs as well as piloting the development of halal raw materials (TOBAKU). In terms of the processes and supporting infrastructure, Bank Indonesia in conjunction with strategic partners continued developing and strengthening the institutional facets of halal centres and human resources supporting the halal sector, while expanding the halal certification information system. Meanwhile, initiation and intervention on the downstream side prioritised facilitating and mentoring halal certification for businesses.

Bank Indonesia facilitated halal certification for abattoirs in collaboration with state universities to provide halal guarantees, specifically for beef.

This is in line with the output of the plenary meeting of the National Islamic Economy and Finance Committee (KNEKS) on 20th December 2022, which agreed to accelerate halal certification for abattoirs in Indonesia. In conjunction with the Coordinating Ministry for Economic Affairs and Assessment Institute for Food, Drugs and Cosmetics of the Indonesian Council of Ulama (LPPOM-MUI), Bank Indonesia implemented a piloting scheme to facilitate halal certification for ruminant and poultry abattoirs as part of the efforts to strengthen the halal product guarantee ecosystem on the upstream side. In total, halal certification was facilitated at 15 poultry abattoirs, with 12 located in East Java and three in West Java.

Bank Indonesia collaborated with state universities to facilitate 20 poultry abattoirs in the Yogyakarta Special Region, while mapping and implementing a local abattoir development strategy. Bank Indonesia also collaborated with the Pesantren Economy and Business Association (HEBITREN) in Central Java and Banyumas to develop two abattoirs, thereby strengthening the ecosystem in both regions. In line with facilitating halal abattoirs, Bank Indonesia also implemented workshops and certification activities for 90 halal abattoirs in the Jabodetabek and Yogyakarta regions. Piloting the facilitation model for halal certification of abattoirs was replicated by Bank Indonesia Domestic Representative Offices (KPwDN) in 15 regions in the second semester of 2023, totalling 39 abattoirs.

Seeking to strengthen the halal product guarantee ecosystem on the downstream side, Bank Indonesia initiated the Halal TOBAKU program, which aims to facilitate businesses and the public in terms of marketing as well as acquiring halal raw materials. Such efforts intended to help accelerate halal certification and increase business motivation to acquire halal certification. In 2023, the Halal TOBAKU program was piloted at three pesantren under the auspices of HEBITREN in East Java. In addition, the pilot program was expanded to seven women's communities in Indonesia and a Halal Mart located at one of the state universities. Bank Indonesia also launched a digital Halal TOBAKU program through e-commerce to strengthen the

halal product guarantee ecosystem end-to-end, specifically in terms of expanding access to halal raw materials for businesses and the public, while boosting public literacy regarding the halal product guarantee system. Currently, the digital Halal TOBAKU landing page is displayed on two e-commerce platforms, with Bank Indonesia continuing to activate the Halal TOBAKU campaign. This program is expected to nurture e-commerce involvement in the development of the halal product ecosystem in Indonesia.

Greater access to halal raw materials is expected to accelerate the halal certification process, thereby supporting the government target of 1 million halal certificates in 2023. Synergy with all central and regional stakeholders will be maintained to strengthen the halal product guarantee ecosystem by achieving the halal certification target in the fourth quarter of 2024.

In terms of the processes, Bank Indonesia continues developing the digitalisation and automation of the halal certification information system to create a fast, simple and accurate halal certification services system. Bank Indonesia has undertaken various efforts to strengthen the SiHalal information system, as a platform used to register and monitor the progress of applications for halal certification, through applicative studies in conjunction with universities. Bank Indonesia has also strengthened the halal product guarantee ecosystem by exploring plans to pilot an integrated end-to-end halal traceability system. This joint initiative between Bank Indonesia, the National Islamic Economy and Finance Committee (KNEKS), Halal Certification Agency (BPJPH) and relevant government ministries/agencies will provide accurate and reliable information on halal products that can be accessed quickly. This integrated system is also expected to minimise asymmetric information issues concerning halal products that can create barriers for businesses to penetrate the international market.

Bank Indonesia also collaborated with a state university in Indonesia to conduct implementation research for the transformation of halal certification digital services through development of the SiHalal 3.0 information

system of the Halal Certification Agency (BPJPH), upgrading from the existing SiHalal 2.0 information system. This research aimed to accelerate national halal certification and development of the halal ecosystem in Indonesia by automating various services features using an AI approach and blockchain compatible software. The application of digitalisation in halal certification services has accelerated the halal certification process significantly in terms of the lead time, work processes and number of halal certificates issued.

Digitalisation has also unlocked the opportunity to develop a fast, effective and transparent halal traceability system. In collaboration with state universities, Bank Indonesia conducted an implementation study concerning the development of a halal traceability system within the beef cattle farming ecosystem. The research aimed to develop a business model for a halal traceability system within the beef cattle farming ecosystem to ensure products are halal through an end-to-end process, from the raw materials until the product is ready for consumption. Moving forward, the development and piloting of the halal traceability system is expected to be integrated into the SiHalal system.

The halal lifestyle campaign and mandatory halal certification in 2024 will be supported by Bank Indonesia through series of education and socialisation activities with various partners, which includes mentorship and facilitation for businesses to acquire halal certification. Various existing programs to create new potential in the halal product guarantee ecosystem include: (i) Sharia Economic Festivals (FESyar) in 2023, including FESyar in the Eastern Indonesia region, (ii) the 1,000 Free Halal Certificates Movement (SEHATI) for halal products in Eastern Indonesia, (iii) launch of the Halal Point website in East Kalimantan, (iv) Inauguration of the Halal Centre at North Sumatra State Islamic University (UINSU), (v) facilitation of halal product certification for 5,843 MSME products from seven women's communities and 7,018 products in collaboration with 10 Halal Centres at universities, (vi) Go Halal for Global, (vii) Go Waqf for Growth, and (viii) Go Digital for Inclusion.

b) Developing Sharia Banking Business Model

i) Developing an Investment Account Business Model

Bank Indonesia supports expanding the scope of business activities in sharia banking in accordance with the P2SK Act in pursuit of sustainable economic growth. This is in line with the macroprudential policy instituted by Bank Indonesia to nurture balanced, quality and sustainable intermediation; mitigate and manage systemic risk; as well as increase economic inclusion, financial inclusion and sustainable finance. In 2023, Bank Indonesia developed an investment account business model as a product to raise funds in the form of investment. Customers entrust the management of their funds to the sharia banking industry based on mudharabah or other contracts that do not contravene sharia principles, with the risk borne by the investing customer. This business model was developed to diversify sharia banking products by emphasising the uniqueness and prioritising risk sharing principles, while minimising the risk of a mismatch.

In 2023, Bank Indonesia developed the investment account business model in the form of a study and review. At the initial stage, product development entailed formulating the Sharia Restricted Investment Account (SRIA) business model. The SRIA product, which links financial transactions to projects in the real sector, is expected to provide a means for balanced financing that supports the stability of the financial system and strengthens the identity of sharia banking through unique sharia-compliant products. The expansion of sharia banking business through investment accounts is expected to support financial system stability, particularly by strengthening the stability of sharia banking. In 2023, Bank Indonesia held several focus group discussions (FGD) concerning development of the investment account business model with relevant stakeholders, including the National Sharia Board of the Indonesian Council of Ulama (DSN-MUI), Financial Services Authority (OJK), Institute of Indonesian Chartered Accountants (IAI), academics, practitioners and the sharia banking industry. In addition, benchmarking was also performed with other central banks and businesses.

INHALIFE CONFERENCE 2023

Halal Beyond Tomorrow: Paving the Way to a Sustainable, Inclusive and Digital Future

Jakarta, 27th October 2023



Opening Ceremony of the 2023 International Halal Lifestyle Conference and Forum (INHALIFE) in Jakarta

ii) Developing Bank Business Models as Nazhir

Bank Indonesia fully supports the integration of Islamic commercial and social finance in Indonesia, which will have a positive impact on waqf management nationally and the overall development of the sharia economy. This includes developing a business model for banks to act as nazhir, thereby increasing the use of productive waqf assets disbursed through cash waqf. Prevailing laws and regulations authorise sharia banks and sharia business units to collect social funds from cash waqf and act as waqf managers (nazhir) and/or disburse the funds through nazhir according to the wishes of the waqif.

In 2023, Bank Indonesia urged sharia banks to review the business model and nazhir organisational structure within sharia banks/sharia business units as a model of best practices. Bank Indonesia coordinated with the Indonesia Waqf Board (BWI), National Islamic Economy and Finance Committee (KNEKS), Ministry of Religious Affairs, Ministry of Public Works and Housing, Fiscal Policy Agency of the Ministry of Finance (BKF), OJK and Public Housing Savings Management Agency (BP Tapera) to prepare a business model for sharia banks to act as nazhir. In addition to developing the business model in question, Bank Indonesia also developed Islamic commercial and social inclusivity in conjunction with relevant stakeholders. Since the beginning of 2023, innovative Islamic commercial and social finance policies and business models have been developed to create unique products of Islamic finance that can be differentiated from conventional products, accompanied by adequate supporting policies.

c) Launch of Satu Waqf Indonesia

In synergy with the regulator and stakeholders, including the Ministry of Religious Affairs, Indonesia Waqf Board (BWI) and National Islamic

Economy and Finance Committee (KNEKS), Bank Indonesia initiated development of the Satu Waqf Indonesia (SWI) digital application platform. SWI is a digital application that will integrate and collaborate platforms from various waqf and amil zakat agencies/institutions nationally in Indonesia to reach the wider community in terms of mobilising funds and assets and nurturing sustainable inclusion. The goals of the SWI application are as follows: (i) optimising waqf potential in Indonesia through the development of integrated digital platforms, (ii) increasing waqf management transparency, awareness and credibility through the use of technology, (iii) facilitating a simpler and more efficient waqf process, (iv) connecting waqif and waqf beneficiaries through reliable digital platforms, and (v) reducing social disparity/gaps, while promoting inclusive and sustainable economic growth.

d) Developing the Sharia Gross Domestic Product Indicator (Sharia GDP)

Bank Indonesia continued fostering development of the sharia economy and finance, which includes compiling a sharia gross domestic product indicator (Sharia GDP). An indicator of value added generated from sharia economic and financial activity, or sharia GDP, was required to measure sectoral developments and the contribution of the sharia economy and finance in the national economy. The Sharia GDP indicator not only responds to the urgent need for measurement tools in the sharia economy and finance, yet also the need for real sector data concerning the sharia economy and finance, which is a useful policymaking tool in each respective sector. This is expected to help formulate more accurate and maximal development strategies or programs to stimulate growth of the domestic sharia economy and finance comprehensively. In addition, the indicator will also help business groups calculate investment feasibility and other business strategies in sectors of the sharia economy and finance.

Jakarta, October 26, 2023



Opening Ceremony of the *Industri Halal Indonesian (MPIHI)* and the *Satu Wakaf Indonesia* Application in Jakarta

Responding to that need, Bank Indonesia has initiated studies over the past few years looking at indicators of sharia business activity. Formulation of the Sharia GDP indicator in these studies was measured based on three halal dimensions, namely: (i) halal products (free from *dzat* that is *haram*), (ii) halal sources of finance (free from *riba*, *maysir* and *gharar*), and (iii) sharia business ethics (free from *zalim* behaviour). In accordance with the Indonesia Sharia Economy Masterplan (MEKSI) 2019-2024, Bank Indonesia in conjunction with the National Islamic Economy and Finance Committee (KNEKS) collaborated with Indonesia Statistics Agency (BPS) and other relevant stakeholders to develop the Sharia GDP indicator utilising the same approach used to measure national GDP. This aims to ensure the Sharia GDP indicator, as part of national GDP, is calculated based on standardised definitions, methodologies and scope, as used by BPS when calculating national GDP or satellite GDP.

In 2023, Bank Indonesia in conjunction with KNEKS, BPS and other relevant stakeholders formulated the definition and scope of clusters in Sharia GDP. The Sharia GDP indicator is divided

into eight clusters based on consensus between the stakeholders involved in developing the Sharia GDP indicator, and refers to MEKSI 2019-2024, International Standard Industrial Classification (ISIC) Rev 4, the Indonesia Standard Industrial Classification (KLBI) as well as prevailing laws and regulations in Indonesia (Figure 5.6). The eight clusters are as follows: (i) halal food and beverages, (ii) Muslim friendly tourism (MFT), (iii) modest Muslim fashion, (iv) sharia creative economy, (v) halal pharmaceuticals and cosmetics, (vi) renewable energy, (vii) Islamic finance, and (viii) other sharia clusters.

5) International Policy

Bank Indonesia continued transforming international policy through close synergy with the Government to strengthen macroeconomic resilience and stability, bolster economic recovery, and pursue the interests of Bank Indonesia and the national economy. Bank Indonesia also expanded cooperation using local currencies to bolster rupiah stability and strengthen the resilience of domestic financial markets. In addition, non-financial international cooperation

was also strengthened to increase institutional and central banking capacity. Meanwhile, Bank Indonesia consistently played an active role in strengthening the positive perception of Indonesia's economy internationally.

In 2023, Bank Indonesia undertook various initiatives to strengthen the framework and regulations for supporting policies as follows:

a) Expanding and Strengthening Local Currency Transaction (LCT)

Maintaining rupiah stability, Bank Indonesia sought to expand the use of local currencies. Bank Indonesia undertook various efforts to expand and strengthen the use of local currencies, which began in 2018. Local Currency Transaction (LCT) schemes have been implemented with Malaysia, Thailand, Japan and China, and agreed with the Monetary Authority of Singapore (MAS) through a MoU.

In 2023, Bank Indonesia successfully accelerated the expansion of LCT cooperation by signing a Memorandum of Understanding (MoU) with South Korea in May 2023 for implementation in 2024. In addition to the extensification of cooperation with new partners, Bank Indonesia in 2023 agreed with Bank Negara Malaysia (BNM) and the Bank of Thailand (BoT) to strengthen the existing framework by expanding the scope of LCT transactions from trade and direct investment to all bilateral transactions (current account, financial account and capital account) in synergy with cross-border payment system initiatives to settle transactions in local currencies that are more accessible and efficient. Entering November 2023, Bank Indonesia and the Monetary Authority of Singapore (MAS) signed a Letter of Intent (LOI) by the Governor of Bank Indonesia and Managing Director of MAS, signalling the intention of both countries to implement LCT cooperation in 2024 following the MoU signed in August 2022.

Bank Indonesia also strengthened synergy with government ministries/agencies and other relevant authorities in Indonesia through the creation of a National Task Force for Local Currency Transactions (LCT Task Force) to increase the

use of local currencies in bilateral transactions between Indonesia and partner countries. The National LCT Task Force involves the participation of nine government ministries and authorities in Indonesia, namely the Coordinating Ministry for Economic Affairs, Coordinating Ministry for Maritime and Investment Affairs, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Industry, Ministry of Trade, Ministry of State-Owned Enterprises, Financial Services Authority (OJK) and Indonesia Deposit Insurance Corporation (IDIC). Commitment for the National LCT Task Force was pledged through the signing of a Memorandum of Understanding (MoU) concerning Cooperation and Coordination to Increase the Use of Local Currencies in Bilateral Transactions between Indonesia and Partner Countries, as witnessed by the President of the Republic of Indonesia on 5th September 2023 on the sidelines of the ASEAN Summit in Jakarta. Various efforts taken in terms of socialisation activities, the creation of work teams and providing LCT incentives have yielded strong results, as demonstrated by the significant increase in the volume and number of LCT players in 2023 compared with the previous year. In 2023, the volume and number of LCT players increased to USD6.29 billion and 31,228 from USD4.11 billion and 20,892 in 2022.

Regionally, Bank Indonesia also actively strengthened cooperation to expand the use of local currencies in the ASEAN region through initiatives to create the ASEAN Local Currency Transaction Task Force (LCT TF), as well as initiate the ASEAN High-Level Principles (HLP) on LCT Framework as guidelines for ASEAN member states in terms of implementing and promoting the use of local currencies. The initiatives were one of Indonesia's deliverables during the ASEAN Chairmanship in 2023, which were welcomed by central bank governors and finance ministers of ASEAN member states, as contained in the Joint Statement of the 10th ASEAN Finance Ministers' and Central Bank Governors' Meeting, and agreed by ASEAN leaders in the ASEAN Leaders' Declaration at the 43rd ASEAN Summit held on 5-7th September 2023 in Jakarta. Diversifying the use of local currencies in the ASEAN region is expected to

mitigate the risks posed to currency stability in all ASEAN countries, including the rupiah, while advancing financial market development.

In addition to creating the ASEAN LCT Task Force, Bank Indonesia in conjunction with relevant government ministries/agencies also built synergy and cooperation to promote LCT initiatives through collaborative and targeted socialisation activities to build awareness among businesses concerning the benefits of LCT, thus encouraging breakthroughs in the form of providing incentives that can support business transactions using local currencies. One incentive introduced in 2023 was the provision of fast track customs clearance services for importers using local currencies to settle their trade transactions. This initiative is the result of collaboration between Bank Indonesia and the Directorate General of Customs and Excise (DJBC) of the Ministry of Finance.

b) Reforming the ASEAN Working Committee

In pursuit of solid, sustainable, balanced and inclusive growth in the ASEAN region, finance ministers and central bank governors acknowledged the need to revitalise the mandates of ASEAN working committees (WC) in the finance track. This aims to ensure WC can adapt more readily and provide a seamless coordination process in the face of various challenges moving forward. In addition, in line with ASEAN preparations to close its chapter with the ASEAN Economic Community 2025, ASEAN must be more agile and responsive to all challenges by bridging the gaps in the WC mandates in alignment with the post-2025 strategy.

In the Joint Statement of the 10th ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM), therefore, the ASEAN Finance Ministers and Central Bank Governors Meeting agreed to create a task force to revisit the WC mandates in the finance track. To that end, Bank Indonesia and the Ministry of Finance published a draft of High-Level Guidelines (HLG) on Revisiting Working Committee Mandates – Aligning with Post-2025, along with the Terms of Reference (ToR) for Revisiting

Working Committee Mandates. The documents were drafted as general guidelines/references and recommendations for all ASEAN member states (AMS) when formulating arguments concerning revisiting working committee mandates by each of the respective WC co-chairs. Both documents have received input at the WC level and were endorsed by the AFCDM-WG, with higher level endorsement requested at the AFCDM and AFMGM. In 2023, the WC-PSS completed the revisiting WC mandates process as stated in the Joint Ministerial Statement of the 10th AFMGM.

3.2 Organisational and Work Process Transformation

In the area of work processes and the organisation, the focus of transformation is oriented towards strengthening the Bank Indonesia policy and institutional governance system as well as strengthening the institutional policy framework, supported by streamlined digital-based business processes and work processes. Strengthening the Bank Indonesia policy and institutional governance system is based on the principles of independence, consistency, coordination, accountability and transparency (IKKAT). Meanwhile, the policy framework was strengthened in line with business process re-engineering (BPR) as well as policy and work process digitalisation, which seeks to create an organisation with simpler, concise and standardised business processes along with agile work processes in line with the needs of the digital era.

1) Strengthening the Institutional Framework and Regulation

Bank Indonesia strengthened its institutional framework and regulations to ensure alignment with the refined and expanded mandate in accordance with the P2SK Act. This aims to create a credible organisation based on effective and efficient performance and compliance, supported by good and professional governance. Strengthening the Bank Indonesia governance framework must be done comprehensively considering the specific characteristics of the central bank as a policymaker accountable to the public and an independent service organisation that applies good institutional management practices that is accountable to its

stakeholders. As a policymaker, Bank Indonesia must apply sound policy governance to ensure that policymaking is consistent with the norms and rules in accordance with prevailing laws and regulations. As an independent service organisation, Bank Indonesia must apply institutional governance to ensure institutional management based on sound business practices in accordance with prevailing laws and regulations.

In 2023, Bank Indonesia undertook efforts to strengthen the institutional framework and regulations as follows:

a) Strengthening the Bank Indonesia Policy and Institutional Governance System

In 2023, Bank Indonesia refined its policy and institutional governance system as a form of commitment to applying good and professional governance. Refining the governance system framework was also oriented towards achieving the goals mandated in the P2SK Act more effectively, efficiently and accountably in a principles-based manner. Strengthening the governance system was also contained in regulations concerning the Bank Indonesia Policy and Institutional Governance System. In accordance with the regulations promulgated, the implementation of all tasks and duties by Bank Indonesia must refer to the principles of IKKAT as follows:

- i) Independence is reflected in the implementation of Bank Indonesia's tasks and duties, which are free from conflicts of interest or interference from a third party, except in certain cases that are explicitly regulated in prevailing laws and regulations.
- ii) Consistency is reflected in the measured implementation of Bank Indonesia's tasks and duties in line with the prevailing mandates, norms, rules, laws and regulations and/or procedures.
- iii) Coordination with internal and external parties aims to support Bank Indonesia policies and institutional management.
- iv) Accountability is reflected in the accountability to stakeholders concerning the implementation of Bank Indonesia's tasks and duties, as well as the achievement of

Bank Indonesia's goals in accordance with prevailing laws and regulations.

- v) Transparency is reflected in the openness of Bank Indonesia in disclosing important information that is relevant and has broad implications to the interests of stakeholders, without negating the obligation to comply with regulations on information confidentiality as stipulated in prevailing laws and regulations.

The application of IKKAT principles in the implementation of Bank Indonesia's tasks and functions involves seven elements of the Institutional and Policy Governance System as follows: (i) clear legal mandate, (ii) policy and strategy, (iii) decision-making process, (iv) responsibilities and oversight, (v) ethics, risk management, internal audit and legal function, (vi) stakeholder relations, and (vii) reporting and communication.

In line with refinements to the governance system, Bank Indonesia also honed its vision and mission as a part of one of the elements of the governance system, namely policy and strategy. Honing the vision emphasised Bank Indonesia's commitment to implementing strong and professional governance. Meanwhile, the mission was refined to accommodate the strengthening of Bank Indonesia's tasks and duties as mandated in the P2SK Act, as well as to ensure the application of policy and institutional governance system principles. The refined vision and mission will be used as the basis underlying the formulation of Bank Indonesia's policies and strategies in the medium term and annually.

b) Strengthening the Institutional Policy Mix

In line with strengthening the governance system, Bank Indonesia continued honing its Institutional Policy Mix (BKK) framework. Strengthening the BKK framework aims to ensure the application of IKKAT principles and institutional management at Bank Indonesia to create effective and efficient institutional performance, as well as compliance. The BKK framework was strengthened as a Bank Indonesia initiative to support the mandate for

implementing Bank Indonesia's tasks and duties. The institutional policy mix framework will be implemented in stages, supported by digital business process re-engineering, which is being prepared to support the policy mix assessment and formulation processes.

c) Regulations concerning Bank Indonesia's Participation in External Institutions

In accordance with the P2SK Act and to support task implementation, Bank Indonesia is authorised to provide capital participation in legal entities and other entities. In 2023, Bank Indonesia conducted regulatory reform concerning Bank Indonesia's participation in external institutions, which was orchestrated by strengthening the policy and institutional governance system. Regulatory reform was achieved through integrated comprehensive and end-to-end regulations to regulate the business processes, from decision-making to implementation and controls by emphasising the factors underlying policy considerations to support task implementation at Bank Indonesia based on good governance and professionalism.

d) Regulations concerning the Bank Indonesia Supervisory Board

In 2023, Bank Indonesia drafted a Bank Indonesia Regulation (PBI) concerning the Organisation, Governance and Budget of the Bank Indonesia Supervisory Board (BSBI) as mandated by the P2SK Act. The PBI regulation elucidate the working relationship between the Bank Indonesia Supervisory Board (BSBI) and People's Representative Council of the Republic of Indonesia (DPR-RI) as well as the relationship between BSBI and Bank Indonesia, with the BSBI Board thus expected to function optimally. BSBI functions to assist DPR-RI implement the supervision function over certain institutional facets of Bank Indonesia, thereby strengthening institutional performance, accountability, independence, transparency and credibility. From an organisational perspective, the PBI BSBI regulation will also clarify the

organisational structure of BSBI, which includes strengthening the Secretariat function to support BSBI task implementation. Furthermore, the regulation also strengthens the budget and budget governance of BSBI.

e) Information Regulations at Bank Indonesia

As an integral part of regulatory reform in the area of data and information, Bank Indonesia drafted Bank Indonesia Information Regulations (PIBI). The regulations are required to fulfil the mandate of prevailing laws and regulations concerning information management and confidentiality, namely the P2SK Act, Public Information Disclosure Act, and Personal Data Protection Act. In 2023, the PIBI drafting process was aligned with the anatomy of the latest institutional arrangements and developments in information system asset management, as well as the concept of the institutional policy mix currently under preparation. Regulatory harmonisation aims to ensure the substance can be regulated end-to-end and integrated, thus facilitating effective, efficient and secure information management to support the implementation of tasks and duties at Bank Indonesia.

2) Preparations for the Relocation to the New Nusantara Capital City (IKN) to Support Government Programs

Presidential Regulation (Perpres) No. 63 of 2022 states that Bank Indonesia is one of the government ministries/agencies that will be included in the first-stage relocation to the new Nusantara Capital City (IKN). Bank Indonesia, therefore, continues preparing for the relocation in terms of strengthening organisational functions, HR readiness and the construction of the Bank Indonesia Office Complex (KOPERBI).

In 2023, the phased construction of the Bank Indonesia Office Complex in the Nusantara Capital City continued, along with strengthening the organisational function and preparing a plan to transfer the functions and some of the human resources to the new capital. Bank Indonesia has

already received a land allocation in accordance with Minister of Finance Decree (KMK) No. 167, dated 15th September 2023, and also received a permit to build office buildings in the new Nusantara Capital City (IKN). A groundbreaking ceremony was held on 2nd November 2023 with the President of the Republic of Indonesia, officially kickstarting the design and build phase of the Bank Indonesia Office Complex in the new Nusantara Capital City. In parallel, Bank Indonesia also undertook efforts to fulfil the construction requirements for its new office complex, specifically in terms of the legal and environmental aspects. Periodic monitoring and evaluation of the construction project aims to ensure the development progresses in accordance with the conceptual design, namely modern and environmentally friendly based on the Bank Indonesia philosophy, strategic values, transformation journey and concept of harmony and unity (iconic and futuristic, smart and green, and local values).

Bank Indonesia is also preparing a plan to transfer the functions and some of its employees to the Nusantara Capital City (IKN) at the initial stage of the relocation. The plan is being prepared based on identifying the essential central banking functions that are required in the new capital city. In principle,

the stages of relocating human resources to the new capital city will be adjusted based on the relocation timeline estimated by the Government in line with the readiness of basic infrastructure in the city. Ensuring alignment with the government roadmap/plan and the seamless implementation of BI tasks during the relocation process, Bank Indonesia is coordinating with the Nusantara Capital City Authority (OIKN), Ministry of Public Works and Housing – Directorate General of Water Resources, as well as other relevant government ministries and agencies.

3) Bank Indonesia Reorganisation

Bank Indonesia acted on the mandate of the P2SK Act and various global and domestic dynamics by strengthening its vision, mission and strategy. In line with strengthening its strategy, Bank Indonesia also bolstered the organisational function to ensure effective, efficient and compliant achievement of the vision and mission. The strengthening of organisational functions at Bank Indonesia is strategy driven, while maintaining organisational continuity, best practices as well as infrastructure and technology support as required based on the 3S principles (simplification, standardisation and systematisation).



Ground Breaking of Kompleks Perkantoran Bank Indonesia (KOPERBI) in the Capital City of the Archipelago (IKN)

Creating work processes that are in line with the needs of the digital era, Bank Indonesia in 2023 refined three of its organisational functions. The three functions are as follows: (i) digital innovation and development function, (ii) innovation and data digitalisation function, and (iii) digital services and cyber security function. Bank Indonesia subsequently identified three technical areas that required strengthening of the organisational function to be in line with the legal mandate. The three areas are as follows: (i) the business activities of non-bank money changers, (ii) consumer protection, and (iii) integrated monetary and money market management. The strengthening of these functions will be outlined in BI organisational regulations, which are planned to be issued in 2024.

4) Decision-Making in line with Business Process Reengineering (BPR)

Digital-based business process re-engineering (Digital BPR) is applied in the policy mix formulation process and has been implemented from the work unit level up to the Board of Governors Meeting (BI-wide). Supporting this, Bank Indonesia is continuously developing the Digital Workplace platform to strengthen effective, efficient and compliant decision-making. The integrated and end-to-end decision-making stages, from initiation to verification, recommendation and approval, can be implemented within one platform that is available to all employees and management according to individual access rights. In addition, the digital workplace also functions as a repository to store decision-making documents.

Digital BPR implementation involves the processes, people and technology in line with seven guiding principles to create one input, one process, multi-purpose. The seven guiding principles are: (i) good governance, (ii) collaborate work, (iii) digital, (iv) streamlined, (v) agile, (vi) data driven, and (vii) green. Digital BPR at Bank Indonesia involves eliminating redundant processes, streamlining processes by prioritising governance, integrating processes and products between work units, as well as the end-to-end automation of work mechanisms in the information systems.

In 2023, Bank Indonesia refined implementation of the digital workplace by strengthening and expanding the business processes, particularly those associated with the weekly BOG meeting, recommendations from committees and the decision-making process at the work unit level, which included Policy Notes and Issue Notes to support the decision-making process. Gradual implementation was supported by written guidelines, infographics, video tutorials and frequently asked questions (FAQs) as a reference for the latest business processes. Various parties also collaborated in the development stage, trials and implementation, which is accompanied by socialisation activities to increase the capabilities of the user. The Digital BPR initiative will create 'digital collaborative work' between members of the Board of Governors, leaders and employees in line with the hybrid work model currently deployed as the new work culture, supported by the development of a digital-based modern office that is more effective and efficient in terms of resource management and performance, taking into consideration the current demographic of Bank Indonesia employees, which is dominated by millennials. Moving forward, Bank Indonesia will also expand the use of artificial intelligence (AI) and machine learning (ML) for the main policies and institutional policies to help achieve Bank Indonesia's vision of becoming the foremost digital central bank.

3.3 Human Resource and Work Culture Transformation

The implementation of Digital BPR is also supported by strengthening the people aspect through the employee value proposition (EVP), development of new capabilities and stronger leadership. HR transformation is implemented through the application of high performance work systems (HPWS) in the digital era, supported by various elements, such as physical and digital facilities to achieve optimal organisational performance by increasing work effectiveness, efficiency and productivity. High performance work systems in the digital era provide employees with the flexibility to work physically offline and virtually online, while maintaining governance and accountability. Work flexibility is provided in order to enhance the EVP of Bank

Indonesia, which will ultimately help Bank Indonesia attract and retain the best talent as well as support implementation of the modern office concept.

1) Refining The Recruitment and Career Management Strategy

Against a backdrop of disruptive innovation in the digital era that is changing working patterns and new expertise, higher quality HR fulfilment is required.

Bank Indonesia has implemented transformation in the area of HR fulfilment, which includes refining the recruitment policy and strategy as well as strengthening career management that intends to ensure employees have solid leadership competencies and can work optimally in the digital era.

In 2023, policy transformation was continued to support various transformation initiatives at Bank Indonesia in order to align the direction of the organisational strategy when preparing quality human resources. To that end, internal regulations have been issued regarding Bank Indonesia Internal and External HR Fulfilment to accommodate the HR fulfilment strategy based on the following regulatory scope:

- a) A recruitment strategy to attract candidates whose competencies will be built within the organisation through the Young Candidate Education program and general hire channel,
- b) A recruitment strategy to attract candidates with the requisite competencies and experience required by the organisation (bio) through the experienced hire and pro hire channels, and
- c) A recruitment strategy to attract temporary workers based on organisational needs (borrow) through fixed-term contracts, outsourcing, local staff and the employees of other institutions assigned to Bank Indonesia.

As part of the recruitment strategy transformation, Bank Indonesia has implemented digital recruitment to accelerate the recruitment stages. End-to-end platforms have been used from the sourcing stage to screening, assessments, scheduling, selection/ interviews and hiring. Specific to the build strategy,

recruitment seeks to attract future leaders at Bank Indonesia to fill strategic managerial positions. The end-to-end recruitment process must accommodate employee needs based on 3M principles (retain, assure and evaluate). Implementation of the recruitment strategy also involves expanding the study programs compared with the previous year, collaborating with recruitment specialists and strengthening the selection tools to attract the best candidates.

Bank Indonesia strengthened its career management strategy to create highly competent human resources with a strong transformational leadership mindset.

Career management has been improved through a new Scholarship Program (PTB), which is managed based on the principles of: (i) institutionally driven, (ii) end-to-end processes (planning, selection, onboarding, monitoring, evaluation), and (iii) continuous employee career management. In 2023, the strategy to strengthen the PTB program focused on three aspects: (i) quality over quantity, namely by encouraging employees to continue their studies at the top universities globally, (ii) outreach strategy, namely by opening a window to the wider world by encouraging enrolment in courses at universities around the world, including Asia, and (iii) strengthening management policy and regulations, which includes evaluating the remuneration policy for employees enrolled in the PTB program as well as enrolment quotas for each country. In general, HR development at Bank Indonesia is implemented through leadership succession, from the onboarding stage, exploring the nature of the job, creating personal branding, strengthening personal branding and strengthening leadership and expertise. HR development is expected to help accelerate the achievement of Bank Indonesia's vision and mission by combining book smarts, street smarts and spiritual smarts.

2) Optimising the Work Culture Program to Support Digital Era Work System and the Modern Office

Bank Indonesia continued strengthening HR development as part of the efforts to motivate, maintain engagement and retain the best talent at Bank Indonesia. This considers the demographic shift underway at Bank Indonesia, where 65% of the

employees are Generation Y and 5% are Generation Z, who have different behaviours, values and demands compared with previous generations of employees. Strengthening HR development and retainment is focused on action, meaning and impact (AMI), which is realised by strengthening consistent innovative and synergetic behaviour that is implemented in line with the Bank Indonesia HR Management System to strengthen the EVP based on the theme of Aku Bangsa BI Bermakna (AB3).

In 2023, Bank Indonesia amended internal regulations concerning change management and work culture. This aimed to strengthen and optimise work culture implementation in line with the EVP. Implementation of the work culture program also encompasses efforts to build a transformational leadership mindset. In addition, Bank Indonesia also introduced a number of innovations to the HR development strategy to strengthen the EVP by issuing regulations concerning high performance work systems in the digital era. A work culture program that is aligned with strengthening the AB3 EVP targets the importance of collaboration and spiritual work-life balance through hybrid working to support digital era work systems and the modern office. This is important to motivate and increase the productivity of Bank Indonesia employees, which is expected to provide added value and attract the best human resources moving forward.

3) 3C Learning Strategy in the Digital Era

Bank Indonesia continues implementing various programs to strengthen employee capabilities, including core central banking capabilities and advanced capabilities, including digital, sustainability/green and strategic foresight. HR development at Bank Indonesia is based on the 3C strategy to strengthen employee capabilities, namely through the development of immersive content, strengthening inclusive collaboration and developing integrated channels and infrastructure. Concerning the development of integrated channels and infrastructure, Bank Indonesia has developed an advanced learning management system (LMS) that is integrated with the employee information system. The advanced LMS system is a form of digital transformation to support the employee

learning process through the provision of integrated digital infrastructure that can be accessed by all employees from anywhere.

In 2023, various online (distance learning) and offline programs to increase employee competencies were provided. The main topics included central bank policy, including the policy mix, leadership, general management supporting the institution, green capabilities, digital technology and the digital economy. The competency development program attracted 6,057 participants from all levels in 160 batches of in-house training covering 98 topics. In addition, advanced LMS development was completed as follows: (i) interactive program catalogue, (ii) learning program schedule and agenda, (iii) learner information dashboard (employee learning history and competencies), (iv) line manager information dashboard, (v) faculty dashboard, (vi) self-enrolment/self-cancellation change participants, and (vii) audio and video streaming.

3.4 Digital Transformation

Bank Indonesia continues implementing digital transformation based on the Bank Indonesia Digital Innovation Masterplan (RIVIBI) 2022-2025 to support the implementation of policy and institutional transformation in pursuit of Bank Indonesia's vision of becoming the foremost digital central bank. Digital transformation entails three strategies as follows: (i) developing digital business platforms to support policies and institutional facets, (ii) developing data centres to create innovative and sophisticated data analytics as a data-driven institution, and (iii) increasing the capabilities and capacity of technology infrastructure and security end-to-end.

1) Developing Digital Business Platform

The development of digital business platforms prioritises payment system and money market digitalisation, as well as exploring Digital Rupiah innovation through Project Garuda, which coexists and is interconnected by fulfilling 3I aspects and referring to Indonesia Payment System Blueprint (BSPI) 2025

and Money Market Development Blueprint (BPPU) 2025. In addition, transformation is also oriented towards increasing the effectiveness, efficiency and governance of the decision-making process. The digitalisation of DMP platforms also supports the BOG meeting and has been implemented in phases.

In 2023, Bank Indonesia undertook the following initiatives to develop digital business platforms:

a) Payment System and Money Market Digitalisation

In terms of the payment system, Bank Indonesia has completed the expansion of BI-FAST features, including direct debit, bulk credit and request for payment. In line with expanding the scope, Bank Indonesia continuously maintains the quality and availability of BI-FAST services, while strengthening BI-FAST infrastructure for the public in line with the significant uptick in BI-FAST use. Bank Indonesia has also prepared comprehensive 3I standards in the payment system and money market, including industry-operated infrastructure that is connected to Bank Indonesia.

Supporting innovation in the financial industry, Bank Indonesia in 2023 explored the Digital Rupiah concept (Project Garuda) in stages, beginning with the immediate stage to explore wholesale digital rupiah, which is currently in the proof-of-concept stage until the beginning of 2024.

b) Advancing the Digitalisation of Work Processes

In 2023, Bank Indonesia completed development to support the monthly and topical BOG meetings, as well as monitoring follow-up actions to the BOG meetings. Bank Indonesia has also prepared for the preliminary stage of expanding digitalisation of the decision-making process, supported by AI capabilities. Moving forward, digitalisation of the decision-making process will be expanded to the work unit level as a solution to support the creation of end-to-end hybrid working. One of the developments underway at the work unit level is

the preparation of business requirements for the digitalisation of strategic management that will integrate several functions in terms of strategic management, risk management, the audit function and finance.

2) Developing Data Centres

Bank Indonesia continues developing data centres to create digital innovation that supports the digital economy as well as the policy and institutional business processes. This involves enriching the content of analytical data, preparing platforms (infrastructure), as well as data innovation through a granular data management approach based on big data analytics, machine learning and artificial intelligence. All development is undertaken in a holistic and end-to-end manner, encompassing the flow of various data sources into an integrated data platform to be processed and analysed, thus providing value-added for the decision-making process at Bank Indonesia as a data-driven institution.

In 2023, data centres were developed through various initiatives as follows:

a) Enrichment of policy data content. This initiative involved automating supporting data for BOG meeting implementation as well as the content to support monetary and macroprudential policies, such as money supply indicators and banking indicators. Meanwhile, expansion in the area of strategic management, including risk management indicators and developing analytics in terms of rupiah currency management, monetary operations, PolTech and SupTech, is currently underway and will be strengthened in 2024 based on an assessment of the latest needs and timeframe. Furthermore, the institutional data content initiative, which involved human resources and finance, has been completed.

b) Platform development, where the data centre ecosystem has been complemented by the

implementation of various platforms, including the Data Catalogue, Data Visualisation and INDRA Loader Connector. The series of platforms will be complemented by data analytics tools currently under development. This implementation demonstrates that the analytics at scale stage is becoming closer to achieving self-service data analytics to meet the regular analysis needs that can be carried out independently in BI-wide area.

- c) **Data innovation development**, which includes the use of machine learning (ML) in the scope of early warning for financial system stability and interconnectedness among payment system participants. In addition, Bank Indonesia has also begun the data exploration process using supervised AI to support the decision-making process (DMP) as an initiative to achieve analytics excellence.

3) Increasing Technology Infrastructure Capabilities

The capabilities and capacity of technology infrastructure are increased by adopting the latest technologies. Such innovation aims to support the development of digital business platforms and omni-data intelligence, as well as facilitating hybrid working by prioritising the implementation of cyber security technologies to mitigate the growing threat posed by cyber risk.

In 2023, Bank Indonesia strengthened technology infrastructure to increase the capabilities of information systems, while simultaneously strengthening the security and reliability of services. The capabilities of information systems were increased by adopting the latest technologies, including unified communication and collaboration devices to support the application of a modern office concept at Bank Indonesia, supporting infrastructure at the business resumption site, data centre, as well as software defined access (SDA) to increase the capabilities of communication network devices. Bank Indonesia also increased the capabilities of technology infrastructure to strengthen and increase

the stability of existing Bank Indonesia digitalisation services. In the area of the payment system, greater BI-FAST infrastructure capacity supports BI-FAST transactions, which are increasing rapidly.

4) Strengthening the Bank Indonesia Front Office, Middle Office, Back Office (BI-FOMOBO) to support Optimal Reserve Asset Management

Bank Indonesia continuously strengthens IT devices and application systems to expand the instruments of reserve asset management. BI-FOMOBO represents the manifestation of digital transformation in Bank Indonesia treasury management, which includes monetary and reserve asset management. Since implementation on 14th October 2019, BI-FOMOBO has had to remain agile and adaptive to facilitate reserve asset management. Consequently, Bank Indonesia has continued increasing its capabilities in line with the direction of the Bank Indonesia reserve asset management strategy. Convenient transactions with good governance in the business processes of reserve asset management are the main goals of strengthening BI-FOMOBO.

In 2023, the strengthening of BI-FOMOBO for reserve asset management was aimed Inflation-Linked Bonds (ILB) and Mortgage-Backed Securities To-Be-Announced (MBS TBA) instruments transactions as part of the expansion of deferred product instruments. BI-FOMOBO development also targeted the transaction accounting function in line with refining the Bank Indonesia accounting mechanism through the application of financial accounting policy guidelines for sharia securities. Bank Indonesia also strengthened the general function of BI-FOMOBO continuously in 2023, including the automation of business processes to minimise human error. In addition, BI-FOMOBO was strengthened in terms of the reserve asset management strategy framework through portfolio hierarchy implementation for the foreign currency portfolio asset book. Moving forward, BI-FOMOBO will be strengthened further to expand the scope of instruments to help maintain the level of reserve assets.

A large, intricate golden Batang Garing motif, a traditional Central Kalimantan design, serves as a background for the left half of the page. It features a central vertical axis with symmetrical, flowing, leaf-like patterns on either side. The design is rendered in a golden-yellow color against a dark red background that transitions into a dark blue at the bottom. The motif is partially obscured by the large number '04' and the title text.

04

BANK INDONESIA PERFORMANCE MILESTONES

The Batang Garing motive from Central Kalimantan has the meaning of balance and harmony, and symbolizes the relationship between fellow humans, humans and the surrounding environment, and the relationship between humans and God.





Gedung Kantor Perwakilan Bank Indonesia Provinsi at Kalimantan Tengah

Against a backdrop of persistent global economic turmoil and domestic challenges, coupled with the demands of P2SK Act implementation, Bank Indonesia still achieved its Key Performance Indicators (KPI), while providing a significant and meaningful impact to the Indonesian economy. These achievements demonstrate the effectiveness of the Bank Indonesia policy response, which is in line with the latest developments in the economy and strategic environment, supported by the honing of several transformation agendas in terms of policy and the institutional facets. In addition, efforts to maintain institutional credibility by strengthening the frameworks and implementing a good and professional governance system also supported the accomplishment of Bank Indonesia's performance milestones in 2023.

In 2023, Bank Indonesia's performance milestones were reflected in the attainment of KPI targets across all 12 of Bank Indonesia's strategic programs (SP) as follows:

PS 01 Strengthening monetary policy and Bank Indonesia policy mix effectiveness to achieve rupiah stability

Bank Indonesia continued improving the effectiveness of monetary policy transmission. One of the efforts undertaken in pursuit of that objective was by strengthening the monetary and economic policy mix framework, which supported the effectiveness of the Bank Indonesia policy mix. Strengthening of the monetary management framework was also integrated with money market deepening to achieve macroeconomic stability by creating and maintaining monetary stability through inflation control and preserving rupiah stability in line with economic fundamentals to support sustainable economic growth.

In 2023, Bank Indonesia undertook various efforts to strengthen the effectiveness of monetary policy and the Bank Indonesia policy mix towards achieving rupiah stability, as reflected in the achievement of the following KPI:

1) Low and stable inflation by managing core inflation to achieve the CPI target of 3,0%±1% (yoy)

Low core inflation was maintained in 2023 at 1,80% (yoy). This was influenced by inflation expectations that were anchored to the target corridor, massive economic capacity in response to domestic demand, low imported

inflation in line with rupiah stability, as well as the positive impact of structural factors relating to digitalisation. Manageable core inflation was also the tangible outcome of consistent pro-stability monetary policy instituted by Bank Indonesia from the previous year along with close policy synergy between Bank Indonesia and the (central and regional) Government, supported by clear and unambiguous policy communication to ensure inflation expectations were anchored to the target corridor.

The policy rate in 2023 was set as a forward-looking and pre-emptive measure to return inflation to the 3,0%±1% target corridor quickly in 2023. Maintaining inflation within the target range, Bank Indonesia in January 2023 hiked the BI 7-Day Reverse Repo Rate (BI7DRR) 25bps to 5,75%, which was held until September 2023. Bank Indonesia was confident the BI7DRR was adequate to expedite the disinflation process and maintain inflation within the target corridor. Furthermore, Bank Indonesia in October 2023 raised the BI7DRR policy rate by another 25bps to 6,00%. The latest policy rate hike aimed to strengthen rupiah stabilisation policy against the deleterious impact of persistently high global uncertainty as a pre-emptive and forward-looking measure to mitigate the impact of imported inflation, thereby maintaining inflation within the 3,0%±1% target in 2023.

Bank Indonesia continued strengthening food inflation control coordination and synergy with the (central and regional) Government. Synergy and coordination were facilitated through the Central and Regional Government Inflation Control Teams (TPIP and TPID) by strengthening the National Movement for Food Inflation Control (GNPIP) in various regions. Given consistent pro-stability monetary policy and close policy synergy between Bank Indonesia and the (central and regional) Government, CPI inflation in 2023 remained under control and returned quickly to the target corridor, falling to 2,61% (yoy) in 2023 from 5,51% in 2022. Moving forward, Bank Indonesia will remain vigilant of various risks that could trigger inflationary pressures, including the impact of rising global food and energy prices as well as depreciatory pressures on the rupiah due to imported inflation. To that end, Bank Indonesia continuously strengthened its monetary policy mix and builds synergy with the (central and regional) Government to ensure headline inflation remains under control.

2) Manageable exchange rate volatility

Rupiah stability was maintained despite the strong US dollar, which triggered broad-based currency pressures in various countries. High interest rates and an influx of capital flows to the US strengthened the US dollar, as reflected in a high DXY Index. This fed through to intense depreciatory pressures on nearly all currencies globally. Notwithstanding, rupiah appreciation continued in line with monetary policy consistency by Bank Indonesia and early signs of easing global financial market uncertainty. At the end of December 2023 (29th December 2023), the rupiah regained 1,11% (yoy, point to point) against the level recorded at the end of December 2022 (30th December 2022) and outperformed many other currencies in the region, including the Indian rupee, South Korean won and Malaysia ringgit, which recorded 0,51%, 1,75% and 4,03% depreciation, respectively.

In addition to Bank Indonesia stabilisation policy, rupiah appreciation was also driven by the return of portfolio inflows in response to attractive yields on domestic financial assets for investment and

the positive economic outlook. Meanwhile, Bank Indonesia also optimised its pro-market monetary operations (MO) strategy by issuing Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Forex Securities (SVBI) and Bank Indonesia Forex Sukuk (SUVBI) instruments. Furthermore, Bank Indonesia also strengthened coordination with the Government, banking industry and businesses to support the effective implementation of instruments that retain the proceeds of natural resources exports in accordance with Government Regulation Number 36 of 2023 concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources. This Bank Indonesia innovation, as an integral part of monetary policy transformation, aimed to attract foreign capital inflows and strengthen money market deepening in Indonesia, thereby ultimately achieving and maintaining rupiah stability.

3) Optimal reserve asset management to support monetary policy implementation, with targets set based on prevailing adequacy standards for import value and servicing short-term government external debt



Kick Off Gerakan Nasional Pengendalian Inflasi Pangan (GNPIP) North Sumatra 2023 in Medan

The position of reserve assets at the end of December 2023 was recorded at USD146,4 billion, equivalent to 6,7 months of imports or 6,5 months of imports and servicing government external debt, which is well above the international adequacy standard of approximately 3 months of imports. Bank Indonesia was confident the position of reserve assets was adequate to support external sector resilience, as well as maintain macroeconomic and financial system stability in pursuit of sustainable economic growth.

PS 02 Strengthening Bank Indonesia policy synergy with the fiscal policy and structural reforms of the Government to drive sustainable economic growth

Bank Indonesia continuously strengthened its policy assessments, recommendations and coordination with the Government, including Regional Governments to support sustainable economic growth. This was reflected in: (i) inflation maintained within the national target corridor, (ii) a healthy current account and support to external stability, (iii) achievement of the inflation target and economic growth, and (iv) sustainable economic growth and support to achieve the long-term target of becoming a high-income country. These efforts were undertaken to build effective policy synergy between Bank Indonesia and the Government to support sustainable economic growth nationally and regionally.

In 2023, Bank Indonesia implemented various efforts to strengthen policy synergy with the fiscal policy and structural reforms of the Government to drive sustainable economic growth, as reflected in the achievement of the following KPI:

- 4) **Bank Indonesia and Government policy synergy to manage national inflation and support sustainable economic growth through the completion of follow-up actions to the instructions given at the National Coordination Meeting for Inflation Control, as well as recommendations and/or follow-up actions to previous agreements with government ministries/agencies to bolster the performance of the manufacturing industry and tourism**

Monetary policy consistency and close inflation control synergy with the (central and regional) Government maintained inflation in 2023 within the 3,0%±1% target corridor. The consistent pre-emptive and forward-looking monetary policy response instituted by Bank Indonesia helped to control inflation. In addition, stronger synergy between Bank Indonesia and the (central and regional) Government along with various strategic partners within the Central and Regional Government Inflation Control Teams (TPIP and TPID), including through the National Movement for Food Inflation Control (GNPIP) in various regions, had a positive impact on managing inflation and anchoring inflation expectations to the target.

At the National Coordination Meeting (Rakonas) for Inflation Control held on 31st August 2023, entitled “Strengthening Synergy and Innovation for Price Stability towards Sustainable National Food Security”, the President of the Republic of Indonesia instructed the TPIP and TPID teams to continue strengthening synergy and innovation to control food inflation, supported by the GNPIP movement. Policy synergy to control food inflation was implemented through five policy measures. First, optimising the Regional Revenue and Expenditure Budget (APBD) to manage inflation through market intervention to reduce food price shocks, particularly rice, and strengthen regional food reserves, including disbursement regulations. Second, strengthening agricultural facilities and infrastructure to increase agricultural productivity. Third, integrating regional stock and food balance sheet data to formulate inflation control policy, particularly to strengthen inter-regional cooperation. Fourth, strengthening infrastructure and supply chains for the seamless distribution of goods and services. Fifth, strengthening communication and policy coordination synergy to control inflation and anchor inflation expectations. Bank Indonesia pledged its full commitment to supporting government efforts to manage food inflation through the TPIP and TPID teams by strengthening GNPIP implementation in various regions to support efforts to stabilise food supply and prices.

Inflation control synergy was continuously strengthened to manage inflation within the target corridor in accordance with the instructions given by the President of the Republic of Indonesia at the National Coordination Meeting (Rakornas) for Inflation Control in 2023. Bank Indonesia strengthened inflation control synergy, among others, by implementing the GNPIP program to help stabilise food supply and prices based on the 4K strategy framework, namely Price Affordability, Supply Availability, Seamless Distribution and Effective Communication. Seven flagship programs were continuously strengthened through the GNPIP movement as follows: (i) supporting food price stabilisation activities, (ii) strengthening strategic food security, (iii) increasing the use of agricultural tools and machinery as well as agricultural production facilities and infrastructure, (iv) expanding inter-regional cooperation, (v) facilitating food distribution, (vi) strengthening information technology infrastructure and communication, digitalisation, as well as food data and information, and (vii) strengthening coordination and communication to manage inflation expectations. Furthermore, Bank Indonesia optimised the role of its 46 Domestic Representative Offices throughout Indonesia in terms of implementing all GNPIP programs, which helped to manage inflation in 2023.

Policy synergy was also strengthened to maintain economic recovery momentum, particularly in the manufacturing industry. In 2023, Bank Indonesia in synergy with the Ministry of Industry implemented follow-up actions to all points agreed at the High-level Coordination Meeting for the Manufacturing Industry in 2022. This involved conducting joint reviews concerning the priorities for downstream industries based on minerals and metals, developing the green automotive industry, providing technical assistance to increase production capacity and business matching for small and medium industries, performing surveys to evaluate the implementation of existing natural gas price policy for industry, as well as facilitating trade and investment promotion with a focus on priority industries. Furthermore, policy coordination was continued between Bank Indonesia and the Ministry of Industry through regular discussions, which included formulating a joint work program plan for 2024.

Accelerating the tourism sector recovery, Bank Indonesia cooperated in synergy with all government ministries/agencies involved in the Joint Secretariat (SekBer) for Tourism. Overall, the focus of policy synergy was oriented towards efforts to accelerate the tourism recovery by increasing inbound international travellers and mobilising domestic travellers, while developing quality tourism, particularly at



High Level Coordination Meeting of Joint Secretariat of Tourism 2023 in Jakarta

Super Priority Tourism Destinations (DPSP), and strengthening the 3A2P strategy (access, attractions, amenities, promotion and tourism players) at travel destinations. In 2023, policy coordination focused on ensuring the various commitments and agreements were achieved under the auspices of the strategic programs announced at the High-Level Coordination Meeting of the Joint Secretariat (SekBer) for Tourism and followed up by all relevant government ministries/agencies. Furthermore, efforts to accelerate the tourism sector recovery were strengthened through various coordination forums implemented periodically by the Joint Secretariat (SekBer) for Tourism, including initiatives to foster quality tourism at Super Priority Tourism Destinations (DPSP).

At the High-Level Coordination Meeting of the Joint Secretariat (SekBer) for Tourism held at the Bank Indonesia (Jakarta), commitments and agreements to accelerate the tourism sector recovery were strengthened further. Leaders of central government ministries/agencies along with representatives of regional governments overseeing Super Priority Tourism Destinations (DPSP) agreed on eight strategic steps to accelerate national tourism performance in supporting sustainable economic growth. Eight strategic measures were agreed as follows: (i) increasing arrivals and spending by inbound international travellers and mobilising domestic travellers; (ii) accelerating the development of quality tourism at 5 (five) Super Priority Tourism Destinations (DPSP); (iii) increasing air connectivity and developing tourist visa schemes; (iv) increasing private investment for tourist destination development; (v) accelerating integration of the licensing system for international MICE events, including support and facilitating potential MICE bids; (vi) strengthening the Proud of Travelling in Indonesia Movement (BBWI); (vii) strengthening digital promotion with a focus on potential markets of high spending international travellers; and (viii) increasing inclusivity at tourist destinations through synergy to develop tourism villages and MSMEs supporting tourism, including the development of creative entrepreneurship. The eight strategic measures were reiterated at the National Coordination Meeting for the Development of Five Super Priority Tourism Destinations (DPSP) held in the second semester of 2023 in Labuan Bajo, as the direction of follow-up actions for tourism development in 2024 to be monitored and evaluated by the Joint Secretariat for Tourism.

- 5) **Policy synergy between Bank Indonesia and the Government to coordinate monetary and fiscal policy by submitting Bank Indonesia's considerations to the Government concerning the State Revenue and Expenditure Budget (APBN) as well as issuing/managing (global and domestic) government securities (SBN)**

In 2023, Bank Indonesia and the Government maintained monetary and fiscal policy synergy and coordination. To that end, Bank Indonesia submitted several considerations to the Government, specifically the Ministry of Finance, as follows:

- a) coordination concerning the Macroeconomic Assumptions as material for the discussions on the Macroeconomic Framework and Principles of Fiscal Policy (KEM PPKF) in 2024, as well as discussions on the draft State Revenue and Expenditure Budget (RAPBN) for 2024,
- b) coordination meetings concerning State Budget realisation in the 2023 fiscal year and outlook for the State Budget in 2024, and
- c) coordination meetings concerning the realisation of State Budget financing in 2023 and the outlook for State Budget financing in 2024, including the planning, issuance and management process for global and domestic government securities (SBN).

PS 03 Strengthening macroprudential policy and surveillance to revive intermediation, support financial system resilience, and strengthen financial and economic inclusion as well as consumer protection to help maintain financial system stability

Bank Indonesia implemented forward-looking and innovative macroprudential policy and surveillance. This was reflected in: (i) credit growth in line with macroeconomic projections; (ii) mitigated liquidity risk at 30 big banks; and (iii) increasing economic inclusion, financial inclusion and sustainable finance. Policy implementation is intended to help maintain financial system stability through efforts to revive balanced, good quality and sustainable intermediation, while mitigating and managing systemic risk as well as nurturing economic inclusion, financial inclusion and sustainable finance.



"Kebijakan Insentif Likuiditas Makroprudensial (KLM) Seminar: Incentives for Housing Sector Credit/Financing" in Jakarta

In 2023, Bank Indonesia undertook various efforts to strengthen macroprudential policy and surveillance to revive intermediation, support financial system resilience, and strengthen financial and economic inclusion as well as consumer protection to maintain the stability of the financial system, as reflected in the achievement of the following KPI:

6) Macroprudential policy to strengthen the supply of economic loans/financing disbursed by the banking industry, as reflected in credit growth

Loans disbursed by the banking industry in 2023 recorded 10,38% (yoy) growth, up from 8,96% (yoy) at the end of 2022. The growth numbers represent the achievement of credit growth targets around 9-11% and potentially to keep growing positively in the future periods. In terms of sectoral demand, credit growth was primarily supported by loans disbursed to tertiary sectors, consisting of trade, corporate services, transportation and social services, posting 14,78% (yoy) growth in 2023. Furthermore, MSME loans maintained growth, reaching 8,03% (yoy) in December 2023. This was supported by Bank Indonesia commitment to revive lending/financing on the demand side in order to accelerate sustainable economic growth.

On the supply side, credit growth was driven by maintained risk appetite in the banking industry and ample liquidity capacity, which included the positive impact of macroprudential policy instituted by Bank Indonesia to maintain financial system stability and revive lending/financing through an accommodative macroprudential policy stance. In 2023, Bank Indonesia implemented a series of accommodative macroprudential policies as follows:

- a) Implementing Macroprudential Liquidity Incentive (MLI) Policy to revive bank lending/financing to priority sectors, including downstream sectors (mineral and coal mining, agriculture, plantations and fishing), housing (including public housing), tourism and the creative economy, MSMEs, People's Business Loans (KUR), microloans and green finance, effective from 1st October 2023. The innovative liquidity-based macroprudential policy stimulus was an integral part of macroprudential policy transformation efforts undertaken in 2023. Since MLI implementation, additional liquidity due to the MLI incentives was recorded at Rp163,3 trillion as of December 2023, increasing by Rp55,1 trillion compared with conditions prior to MLI implementation. The increase reflects

the effectiveness of Bank Indonesia's efforts to increase MLI implementation towards nurturing stronger bank lending/financing, targeting sectors with high economic leverage in pursuit of sustainable economic growth.

- b) Maintaining the Countercyclical Capital Buffer (CCyB) at 0% Macroprudential Intermediation Ratio (MIR) in the 84-94% range.
- c) Maintaining the Macroprudential Intermediation Ratio (MIR) in the 84-94% range.
- d) Loosening the Macroprudential Liquidity Buffer (MPLB) from 6% to 5% for conventional commercial banks, with repo flexibility of 5%, and the sharia MPLB from 4.5% to 3.5% for sharia commercial banks, with repo flexibility of 3.5%, which aimed to provide greater liquidity management flexibility in the banking industry to disburse loans/financing and foster financial market deepening, effective from 1st December 2023.

7) Macroprudential surveillance to support financial system resilience, as reflected by the aggregate ratio of liquid assets (LA) to third-party funds (TPF) at 30 Big Banks (30BB)

Financial system resilience, specifically the banking industry, was maintained despite persistent global financial market uncertainty. In 2023, liquidity in the banking industry was ample to support the intermediation function, as reflected by the aggregate LA/TPF ratio of 30 big banks at 27,98%, supported by aggregate TPF growth of 3,88%. Liquidity was maintained in the banking system in line with persistently high bank placements in liquid securities, coupled with MLI policy implementation. Lending capacity in the banking industry was also supported by Bank Indonesia's efforts to strengthen the pro-market monetary operations (MO) strategy, among others through the trade of Bank Indonesia Rupiah Securities (SRBI) in the secondary market, which provided flexibility for the banks to manage liquidity. In line with maintained liquidity, Bank Indonesia also strengthened synergy with the Financial System Stability Committee (KSSK) to mitigate various domestic economic risks and the impact of global financial market uncertainty spillovers, which could potentially disrupt financial system resilience and growth momentum.

In line with P2SK Act implementation, surveillance and supervision accompanied macroprudential policy development to support a balanced, quality and sustainable intermediation function, among others. Bank Indonesia conducted financial system assessments using a dynamic systemic risk surveillance (DSRS) approach, which prioritised bank led analysis, to evaluate potential systemic risk and/or performance of the intermediation function. DSRS and risk identification analysis applied several tools, including interconnectedness, stress tests and contagion analysis, which also integrated the use of technology to support surveillance and supervision (SupTech).

8) Bank Indonesia policy effectiveness in driving economic and financial inclusion, as measured by the: (i) Macroprudential Inclusive Financing Ratio (RPIM); and (ii) the accumulative total of competitive MSMEs

Bank Indonesia continued implementing RPIM policy to support efforts in synergy with the Government to increase access to finance and development for MSMEs and low-income individuals (PBR), while increasing the banking industry's contribution to fulfilling the RPIM ratio optimally. Strengthening the implementation of RPIM policy, Bank Indonesia also provided MLI incentives to banks extending loans/financing to priority sectors, including MSME loans and People's Business Loans (KUR) based on the fulfilment of RPIM and ultra microfinancing, effective from 1st October 2023. In 2023, bank RPIM was recorded at 33,55%, up from 32,74% in 2022.

In 2023, Bank Indonesia also maintained efforts to increase the number of competitive MSMEs as follows:

- a) **Increasing the capacity and productivity of MSMEs under Bank Indonesia mentorship, focusing on food-based MSMEs to support the National Movement for Food Inflation Control (GNPIP).** In 2023, Bank Indonesia replicated cluster-based best practices to strengthen food clusters, which included cultivation processes, post-harvest processing and partnerships. To that end, Bank Indonesia compiled best practices guidelines for food clusters as a guide for domestic

representative offices in terms of increasing productivity and expanding market access (end-to-end). In addition, Bank Indonesia also conducted a study to discover new best practices to increase productivity and reduce food loss that could be replicated in 2024.

b) Development of export-oriented MSMEs, MSME digitalisation and green MSMEs.

Bank Indonesia continued the development of export MSMEs by optimising the pull and push strategies as an integral part of the transformation strategy to level up MSMEs and go global. By the end of 2023, MSMEs under the mentorship of Bank Indonesia had participated in 20 trade exhibitions abroad, generating approximately ±USD1,09 million in revenue, along with business matching commitments in the form of MoU totalling approximately ±USD2,76 million and potentially up to ±USD18,59 million.

Bank Indonesia also developed export-oriented MSMEs through efforts to create an export MSME ecosystem as follows: (i) publishing MSME Go Global Guidelines as a practical book for facilitators and MSMEs when preparing to enter the global market; (ii) updating the MSME e-catalogue of potential exporters as a source of information for prospective buyers to connect with curated MSMEs in accordance with information on market needs and based on 5K aspects (quality, quantity, capacity, continuity and packaging) and 2S aspects (standardisation and certification); (iii) initiating the indonesiasmehub.com website as a platform that functions to accelerate exports of MSME products from Indonesia to the international market. This website supports the development of MSME exports by providing export information and facilitating communication with international buyers; and (iv) reviewing the potential expansion of the trading house business model that is currently being used in Tokyo, Guang Zhou, Singapore and Malaysia, with the aim of introducing and increasing exports of MSME products from Indonesia to other destination countries, particularly in terms of overcoming storage and logistics issues.

Bank Indonesia also continued its onboarding program for potential and flagship MSMEs to increase support for accelerating digitalisation, which not only aims to acquire MSMEs for inclusion into the digital market, yet also at strengthening the competencies and qualities of existing MSMEs in the digital ecosystem. Concerning the development of green MSMEs, Bank Indonesia facilitated a pilot project for green MSMEs under the mentorship of Bank Indonesia at three locations, namely South Kalimantan, Tasikmalaya and Bali. The pilot project successfully refined the business models and guidelines for the development of green MSMEs.

c) Expanding access to finance and financial literacy for quality financial inclusion.

Seeking to increase the awareness, understanding and adoption of digital financial services (DFS), Bank Indonesia compiled DFS educational materials and lesson plans, which were disseminated to MSMEs at the Digital Financial Inclusion Festival in 2023 and during the Training of Trainers (ToT), among others. Bank Indonesia strengthened subsistence groups through the launch of Guidelines on the Development of the Inclusive Economy and Inclusive Finance for Subsistence Groups, while also cooperating with the Ministry of Women's Empowerment and Child Protection (PPPA) to expand the implementation of development programs concerning the inclusive economy and inclusive finance for subsistence groups.

d) Increasing access to finance by facilitating MSMEs through end-to-end processes as follows:

i) Increasing the digital financial bookkeeping capacity of MSMEs using the Financial Information Recording Application Information System (SIAPIK). Bank Indonesia encouraged the use of SIAPIK through socialisation activities, training and ToT. This was done through mentorship activities in collaboration with six universities in the Java, Sumatra, Sulawesi and Kalimantan regions, together with government ministries/agencies. In 2023, a total of 375 activities were implemented with participants totalling 25.172. Efforts to

- expand SIAPIK education to various groups increased the number of active users in 2023 to 34.511, up 52% (yoy) from 22.730 in 2022.
- ii) Providing a database of MSME Profiles with Financial Viability (BISAID) populated through a national survey conducted in 2023 that collected 2.727 MSME profiles, which is published on the Bank Indonesia website via the link www.bi.go.id/bisaid. The database can be used by banks and non-bank financial institutions to analyse the financial feasibility of MSMEs.
 - iii) Preparing a study on Digital Financing Business Model Innovation for MSMEs is an integral part of implementing RPIM policy to achieve the national target for MSME loans of 30% of total bank financing, along with efforts to expand the scope of

- loans/financing extended to MSMEs in accordance with the expertise and business models of the banks or non-bank financial institutions. This identified MSME needs and expectations concerning digital loans/financing, analysed the implementation of digital loan/financing disbursements and prepared a generic business model of digital financing for MSMEs as a reference for financial institutions.
- iv) Facilitating business matching for financing by bringing together MSMEs with banks and non-bank financial institutions in line with MSME needs and capacity. Business matching facilitation activities in 2023 connected 340 MSMEs with 24 banks and non-bank financial institutions, with realised financing totalling Rp56,8 billion.



Komite Stabilitas Sistem Keuangan (KSSK) meeting on 2023 in Jakarta

PS 04 Strengthening macroprudential policy coordination, synergy, and supervision with relevant authorities to revive intermediation, bolster financial system resilience, as well as strengthen economic and financial inclusion and consumer protection to maintain financial system stability

Bank Indonesia continued strengthening macroprudential policy coordination, synergy and supervision with the Financial System Stability Committee (KSSK) and other authorities to maintain synergy. Macroprudential policy synergy supported balanced and quality credit growth. In addition, surveillance synergy bolstered financial system resilience, including crisis prevention and handling. Meanwhile, policy and supervision synergy increased inclusive and sustainable finance. This was done to maintain the stability of the financial system.

In 2023, Bank Indonesia undertook various efforts to strengthen macroprudential policy coordination, synergy and supervision with relevant authorities to revive intermediation, bolster financial system resilience, as well as strengthen economic and financial inclusion and consumer protection to maintain financial system stability, as reflected in the achievement of the following KPI:

9) Interagency policy synergy with Bank Indonesia to support economic financing through agreements/ completion of the coordination agenda

Bank Indonesia continued strengthening interagency coordination and synergy to support economic financing and nurture sustainable finance, among others through coordination with the Ministry of Finance and OJK, in terms of formulating a Draft Government Regulation concerning the Committee for Sustainable Finance (RPP KKB). The kick-off meeting for the RPP KKB was held in March 2023, followed by a series of technical level meetings through to the end of 2023. When formulating the draft RPP KKB, Bank Indonesia in conjunction with the Ministry of Finance and OJK held discussions with financial authorities in other countries, including the Bank of England (BoE) and Australian Prudential Regulation Authority (APRA), to gain insight concerning the best practices in other countries.

Bank Indonesia was an active contributor when refining the national taxonomy through membership of the team responsible for updating the Indonesia Green Taxonomy. Synergy was built with OJK and other government ministries/agencies when formulating the direction for refining the existing taxonomy by considering the development of regional and international taxonomies. The existing taxonomy was refined by enriching the basis and classification methods for economic activities, with an incremental breakdown of the technical screening criteria, starting with the energy sector. The existing National Green Taxonomy was refined to be used by businesses, financial services institutions and other stakeholders as guidelines when classifying economic activities that support Indonesia's sustainable development efforts and goals, including economic, environmental and social aspects.

Bank Indonesia also played an active role in supporting the development of national sustainability disclosure standards that comply with international standards.

Bank Indonesia joined as a member of the Sustainable Standards Board (DSK) chaired by the Institute of Indonesian Chartered Accountants (IAI) to oversee the adaptation and implementation of global sustainability disclosure standards, as issued by the International Financial Reporting Standards (IFRS) Foundation in June 2023. The application of the standards is an important element of supporting transparency and accountability regarding the integration of environmental, social and governance aspects in business activity, thereby helping stakeholders, including investors, take informed economic and investment decisions.

Bank Indonesia also contributed to the development of green and sustainable financial market instruments to nurture economic financing in Indonesia through various international forums, including the Sustainable Finance Working Group (SFWG) Meeting, which made recommendations in the form of the G20 SFWG Report 2023 as output and published Indonesia's achievements regarding the G20 Sustainable Finance Roadmap. In addition, Bank Indonesia is also an active participant at the ASEAN Senior Level Committee (SLC) Task Force on Sustainable Finance (TFSF), including

the evaluation and strengthening of the sustainable finance capacity building curriculum at the ASEAN level and compiling the ASEAN Green Map.

10) Interagency policy synergy with Bank Indonesia to support financial system resilience through agreements/completion of the coordination agenda

Bank Indonesia continued strengthening interagency coordination in the financial sector through the Financial System Stability Committee (KSSK). In 2023, Bank Indonesia in synergy with other KSSK members held quarterly KSSK meetings. KSSK confirmed that financial system stability was maintained despite increasing global financial market and economic uncertainty. This was supported by resilient domestic economic and financial system conditions as well as strong KSSK coordination and synergy to remain vigilant of global risks moving forward, including global spillovers to the domestic economy and financial system. In 2023, KSSK implemented intensive coordination as follows: (i) discussions on cross-cutting issues and formulating implementation regulations following promulgation of the P2SK Act that require strong interagency coordination under the auspices of the KSSK, and (ii) coordination concerning the first mission of the Financial Sector Assessment Program (FSAP) along with plans for the second mission.

Bank Indonesia continued strengthening coordination with OJK to support financial system resilience, including in response to the mandate of the P2SK Act. As a result of this coordination, a Memorandum of Understanding (MoU) concerning Cooperation and Coordination in the Disbursement of (Sharia) Short-Term Liquidity Assistance was signed by the Governor of Bank Indonesia and Chairman of the OJK Board of Commissioners in October 2023.

Bank Indonesia also strengthened coordination with the Indonesia Deposit Insurance Corporation (LPS) in terms of Implementing the Functions, Tasks and Duties of Bank Indonesia and LPS through an amendment to the MoU on Cooperation and Coordination (MoU BI-LPS) signed by the Governor of Bank Indonesia and Chairman of the LPS Board of Commissioners in

December 2023. In addition, Bank Indonesia and LPS in the fourth quarter of 2023 conducted joint simulations regarding: (i) testing the connection between the Bridge Bank System and Payment System-Financial Market Infrastructures/PS-FMIs of Bank Indonesia (BI-RTGS) when bridge banks are created, and (ii) trialling the reporting format for the Integrated Commercial Bank Report (LBUT) of the original bank and bridge bank.

In quarter IV of 2023, Bank Indonesia also conducted Phase I and II of the Bank Indonesia Crisis Simulation (SimKrisBI). Phase 1 was implemented to test Bank Indonesia readiness in terms of facing a cyber-attack against the national banking industry as well as its impact on the operational activities of Bank Indonesia. Phase II involved testing the readiness of procedures, decision-making processes and regulations at Bank Indonesia to overcome liquidity mismatch in the banking industry with respect to the short-term liquidity assistance disbursement process and support for the resolution actions implemented by LPS, specifically in the operationalisation of bridge banks during weekend resolution.

The results of the simulations concerning bridge banks were used as input when compiling the Instructions for Joint Implementation by Bank Indonesia and LPS concerning the Coordination and Cooperation Procedures for the Operationalisation of Bridge Banks (Juklak Bank Perantara). The Juklak was derived from the MoU BI-LPS, which regulates in more detail the cooperation and coordination mechanisms between Bank Indonesia and LPS when LPS institutes bank handling/resolution measures by transferring some or all of the assets and/or liabilities of the original bank to the bridge bank. The Juklak was signed by members of the BI Board of Governors and members of the LPS Board of Commissioners in December 2023.

11) Synergy to strengthen the inclusive economy and finance as well as consumer protection through: (i) agreements/completion of the interagency coordination agenda regarding the inclusive economy and finance and consumer protection, (ii) economic and financial inclusion education and increasing consumer literacy, (iii) increasing revenues and business matching



Signing of Cooperation Agreement between Bank Indonesia and the Ministry of ATR/BPN in Jakarta

through the Karya Kreatif Indonesia (KKI) and National BBI Movement promoting pride in Indonesian-made products (GBBI) as well as other synergic activities.

In accordance with the mandate of the P2SK Act, Bank Indonesia continued strengthening coordination and synergy regarding the inclusive economy and finance, consumer protection and increasing consumer literacy. Following the signing of a Memorandum of Understanding (MoU) between Bank Indonesia and the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency on 21st November 2022, Bank Indonesia and the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency signed a Cooperation Agreement (PKS) at the end of 2023 that regulates the cooperation and coordination mechanism in more detail between the two institutions. The Cooperation Agreement signals the commitment and spirit of synergy between Bank Indonesia and the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency to advance MSMEs in line with their strategic role in the national economy.

Bank Indonesia also continued increasing synergy with OJK to strengthen the inclusive economy and finance and consumer protection as follows: (i) hosting the Digital Financial Inclusion (DFI) Festival; (ii) launching the digital financial services (DFS) guidelines and educational materials; and (iii) collaborating in synergy to strengthen consumer protection policy in the financial sector in response to the P2SK Act, specifically in terms of regulatory harmonisation regarding Financial Sector Alternative Dispute Resolution Institutions (LAPS).

Bank Indonesia also expanded access to financial inclusion education and consumer protection through a series of educational activities in synergy with other relevant stakeholders, such as OJK, the Ministry of Communication and Information Technology, Coordinating Ministry of Economic Affairs, Ministry of Trade, universities, professional associations and providers/operators. Such synergy effectively utilised the channels of government ministries/agencies and associations to disseminate educational videos on consumer protection.



Opening Ceremony Karya Kreatif Indonesia 2023 in Jakarta

Improving MSME capacity to increase access to marketing and financing for MSMEs, Bank Indonesia hosted the Karya Kreatif Indonesia (KKI) and proactively supported the GBBI and BBWI movements through various activities implemented by all Bank Indonesia Representative Offices. KKI aimed to motivate MSMEs towards increasing creativity, innovation and enthusiasm to level up into Go Global and Go Export MSMEs in pursuit of sustainable economic growth. The KKI event recorded revenue and business matching totalling Rp449,5 billion. In 2023, Bank Indonesia contributed to the launch and harvesting of the GBBI movement in 10 provinces, including West Papua, Central Sulawesi, Southeast Sulawesi, Banten, Central Kalimantan, North Kalimantan, Riau, Gorontalo, Bengkulu, and Jakarta. Bank Indonesia support for the GBBI movement included the (offline and virtual) curation and marketing of MSME products, fashion shows, capacity building, MSME onboarding, business matching and the development of MSMEs supporting tourism. In addition, Bank Indonesia also contributed to the curation and judging of the Proudly Made in Indonesia Awards (ABBI) 2023. The ABBI Awards were held on 15th December 2023 as the culmination of

appreciation for MSMEs that have received mentorship and training in their respective regions to become champions during the GBBI harvesting. Six MSMEs were presented with awards at the event. In addition, for its contribution to MSME development, Bank Indonesia also received appreciation as collaborator to support MSME development during Cerita Nusantara event, particularly in the handicrafts sector, fashion and fabrics by consistently hosting the KKI event.

PS 05 Strengthening Payment System – Rupiah Currency Management (SP-PUR) Policy to accelerate the digital economy and finance and ensure the availability of currency for circulation throughout the territory of the Republic of Indonesia

Bank Indonesia continued strengthening and implementing payment system policy, including rupiah currency management. This sought to achieve payment system stability through payment system digitalisation towards transaction efficiency and creating an integrated ecosystem for the digital economy and finance (EKD), while operating a fast, convenient, affordable, secure and reliable

payment system and maintaining the availability of quality and trusted rupiah currency.

In 2023, Bank Indonesia undertook various efforts to strengthen SP-PUR policy towards accelerating the digital economy and finance as well as providing currency fit for circulation throughout the territory of the Republic of Indonesia, as reflected in the achievement of the following KPI:

12) A healthy, competitive, and innovative payment system industry, as reflected in the compliance rate of Payment Service Providers (PSP) and Payment System Infrastructure Operators (PIP) with payment system regulations

Bank Indonesia constantly strives to maintain a healthy, competitive and innovative payment system industry by monitoring regulatory compliance among PSP and PIP, including capital, risk management and information systems, fraud detection, systems and adequate internal control. In 2023, Bank Indonesia maintained surveillance concerning compliance with capital regulations and adequate risk management in accordance with the targets set. Bank Indonesia also improved its licensing and approval services to strike an optimal balance between innovation and risk management. In 2023, Bank Indonesia also processed 1.050 licence and approval applications to develop the activities, products and/or collaboration between PSP and PIP. All applications were processed effectively in accordance with the Service Level Agreement (SLA) stipulated in prevailing regulations.

13) Integrated, interconnected and interoperable payment system infrastructure, as well as secure and reliable, as reflected in the: (i) number of Quick Response Code Indonesia Standard (QRIS) users and transaction volume, (ii) implementation of BI-FAST and surrounding systems, and (iii) availability of reliable BI payment system services in accordance with international standards.

The number of QRIS transactions, users and merchants continued accelerating to exceed the targets set. In 2023, QRIS transaction volume reached 2,1 billion, supported by 45,58 million users and 30,41 million merchants, dominated by MSMEs.

Bank Indonesia continued expanding QRIS through: (i) socialisation, education and campaign activities in conjunction with the industry and other relevant parties concerning the benefits, innovative features, and security of transactions, including the efficient QRIS pricing policy, (ii) increasing campaign intensity in synergy with the industry regarding the public benefits of using QRIS, including the QRIS merchant discount rate (MTR) and QRIS Withdrawal, Transfer and Deposit (TUNTAS) instrument, and (iii) the expansion of cross-border QRIS linkages and development.

Bank Indonesia also received international recognition for QRIS development, which is considered an innovative breakthrough in the payment system space. This was reflected by the various achievements recorded in 2023, with Bank Indonesia receiving payment system policy awards, namely as the Gold Winner – Operational Efficiency: Cross-Border QRIS from the International Association of Currency Affairs, and QRIS as the Indonesia Recognition of Excellence 2023 from OpenGov Asia on 22nd November 2023 in Thailand. The operational efficiency category demonstrates that QRIS has played a significant role in boosting the efficiency of payment transactions in terms of facilitating more convenient and secure cross-border economic activities for consumers and businesses, particularly MSMEs, while supporting payment connectivity and inclusion. By receiving such awards, QRIS is considered an innovation that meets various criteria including originality, namely as a unique idea, beneficial in the long term, universally applicable across borders and tested.

In terms of retail payment system infrastructure, Bank Indonesia continued developing BI-FAST as infrastructure that supports the availability of seamless retail payment services in real time and available 24 hours and 7 days (24/7), with a high level of security and efficiency end-to-end. BI-FAST has become the main preference for members of the public when transferring funds, particularly with a transaction cap of Rp250 million, as confirmed by the market share of BI-FAST transactions overtaking other payment system infrastructure. In 2023, the volume of BI-FAST transactions reached 2,11 billion with a value of Rp5.760,66 trillion. Since launch, therefore, BI-FAST has recorded a total transaction volume of 2,76 billion and a transaction value of Rp7,819.84 trillion.

Bank Indonesia also maintained the availability of reliable payment system services offered by Bank Indonesia in accordance with international standards.

The Bank Indonesia Payment System (SPBI) is a critical application, consisting of the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system, Bank Indonesia – Scripless Securities Settlement System (BI-SSSS), Bank Indonesia-Electronic Trading Platform (BI-ETP) and BI-FAST. Bank Indonesia maintained the availability of all systems at 100% through various measures, including real-time monitoring of each transaction, testing various payment system scenarios, application maintenance and HR training.

- 14) Healthy, efficient and fair market practices in line with the direction of payment system policy in terms of national EKD integration through the availability of policies that support healthy market practices, including pricing efficiency**

Bank Indonesia continued its efforts to create a healthy, efficient and fair national payment system industry. Accelerating the digital economy and finance ecosystem in Indonesia, Bank Indonesia continued monitoring and evaluating the pricing scheme policy in the payment system. In 2023, Bank Indonesia extended the pricing scheme policy, including credit card policy, National Clearing System (SKNBI) tariffs and the progressive QRIS merchant discount rate (MDR) for the ultra-micro segment.

- 15) Development of Digital Rupiah Wholesale Central Bank Digital Currency (CBDC) interbank fund transfers to support task implementation at Bank Indonesia, the financial system and national EKD integration, by publishing the Digital Rupiah Consultative Paper**

Bank Indonesia continued development of the digital rupiah after publishing the Phase I Consultative Paper, entitled “Project Garuda: Wholesale Digital Rupiah Cash Ledger”, on 31st January 2023. The consultative paper was published to garner stakeholder input and response through public-private collaboration concerning the design, impact and benefits of the digital rupiah in accordance with current and future

needs. Bank Indonesia held FGDs with various stakeholders by exploring each topic contained in the Consultative Paper. Input from the FGDs was compiled by Bank Indonesia through the Public Consultation Report issued in December 2023, which will be used as input when developing the digital rupiah moving forward. Publishing the report was a form of Bank Indonesia transparency in the development and design of the digital rupiah. Digital rupiah development is an integral part of Bank Indonesia transformation in the payment system in accordance with the mandate of the P2SK Act, which designates Bank Indonesia as the sole institution authorised to issue digital rupiah currency in Indonesia.

- 16) Availability of rupiah currency in the territory of the Republic of Indonesia in accordance with public needs and quality fit for circulation, as reflected by the: (i) soil level of large and small denomination rupiah banknotes in the territory of the Republic of Indonesia, and (ii) distribution of rupiah currency in frontier, outermost and remote (3T) regions through mobile cash and cash deposit services**

Bank Indonesia’s success in maintaining adequate availability of rupiah currency in sufficient quantities of appropriate denominations and quality fit for circulation in the territory of the Republic of Indonesia was sustained. Bank Indonesia performance in maintaining and providing rupiah currency of quality fit for circulation throughout the territory of the Republic of Indonesia was demonstrated, among others, by the results of surveys looking at the soil level of rupiah banknotes in all regions of Indonesia at the end of 2023, revealing that the soil level remained at a quality fit for circulation, namely 9.7 for large denomination banknotes and 7.3 for small denomination banknotes.

Bank Indonesia also maintained adequate availability of rupiah currency in sufficient quantities and quality fit for circulation in 3T regions. The distribution of rupiah currency in 3T regions was expanded through mobile cash and cash deposit services. At the end of 2023, Bank Indonesia distributed rupiah currency to 255 3T regions.



Percepatan dan Perluasan Digitalisasi Daerah (P2DD) National Coordination Meeting 2023 in Jakarta

PS 06 Strengthening Bank Indonesia policy synergy with the policies of the Government and Financial Service Authority (OJK) to develop the digital economy and finance

Bank Indonesia continued strengthening payment system policy and oversight synergy with the Government, Financial System Stability Committee (KSSK) and other authorities to accelerate the digital economy and finance as well as for rupiah currency management. In addition, policy synergy also targeted supervision of the digital economy and finance as well as the implementation of Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) principles. This aimed to create and maintain payment system stability through payment system digitalisation for transaction efficiency and the EKD ecosystem, while implementing a fast, convenient, affordable, secure and reliable payment system and ensuring the availability of quality and trusted rupiah currency.

In 2023, Bank Indonesia undertook various efforts to strengthen synergy with the policies of the Government and OJK in order to develop the digital economy and finance, as reflected in the achievement of the following KPI:

- 17) Synergy in the electronification of transactions, as reflected in: (i) an increasing number of regional governments in the digital category, (ii) the successful expansion of pilot projects for the digitalisation of social assistance disbursements, and (iii) an agreement concerning the Multi-Lane Free Flow (MLFF) business model for the payment system

Bank Indonesia synergy with the Government to develop the digital economy and finance (EKD) continued. Synergy through strategic programs to Accelerate and Expand the Electronification of Central and Regional Government Transactions (P2DD) successfully increased the level of digitalisation in the regional government environment. At the end of

2023, a total of 449 regional governments, or 82,8% of 540 regional governments in total, were categorised as 'digital'. This was up 22,7% on the position recorded at the end of 2022. Supporting regional government digitalisation, Bank Indonesia continued coaching and mentorship activities to improve the quality of Regional Government Transaction Electronification (ETPD) program data through the Training of Trainers (ToT), while simultaneously providing coordination, facilitation and capacity building for Bank Indonesia Domestic Representative Offices and regional governments.

Regarding the electronification of social aid program (bansos) disbursements, Bank Indonesia continued supporting the transformation of digital bansos disbursements by continuing coordination with relevant government ministries/agencies throughout 2023. Bank Indonesia implemented a pilot project for the digitalisation of Indonesia Smart Card bansos disbursements for the college segment (KIP-Kuliah) in synergy with the Ministry of Finance, Ministry of Education, Culture, Research and Technology and the Ministry of Religious Affairs, particularly to ensure technical readiness on the payment system side. Bank Indonesia also cooperated in synergy with relevant government ministries/agencies to reactivate the Noncash Social Assistance Control Team chaired by the Coordinating Ministry for Human Development and Culture and strengthen the legal foundation of Social Protection System Reform and the legal foundation for Noncash Social Assistance (BSNT), while developing the Central Mapper concept as shared infrastructure to improve the governance of bansos data.

Meanwhile, Bank Indonesia also continued its support for electronification of the transportation sector and toll road sector throughout 2023, particularly the MLFF initiative. Bank Indonesia ensured the business model was in accordance with prevailing regulations and in line with payment system policy. In conjunction with relevant authorities and the designated Implementing Business Entity (BUP), Bank Indonesia will evaluate the MLFF business model on ongoing basis. In 2023, limited Phase I trials were conducted to test non-payment system technologies, namely the Global Navigation Satellite System, for the MLFF business model. At the subsequent trials, Bank Indonesia coordinated with relevant government ministries/agencies to ensure seamless implementation.

18) Communication synergy and strengthening for EKD development, payment system industry supervision and increasing digital literacy by expanding SNAP implementation to service users

Bank Indonesia continued strengthening National Open API Payment Standard (SNAP) implementation to expand industry involvement in EKD development.

In 2023, Bank Indonesia issued recommendations concerning SNAP verification submissions to 48 Payment Service Providers (PSP) collaborating with 560 service users for 2,376 sub-API. In addition, 412 service users were integrated as 10 First Movers, accounting for 113% of the 363 service users targeted in 2023.

Commencing 1st September 2023, Bank Indonesia transferred SNAP management to the Indonesia Payment System Association (ASPI) as a self-regulatory organisation (SRO). The transfer of SNAP management to ASPI aims to foster industry innovation, particularly in the development of Open API for the payment system. Furthermore, the transfer of SNAP management to ASPI is expected to expand SNAP services and users, thereby increasing payment sector efficiency, security and innovation in Indonesia. Since the transfer on 1st September 2023, ASPI has provided recommendations to 27 PSP service providers cooperating with 154 service users for 714 sub-API.

Furthermore, Bank Indonesia will maintain synergy with ASPI and make sure the expansion of SNAP according to the action plan, to strengthen interlink between PSP bank with nonbank and maintain level of playing field between perpetrators, in order to decrease fragmentation and bolstering economy acceleration and digital financial in Indonesia.

Bank Indonesia also collaborated with relevant government ministries/agencies to fulfil the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) principles. Close collaboration successfully secured Indonesia's position as the 40th full member of the Financial Action Task Force (FATF) on 2nd November 2023, demonstrating international recognition for Indonesia on par with other G20 member countries.

- 19) Synergy in the use of EKD data for the public in the preparation of a consultative paper on Unique Digital Identifiers to support the digital economy and finance (EKD)

Bank Indonesia continued various efforts and synergy with the industry and authorities to explore the conceptual design of Unique Digital Identifiers. Synergy was maintained throughout 2023 and aimed to explore various alternative Unique Digital Identifiers to increase the convenience of payment system transactions, support the use of EKD data in the formulation of Bank Indonesia policies and garner input for the development of Payment ID as a Unique Digital Identifier. The concept of Payment ID has been disseminated to the industry. At the end of 2023, Bank Indonesia held discussions and coordinated with the industry and other relevant authorities to obtain input for the future direction of Payment ID development.

PS 07 Accelerating money market deepening to strengthen Bank Indonesia policy transmission effectiveness and economic financing synergy

Bank Indonesia continued to foster a deep, liquid, efficient, transparent and integrity-based rupiah money market and foreign exchange market. A modern and advanced money market and foreign exchange market will support monetary policy effectiveness, financial stability and national economic financing synergy.

In 2023, Bank Indonesia undertook various efforts to accelerate money market deepening towards strengthening the effectiveness of Bank Indonesia policy transmission and economic financing synergy, as reflected in the achievement of the following KPI:

- 20) Integrated, interconnected and interoperable money market infrastructure, as well as secure and reliable, through implementation of multi-matching DNDF financial market infrastructures (FMI) and the development of central counterparties (CCP)

Bank Indonesia continued efforts to optimise the availability of secure and reliable money market infrastructure based on 3I principles through the

implementation of central counterparties for interest rate and exchange rate transactions (CCP SBNT) as well as incremental development of the electronic trading platform (ETP) for multi-matching DNDF. In 2023, Bank Indonesia coordinated with all relevant stakeholders to accelerate implementation of both initiatives in line with the development stage, which included ensuring the readiness of operators in terms of system development prior to full implementation. Intensive coordination and focus group discussions (FGDs) were held with relevant stakeholders to ensure optimal implementation of CCP SBNT and ETP multi-matching DNDF.

- 21) A deep, liquid, efficient, transparent and integrity-based rupiah money market and foreign exchange market, as reflected by: (i) the ratio of DNDF transactions to derivative transactions, and (ii) the ratio of repo transactions to total money market transactions

Bank Indonesia continued developing a deep, liquid, efficient and integrity-based rupiah money market and foreign exchange market. The success of money market and foreign exchange market deepening efforts was reflected in the use of DNDF for derivative and repo transactions in the money market as the main Bank Indonesia instruments for money market and foreign exchange market deepening. Average daily DNDF market transactions in 2023 increased 13,29% to USD136.2 million from USD120,0 million in 2022. Meanwhile, the number of DNDF players increased by 19 from 118 and 2022 to 137 at the end of 2023. On the other hand, average daily repo transaction volume increased from Rp7,3 trillion in 2022 to Rp10,8 trillion in 2023, while the number of participating banks increased from 53 in 2022 to 71 in 2023 out of a total of 92 conventional banks. The gains were supported by joint efforts between Bank Indonesia, relevant authorities and market players to expand adoption of the Global Master Repurchase Agreement (GMRA) and support the implementation of primary dealers. The increase in DNDF transactions was also supported by initiatives to integrate DNDF into the LCT framework to expand the use of non-USD DNDF. The development of DNDF instruments was an integral part of Bank Indonesia's transformation effort to support exchange rate stability in line with the



Literasi Keuangan Indonesia Terdepan (Like It!) 2023 Talkshow: Understanding Financial Investing for Entrepreneurs in Jakarta

Money Market Development Blueprint (BPPU) 2025.

Bank Indonesia also developed repo transactions and strengthened rupiah reference rates. Repo transactions were developed through close coordination with relevant authorities and industry associations, including OJK and the Indonesian Interdealer Bond Market Association (HIMDASUN). In terms of money market transactions, repo and call money transactions in 2023 tracked upward trends compared with conditions in 2022. This was supported by joint efforts between Bank Indonesia, relevant authorities and money market players to increase GMRA adoption and implement primary dealers. On 29th May 2023, Bank Indonesia facilitated 76 banks to sign the Interbank Repo Master Agreement and, therefore, increase GMRA adoption and expand repo counterparties in the banking industry.

In response to the mandate of the P2SK Act in terms of financial market deepening, Bank Indonesia strengthened regulatory reform in the money market and foreign exchange market. Bank Indonesia promulgated Bank Indonesia Regulation (PBI) No. 6 of 2023 concerning the Money Market and Foreign

Exchange Market (PBI PUVA) as well as PBI No. 12/2023 concerning Issuances of Money Market Instruments and Money Market Transactions (PITPU).

- 22) **Bank Indonesia synergy under the auspices of the Coordination Forum for Development Financing through Financial Markets (FK-PPPK) to support economic financing by completing the follow-up actions to various agreements in accordance with Bank Indonesia's authority**

Bank Indonesia continued working in synergy with the Ministry of Finance, OJK and LPS under the auspices of the Coordination Forum for Development Financing through Financial Markets (FK-PPPK) to stimulate economic financing from the financial markets. Synergy was achieved through the implementation of 7 (seven) FK-PPPK Priority Programs in 2023 that were agreed by the FK-PPPK Steering Committee. The priority programs included Development Financing, Financial Sector Reform, Benchmark Rate Reform, Repo Market Deepening, Expanding the Retail Investor Base, Policy Harmonisation and the Development of Green and Sustainable Instruments.

A work program review was implemented in 2023 along with a Strategic Action Plan (SAP) and Key Performance Indicators (KPI) for the FK-PPPK in line with the latest developments in the strategic environment, particularly the P2SK Act. In conjunction with other FK-PPPK members, Bank Indonesia also detailed the priority program for the Development of Green and Sustainable Instruments, including collaboration to implement the transition finance framework deepening program, which stemmed from the G20 Forum to harmonise financial sector transition and support the climate change transition.

In 2023, Bank Indonesia also implemented educational activities in synergy with FK-PPPK, entitled Leading Financial Literacy in Indonesia (LIKE IT), with the theme of 'Increasing Financial Literacy and Investment among Young Entrepreneurs'. The activities culminated in an FK-PPPK flagship annual event. LIKE IT activities were presented in three series alternately by FK-PPPK members. During the LIKE IT #1 series, Bank Indonesia introduced the theme 'Rising Stars: Young Entrepreneurs Shine in Financial Investing', which aimed to increase financial literacy, particularly among young entrepreneurs. Bank Indonesia also participated in the second series hosted by OJK in Pontianak, entitled 'MSMEs Level Up, Investment Grows', and the third series hosted by the Ministry of Finance in Surabaya, entitled 'Smart Entrepreneurship and Investment by Indonesia's Young Generation'.

In conjunction with the other FK-PPPK members, Bank Indonesia also continued implementing several activities associated with the FK-PPPK priority programs, including: (i) reviewing and agreeing follow-up actions for tax harmonisation concerning short-term securities (SBJP), which included listening to input from market players and other related parties, (ii) joint discussions concerning an assessment of transition finance in relation to the development of green and sustainable instruments, which included benchmarking with authorities and market players in Singapore done virtually, (iii) agreeing the COMPACT-2 program, which is a cooperation program between the governments of Indonesia and the United States, encompassing financial market deepening projects, as an integral part of the FK-PPPK priority programs in collaboration with

the Millennium Challenge Account Indonesia (MCAI), and (iv) harmonising the development of integrated repo financial market infrastructures (FMIs) for financial market deepening.

PS 08 Developing Bank Indonesia policy in synergy with the policies of the National Islamic Economy and Finance Committee (KNEKS) and other parties to support development of the sharia economy and finance

Bank Indonesia continued increasing economic and financial inclusion, developing the sharia economy and finance, as well as strengthening consumer protection, which included establishing Indonesia as a global hub of the halal industry. This was done to support Bank Indonesia policies to bolster sustainable economic growth by increasing economic and financial inclusion, while developing the sharia economy and finance.

In 2023, Bank Indonesia undertook several efforts to develop Bank Indonesia policy in synergy with the policies of KNEKS and other parties to support development of the sharia economy and finance, as reflected in the achievement of the following KPI:

23) Bank Indonesia's contribution to develop Islamic finance, as reflected by: (i) average daily growth of the sharia money market, and (ii) growth of Islamic finance.

Bank Indonesia continued fostering sharia money market development and deepening sharia money market transactions by optimising the use of existing money market instruments, which included facilitating cooperation agreements between market players. Average daily growth of the sharia money market in 2023 was robust at 64,37% (ytd). Bank Indonesia coordinated with the Sharia Treasury Association to help increase the integrity and governance of sharia financial market players by revisiting the Islamic Financial Market Code of Conduct (ICoC), as guidelines for professional moral norms concerning the conduct that must be instilled and avoided in the money market and foreign exchange market based



Festival Ekonomi Syariah (Fesyar) Opening Ceremony, Eastern Indonesia Region in Samarinda

on sharia principles. Bank Indonesia also refined several regulations, including the Board of Governors Regulation (PADG) concerning Sharia Money Market Transactions, PADG concerning Issuances of Sharia Commercial Papers (SBK), and PADG concerning Transactions in the Sharia Money Market and Foreign Exchange Market.

Bank Indonesia continued increasing the availability of Islamic finance by deepening the sharia money market and strengthening the financing disbursed by sharia banks. Islamic finance in 2023 recorded high 15.8% (yoy) growth. Bank Indonesia also continued to nurture the development of Islamic commercial and social finance. In 2023, commercial finance was developed through: (i) innovative business models for Islamic finance with the development of the investment account business model; (ii) implementation of the Islamic Finance Month; and (iii) support to highlight the uniqueness of sharia banking and industry development.

Bank Indonesia also implemented various initiatives to optimise Islamic social finance as an alternative source of financing. Such initiatives included: (i) digitalisation of the Islamic social finance sector through development of the Satu Waqf Indonesia

platform in synergy with the Indonesia Waqf Board (BWI); (ii) implementation of four Waqf Awareness Movement events at the Sharia Economic Festivals (FESyar) and Indonesia Sharia Economic Festival (ISEF); and (iii) increasing the governance of Islamic finance by facilitating the certification of 89 nazhir.

The Satu Waqf Indonesia platform is a national waqf fundraising aggregator and simultaneously a waqf marketplace and National Cash Waqf Information System (SUWUN). The Satu Waqf Indonesia application was launched by the Vice President of the Republic of Indonesia at the Opening Ceremony of the 10th ISEF on 26th October 2023. Bank Indonesia also nurtured development of the Pesantren Sadaqah Zakat Infaq Waqf Digital Platform to advance the Islamic social finance sector.

24) Bank Indonesia's contribution to supporting sharia businesses, as reflected by: (i) the increasing number of businesses implementing sharia principles (kaffah), and (ii) the value of revenue and business linkages at the ISEF series of activities, including FESyar

Bank Indonesia continued strengthening implementation of the sharia economic empowerment strategy to increase the number and capacity of sharia

businesses, as well as strengthen the institutional facets and infrastructure. The successes of pesantren-based sharia business development program implementation by Bank Indonesia in 2023 included: (i) developing 67 new pesantren, (ii) increasing the capacity of 132 existing pesantren, (iii) developing business models and ecosystem models for the pesantren halal value chain through several programs, including Integrated Farming with Technology and Information (INFRATANI), the Export-oriented Horticultural Business Network (Juara Ekspor) and the Centre of Excellence, and (iv) developing non-pesantren sharia businesses with export potential in the processed food and modest fashion sectors through curation activities in the sharia creative industries.

Bank Indonesia hosted the 10th Indonesia Sharia Economic Festival (ISEF) in 2023 to promote sharia business development and increase sharia economic and financial literacy to help establish Indonesia as a global hub of the halal industry. The event drew global attention from the sharia economy and finance community and was included as part of the international agenda. During the series of ISEF activities in 2023, Bank Indonesia continued increasing collaboration with various stakeholders to accelerate development of the national sharia economy and finance. As a showcase of the Islamic economy and finance in Indonesia, ISEF 2023 was the culmination of joint efforts to support Indonesia as a global hub of the halal industry. The showcase indicated that the empowerment and development of the sharia economy and finance in Indonesia remains oriented towards developing an integrated ecosystem for the halal industry and Islamic finance. ISEF implementation over the past decade has significantly expanded collaboration and synergy with various parties and stakeholders nationally and globally. Collaboration with global stakeholders was also realised through the 1st International Halal Chef Competition (IN2HCC), 2nd Indonesia International Modest Fashion Festival (IN2MF), Halal Expo Indonesia (HEI), ISEF Fun Walk, and nine other international forums.

ISEF 2023 showcased 132 activities, consisting of national and international webinars, workshops, talk shows, business coaching, business linkages (business meetings/matching), prayer recitals, family and educational events, as well as fashion shows, which attracted the participation of 624.713 visitors, from the regional FESyar events to the culmination of

ISEF 2023. In addition, Bank Indonesia held six national and international competitions in 2023 to increase public literacy and capabilities in terms of the sharia economy and finance, attracting 6.748 entrants to the Hijrahpreneur Competition, National Sharia Economy Competition (KESN), Youth Sharia Sociopreneur Competition (YSSC), Indonesia International Halal Chef Competition (IN2HCC), and the ISEF Awards 2023. The ISEF 2023 event was supported by 1.003 domestic and international business participants offline and virtually. ISEF was organised by Bank Indonesia in synergy with various government ministries and institutional members of the National Islamic Economy and Finance Committee (KNEKS) as well as all relevant stakeholders to set the MURI (Indonesia World Records Museum) record as the largest sharia economy and finance festival in Indonesia.

25) Level of public understanding of the sharia economy and finance through reasearch, assessments and education, as reflected by a well literate population

Bank Indonesia continued various collaborative education and literacy activities with relevant stakeholders to increase public understanding of the sharia economy and finance. In 2023, Bank Indonesia collaborated in synergy with several government ministries/agencies, including KNEKS and OJK, as well as other educational institutions deemed effective and optimal to help raise sharia economic literacy through the implementation of Sharia Economic and Financial Outlook (SheFO) 2023. SheFO facilitate to deliver policy directions and development of national sharia economy and financial, including the dissemination of literatures in economy and financial sharia bank in Indonesia. Attended by various leaders from ministries/agencies, sharia banks, economy observer, and international institution, SheFO also has become the reference of national sharia economy and financial for various national media.

Public understanding among Muslims in Indonesia regarding the sharia economy has improved, with the Sharia Economic Literacy Index in 2023 reaching 28.01%. The index shows that out of 100 adult Muslims in Indonesia, 28 are considered well literate regarding the sharia economy. Sharia economic literacy in Indonesia has increased due to the panoply of efforts undertaken by Bank Indonesia to provide various public education and socialisation activities

through a variety of coordinated sharia economy and finance education and literacy activities in synergy with a broad range of stakeholders, including media groups, at the Sharia Economic Festivals (FESyar) and Indonesia Sharia Economic Festival (ISEF).

PS 09 Strengthening the effectiveness of international cooperation to support monetary, macroprudential, SP-PUR, and other supporting policies to achieve macroeconomic and financial system stability, while realising the interests of Bank Indonesia and/or the Indonesian economy

Bank Indonesia continued maintaining the positive perception of international organisations and rating agencies regarding the Indonesian economy. In addition, Bank Indonesia also maintained international policy synergy and cooperation for the interests of Bank Indonesia and/or the Republic of Indonesia. International policy synergy and cooperation is intended to maintain macroeconomic, payment system and financial system stability.

In 2023, Bank Indonesia undertook various efforts to strengthen the effectiveness of international cooperation to support monetary policy, macroprudential, SP-PUR and other supporting policies to achieve macroeconomic and financial system stability, while realising the interests of Bank Indonesia and/or the Indonesian Economy, as reflected in the achievement of the following KPI:

26) Maintaining the positive perception of international organisations and global investors concerning the Indonesian economy, as reflected in the positive tone of reports published by international organisations, rating agencies and investor/real sector players

Bank Indonesia maintained the positive perception of international organisations and rating agencies concerning the Indonesian economy despite elevated global economic uncertainty. Positive perception regarding the Indonesian economy was successfully managed and monitored under the leadership of Bank Indonesia as the Secretariat of the National Investor Relation Unit (IRU). In 2023, Bank Indonesia successfully maintained positive perception, supported by two reports published by the International Monetary

Fund (IMF) and ASEAN+3 Macroeconomic Research Office (AMRO) concerning the promising state of the Indonesian economy, four reports published by rating agencies concerning Indonesia's sovereign credit rating (SCR) with a stable and positive outlook, as well as reports published by investment houses regarding the balanced state of the Indonesian economy. The reports published by international organisations include the following:

- a) **IMF Article IV Consultation Mission Indonesia 2023 report.** The Fund assessed the post-pandemic economic recovery in Indonesia as intact through strong macroeconomic performance, supported by the application of prudent monetary and fiscal policy. Forward-looking policy and synergy have successfully navigated Indonesia through the global challenges faced in 2022 with solid growth, milder inflationary pressures and a stable financial system.
- b) **AMRO Consultation Visit 2022 report.** According to AMRO, Indonesia successfully managed inflation and maintained growth despite massive external challenges.

In addition, the SCRs published by several rating agencies were as follows:

- a) R&I affirmed Indonesia's SCR at BBB+ and upgraded the outlook from stable to positive.
- b) Moody's affirmed Indonesia's SCR at Baaa2 with a stable outlook.
- c) Standard and Poor's affirmed Indonesia's SCR at BBB with a stable outlook.
- d) Fitch affirmed Indonesia's SCR at BBB with a stable outlook.

Bank Indonesia also played an active role in strengthening positive international perception concerning Indonesia's economy through various international activities. This included: (i) holding regular Investor Conference Calls (ICC) in synergy with the Ministry of Finance after the monthly BOG meeting, (ii) engagement with various major global investors through investor meetings with investment houses, (iii) supporting and facilitating international trade and investment promotional activities through the integrated function of the Investor Relations Unit (RIRU), Regional Investor Relations Unit (RIRU) and Global Investor Relations Unit (GIRU). This

demonstrated Indonesia's consistency in actively interacting and engaging with investors, among others as a form of information transparency and disclosure with international stakeholders. Intensive communication played an important role in preventing the occurrence of asymmetric information, thereby maintaining the positive perception of international investors concerning Indonesia's economy.

Bank Indonesia credibility was also demonstrated through various international awards received throughout 2023. The awards received by Bank Indonesia were as follows:

- a) The Asia Investor Institutional Excellence Award for Best Asset Owner in Southeast Asia 2022.
- b) The Asian Banker's Award for Best Macroeconomic Regulator in the Asia-Pacific Region.
- c) The International Association of Currency Affairs (IACA) Award for the Best New Banknote Series at the Currency Awards 2023 for the 2022 Series of Rupiah Banknotes.
- d) The Gold Stevie Winner for Innovation in Human Resource Management, Planning and Practices in the Government Sector from the Asia-Pacific Stevie Awards for the talent management program.
- e) The Silver Stevie Winner for Innovation in Technology Management, Planning and Implementation in the Government Sector from the Asia-Pacific Stevie Awards for the integrated BI-ANTASENA bank reporting platform.
- f) The Gold Award from the Qorus Reinvention Awards Asia-Pacific 2023 in the operational efficiency category.
- g) Nine Gold Awards, 3 Silver Awards and 1 Bronze Award at the Contact Centre Awards Asia-Pacific from Contact Centre World for BI Bicara contact centre services
- h) Recognition of Excellence 2023 from OpenGov Asia for QRIS, recognised as digital transformation with public benefit.

27) Optimisation of Local Currency Transactions (LCT) in bilateral economic and financial transactions, as reflected by: (i) the share of transaction value settled using local currencies to the total value of trade between the Republic of Indonesia and trading partners, and (ii) the volume of cross-border payment transactions

Bank Indonesia has optimised the use of local currencies to advance LCT optimisation for bilateral trade as the realisation of ongoing international policy transformation since 2018. In 2023, the share of total local currency transactions to the total value of trade between Indonesia and several trading partners increased to 5.7%. Those transactions originated from four countries, namely Malaysia, Japan, Thailand and China.

This milestone was the outcome of several Bank Indonesia initiatives to increase the use of LCT schemes in synergy with major trading partners at home and abroad as follows: (i) increasing the role of banks as Appointed Cross Currency Dealers (ACCD) through periodic evaluations to nurture the efficient use of local currency transactions between jurisdictions; (ii) increasing LCT awareness through proactive and targeted socialisation efforts to businesses in synergy with the relevant government ministries/agencies and authorities in partner countries; (iii) using local currencies in the region by preparing the ASEAN High-Level Principles on LCT Frameworks; (iv) accelerating the expansion of LCT cooperation between Indonesia and South Korea as well as strengthening the LCT framework between Indonesia and Thailand as well as Indonesia and Malaysia; (v) forming a National LCT Task Force between Bank Indonesia and nine government ministries/agencies; and (vi) providing fast track customs clearance facilities for importers using local currencies to settle trade transactions.

Bank Indonesia also increased cross-border payment transactions in the region by accelerating the implementation of cross-border payment linkages using QR Code, while nurturing efforts to expand cooperation with new partners. Seeking to increase cross-border payments in the region, on 8th May 2023, Bank Indonesia and Bank Negara Malaysia (BNM) officially launched cross-border QRIS payments between Indonesia and Malaysia, providing tangible evidence of efforts to strengthen cooperation under the RPC framework in pursuit of faster, cheaper, transparent and inclusive cross-border payments, particularly for micro, small and medium enterprises (MSME). The implementation of cross-border QR transactions also strengthened macroeconomic stability by expanding the use of local currencies for bilateral transactions within the LCT framework.

At the 42nd ASEAN Summit held on 10-11th May 2023, Bank Indonesia also agreed to strengthen **Regional Payment Connectivity (RPC)** and **Local Currency Transactions (LCT)**, which aimed to build a vision among leaders of ASEAN member states to develop a stable financial sector as the foundation for regional economic integration. On the sidelines of the ASEAN Summit in 2023, Bank Indonesia formed a National Task Force in synergy with government ministries/agencies and other institutions to increase the use of local currency transactions in Indonesia with other trading partners. The task force involves Bank Indonesia, the Coordinating Ministry for Economic Affairs, Coordinating Ministry for Maritime and Investment Affairs, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Industry, Ministry of Trade, Ministry of State-Owned Enterprises, Financial Services Authority (OJK) and Indonesia Deposit Insurance Corporation (LPS). The national task force was formed through the signing of a Memorandum of Understanding (MoU) between the institutions concerning Cooperation and Coordination to Increase Local Currency Transactions in Indonesia with Trading Partners, dated 5th September 2023.

28) Synergy to advance Indonesia's position at international forums in various strategic areas as reflected by broad acceptance of Bank Indonesia's position/stance in various strategic areas at international forums/institutions/cooperation

Bank Indonesia constantly strived to advance the interests of Bank Indonesia and/or the national economy through diplomacy and negotiations at international forums/institutions/cooperation. In 2023, Bank Indonesia's position/stance was accepted at various international forums/institutions/cooperation, including the IMF, APEC, BIS, G20, IsDB, ASEAN and ASEAN+3, concerning macroeconomic and financial system stability, digital/payment systems, the sharia economy and finance as well as economic inclusion.

In terms of regional cooperation forums, in addition to Indonesia's ASEAN Chairmanship in 2023, Bank Indonesia also played a pivotal role in the ASEAN+3 Co-chairmanship with Japan. In December 2023, the ASEAN+3 Finance and Central Bank Deputies (AFCDM+3) meeting was held to conclude the co-chairmanship of Indonesia and Japan. Bank Indonesia

navigated the discussions on strengthening the Chiang Mai Initiative Multilateralization (CMIM), AMRO governance, and other topics, with all priority agendas of Bank Indonesia accepted by all members. As part of the ASEAN+3 Co-chairmanship priority agenda, Bank Indonesia initiated a thematic study, namely a Policy Position Paper on Expanding Local Currency Transactions in ASEAN+3 Cross-Border Payments. The results of the study were compiled by Bank Indonesia in conjunction with AMRO to generate recommendations for expanding the reach of LCT, with the study endorsed at the deputy level.

Bank Indonesia also continued its active participation at various meetings, including the Executives Meeting of East Asia Pacific Central Banks (EMEAP), Asia-Pacific Economic Cooperation (APEC), and South-East Asian Central Banks (SEACEN). Bank Indonesia took the opportunity to outline its position/stance concerning the development of micro-financial conditions, the role of central banks in fostering sustainable finance and the response to climate change and digitalisation issues. Bank Indonesia also played an active role in cooperation to increase institutional and central banking capacity within the SEACEN forum.

In addition to diplomacy at various international forums/institutions, Bank Indonesia also strengthened international cooperation by expanding cooperation with central banks and authorities in other partner countries as follows:

- a) **Joining Phase III of Project Nexus** on 11th April 2023. ASEAN 5 central banks (Bank Indonesia, Bank Negara Malaysia, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore and Bank of Thailand) together with the Bank for International Settlements Innovation Hub (BISIH) explored the potential for fast payment connectivity in the region through a joint project, namely Project Nexus Phase III. Bank Indonesia's involvement in Project Nexus Phase III is a strategic measure and expected to help realise cheaper, convenient, inclusive and transparent cross-border transactions.
- b) **Signing a Memorandum of Understanding (MoU) between Bank Indonesia and the Bank of Lao PDR** in the area of central banking on 2nd May 2023



Signing Ceremony of MoU on Cooperation Bank Indonesia with Bank of Lao PDR in Incheon, South Korea

as a form of institutional leadership to support Bank Indonesia's role as a centre of excellence for central banks in the region. Such cooperation also demonstrates Bank Indonesia's growing significance on a global scale.

- c) **Signing a Memorandum of Understanding (MoU) by the Governor of Bank Indonesia and Governor of the People's Bank of China (PBoC)** to agree cooperation between Bank Indonesia and the PBoC in the area of central banking in Beijing on 27th September 2023. The cooperation encompasses monetary policy, macroprudential policy, financial and payment system stability, including digital innovation in payment systems and services, and a framework to strengthen regulation and supervision in the context of Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), as well as other aspects.
- d) **Signing a Memorandum of Understanding (MoU) by the Governor of Bank Indonesia and Governor of CBUAE**, which agreed to expand central banking cooperation between Bank Indonesia and the Central Bank of the United

Arab Emirates, on 29th November 2023. Through the MoU, both central banks pledged their commitment to strengthen cooperation through a more structured and systematic framework in various areas of central banking, including monetary policy, macroprudential policy, financial stability and payment system policy and digital financial innovation, as well as various areas of the sharia economy and finance. In addition, both central banks agreed to combat money laundering and terrorism financing and to take follow-up actions on the Financial Action Task Force (FATF) recommendations, particularly in terms of the need to strengthen international cooperation with partner authorities concerning AML/CTF implementation.

- e) **Establishing central banking cooperation between Bank Indonesia and the Swiss National Bank (SNB)** as a mecca for international banking. The cooperation reflects efforts to expand international networks to improve the capabilities and targeted policy strategies that contribute to the national economy.

- f) **Extending cooperation between Bank Indonesia and the Bank of England** in the area of central banking, covering different modalities, such as technical assistance/workshops and capacity building that aim to provide positive benefits for both institutions.

In 2023, Bank Indonesia also implemented various cooperation programs with partner central banks.

Cooperation was implemented with, among others, the Bank of Japan, Bank of Korea, Bank of England, the Fed, Central Bank of the Republic of Turkey, Deutsche Bundesbank, Bank of Lao PDR, Reserve Bank of India, People's Bank of China, and Monetary Authority of Singapore. The form of cooperation included the following: (i) High Level Meetings (HLM), (ii) Technical Level Meetings, (iii) Technical Level Discussions, and (iv) hosting joint events. In addition, as a form of institutional leadership, Bank Indonesia also provided capacity building activities to other central banks, including the Bank of Uganda, Maldives Monetary Authority, National Bank of Cambodia and Brunei Darussalam Central Bank.

29) Successful ASEAN Chairmanship and ASEAN+3 Co-chairmanship (with Japan) that supported the interests of Bank Indonesia

Bank Indonesia supported a successful ASEAN Chairmanship and ASEAN+3 Co-chairmanship in terms of the substance of the discussions and the organisation of events. Regarding the substance of the discussions, various priorities of Indonesia's Chairmanship were delivered and supported by ASEAN member states at the technical level (working groups/working committees), ASEAN Finance and Central Bank Deputies Meeting (AFCDM), and the ASEAN Finance and Central Bank Governors Meeting (AFMGM). In addition, several BI priority initiatives concerning the Priority Economic Deliverables (PED) were agreed and endorsed at the AFMGM. Furthermore, the BI priority initiatives (PED) were also contained in the ASEAN Leaders' Declaration on ASEAN as an Epicentrum of Growth, which was subsequently adopted by the leaders of ASEAN member states at the 42nd ASEAN Summit held in Labuan Bajo and 43rd ASEAN Summit in Jakarta as part of the efforts to strengthen economic integration in the ASEAN region.

The concrete deliverables achieved during Indonesia's ASEAN Chairmanship from a substantive perspective are summarised as follows:

- a) **Mainstreaming the policy mix.** ASEAN finance ministers and central bank governors agreed to reaffirm their commitment in the ASEAN region to maintain financial stability to overcome multidimensional challenges by strengthening the policy mix, the scope of which encompasses fiscal policy, monetary policy, financial policy and structural reform. During Indonesia's ASEAN Chairmanship in 2023, efforts were undertaken to mainstream the policy mix in the ASEAN region as a necessary policy, particularly based on the current global conditions and challenges. ASEAN also invited the IMF and BIS to cooperate with ASEAN member states (AMS) to further mainstream the Integrated Policy Framework (IPF) and Macro-Financial Stability Frameworks (MFSF) in a regional context. Strengthening coordination with international financial institutions (BIS) remains an ongoing concern in the annual priorities of the Working Committee on Capital Account Liberalisation in line with the initiatives/proposals of Bank Indonesia.
- b) **Promoting LCT.** Leaders of ASEAN member states agreed at the ASEAN Summit in May 2023 to promote the use of Local Currency Transactions (LCT), which was subsequently realised through formation of the ASEAN LCT Task Force, with Bank Indonesia and the Bank of Thailand serving as co-chairs to ensure timeline continuity and achieve the deliverables. Furthermore, the High-Level Principles (HLP) on the ASEAN LCT Framework were endorsed at the AFMGM in August 2023. The HLP will form the basis of preparations for the ASEAN LCT Framework under the navigation of Bank Indonesia within the ASEAN LCT Task Force.
- c) **Regional Payment Connectivity.** Bank Indonesia successfully advanced the RPC strengthening agenda for adoption by leaders of ASEAN member states at the ASEAN Summit in May 2023. In terms of implementation, Bank Indonesia developed the ASEAN RPC Expansion Roadmap 2022-2025, which was subsequently endorsed at the Finance Ministers and Central Bank Governors Meeting. In principle, member states

have agreed the plan to expand RPC beyond ASEAN. Following the roadmap, the State Bank of Vietnam joined as a member in the Supplemental Memorandum of Understanding (MoU) RPC, dated 25th August 2023.

- d) **Revisiting Working Committees (WC) Mandates.** Revisiting the WC mandates is an integral part of the Bank Indonesia transformation agenda to strengthen international policy. This initiative was based on the Decision Making Process (DMP) in ASEAN and growing scope of issues. Under Indonesia's ASEAN Chairmanship in 2023, Bank Indonesia successfully raised the urgency of revisiting WC mandates and oversaw the formation of the Task Force on Revisiting WC Mandates to review the mandates of each sectoral body. Furthermore, the task force compiled high-level guidance, initiated by Bank Indonesia for endorsement by all member states.
- e) **Digital Financial Inclusion.** Promoting financial inclusion, the Implementation Guidelines to Strengthen Digital Financial Literacy in ASEAN were compiled under Indonesia's ASEAN Chairmanship in 2023 and endorsed by all ASEAN member states. Furthermore, Bank Indonesia also hosted the Digital Financial Inclusion (DFI) Festival at the ASEAN Festival at the Jakarta Convention Centre (JCC) in Jakarta. The event aimed to showcase and share the best practices and policies in promoting digital financial inclusion for sustainable economic growth, while building public awareness concerning the importance of digital financial literacy.

Meanwhile, by the conclusion of the ASEAN+3 Co-chairmanship, a number of significant milestones had been achieved as follows:

- a) **Agreement to establish a Rapid Financing Facility (RFF) under the Chiang Mai Initiative Multilateralization (CMIM).** In December 2023, a new rapid financing facility was agreed, namely RFF, under the CMIM initiative that aims to provide liquidity to meet Balance of Payment (BOP) needs caused by sudden exogenous shocks. Bank Indonesia's diplomatic efforts resulted in an agreement on RFF modalities, thereby reflecting the needs of member states and interests of Indonesia, with greater accessibility.

- b) **Agreement for Roadmap of Regional Financing Arrangement (RFA).** In December 2023, agreement was reached to formulate the roadmap of RFA, containing the work plan for 2024-2026 to develop a new financing facility and new financing structure. The RFA Roadmap serves as guidelines for transformation of the new arrangements and financing structure, making the CMIM more accessible and faster to activate. As co-chair, Bank Indonesia navigated RFA development to achieve endorsement by all members. The transformation is expected to strengthen the CMIM initiative as a regional financing facility.
- c) **Agreement on strengthening the Chiang Mai Initiative Multilateralization (CMIM).** Bank Indonesia actively initiated discussions in the area of strengthening the CMIM initiative, particularly discussions on the CMIM margin and second periodic review, to increase the interest of member states in terms of facilitating CMIM. The diplomatic approach of Bank Indonesia in navigating the discussions within the agenda successfully garnered agreement to reduce the CMIM average margin at the AFCMD+3 meeting in December 2023, which was a historical achievement as discussions had progressed for three years without agreement. In addition, Bank Indonesia also succeeded in initiating the implementation of an AMRO survey of Nine Readiness Indicators to gauge AMRO readiness in terms of increasing the IMF De-Linked Portion (IDL) at the 2nd periodic review.
- d) **Agreement on Strengthening AMRO Senior Management Governance.** Bank Indonesia also succeeded in increasing the inclusiveness of ASEAN member states in the senior management composition of AMRO by achieving agreement on an additional deputy director position to be filled by a representative from ASEAN member states to deepen the perspective of AMS interests.

Thematic Study on the Latest Issues in ASEAN+3. Bank Indonesia collaborated in synergy with AMRO to complete a study, entitled Enhancement of Local Currency Transactions (LCT) in ASEAN+3 Cross-Border Payments. The study provided an overview of LCT implementation in ASEAN+3, explored LCT strategic issues to identify LCT opportunities and challenges,

as well as provided recommendations for efforts to expand LCT. All member states responded positively to the study, as reflected in the broad-based support pledged at the deputy level at the AFCDM+3 meeting in December 2023. The study raised the urgency of accelerating LCT implementation by utilising cross-border payment potential.

At the close of the 43rd Summit in September 2023, Bank Indonesia cooperated with the ASEAN Secretariat (ASEC) for the handover process of the ASEAN Chairmanship to Laos. Similarly, Bank Indonesia in December 2023 also attended a handover meeting for the ASEAN+3 Co-chairmanship to Laos and South Korea. By revolving the ASEAN Chairmanship and ASEAN+3 Co-chairmanship, it is hoped that the priority agendas of ASEAN and ASEAN+3 will remain aligned and sustainable, which include strengthening digital financial inclusion, the task force on using local currency settlement in economic and financial transactions, as well as cross-border payments.

PS 10 Strengthening institutional policy effectiveness to achieve performance excellence and support Bank Indonesia credibility

Bank Indonesia continued strengthening policy and institutional governance in the effective and efficient implementation of its functions, tasks and duties in accordance with the mandate of the P2SK Act. This is reflected by: (i) effective, efficient and compliant institutional performance, (ii) maintained financial sustainability and accountability, and (iii) governance maturity, along with maintained Bank Indonesia Risk Management (MRBI), Bank Indonesia Task Continuity Management (MKTBI), and internal audit functions. Strengthening was undertaken to achieve solid institutional performance by fulfilling the principles of good, professional and accountable policy and institutional governance.

In 2023, Bank Indonesia undertook various efforts to strengthen institutional policy effectiveness to achieve performance excellence and support Bank Indonesia credibility, as reflected in the achievement of the following KPI:

30) Institutional Policy Mix (BKK) Development to strengthen performance excellence at Bank Indonesia

As a continuation of the institutional transformation, Bank Indonesia continued strengthening the effective, efficient and compliant institution policy mix framework to bolster institutional performance at Bank Indonesia. This was implemented, among others, by issuing regulations concerning the Bank Indonesia Policy and Institutional Governance System, which underlies formulation of the institutional policy mix framework. Institutional strengthening included honing the vision, mission and 12 strategic policies of Bank Indonesia, as well as the concept of strategic planning to follow up the expansion of objectives and refining of Bank Indonesia's tasks and duties as mandated by the P2SK Act. BKK implementation and assessments of effective, efficient and compliant performance are evolving processes that Bank Indonesia will continue to hone, supported by the gradual implementation of digital business process re-engineering in the policy mix assessment and formulation process.

31) Maintaining an Unqualified Opinion (WTP)

In April 2023, Bank Indonesia received an unqualified opinion for the Bank Indonesia Annual Financial Statements 2022 from the Audit Board of the Republic of Indonesia (BPK-RI). In May 2024, Bank Indonesia received another unqualified opinion for the Bank Indonesia Annual Financial Statements 2023 from the Audit Board of the Republic of Indonesia. Bank Indonesia has maintained an unqualified opinion from the Audit Board for 21 consecutive years, demonstrating that Bank Indonesia consistently maintains financial management governance from planning to implementation, monitoring and control and evaluation. The unqualified opinion also shows Bank Indonesia's commitment to continuously improve the quality of financial management to maintain credibility as a central bank.

32) Bank Indonesia Governance Maturity

Bank Indonesia consistently maintained good governance in task implementation, as reflected in the level of governance maturity at Bank Indonesia. In



Laporan Hasil Pemeriksaan Atas Laporan Keuangan Tahunan Bank Indonesia (LKTBI) Submission on 2022 in Jakarta

2023, Bank Indonesia assessed governance maturity, which achieved the level of Enhanced. Governance maturity includes the following:

- a) **Good governance maturity at Bank Indonesia has already achieved the highest level possible, namely Enhanced.** This provides confidence that the application of good governance at Bank Indonesia is maintained at the highest level.
- b) **Bank Indonesia Risk Management (MRBI) maturity achieved 4,09 point (scale 1-5) or the level of Managed,** which covers aspects of risk culture, risk management framework, risk management processes, management processes, performance management as well as resilience and sustainability. This achievement increased in comparison with maturity level in 2022 that achieved 4,05, which shows that risk management is implemented well and integrated with the governance function.
- c) **Bank Indonesia Task Continuity Management Maturity (MKTBI) achieved 4,38 point at the level of Quantified to Optimise Managed** which covers aspects of Business Continuity Management (BCM) culture and governance, Business Impact Analysis (ADB), risk assessments, recovery strategies, task continuity, emergency response, IT recovery, as well as testing, evaluation and follow-up actions. This achievement increased in comparison with maturity level in 2022 that

achieved 4,25. It reflects the standardised and documented nature of Bank Indonesia Task Continuity Management, as well as the introduction of performance targets and measured achievements.

- d) **Internal audit maturity maintained at the level 3 (Integrated),** which implies internal audit management and professional practices have been applied end-to-end. This includes fulfilling all Key Process Areas (KPA) in the Internal Audit Capability Model (IACM) level 3 and has fulfilled 6 out of 9 KPA for IACM level 4.
- e) **Bank Indonesia procurement maturity also maintained at the level 2 (Proactive),** reflecting that the procurement function at Bank Indonesia has focused on meeting the needs of internal and external stakeholders through standardised processes and management, as well as strengthening the planning function.

Bank Indonesia's success in maintaining the level of maturity was also supported by the implementation of several recommendations to strengthen governance in the previous period. In addition, Bank Indonesia also undertook measures to strengthen governance maturity through, among others, internalising regulations concerning the Bank Indonesia Policy and Institutional Governance System issued in September 2023.

33) Issuing regulations as mandated in prevailing laws and regulations and as the institutional and policy legal basis

Bank Indonesia continued ensuring regulatory harmonisation in accordance with the mandate of prevailing laws, including the P2SK Act, as the legal basis for the main policies and institutional arrangements. Bank Indonesia issued 92 regulations in 2023, including internal and external regulations, as well as regulations mandated by the P2SK Act. The process of formulating Bank Indonesia regulations encompasses: (i) comprehensive legal assessments in the policy and institutional areas, and (ii) a harmonisation process with other prevailing laws and regulations. This aims to ensure the regulations promulgated by Bank Indonesia are always consistent with the tasks and authority of Bank Indonesia towards achievement of its goals. In addition, the regulation formulation process also ensures alignment with legal principles and other legislation, in accordance with governance requirements in the formulation of laws and regulations.

Bank Indonesia always plays an active role in discussions on laws and regulations concerning Bank Indonesia's tasks and duties. In 2023, Bank Indonesia participated in discussions on: (i) draft laws concerning the procurement of public goods and/or services, (ii) draft laws concerning an amendment to the Bankruptcy and Deferment of Debt Payment Obligations Act, (iii), draft laws concerning Digital Government, (iv) draft government regulations concerning the Resolution of Troubled Banks, (v) draft government regulations concerning the Transfer of the Regulation and Supervision Function for Financial Derivatives and Digital Financial Assets, including Crypto Assets, (vi) draft government regulations concerning the National Financial Inclusion and Literacy Committee, (vii) draft government regulations concerning the Treatment of Income Tax on the Placement of Foreign Exchange Proceeds from Natural Resources Exports in Monetary Instruments and/or Specific Financial Instruments in Indonesia, and (viii) draft government regulations on Personal Data Protection as Members of Interministerial Committees and as relevant authorities.

34. Communication quality and fulfilling public information transparency requirements, as reflected in the: (i) level of stakeholder engagement, and (ii) Transparency Rating Category of Public Agencies

In 2023, the focus of Bank Indonesia communication was oriented towards managing stakeholder expectations supporting the pro-stability and pro-growth Bank Indonesia policy mix to strengthen rupiah stability, manage inflation within the target corridor and bolster sustainable economic growth. The name change of the policy rate to the BI-Rate, replacing the BI7DRR moniker, to strengthen monetary policy communication from 21st December 2023 was embraced and received strong support from all stakeholders without changing the meaning or purpose of the BI-Rate signalling the monetary policy stance of Bank Indonesia, which operationally still refers to the BI 7-day reverse repo rate. Bank Indonesia also communicated the pro-growth policy mix intensively through macroprudential and payment system policies, such as the Macroprudential Liquidity Incentive (MLI) policy, efforts to develop the sharia economy and finance in Indonesia through ISEF 2023 activities, implementation of cross-border QRIS between Indonesia and Singapore, accelerating the electronification of regional government finances, and implementing RPC and LCT, which were echoed consistently during Indonesia's ASEAN Chairmanship.

Indonesia communication was also consistently oriented towards managing public literacy through diverse above-the-line (ATL) channels, such as the Bank Indonesia website and social media channels, and the mass media, as well as below-the-line (BTL) channels, including press conferences, media briefings, meetings and focus group discussions (FGDs) with economists, academia/research institutions, government ministries/agencies, parliament and the media, as well as visits to Bank Indonesia and the Bank Indonesia Museum, while also increasing public engagement. Communication also sought to receive feedback concerning BI policies already communicated and published in the national mass media, as reflected by the positive perception of most stakeholders contained in the national mass

media as well as positive headlines portrayed in the media. Bank Indonesia policy communication via social media channels attracted the attention of netizens, with more than 363,000 people witnessing BI livestreaming events and public education activities, including through the Bank Indonesia Museum (MuBI), which in 2023 attracted more than 8 million followers.

As a public institution, Bank Indonesia is committed to fulfilling its mandate in accordance with Act Number 14 of 2008 concerning Public Information Disclosure (PID Act). Such commitment is achieved, among others, by realising convenient access to information services for the public through various innovations on the human, process and technology sides. Bank Indonesia is fully committed to ensuring open access to information for various parties through BI BICARA contact centre services, including walk-in public information services located at the Bank Indonesia Visitor Centre, while also providing access for people with disabilities. Bank Indonesia constantly strives to increase its capabilities in terms of public information services management, including through education forums, workshops to update and exchange information as well as various other activities. As the manifestation of its commitment as a transparent and accountable institution, Bank Indonesia has updated its public information list, which is published on the Bank Indonesia website. For its management of public information services, Bank Indonesia received recognition from the Central Information Commission of the Republic of Indonesia by declaring Bank Indonesia as an Informative Public Agency in 2023, with Bank Indonesia also receiving recognition for providing access to its public information services for people with disabilities.

In addition, Bank Indonesia in 2023 also received recognition and appreciation from global and national communities as follows:

- a) Awards for BI BICARA contact centre services management in the form of 7 gold, 1 silver and 2 bronze awards, namely Certified World Class Contact Centre and Certified World Class Public Services Centre from Contact Centre World 2023 at the global level.
- b) Maintaining status as an Informative Public Agency in 2023 from the Central Information Commission of the Republic of Indonesia (KIP).
- c) Maintaining ISO 9001:2015 Quality Management Systems (QMS) for BI BICARA contact centre services management.
- d) Maintaining ISO 9001:2015 Quality Management Systems (QMS) for Bank Indonesia Museums services management.
- e) Maintaining ISO 20000-1:2018 and ISO 27001:2013 for Bank Indonesia website management.
- f) Achieving ISO 22301:2019 for implementation of the communication function at Bank Indonesia during non-normal conditions (Task Continuity Management).
- g) Several awards from the Ministry of Communication and Information Technology at the Public Relations Media Awards, namely: (i) first place for Bank Indonesia website content management and performance, (ii) first place in the press releases category (planning to impact evaluation), and (iii) third place for BICARA external magazine.
- h) An award from Humas Indonesia at the Indonesia Public Relations Awards, namely gold for internal print magazine and e-magazine as well as Bank Indonesia Instagram digital channel management.

PS 11 Increasing performance efficiency through management of the organisation and work processes, human resources, finances and financial sustainability at Bank Indonesia

Bank Indonesia continued strengthening efficient, professional, compliant, accountable and transparent institutional performance. This was reflected in agile digital-based organisational and business processes to support effective, productive and green institutional performance as well as competent and professional human resources with the utmost integrity. Therefore, Bank Indonesia's policies and task implementation are always based on prevailing laws and regulations that are legally accountable.



Komisi Informasi Pusat (KIP) award to Bank Indonesia with Informative Public Agency Predicate 2023 in Jakarta

In 2023, Bank Indonesia undertook various efforts to increase performance efficiency through management of the organisation and work processes, human resources, finances and financial sustainability at Bank Indonesia, as reflected in the achievement of the following KPI:

35) Strengthening effective, efficient, and compliant business process in line with the digital era through the digitalisation of business process re-engineering (BPR) for the decision-making process (DMP) at the BOG meeting

Bank Indonesia continued developing its digital workplace platform as a BPR initiative for digital-based decision-making. In 2023, development of the digital workplace platform was a continuous initiative through gradual implementation for the monthly and weekly BOG meetings, committee recommendations and decision-making process at the work unit level when preparing policy/issue notes. Digital transformation at Bank Indonesia is an ongoing initiative through technological development, accompanied by strengthening the aspects of people and processes, supported by

change management in the form of strengthening guidelines, socialisation and implementation.

36) Competent and highly motivated human resources (HR), as reflected in the level of person to job fit

The fulfilment of competent and highly motivated human resources is reflected in the branding and person to job fit level. The level of person to job fit at Bank Indonesia in 2023 reached 93.55%, with personal branding to job family recorded at 95.56% and the percentage of employees with digital competencies at 85.50% in line with internal fulfilment efforts through repositioning (periodic employee transfers and rotations), staff assignments/secondments to external institutions, as well as employee development based on person to job fit.

HR fulfilment is an integral part of the 4P cycle within the Human Resource Management framework, consisting of: (i) planning, (ii) fulfilment, (iii) development, and (iv) maintenance. Consistent with the accelerating adaptation of digital technology within the business processes, HR management is

also oriented towards utilising digital technology. In accordance with the Bank Indonesia Digital Innovation Masterplan (RIVIBI) 2021-2025, Bank Indonesia in 2023 digitalised the management of the Potential Employee Group (KPP) to increase the accuracy and effectiveness of business processes in terms of HR fulfilment. Digitalisation was achieved through the development of HR Analytics Apps, namely the Bank Indonesia Career Management and Internal HR Fulfilment System (BI PRESISI). BI PRESISI is an analytics application for the KPP selection cycle, along with job promotion and grade promotion integrated with Enterprise Resource Planning Human Resource Information System (ERPHRIS), which aims to increase governance in the business process from determining the KPP and promotion through digitalisation and analytics in accordance with the authority of the decision-making official.

As part of the HR transformation effort in 2023, Bank Indonesia continued staff development through the Competency Building Program (PMK), both offline and online (distance learning). The scope of the learning materials included central banking, leadership, general management, the digital economy and digital technology. In total, 7,551 participants took part in the learning program in 2023 across various job levels, consisting of 203 classes and 104 topics.

Bank Indonesia also continued to ensure the readiness, openness and willingness of employees in terms of digital transformation. According to the Digital Culture Transformation Survey, the level of staff readiness, openness and willingness for digital transformation at Bank Indonesia was categorised as high. Bank Indonesia will continue strengthening staff readiness, including mindset and capabilities, to face the digital era.

PS 12 Improving the organization efficient performance through an exceptional information system, excellent logistics and a credible procurement

Bank Indonesia continued strengthening integrated and end-to-end human resource and project management.

This was reflected in: (i) digitalisation of the business processes and data digitalisation in harmony with Bank Indonesia transformation, (ii) reliable and secure digital services, (iii) logistics management in accordance with standards and governance, (iv) integrated, modern and digital procurement planning and implementation, and (v) end-to-end and integrated project management in line with the principles of good governance. Strengthening efforts were undertaken to realise policy and institutional performance by optimising the use of digital innovation and information, modern facilities and infrastructure, as well as well governed procurement and project management.

In 2023, Bank Indonesia undertook several initiatives to increase organisational performance efficiency through modern information systems, premium logistics and credible procurement, as reflected in the achievement of the following KPI:

37) Reliable, highly available and secure Bank Indonesia digital business technology platforms to support organisational and business process performance efficiency, as reflected in the: (i) maturity of Information Technology Service Management (ITSM); and (ii) fulfilling availability standards based on criticality category

Bank Indonesia constantly ensures the availability of reliable, highly available and secure digital business technology platforms to support organisational and business process performance efficiency. In 2023, Bank Indonesia developed digitalisation in accordance with the RIVIBI roadmap as follows:

- a) **Implementing Bank Indonesia digitalisation in accordance with the RIVIBI roadmap**, which included completing development of the digital workplace and developing 3I infrastructure, as well as completing development of the Data Centre. Furthermore, Bank Indonesia also continued exploring digital innovation within Project Garuda (Digital Rupiah).
- b) **Efforts to maintain and increase the reliability, availability and security of Bank Indonesia Information Systems** through Information Technology Service Management (ITSM) and cybersecurity assessments. In 2023, Bank

Indonesia successfully maintained ITSM and cybersecurity maturity at optimal levels. This was achieved through the application of ITSM and cybersecurity best practices in the management of IS services, particularly the payment system services used by the public.

- c) **Fulfilling the availability standards for critical systems on target.** Bank Indonesia continued efforts to fulfil availability standards by increasing the capacity and capabilities of technological devices, periodic simulations of incident recovery, and refining the services management process to increase the reliability of services.

38) Availability of complete, accurate and up-to-date (LAKU) Bank Indonesia data and statistics to meet the needs of all national and international stakeholders

Bank Indonesia consistently optimised data and statistics management and development to ensure timely publication for the benefit of all national and international stakeholders. The publication of statistics by Bank Indonesia fulfils service obligations to national stakeholders and membership commitments for various international institutions/forums, including the IMF, BIS, G20, World Bank, Asian Development Bank (ADB) and ASEAN.

In 2023, Bank Indonesia published an average of 50 statistical publications each month via the Bank Indonesia website along with 14 statistics submitted directly to international organisations. The publications include: (i) Indonesia's Balance of Payments (BOP) Report Q1-Q4/2023, (ii) Indonesia's International Investment Position (IIP) Report Q1-Q4/2023, (iii) Indonesia External Debt Statistics (SULNI) January-December 2023, (iv) Indonesia Public Sector Debt Statistics (SUSPI) Q1-Q4/2023, (v) Reserve Asset Information and Monetary Indicators January-December 2023, (vi) Money Supply January-December 2023, (vii) Indonesian

Economic and Financial Statistics (SEKI) January-December 2023, (viii) Provincial Economic and Financial Statistics (SEKDA) January-December 2023 for 34 provinces in Indonesia, (ix) Selected Monetary and Payment System Indicators, weekly throughout 2023, (x) Indonesia Financial System Statistics (SSKI) January-December 2023, and (xi) Indonesia Payment System and Financial Market Infrastructure Statistics (SPIP) January-December 2023. The SULNI and SUSPI statistical products are joint publications with the Ministry of Finance.

Bank Indonesia also submitted data and statistics directly to international organisations/forums to fulfil Indonesia's commitments to global surveillance.

The data and statistics submitted include: (i) to BIS, namely Credit and Money, Balance of Payments and International Trade, and Locational Banking Statistics (LBS), (ii) to IMF, namely Balance of Payments (BOP), International Investment Position (IIP), Exchange Rates, International Reserves and Foreign Currency Liquidity (IRFCL), Coordinated Portfolio Investment Survey (CPIS), Financial Soundness Indicators (FSI), Money & Banking (SRF), Analytical Accounts of the Banking Sectors, and Analytical Accounts of the Central Bank; and (iii) to OECD in relation to Consumer Opinion Surveys, Interest Rates, and Monetary Aggregates.

Bank Indonesia also published and disseminated the results of surveys to provide several macroeconomic indicators as a reference for the stakeholders.

The surveys published by Bank Indonesia include the Consumer Survey (SK), Retail Sales Survey (SPE), Business Survey (SKDU), Residential Property Price Survey (SHPR), Bank Financing Supply and Demand Survey, Commercial Property Survey (PPKom), Banking Survey (SBank) and the Prompt Manufacturing Index (PMI).

Following the commitments of state leaders pledged as one of the G20 recommendations, namely the G20 Data Gaps Initiative Phase 3 (DGI-3), Bank Indonesia actively represented the interests of Indonesia at DGI workshops and participates in

the mapping process of country status by the DGI-3 International Secretariat. DGI-3 has put forward 14 recommendations targeting four areas of statistics, namely: (i) climate change, (ii) household distributional information, (iii) FinTech and financial inclusion, and (iv) access to private sources of data and administrative data, and data sharing.

In maintaining and increasing publication standards for statistics and the availability of quality data, Bank Indonesia continuously communicated and cooperated with government ministries/agencies, the industry, academia, international organisations, other central banks and various stakeholders. Seeking to maintain the interests of Bank Indonesia and Indonesia, Bank Indonesia actively contributed in the global collaboration process to compile/update various statistical standards to be used as international references. In terms of its contribution, on 24-26th October 2023, Bank Indonesia co-hosted the 42nd Meeting of the IMF Committee on Balance of Payments Statistics (BOPCOM) in Bali with the IMF. This was a milestone in terms of updating the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6), supported by experts from various central banks and international organisations gathered as BOPCOM members, including Bank Indonesia.

39) Logistics management in accordance with standards to support performance efficiency at Bank Indonesia

The direction of institutional policy in the area of logistics management in 2023 focused on implementing the Logistics Management Framework, namely to support the Bank Indonesia vision through the provision of premium logistics facilities and infrastructure, with the following main strategies: (i) integrated planning and design, (ii) provision of effective and efficient facilities and infrastructure, and (iii) quality services, security and safety. The strategies were continuously implemented in accordance with the Bank Indonesia Office Complex Master Plan (RIKOPERBI), Bank

Indonesia Asset Utilisation Master Plan (RIPABI) and Bank Indonesia Safety and Security Master Plan (RIPAMBI).

In the implementation of logistics management at Bank Indonesia in 2023, strategic projects focused on the preliminary stage of development of the Bank Indonesia Office Complex (KOPERBI) in the new Nusantara Capital City (IKN). This included groundbreaking, fulfilling the construction requirements, particularly the legal and environmental aspects, as well as implementing the design and build aspects as a form of Bank Indonesia support for IKN development. In addition, Bank Indonesia also implemented phase 1 development of the modern office across three floors of the Head Office as collaboration and communication rooms to increase staff productivity and creativity, as well as the Millennial Function Hall (MFH), which is used for various large-scale internal official activities along with hosting Bank Indonesia high-level forums. Bank Indonesia also increased the effectiveness of office building management by strengthening maintenance efforts by piloting office building Facility Management.

The standardisation of logistics management at Bank Indonesia was also expanded. This included various aspects as follows: (i) completion of standards for hosting official events and vendor classification, and (ii) completion of Guiding Principles of Green Building for new buildings and buildings constructed to support the green institution.

40) e-Catalogue implementation to increase procurement efficiency for goods and services

e-Catalogue implementation has successfully increased the effectiveness and efficiency of the procurement process through the support of procurement digitalisation. The value of e-Catalogue transactions in 2023 increased 12-fold from the value recorded in 2022. In addition, Bank Indonesia also increased the availability of e-Catalogue vendors, increasing 24.8% in 2023 compared with the number of vendors in 2022.

Fulfilling the need for goods/services at Bank Indonesia, the e-Catalogue currently showcases **3,468 products**, of which **2,144 are MSME products** and **1,324 are non-MSME products**. The products available via the e-Catalogue include food and beverages, handicrafts, fashion, furniture, office stationery and communication materials. In addition to business process efficiency, the e-Catalogue also supports government programs promoting the use of domestic products. Bank Indonesia has continued gradually increasing the value of transactions and the number of vendors and products available through the e-Catalogue, while prioritising MSME involvement.

Bank Indonesia also continuously implements various strategies to realise integrated, modern and digital planning and procurement to boost efficiency and fulfil aspects of good and professional governance. Supporting this policy, Bank Indonesia has maintained ISO 9001:2015 Quality Management System (QMS) standards for the procurement of goods and/or services since 2021 to ensure procurement at Bank Indonesia is implemented in line with good and professional governance.



05

BOARD OF GOVERNORS AND BANK INDONESIA INSTITUTION

The Awan Berawak motive from West Kalimantan has the meaning of politeness, gentleness, and the high position of the royal family who support and protect the people





Bank Indonesia Representative Office Building at West Kalimantan Province

BOARD OF GOVERNORS AND BANK INDONESIA INSTITUTION

Bank Indonesia's position as the central bank of Indonesia was mandated in accordance with Article 23D of the 1945 Constitution. As the central bank of Indonesia, Bank Indonesia entered a new era upon promulgation of Act Number 23 of 1999 concerning Bank Indonesia (Bank Indonesia Act), dated 17th May 1999, which has subsequently been amended several times, most recently by Act Number 4 of 2023 concerning Development and Strengthening of the Financial Sector, dated 12th January 2023. These laws confer the status and position of Bank Indonesia as an independent public institution of the state administration in the execution of its duties and authority, free from interference by the government and/or other parties. Regarding accountability and transparency in the implementation of its duties and authority, Bank Indonesia submits institutional performance reports to the House of Representatives of the Republic of Indonesia (DPR-RI) and the President before publishing the reports to the public.

Bank Indonesia has three overarching goals, namely: (i) achieving rupiah stability, (ii) maintaining payment system stability, and (iii) maintaining financial system stability to support sustainable economic growth.

Bank Indonesia is led by a Board of Governors, consisting of the Governor, Senior Deputy Governor and 4 (four) to 7 (seven) Deputy Governors. The current composition of the Bank Indonesia Board of Governors consists of a Governor, Senior Deputy Governor and 4 (four) Deputy Governors. The collective collegial Bank Indonesia Board of Governors convenes Board of Governors Meetings (RDG) to decide on principal and strategic matters. The RDG meeting is the highest decision-making forum at Bank Indonesia and in line with its collective collegial format, each decision is binding for all Members of the Board (ADG).

Maintaining its independence, Bank Indonesia is committed to prioritising the principles of good and professional governance as mandated by law. As the embodiment of good and professional institutional governance, Bank Indonesia has maintained an Unqualified Opinion concerning its Annual Financial Statements for 21 consecutive years. This is incontrovertible evidence of Bank Indonesia's firm commitment to financial management based on good governance principles, while presenting relevant, accountable and transparent financial statements.

ABOUT BANK INDONESIA



STATUS

Bank Indonesia is the central bank of Indonesia and a legal entity which has the authority to perform legal actions. As a public legal entity, Bank Indonesia is authorised to stipulate legal regulations and implement laws which are binding for the wider community in accordance with its duties and authority. As a civil legal entity, Bank Indonesia may act for and on its own behalf in or out of a court of law.



GOALS

Bank Indonesia has three overarching goals, namely: (i) achieving rupiah stability, (ii) maintaining payment system stability, and (iii) maintaining financial system stability to support sustainable economic growth.

Rupiah stability is the stability of the rupiah against goods and services and against the currencies of other countries. Rupiah stability against goods and services is measured by low and stable inflation. Meanwhile, rupiah stability against other currencies is measured by the volatility of the rupiah against the currencies of other countries.

Payment system stability encompasses the set of rules, institutions and mechanisms used to transfer funds to fulfil the obligations arising from economic activity. Stability is reflected in the implementation of a fast, convenient, affordable, secure and reliable payment system as well as the availability of quality and trusted rupiah currency fit for circulation, while expanding access and upholding consumer protection.

Striving to maintain the stability of the financial system, Bank Indonesia coordinates in synergy with other financial authorities to create and maintain a national financial system that is resilient to internal and external shocks. This aims to ensure the financial system can carry out the intermediation function and other financial services effectively, thus contributing to national economic growth.



DUTIES

Seeking to achieve its goals, Bank Indonesia is authorised to: (i) determine and implement monetary policy sustainably, consistently and transparently, (ii) regulate and maintain a highly available and seamless payment system, and (iii) formulate and implement macroprudential policies.

VISION

To become the foremost digital central bank with strong governance that creates a tangible contribution to the national economy and be the best central bank amongst emerging market countries towards an Advanced Indonesia

MISSION

1. To achieve rupiah stability through effective monetary policymaking and implementation and the Bank Indonesia policy mix sustainably, consistently and transparently to support sustainable economic growth,
2. To maintain payment system stability through payment system policymaking, regulation, licensing, implementation and supervision as well as rupiah currency management, which includes accelerating the digital economy and finance to support sustainable economic growth,
3. To maintain financial system stability through macroprudential policymaking and implementation to support sustainable economic growth,
4. To support macroeconomic stability and sustainable economic growth through Bank Indonesia policy mix synergy with the (central and regional) Government, other relevant authorities and institutions, and/or other strategic partners, as well as international cooperation,
5. To increase financial market deepening through money market and foreign exchange market regulation, supervision and development, including financial market infrastructures (FMIs), to strengthen the effectiveness of Bank Indonesia policy and support national economic financing,
6. To increase economic/financial inclusion and sustainable finance based on conventional and sharia principles, as well as consumer protection through policymaking and implementation of the Bank Indonesia work program, and
7. To create a digital-based central bank in terms of the polices and institutional facets, which prioritises a good and professional Bank Indonesia Policy and Institutional Governance System through organisational and human resource (HR) management.

BOARD OF GOVERNORS



PERRY WARJIYO
Governor

PERRY WARJIYO was reappointed incumbent Governor in accordance with Presidential Decree of the Republic of Indonesia Number 38/P of 2023, dated 5th May 2023, taking the oath of office on 24th May 2023 for the 2023-2028 period. Previously, Perry Warjiyo served as the Governor of Bank Indonesia from 2018-2023 and Deputy Governor from 2013-2018.

Prior to his role as Deputy Governor, Perry Warjiyo also held the position of Assistant Governor for Monetary, Macropprudential and International Policy after serving as Executive Director of the Economic Research and Monetary Policy Department of Bank Indonesia from 2009. Before returning to Bank Indonesia in 2009, Perry Warjiyo was assigned as Executive Director for two years in the International Monetary Fund (IMF), representing 13 member countries under the auspices of the South-East Asia Voting Group (SEAVG) in Washington DC, USA. Perry Warjiyo has enjoyed a long and brilliant career at Bank Indonesia since 1984, with a focus on economic research and monetary policy, international issues, organisational transformation and monetary policy strategy, central banking education and research, as well as foreign exchange and external debt management.

Perry Warjiyo is the current Chair of the Asian Consultative Council – Bank for International Settlements (ACC-BIS), Chairman of the Executive Committee of the Islamic Financial

Services Board (IFSB), Chairman of the Indonesian Economist Association (ISEI) and Chair of the Expert Council of the Islamic Economic Society (MES). In addition, Perry Warjiyo also represented Bank Indonesia and Indonesia during the Association of Southeast Asian Nations (ASEAN) Chairmanship and the G20 Finance Ministers and Central Bank Governors (FMCBG) Meeting, as well as in the International Monetary Fund (IMF), ASEAN, ASEAN+3, Financial Stability Board (FSB), Islamic Development Bank (IsDB) and International Islamic Liquidity Management Corporation (IILM). Perry Warjiyo has also retained his position as an active lecturer at the Faculty of Economics and Business (FEB) of Gadjah Mada University, while also being invited as a guest lecturer at a number of universities in Indonesia and abroad.

Perry Warjiyo has also authored and published books, journals, and papers in various economic, monetary and international publications. One of his books, "Central Bank Policy: Theory and Practice" co-authored with Dr Solikin M. Juhro, has gained national and international recognition as an important reference in the formulation of the central bank policy mix.

Born in Sukoharjo in 1959, Perry Warjiyo earned his bachelor's degree from Gadjah Mada University in 1982 before receiving his master's and doctoral degrees in Monetary Policy and International Finance from Iowa State University, USA, in 1989 and 1991 respectively.

BOARD OF GOVERNORS



DESTRY DAMAYANTI
Senior Deputy Governor

DESTRY DAMAYANTI was officially appointed as Senior Deputy Governor of Bank Indonesia in accordance with Presidential Decree Number 74/P of 2019, dated 29th July 2019, for a term of office from 2019-2024, taking the oath of office on 7th August 2019. In addition, Destry is currently an ex-officio Member of Bank Indonesia Board of Commissioners at the Indonesia Deposit Insurance Corporation (LPS). Prior to her role as Senior Deputy Governor of Bank Indonesia, Destry was a Member of the LPS Board of Commissioners from 2015-2019.

Destry Damayanti began her career as a researcher and lecturer at the Faculty of Economics, University of Indonesia from 1987-1990, before working in the Ministry of Finance from 1992-1997. From 1997-2000, Destry Damayanti was an economist at Citibank before being assigned as a Senior Economic Adviser for the

British Ambassador to Indonesia from 2000 to 2003. Her career as an economist continued as the Chief Economist at Mandiri Securities and Bank Mandiri from 2005 to 2015, and consecutively as Executive Director of the Mandiri Institute. From 2014 to 2015, Destry served as Chairperson of the Economic Task Force under the auspices of the Ministry of State-Owned Enterprises. In 2015, Destry Damayanti was entrusted by the President of the Republic of Indonesia as Chairperson of the Selection Committee for the Corruption Eradication Commissions (KPK) Leaders from 2015-2019.

Born in Jakarta in 1963, Destry Damayanti earned a Bachelor of Economics from the University of Indonesia before receiving a Master of Science in the Field of Regional Science from Cornell University, New York, USA, in 1992.



DONI PRIMANTO JOEWONO was sworn in as Bank Indonesia Deputy Governor in accordance with Presidential Decree No. 78/P of 2020, dated 30th July 2020, and took the oath of office on 11th August 2020.

Commencing his career at Bank Indonesia in 1991, Doni Primanto Joewono's first assignment was in the Monetary Management Department, where he was actively involved in monetary management system development, including preparations for Government Bond issuances as well as development of the International Transaction Reporting System. After serving as a Senior Economic Researcher (Deputy Director) at the Bank Indonesia Representative Office in London (2005-2008), he continued his career by leading the Bank Indonesia Representative Offices in Solo, DKI Jakarta and West Java. During this time, alongside the Heads of Regional Governments, he was acknowledged and awarded for Best Regional Inflation Task Force (TPID) in Solo (2012) and DKI Jakarta (2017). He also

initiated various activities to stimulate regional investment and empower the pesantren (Islamic boarding school) economy. Prior to his appointment as Deputy Governor of Bank Indonesia, Doni Primanto Joewono served as Head of the Human Resources Department in 2020.

Born in Surabaya in 1965, Doni Primanto Joewono completed his formal education with a Bachelor of Development Economics from Sebelas Maret University (UNS) in 1988 and a Master of Administration and Human Resource Development from the University of Indonesia (UI) in 2004. He also completed SESPIBI, Bank Indonesia's highest leadership program in 2012 and the National Resilience Institute Education Program in 2018. He has graduated from various executive leadership programs, as well as monetary and financial market competence development programs organised by international organisations, including the IMF and SEACEN.

BOARD OF GOVERNORS



JUDA AGUNG
Deputy Governor

JUDA AGUNG was officially inaugurated as Deputy Governor of Bank Indonesia in accordance with Presidential Decree Number 147/P of 2021, dated 24th December 2021, and took the oath of office on 6th January 2022 for a tenure until 2027.

Prior to his appointment as Deputy Governor of Bank Indonesia, JUDA AGUNG served as Assistant Governor in charge of Financial System Stability and Macprudential Policy at Bank Indonesia. Previously, JUDA AGUNG was appointed as Executive Director of the International Monetary Fund (IMF) ASEAN and the Pacific (SEAVG), in Washington DC, United States, representing 13 member countries.

Commencing his career at Bank Indonesia in 1991, JUDA AGUNG has extensive experience through a number of secondments, particularly in terms of monetary and

macroprudential policy, strategic management as well as Bank Indonesia representative offices. As an economist, JUDA AGUNG has published several articles in the monetary, financial and banking fields in various international journals, including *Applied Economics* and the *Review of International Economics*. JUDA AGUNG recently published a book, entitled “*Macroprudential Policy in Indonesia: Concepts, Frameworks and Implementation*”.

Born in Pontianak in 1964, JUDA AGUNG completed his undergraduate education in Agricultural Technology at the Bogor Agricultural Institute in 1987 before earning a master’s degree in Money, Banking and Finance from the University of Birmingham in 1995. JUDA AGUNG subsequently extended his postgraduate education at the University of Birmingham, receiving a PhD in Economics in 1999.

AIDA S. BUDIMAN
Deputy Governor



AIDA S. BUDIMAN was officially inaugurated as Deputy Governor of Bank Indonesia in accordance with Presidential Decree Number 147/P of 2021, dated 24th December 2021, and took the oath of office on 6th January 2022 for a term of office until 2027.

Beginning her career at Bank Indonesia in 1991, prior to her appointment as Deputy Governor of Bank Indonesia, Aida S. Budiman was entrusted as Assistant Governor overseeing strategic policies in the monetary sector, coordinating the Bank Indonesia policy mix and synergising with the national policy mix for the 2020-2022 period. This position was held after her appointment as Executive Director of the Economic and Monetary Policy Department from 2018-2022 and Head of the International Department from 2014-2018. While leading Economic and Monetary Policy Department, Aida S. Budiman also played a key role in strengthening the Bank Indonesia policy mix framework, determining the priority sectors to support national economic recovery, strengthening the role of Bank Indonesia representative offices in terms of supporting economic and regional growth, as well as

expanding the role of digitalisation for food-based MSMEs to support price stability.

Aida S. Budiman is also actively involved with memberships of various inter-ministerial and institutional forums as well as professional organisations, while teaching at education and training sessions organised by Bank Indonesia and the Ministry of Foreign Affairs. Internationally, Aida S. Budiman often represents Bank Indonesia at various international conferences and working groups to formulate international policy bilaterally, regionally and multilaterally. Furthermore, Aida S. Budiman was also assigned as Alternative Executive Director (AED) of the South-East Asia Voting Group (SEAVG), IMF Washington DC, USA.

Born in Bogor in 1965, Aida S. Budiman completed her undergraduate education in Socio-Economic Agribusiness from Bogor Agricultural University in 1987 before earning a master's degree in economics from the University of Southern California in 1996. Aida S. Budiman subsequently extended her postgraduate education at Claremont Graduate University, receiving a PhD in Economics in 2001.

BOARD OF GOVERNORS



FILIANINGSIH HENDARTA
Deputy Governor

FILIANINGSIH HENDARTA was officially appointed Deputy Governor of Bank Indonesia in accordance with Presidential Decree No. 21/P of 2023, dated 15th March 2023, and took the oath of office on 18th April 2023 for a tenure from 2023-2028.

Beginning her career in Bank Indonesia in 1986, prior to her appointment as Deputy Governor of Bank Indonesia, Filianingsih Hendarta was entrusted as Assistant Governor overseeing the Payment System who led the transformation of the national payment system. Filianingsih Hendarta was also a pivotal figure who oversaw the launch of Project Garuda to explore the high-level design of Central Bank Digital Currency (CBDC) in Indonesia, known as the Digital Rupiah, and led implementation of the Indonesia Payment System Blueprint (BSPI) 2025 to accelerate transformation and integration of the digital economy and finance towards increasing economic and financial inclusion.

Filianingsih Hendarta has amassed more than 36 years of experience in nearly all sectors of Bank Indonesia, leading various national and international projects, and representing Bank Indonesia at a range of international forums. For her dedication and achievements, Filianingsih Hendarta was entrusted as Head of the Payment System

Policy Department from 2019-2022 after leading the Macprudential Policy Department from 2015-2019 and the Monetary Management Department from 2013- 2015.

Filianingsih Hendarta is actively involved in various domestic and international inter-ministerial and institutional forums, including Preparations for Financial Sector Regulations and Institutional Arrangements, Accelerating the Digital Economy and Finance and Inter-ministerial Electronification, as well as various internal committees at Bank Indonesia. Internationally, Filianingsih Hendarta regularly represents Bank Indonesia at various forums, including the G20, BIS, FSB, IMF, World Bank, ECB, and EMEAP.

Born in Surabaya in 1963, Filianingsih Hendarta completed her undergraduate education in law at Airlangga University before receiving a master's degree in economics and finance from Boston University, USA in 1992. Filianingsih Hendarta was also actively involved as Central Administrator of the Monetary and Macprudential Focus Group of the Indonesian Economist Association (ISEI) from 2018-2021. Currently, Filianingsih Hendarta serves as Deputy Chair 1 of the Honorary Board of the Airlangga University Management of Alumni Association for the period of 2021-2025.



DODY BUDI WALUYO
Deputy Governor
serving until April 17, 2023

DODY BUDI WALUYO was appointed Deputy Governor of Bank Indonesia based on Presidential Decree No. 69/P of 2018 for a term of office from 2018-2023. In the following year, he was entrusted as the Ex-officio Member of OJK Board of Commissioners from Bank Indonesia in accordance with Presidential Decree No. 82/P for a term of office from 2019-2021.

Beginning his career in 1988, he earned his vast experience through various assignments, particularly in the monetary sector, namely monetary research and policy, monetary operations, economic and monetary statistics, foreign reserves management, and international cooperation.

Dody Budi Waluyo was actively involved in various memberships of inter-ministerial and institutional forums, mainly to tackle macroeconomic, balance of payment, monetary, inflation, and statistical issues. Some of the strategic positions held include Secretary of Working Group (WG 3) for National Economic Policy Package and Deputy Chairman of the Central Government Inflation Control Team (TPIP). At the international level, Dody Budi Waluyo was also active in several working groups related to monetary and financial issues at international forums

and organisations, such as G20, BIS, IMF, EMEAP, ASEAN and ASEAN+3. From 2000-2003, Dody Budi Waluyo was also Advisor to the Executive Director of the South-East Asia Voting Group (SEAVG), IMF Washington DC, USA.

Dody Budi Waluyo has also held several key leadership positions for Indonesia at international forums. During Indonesia's G20 Presidency in 2022, Dody Budi Waluyo served as Central Bank Deputy for the Finance Track and Chairman of the G20 Task Force at Bank Indonesia. During Indonesia's ASEAN Chairmanship in 2023, Dody Budi Waluyo was entrusted as Central Bank Deputy for the Finance Track.

Born in Jakarta in 1961, Dody Budi Waluyo earned his Bachelor of Economics degree from the University of Indonesia in Development Studies in 1980. Dody Budi Waluyo continued his postgraduate education at the University of Colorado, USA, and earned his Master of Business Administration and Finance degree in 1994. He graduated the Regular Education Program of Lemhanas in 2010. Currently, Dody Budi Waluyo serves on the Central Administrator of Indonesian Economist Association (ISEI) and Indonesian Association of Islamic Economists (IAEI).

ORGANISATIONAL STRUCTURE OF BANK INDONESIA



Remarks:

- ¹⁾ Committees are supporting organs at Bank Indonesia tasked with assisting the Board of Governors decide principle and strategic policies.
- ²⁾ Temporary Special Work Unit.

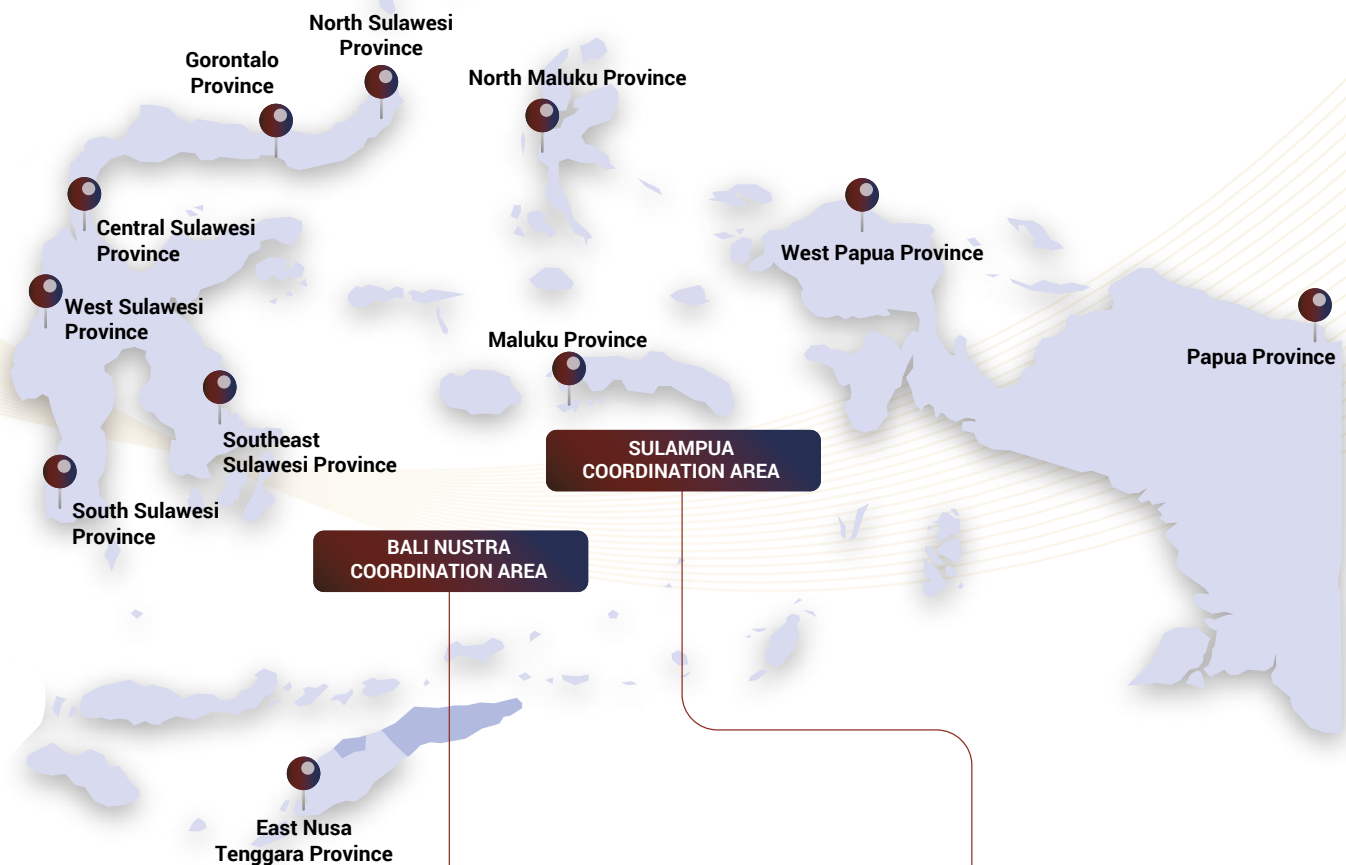
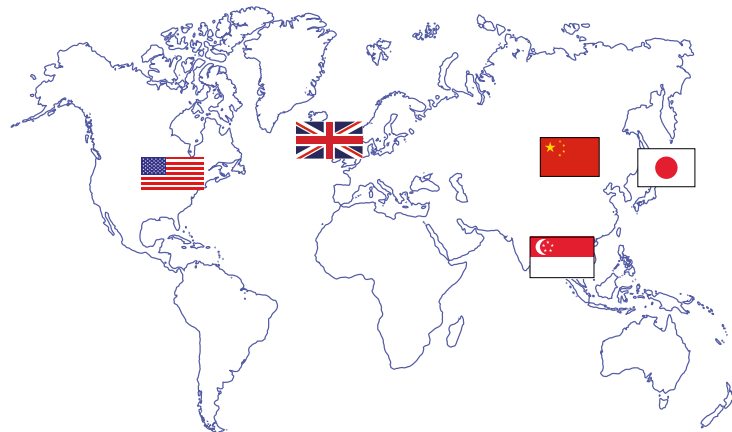


MAP SHOWING DISTRIBUTION OF BANK INDONESIA REPRESENTATIVE OFFICES



Overseas Representative Offices

- London
- New York
- Singapura
- Tokyo
- Beijing



Coordinator Office for Bali Nusra Region and Representative Office for Bali Province

- East Nusa Tenggara Province
- West Nusa Tenggara Province

Coordinator Office for Sulampua Region and Representative Office for South Sulawesi Province

- North Sulawesi Province
- Central Sulawesi Province
- Papua Province
- Maluku Province
- Southeast Sulawesi Province
- Gorontalo Province
- West Sulawesi Province
- North Maluku Province
- West Papua Province

BANK INDONESIA ANNUAL FINANCIAL STATEMENTS 2023

The Bank Indonesia Financial Statements (LKBI) are a form of Bank Indonesia management accountability to achieve the goals mandated in prevailing laws and regulations.

The Bank Indonesia Financial Statements present financial information, including financial positions, revenues, expenditures, notes on the financial statements and additional information as required. The Bank Indonesia Financial Statements compiled for the 31st December position and for the accounting period from 1st January until 31st December are known as the Bank Indonesia Annual Financial Statements (LKTBI).

Bank Indonesia received an Unqualified Opinion from the Audit Board of the Republic of Indonesia (BPK) for the Bank Indonesia Annual Financial Statements 2023. Bank Indonesia has now received an unqualified opinion for the past 21 consecutive years, demonstrating Bank Indonesia's unwavering commitment to maintaining accountability and compliance as mandated in Article 58 of the Bank Indonesia Act No. 23 of 1999, most recently amended by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector.

21
YEARSConsecutive Years of “Unqualified Opinions”
for the Bank Indonesia Annual
Financial StatementsTable 01. Statement Of Financial Positions 31st December 2022 and 2021

in millions of rupiah

ASSETS		
1. Gold	80,431,445	71,380,147
2. Financial Assets for Monetary Policy Implementation	3,558,667,001	3,459,659,591
3. Receivables from the IMF	131,644,575	131,990,362
4. Claims	74,184,594	87,154,022
5. Other Assets	31,815,944	29,857,268
TOTAL ASSETS	3,876,743,559	3,780,041,390
LIABILITIES		
1. Currency in Circulation	1,101,766,428	1,026,501,006
2. Financial Liabilities for Monetary Policy Implementation	1,752,091,241	1,816,148,138
3. Counterpart of Special Drawing Rights Allocated by the IMF	133,309,784	133,544,172
4. Financial Liabilities to Government	465,464,632	437,620,160
5. Other Liabilities	23,002,176	17,798,985
6. Revaluation Reserve	85,208,328	68,837,153
7. Capital	3,726,349	3,726,349
8. Accumulated Surplus (Deficit)	312,174,621	275,865,427
8.1. General Reserves	249,050,276	224,392,159
8.2. Statutory Reserves	26,815,151	29,710,458
8.3. Current Year Surplus (Deficit)	36,309,194	21,762,810
TOTAL LIABILITIES	3,876,743,559	3,780,041,390

Table 02. Statement Of Surplus Deficit 31st December 2023 and 2022

in millions of rupiah

	January 1st until December 31st 2023	January 1st until December 31st 2022 Reclassification
REVENUES		
1. Monetary Policy Implementation	189,400,413	121,148,674
2. Payment System Services	219,748	200,372
3. Macroprudential Regulation and Supervision	11,514	6,224
4. Income from Loans and Financing	80,603	92,969
5. Other Income	160,725	260,015
TOTAL REVENUE	189,873,003	121,708,254
EXPENSES		
1. Monetary Policy Implementation	61,735,686	37,103,192
2. Payment System Services	4,643,578	4,364,484
3. Macroprudential Regulation and Supervision	605,100	559,198
4. Financial Relationship with the Government	59,670,704	36,869,594
5. General and Administrative Expenses	16,311,597	13,942,433
TOTAL EXPENSES	142,966,665	92,838,901
SURPLUS (DEFICIT) BEFORE TAX	46,906,338	28,869,353
TAX	10,597,144	7,106,543
SURPLUS (DEFICIT) AFTER TAX	36,309,194	21,762,810

Compared with conditions in 2022, the Bank Indonesia Annual Financial Statements (LKTBI) 2023 recorded Total Assets/Liabilities of Rp3.876,74 trillion (up Rp96,70 trillion or 2,56%), Surplus Before Taxes of Rp46,91 trillion (up Rp18,04 trillion or 62,48%), Taxes of Rp10,60 trillion (up Rp3,49 trillion or 49,12%) and Surplus After Taxes of Rp36,31 trillion (up Rp14,55 trillion or 66,84%). The ratio of capital to monetary liabilities stood at 9,10% (up 1,07%).

The Rp96,70 trillion gain recorded on the asset side in 2023 compared with conditions in 2022 primarily stemmed from Securities and Claims in a Foreign Currency in the form of increasing demand deposits and term deposits for reserve management.

Meanwhile, the Rp96,70 trillion gain recorded on the liability side predominantly originated from Currency in Circulation as well as Securities Issued and Government Debt in line with the implementation of Bank Indonesia Rupiah Securities (SRBI).

The Rp68,16 trillion increase recorded in terms of Revenues in 2023 compared with 2022 primarily stemmed from Interest Income from Government Securities (SBN) for the National Economic Recovery (PEN) program, Health and Humanitarian Budgets in line with the higher reference rate (BI-Rate), revenue from the Spread between Foreign Currency Exchange Rates impacted by policies, and Interest Income in line with increasing placements in terms deposits.

The Rp50,13 trillion increase in Expenses in 2023 compared with conditions in 2022 primarily stemmed from:

- 1) Interest Expenses on Monetary Operations in line with the higher BI-Rate.
- 2) Remuneration of Government Demand Deposits in line with increases in Government Demand Deposits and the remuneration reference rate.
- 3) The SBN contribution from the National Economic Recovery (PEN) program concerning Public Goods in line with the higher reference rate (BI-Rate).





06

BANK INDONESIA SUPERVISORY BOARD

The Tarakan motive from North Kalimantan has the meaning of harmony with nature, hard work and prosperity



 **BANK INDONESIA**
BANK SENTRAL REPUBLIK INDONESIA

Bank Indonesia Representative Office Building at North Kalimantan Province

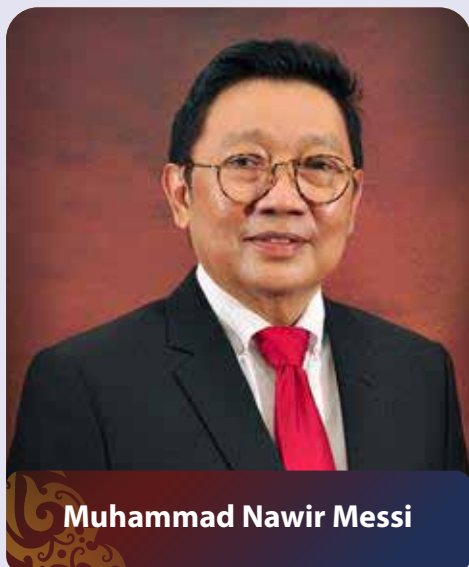
BANK INDONESIA SUPERVISORY BOARD

Bank Indonesia Supervisory Board (BSBI) was established in accordance with the Bank Indonesia Act, most recently amended by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector. In the execution of its duties, the Bank Indonesia Supervisory Board is directly responsible to the House of Representatives of the Republic of Indonesia (DPR-RI) and independent from the organisational structure of Bank Indonesia. The scope of BSBI duties includes assisting the DPR-RI discharge its supervisory function in the institutional area, encompassing organisational support, resources, governance and operational budget implementation, and excludes the formulation and implementation of monetary, payment system and macroprudential policies. In terms of assisting the supervision function of the DPR-RI, BSBI aims to enhance institutional performance, accountability, independence, transparency and credibility at Bank Indonesia.

The composition of BSBI membership for the period 2023-2028 was selected as follows: Muhammad Nawir Messi as Chairman and member, Iskandar Simorangkir as Vice Chairman and member, as well as Agus Herta Sumarto, Irwan Lubis, Marwanto Harjowiryo, Mohamad Khusaini, and Piter Abdullah Redjalam as members.

MEMBER PROFILES

BANK INDONESIA SUPERVISORY BOARD 2023-2026



Muhammad Nawir Messi

Muhammad Nawir Messi born in Makassar in 1957, Muhammad Nawir Messi earned his master's degree and diploma from the Australian National University, Australia, and bachelor's degree in Agricultural Socio-Economics from Hasanudin University, Indonesia.

After serving as a member of the Bank Indonesia Supervisory Board (BSBI) from 2020-2023, Muhammad Nawir Messi was appointed as BSBI Chairman for the 2023-2028 period. Previously, Muhammad Nawir Messi served as Chairman of the Indonesia Competition Commission (KPPU), Founder and Chairman of the ASEAN Expert Group on Competition and Asian High-Level Meeting on Competition. He is the Founder and served as Managing Director of the Institute for Development of Economics and Finance (INDEF), as well as consultant and researcher in various international institutions, such as the World Bank, Foundation for Advanced Studies on International Development - Tokyo, Asian Development Bank, United Nation Conference on Trade and Development, Centre for Policy and Implementation Studies – a cooperation agency between the Harvard Institute for International Development and the Government of Indonesia. He also lectures in the postgraduate programs of the University of Indonesia.

Iskandar Simorangkir born in Binjai in 1963, Iskandar Simorangkir earned his doctoral degree in Monetary Economics and Banking from the University of Indonesia, after receiving a Master of Arts (MA) in Economics from Vanderbilt University, Nashville, USA and a Bachelor of Economics from Udayana University, Bali, Indonesia.

Iskandar Simorangkir is currently entrusted as the Vice Chairman of BSBI for the 2023-2028 period. He has also served as part of the Macroeconomy and Finance Expert Team of the Ministry of Finance since 1st February 2023 and is the former Deputy Minister for Macroeconomic and Financial Coordination in the Coordinating Ministry for Economic Affairs (2017-2023) and Head of the Bank Indonesia Representative Office for Java Province (2014-2016).

Iskandar Simorangkir served as the Executive Director of the Centre for Central Banking Research and Education of Bank Indonesia (2012-2014), Head of the Bank Indonesia Economic Research Bureau (2008-2012), and also gained invaluable experience as an economic researcher from 1998-2012.

Iskandar Simorangkir is an active member of the Editorial Board of the Bulletin of Monetary Economics and Banking and has authored several books, papers and articles in prominent journals and newspapers concerning macroeconomics, monetary policy, central banking and international affairs.



Iskandar Simorangkir



Agus Herta Sumarto

Agus Herta Sumarto, born in Bandung in 1985, Agus Herta Sumarto completed the Doctor of Management Science program at the University of Indonesia (UI), with a focus on Financial Management, earned his Master of Economics from Bogor Agricultural University (IPB) and Bachelor of Agribusiness from Mercu Buana University (UMB). Agus Herta Sumarto is a permanent lecturer at the UMB Faculty of Economics and Business with expertise in banking, finance, fiscal and monetary policy, and macroeconomic analysis.

Agus Herta Sumarto is an active member of the Bank Indonesia Supervisory Board (BSBI) for the 2023-2028 period. Previously, he served as an expert on the Budget Committee of the House of Representatives of the Republic of Indonesia (DPR-RI) from 2020-2023, the Audit Committee of PAM JAYA from 2021-2022, the Risk Monitoring Committee of PT. Food Station Tjipinang Jaya from 2022-2023, as an associate researcher at the Institute for the Development of Economics and Finance (INDEF) and also a researcher at the Institute of Economic Assessments, Research and Development (LP3E) of the Indonesian Chamber of Commerce and Industry from 2015-2021. Agus Herta Sumarto is also an active Academic Partner of the Bank Indonesia Communication Department.

Agus Herta Sumarto is a prolific writer of opinion columns in various mass media, including Kompas, Bisnis Indonesia, Investor Daily, Kontan, Media Indonesia, Koran Sindo, and Majalah Infobank. In addition, he has authored and published several books, namely *Jurus Mabuk Membangun Ekonomi Rakyat* (2010), *Membangun Etika Masyarakat Islam Modern* (2016), *Manajemen Investasi* (2017), *Statistika Terapan* (2018), *Strategi Menguatkan Nilai Tukar Rupiah* (2020), *Statistika Terapan Pengolahan Data Time Series Menggunakan Eviews* (2021), and *Mengenal Bank di Era Kaum Gen-Zer dan Milenial* (2021).

Irwan Lubis born in Binjai in 1963, Irwan Lubis earned his doctoral degree from Padjadjaran University in 2016, master's degree from the University of Indonesia in 2004 and Bachelor of Economics from Syiah Kuala University in 1998.

Irwan Lubis is an active member of the Bank Indonesia Supervisory Board (BSBI) for the 2023-2028 period. Previously, he served as a Senior Adviser to the Strategic Committee and Deputy Commissioner of the Financial Services Authority (OJK) (2013-2017). Irwan Lubis began his career at Bank Indonesia in 1999 and has been entrusted to several important positions, including Head of the Banking Research and Regulation Department in 2013, Head of the Bank Research and Regulation Bureau (2010-2013), Senior Bank Supervisor (2009-2010), and Head of the Bank Indonesia Representative Office for Riau Islands.



Irwan Lubis

**Marwanto Harjowiryo**

Marwanto Harjowiryo born in Yogyakarta in 1959, Marwanto Harjowiryo earned his doctoral degree from Gadjah Mada University (UGM) in 2009, master's degree from Vanderbilt University, Nashville, USA in 1991 and Bachelor of Economics from the UGM Faculty of Economics.

Marwanto Harjowiryo is an active member of the Bank Indonesia Supervisory Board (BSBI) for the 2023-2028 period. He began his illustrious career at the Ministry of Finance on 1st December 1983. Marwanto Harjowiryo served as Expert Staff to the Minister of Finance for State Expenditures, and concurrently as Daily Executive Chair of the Bureaucratic Reform Team of the Ministry of Finance (2006-2009). He is the former Head of the Public Relations Bureau in the Secretariat General (2004-2026), Head of the International Cooperation Bureau, Secretariat General of the Department of Finance of the Republic of Indonesia (2001-2004) and Head of the State Budget Analysis Bureau (1991-2001).

Mohamad Khusaini born in Pasuruan in 1971, Mohamad Khusaini is a Professor at the Faculty of Economics and Business of Brawijaya University. Mohamad Khusaini completed his doctoral education at Brawijaya University in Public Finance and earned his master's degree from Andrew Young School of Policies Studies, Georgia State University, USA. He also earned his Master of Public Administration and Bachelor of Economics from Brawijaya University and graduated from the Oxford Executive Leadership Program at Oxford University, UK.

After serving on the Board from 2020-2023, Mohamad Khusaini was reappointed a BSBI member for the 2023-2028 period. He is also active in professional organisations in a fiscal and regional focus group at the Central Administration of the Indonesian Economist Association (PP ISEI). In the research field, Mohamad Khusaini is qualified in Public Policy and Finance, Public Budgeting and Fiscal Management, and Macroeconomics.

**Mohamad Khusaini**



Piter Abdullah Redjalam born in Lahat in 1963, Piter Abdullah Redjalam earned his Doctorate in Economics from the University of Indonesia (UI) in 2010, Master of Arts in Developmental Economics from the International University of Japan in 2000 and Bachelor of Economics from Gadjah Mada University (UGM) in 1993.

In addition to his active role as a member of the Bank Indonesia Supervisory Board (BSBI) for the 2023-2028 period, Piter Abdullah Redjalam also currently serves as the Executive Director of the Segara Research Institute (2022-present) and Chairman of the Tanah Pusaka Education Foundation (2015-present).

Prior to founding the Segara Research Institute, Piter Abdullah Redjalam also served as the Research Director at CORE Indonesia (2017-2022) and Research Adviser for the Indonesia Deposit Insurance Corporation (LPS) from 2018-2019. Prior to that, Piter Abdullah Redjalam was entrusted as a member of the Macroeconomic Working Group of the National Committee for the Economy and Industry (KEIN) from 2017-2019 and Deputy Director of Bank Indonesia (2011-2017).



APPENDIX

The Burung Enggang motive originates from Central Kalimantan and has the meaning of loyalty, blessings, leadership and beauty





Layout of *Kompleks Perkantoran Bank Indonesia (Koperbi)* in *Ibu Kota Nusantara (IKN)*

Glossary

Term	Description
3I	Integration, Interconnection and Interoperability, which describes the type of connectivity between Financial Market Infrastructures (FMIs).
Administered Prices	The component of inflation in the form of goods and services regulated by the Government.
Social Aid	The provision of non-continuous and selective aid in the form of money/ goods from regional governments to individuals, families, groups and/or communities, which provides protection against potential social risk.
Bank Indonesia Policy Mix	The use of several policies by Bank Indonesia, including monetary, macroprudential and payment system policies as well as other supporting policies.
Institutional Policy Mix	The use of several policies in the institutional area on the basis of effective and efficient performance as well as compliance. This is required to strike an optimal balance between achieving the BI mandate through effective performance and efforts to promote efficient resource productivity, as well as ensuring legal compliance and accountability through good governance.
Bank Indonesia-Electronic Trading Platform	Infrastructure used to process transactions electronically.
Bank Indonesia – Real Time Gross Settlement System	An electronic fund transfer system between RTGS participants in rupiah, with real-time settlement per individual transaction.
Bank Indonesia – Scripless Securities Settlement System	Infrastructure used as a means of transaction with Bank Indonesia, including the administration of securities, electronically.
BI 7-Day Reverse Repo Rate	The transactional policy rate that reflects the monetary policy stance set by Bank Indonesia. The policy rate is applied when buying/selling government securities between Bank Indonesia and commercial banks in the money market. The securities are transacted through a repurchase (repo) agreement within a period of seven days.
BI-FAST	A real-time, 24/7 payment system that accelerates the transaction settlement process and will replace the National Clearing System (SKNBI).
Bilateral Currency Swap Arrangement	A form of bilateral financial cooperation regularly used by central banks, whereby two central banks agree to acquire each other's currency in exchange for its own on a pre-agreed maturity date.
Blueprint	A detailed framework used as the basis for policymaking that includes determining the goals and targets, strategy formulation, program implementation and focus of activities as well as the measures to be implemented by each work unit.
Business Matching	Business meetings between economic players.
Reserve Assets/Foreign Reserves	Reserve assets controlled by Bank Indonesia that are booked as assets on the balance sheet of Bank Indonesia in the form of gold, foreign banknotes and claims in the form of demand deposits, term deposits, money orders, foreign securities and other assets in a foreign currency to non-residents that can be used as a means of international payment instruments.
Capital Adequacy Ratio	The Capital Adequacy Ratio is measured based on the composition between total capital and risk-weighted assets (RWA).

Term	Description
Central Bank Digital Currency	Digital money circulated and controlled by the central bank as legal tender to replace banknotes and coins.
Central Counterparty	A clearing institution that takes on counterparty credit risk between parties to a transaction through a novation process and multilateral netting on the transaction exposure between market participants.
Conceptual Design	A framework commonly applied in the product world.
Countercyclical Capital Buffer	Additional capital that functions as a buffer to anticipate losses in the event of excessive credit growth and/or financing in the banking industry that has the potential to disrupt financial system stability.
Covid-19	Coronavirus (CoV) is a large family of viruses that cause illnesses ranging from the common cold to more severe diseases, such as Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). Coronavirus disease (Covid-19) is an infectious disease caused by the newest coronavirus discovered in 2019.
Cross Border	Passing, occurring, or performed across a border between two countries.
Third-Party Funds	Funds entrusted by the public to banks based on deposit agreements in the form of demand deposits, term deposits, certificates of deposit, savings deposits and/or other equivalents.
Term Deposit	A banking product like a savings deposit with withdrawal restricted to a specific date of maturity based on an agreement between the bank and the customer.
Deposit Facility	A facility for banks to deposit funds at Bank Indonesia in the context of monetary operations.
Depreciation	A decrease in the value of domestic currency against a foreign currency.
Derivative	Derivative instruments include contracts, agreements or transactions whose value are derived from an underlying financial instrument.
Super Priority Destinations	Tourist destinations prioritised for development from 2019-2024, including Lake Toba, Borobudur, Mandalika, Labuan Bajo, and Likupang.
Foreign Exchange	An amount of gold or foreign currency available to use for cross-border payment transactions and widely accepted and recognised by the international community.
Foreign Exchange Proceeds of Exports	Foreign exchange proceeds received by exporters for export activities.
Digital Banking	Electronic banking services developed by optimising the use of customer data to serve customers more quickly, conveniently and according to their needs, which can be carried out independently by customers, while complying with stringent security aspects.
Digital Business Process Re-engineering	A comprehensive approach to redesigning and optimising digital-based business processes to increase efficiency, effectiveness and adaptability, encompassing aspects of decision-making, information management, the digital environment and work patterns, among others.
Digitalisation	The process of transferring media from physical, printed, audio and video forms into digital formats.

Term	Description
Domestic Non-Deliverable Forwards	Plain vanilla derivative transactions in the form of forward transactions through a fixing mechanism with the settlement currency in rupiah.
Dynamic Systemic Risk Surveillance	A forward-looking and integrated surveillance framework that monitors all surveillance information under the authority of Bank Indonesia.
e-Commerce	Trading transactions performed online or using internet technology.
Digital Economy	An economy oriented towards the development and advancement of information and communication technology (ICT).
Green Economy and Finance	An economic and financial system that supports efforts to conserve and consider environmental and/or climate aspects.
Export	The process of transporting goods or commodities from one country to another.
Electronification	The evolution from cash to cashless payment methods.
Electronification of Regional Government Transactions	An initiative to change the revenue and expenditure transactions of regional governments from cash to digital-based cashless transactions.
End-to-end	Comprehensive, integrated and inclusive policies.
ETP Multi-Matching	Electronic systems used by market players as a means of financial market transactions based on the multi-matching method.
Sharia Economic Festivals (FESyar)	National and regional activities similar to the Indonesia Shari'a Economic Festival (ISEF), along with the Road to ISEF activities.
Financial Market Infrastructures	A multilateral system between (direct) participants, including system operators, used for clearing or recording payments, securities, derivatives or other financial transactions.
Financing-to-Value Ratio	The ratio of disbursed financing to asset value.
Forward Looking	Monetary policy that is oriented towards achieving the inflation target in upcoming periods taking into account the time lag of monetary policy.
Reserve Requirement	The minimum reserve balance that a bank holds at Bank Indonesia.
Halal Value Chain	An end-to-end ecosystem or halal supply chain from upstream to downstream. The HVC encompasses four sectors, namely Muslim Friendly Tourism (MFT), halal cosmetics and medicaments, halal food, and the halal financial industry.
Hedging	Activities carried out by investors to reduce or eliminate a source of risk.
Halal Industry	Industries that fulfil the halal criteria set by the Assessment Institute for Food, Drugs and Cosmetics of the Indonesian Council of Ulama (LPPOM-MUI).
Import	The activity of purchasing goods from abroad.
Imported Inflation	Inflationary pressures caused by an increase in the prices of imported goods due to the impact of changes in exchange rates.
IndONIA	The average interest rate index for unsecured overnight interbank rupiah money market transactions in Indonesia.
Inflation	An economic condition characterised by a rapid increase in prices, which erodes public purchasing power. There are two sources of inflation, namely cost-push and demand-pull inflation.

Term	Description
Core Inflation	The component of inflation that is persistent and influenced by fundamental factors, such as the demand-supply interactions, exchange rates, international commodity prices, inflation in trading partner countries and inflation expectations. Core inflation is calculated based on CPI after removing the Volatile Foods (VF) and Administered Prices (AP) components.
Money Market Infrastructure	A multilateral system between (direct) participants, including system operators, used for clearing or recording payments, securities, derivatives or other financial transactions.
Integration	The integration of post-trade infrastructure in one institution for the transaction service value chain.
Interconnectivity	The ability of systems to exchange information or transact requiring intermediaries, in other words the interconnection between systems occurring indirectly.
Interoperability	The ability of two systems to communicate or transact directly.
Investment	The accumulation or acquisition of assets with the expectation of generating future profit, also referred to as capital investment.
Investment Grade	A rating indicating that a financial instrument, in this case a bond, presents a low level of risk, among others.
Indonesia Shari'a Economic Festival	An annual national and international event organised by Bank Indonesia comprising two main activities, namely the Sharia Economic Forum and Sharia Fair. The Forum features seminars and workshops, while the Fair provides an outlet for business players in the halal industry, pesantren (Islamic boarding schools), financial institutions and other relevant institutions.
Digital Finance	Finance that uses digital technology, such as cellular or web technology through a third party.
Green Finance	Sustainable finance that considers environmental, social and good governance aspects.
Inclusive Finance	The deepening of financial services to ensure the availability and equality of opportunities to access formal financial products.
Cluster	Interrelated business groups or MSME hubs.
Lending Facility	The provision of rupiah funds from Bank Indonesia to banks in the context of monetary operations within a period of 1 (one) business day.
Lender of Last Resort	Core Bank Indonesia function as the central bank under normal and crisis conditions, where Bank Indonesia is authorised to extend (sharia) short-term liquidity assistance (PLJP/PLJPS) to the national banking industry.
Liquidity	The ability to meet short-term debt obligations. A business is considered liquid if it has a means of payment in the form of current assets that are greater than all liabilities.
Loan-to-Value Ratio	Ratio of disbursed loans to asset value.

Term	Description
Local Currency Bilateral Swap Arrangement	A form of bilateral financial cooperation common to central banks that allows a central bank to secure foreign currency from a partner central bank by exchanging the local currencies of each country, which are subsequently bought back at the same rate on a specified future date.
Local Currency Settlement	Bilateral transactions between two countries with settlement in the local currency within the territorial jurisdiction of each country.
Local Currency Transactions	Bilateral transactions between two countries with settlement in the local currency to diversify currency exposure.
Macroprudential	An approach to financial regulation that aims to mitigate the risks posed to the financial system as a whole.
Merchant Discount Rate	The fee charged to merchants by banks.
Microprudential	An approach to financial regulation based on the management of financial institutions individually to maintain business continuity.
Nazhir	Nazir is a person or group of persons or an institution authorised to collect, mobilise, administer, develop, invest, manage, disburse and account for waqf funds, through state or other legally binding bodies.
Indonesia's Balance of Payments	A summary of all transactions between the residents of two countries within a given period (usually one year). The balance of payments includes purchases and sales of goods and services, grants from individuals and foreign governments, and financial transactions. In general, the balance of payments consists of the capital account, capital and financial account, as well as financial items.
Net Zero Emissions	A condition where the amount of carbon emissions released into the atmosphere does not exceed the amount of emissions that the earth can absorb.
Non-Performing Loans	Bank loans that are at risk of default, including sub-standard (SS), doubtful (D) and loss (L).
Cashless	Payment methods not conducted with physical banknotes or coins, namely through e-money, mobile banking and internet banking.
Policy Normalisation	Policies instituted to return extraordinary policy measures, which were taken under unusual circumstances, back to the normal settings.
Online	Available on or performed using the internet or other computer network.
Monetary Operations	The implementation of monetary policy by Bank Indonesia in the context of monetary control through open market operations (OMO) and interest rate corridors (standing facilities).
Open Market Operations	Transactions in the money market and/or foreign exchange market by Bank Indonesia with banks and/or other parties in the context of conventional or sharia-compliant monetary operations.
Pandemic	A widespread occurrence of an infectious disease over a whole country or the world at a particular time.
Interbank Money Market	Overnight lending and borrowing activities in rupiah and/or foreign currencies between conventional banks.

Term	Description
National Economic Recovery	One of a series of activities to lessen the economic impact of Covid-19, which aimed to protect, maintain and increase the economic capacity of business players during the Covid-19 pandemic.
Macroprudential Liquidity Buffer	A macroprudential instrument designed to increase banking liquidity resilience. MPLB requires banks to maintain a liquidity buffer in the form of securities as a percentage of third-party funds denominated in rupiah.
Pilot Project	Activities designed as tests to determine the effectiveness and potential impact of a program.
Short-Term Liquidity Assistance	Short-term liquidity assistance disbursed by Bank Indonesia to conventional commercial banks to overcome a liquidity mismatch experienced by a conventional commercial bank.
Sharia-Compliant Short-Term Liquidity Assistance	Financing based on sharia principles disbursed by Bank Indonesia to sharia commercial banks to overcome a liquidity mismatch experienced by a sharia commercial bank.
Aggregate Demand	A measurement of the total amount of demand for all finished goods and services produced in an economy at a given price.
Pre-emptive	A rapid response to anticipate future risks.
Gross Domestic Product	The amount of added value generated by all business/economic units in a given country.
Pro-growth	Policies instituted to foster economic growth.
Pro-stability	Policies instituted to maintain economic stability.
Project Garuda	An umbrella initiative to explore the high-level design of Central Bank Digital Currency (CBDC) in Indonesia, known as the Digital Rupiah.
Quick Response Code Indonesia Standard	A QR code standard for the payment system in Indonesia developed by Bank Indonesia in synergy with the Indonesia Payment System Association (ASPI).
QRIS Cross Border	One of the collaborative initiatives to build standardized settlement infrastructure for cross-border trade.
Macroprudential Intermediation Ratio	A refinement of the RR-loan to funding ratio (RR-LFR) by expanding the intermediation components, namely the addition of securities held by banks as a component of financing. Notwithstanding, only securities meeting specific requirements can be calculated as a component of MIR, including securities issued by non-financial corporations with an investment grade rating or equivalent.
Macroprudential Inclusive Financing Ratio	A refinement of the MSME credit ratio by expanding partner banks to disburse inclusive financing, the securitisation of inclusive financing and other business models to strengthen accommodative macroprudential policies.
Structural Reform	A fundamental change in a system.
Regional Payment Connectivity	Payment connectivity cooperation in the region agreed by Bank Indonesia, Bank Negara Malaysia, Bangko Sentral ng Pilipinas, the Monetary Authority of Singapore (MAS) and Bank of Thailand.

Term	Description
Repurchase Agreement	The sale of a financial instrument between two parties, accompanied by an agreement to repurchase the same financial instrument on a predetermined date at an agreed price.
Reverse Repo	The purchase of securities with a promise to resell at a specified time and price.
Digital Rupiah	The digital version of rupiah currency.
Sandbox	An effort to maintain FinTech innovation in the payment system business.
SIHALAL	A platform used to register and monitor the progress of halal certification applications.
Sharia-Compliant Interbank Fund Management Certificates	Certificates issued by sharia commercial banks or sharia business units as acceptance of fund management in the sharia interbank money market (PUAS) based on Wakalah Bi Al-Istitsmar contracts.
Payment System	A system used to settle financial transactions through the transfer of monetary value for one party to another.
Sovereign Credit Rating	The debt rating of a sovereign state institution, namely the government. A sovereign credit rating indicates the level of risk in a country's investment environment, which is used by non-resident investors looking to invest in that country.
Spot	The foreign exchange transaction is settled on the same day or within a maximum of two days.
National Open API Payment Standard	The Payment Standards set by Bank Indonesia to create a healthy, competitive and innovative payment system industry; foster payment system infrastructure integration, interconnection, interoperability as well as security and reliability; and/or nurture healthy, efficient and fair market practices in the payment system.
Stress Tests	Stress testing is a technique to evaluate how a system performs under extreme or unexpected conditions.
Subsidy	Funds granted by the Government to lower the price of a good or service.
Sukuk	A long-term security compliant with sharia principles issued to sharia bondholders by issuers.
Government Securities	Rupiah Government Debt Securities and rupiah Government Sharia Securities issued by the Government of the Republic of Indonesia.
Government Debt Securities	Securities in the form of debt securities denominated in rupiah or a foreign currency issued by the Republic of Indonesia in accordance with prevailing laws.

Term	Description
Swap	A swap transaction is an agreement between two parties to exchange sequences of cash flows for a set period at a premium or discount rate, with the exchange rates agreed on the date of the transaction.
Regional Government Inflation Control Teams	An interagency team that monitors regional inflation and identifies issues relating to managing inflation.
Regional Digitalisation Acceleration and Expansion Team	A coordination forum for relevant institutions and stakeholders at the provincial and regency/city administrative levels established to nurture innovation, accelerate and expand the electronification of government transactions, as well as encourage digital economic and financial integration to create and maintain integrated financial efficiency, effectiveness, transparency and governance.
Institutional Transformation	Transformation that entails strengthening the organisation and work processes, human resources and work culture as well as digitalisation.
Twist Operation	Bank Indonesia policy to buy/sell SBN in the secondary market, sell short tenor SBN and buy long tenor SBN to increase the attractiveness of short-term SBN yields for foreign portfolio investment inflows and create a flatter long-term SBN yield structure.
Electronic Money	A means of payment in electronic form issued on the basis of the value of money that has been deposited in advance.
Fit for Circulation	Genuine rupiah currency that meets the quality standards for circulation set by Bank Indonesia.
Volatile Food	Components of the consumer price index that are volatile and predominantly influenced by transient shocks affecting food commodities, such as harvest failures, natural disasters as well as domestic and international food price developments.
Unqualified Opinion	An unqualified opinion is given by the auditor if there are no limitations in the scope of the audit and no significant exceptions regarding the fairness and application of accepted accounting principles in the preparation of financial statements in all material respects, as well as consistency in the application of general accounting principles and adequate disclosures in the financial statements. Therefore, the financial statements are considered to present fairly the financial positions and business results in accordance with generally accepted accounting principles.
White paper	An informational written report or guidelines to highlight an issue and the proposed solutions.
Yield	The ex-ante return.

List of Abbreviations

Abbreviation	Description
2EK	Effective, Efficient and Compliant
2S	Standardisation and Certification
3I	Integration, Interconnectivity, Interoperability
3T	Frontier, Outermost and Remote
3T	Transparent, Programmed, Scheduled
4P	Human Resources (HR) Planning, Fulfilment, Development and Maintenance
5K	Quality, Quantity, Capacity, Continuity and Packaging
ABFS/PS	Automated Banknote Feeding and Packaging System
ABMI	Asian Bond Markets Initiative
ACC	Asian Consultative Council
ACC-BIS	Asian Consultative Council – Bank for International Settlements
ACI-FMA	Association Cambiste Internationale - Financial Markets Association
ADB	Asian Development Bank
ADG	Member of Board of Governors
AFCDM	ASEAN Finance and Central Bank Deputies Meeting
AFGMGM	ASEAN Finance and Central Bank Governors Meeting
AHA	ASEAN Help ASEAN
AKCF	ASEAN-ROK Cooperation Fund
AI	Artificial Intelligence
AL	Liquid Assets (LA)
AL/DPK	Liquid Assets to Third-Party Funds
ALD	ASEAN Leaders' Declaration
Alsintan	Agricultural Machinery
AMI	Action, Meaning and Impact
AMRO	ASEAN+3 Macroeconomic Research Office
AMS	ASEAN Member State
AP	Administered Prices
APBN	State Revenue and Expenditure Budget
APEC	Asia-Pacific Economic Cooperation
APMK	Card-Based Payment Instruments
ARR	Alternative Reference Rate

Abbreviation	Description
AS	United States (US)
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN Plus Three (APT)
ASEAN SLC	ASEAN Senior-level Committee on Financial Integration
ASPI	Indonesia Payment System Association
ATBI	Bank Indonesia Annual Budget
ATM	Automated Teller Machine
Bansos	Social Aid
BAPPENAS	National Development Planning Agency
BAZNAS	National Amil Zakat Board
BBM	Fuel Oil
BBWI	Indonesia Proud of Travelling Movement (#DiIndonesiaAja)
BCC	Bilateral Conference Call
BCSA	Bilateral Currency Swap Agreement
BEI	Indonesia Stock Exchange (IDX)
BI7DRR	BI 7-Day Reverse Repo Rate
BI-CBS	Bank Indonesia – Core Banking System
BI-ETP	Bank Indonesia - Electronic Trading Platform
BI-FAST	Bank Indonesia – Fast Payment
BI-IMOS	Bank Indonesia – Integrated Monetary Operation System
BI-RTGS	Bank Indonesia – Real Time Gross Settlement
BIS	Bank for International Settlements
BI-SSSS	Bank Indonesia – Scripless Securities Settlement System
BIMA	BI Mobile Apps
BISIH	Bank for International Settlements Innovation Hub
BKK	Institutional Policy Mix
BKU	Main Policy Mix
BNM	Bank Negara Malaysia
BoE	Bank of England
BOP	Balance of Payments
BoT	Bank of Thailand

Abbreviation	Description
Botasupal	Coordinating Board for Counterfeit Rupiah Eradication
BP Tapera	Public Housing Savings Management Agency
BPJPH	Halal Certification Agency
BPJT	Toll Road Regulatory Agency
BPK	Audit Board of the Republic of Indonesia
BPR	Rural Banks
BPR	Business Process Reengineering
BPPU	Money Market Development Blueprint
BPPUR	Rupiah Currency Management Blueprint
BPRS	Sharia Rural Banks
BPS	BPS-Statistics Indonesia
bps	basis points
BRIN	National Research and Innovation Agency
BSBI	Bank Indonesia Supervisory Board
BSP	Bangko Sentral ng Pilipinas
BSPI	Indonesia Payment System Blueprint
BSSN	National Cyber and Encryption Agency
BUK	Conventional Commercial Bank
BUS	Sharia Commercial Bank
BWI	Indonesia Waqf Board
CAR	Capital Adequacy Ratio
CBDC	Central Bank Digital Currency
CBP Rupiah	Rupiah Love, Pride, Understanding
CCP	Central Counterparty
CCP SBNT	Exchange Rate and Interest Rate Central Counterparty
CCyB	Countercyclical Capital Buffer
CMIM	Chiang Mai Initiative Multilateralization
CMMI	Capability Maturity Model Integration
Covid-19	Corona Virus Disease 2019
CPIS	Coordinated Portfolio Investment Survey

Abbreviation	Description
CPMI	Committee on Payments and Market Infrastructures
CRM	Cash Recycling Machines
DC	Data Centre
DF	Deposit Facility
DGI	G20 Data Gaps Initiative
DHE	Foreign Exchange Proceeds of Exports
DHE SDA	Foreign Exchange Proceeds of Natural Resources Exports
DJBC	Directorate General of Customs and Excise
DKU	Main Cash Depot
DMP	Decision-Making Process
DNDF	Domestic Non-Deliverable Forwards
DPK	Third-Party Funds (TPF)
DPR-RI	The House of Representatives of the Republic of Indonesia
DPSP	Super Priority Destinations
DRC	Disaster Recovery Centre
DSAS IAI	Sharia Accounting Standards Board of the Institute of Indonesian Chartered Accountants
DSN MUI	National Sharia Board of the Indonesian Council of Ulama
DSRS	Dynamic Systemic Risk Surveillance
DXY	US Dollar Index
ECB	European Central Bank
EKD	Digital Economy and Finance
EMEs	Emerging Market Economies
EMEAP	Executives' Meeting of East Asia Pacific Central Banks
ETP	Electronic Trading Platform
ETPD	Electronification of Regional Government Transactions
EVP	Employee Value Proposition
FAS	Financial Access Survey
FAQ	Frequently Asked Questions
FE	Effective Formation
FEB	Faculty of Economics and Business
FEKDI	Indonesia Digital Economy and Finance Festival
FERBI	Indonesia Sovereign Rupiah Festival

Abbreviation	Description
FFR	Fed Funds Rate
FESyar	Sharia Economic Festivals
FGD	Focus Group Discussions
FKMM	Macroprudential-Macroprudential Coordination Forum
FK-PPPK	Coordination Forum for Development Financing through Financial Markets
FMI	Financial Market Infrastructures
FOMOBO	Front Office, Middle Office and Back Office
FoW	Future of Work
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSI	Financial Soundness Indicators
FX	Foreign Exchange
G20	Group of Twenty
G20 DGI	G20 Data Gaps Initiative
G20 FMCBG	G20 Finance Ministers and Central Bank Governors
G20 SFWG	G20 Sustainable Finance Working Group
GBBI	National BBI Movement promoting pride in Indonesian-made products
GFS	Government Financial Statistics
GIRU	Global Investor Relations Unit
GMRA	Global Master Repurchase Agreement
GNPIP	National Movement for Food Inflation Control
GWM	Reserve Requirement (RR)
HEBITREN	Pesantren Economy and Business Association
HBKN	National Religious Holidays
HIMDASUN	Indonesian Interdealer Bond Market Association
HLM	High-Level Meeting
HLP	High-Level Principles
HPAV	Foreign Currency Asset Management Proceeds
HTM	Held to Maturity
HVC	Halal Value Chain

Abbreviation	Description
IACA	International Association of Currency Affairs
IAI	Institute of Indonesian Chartered Accountants
ICC	Investor Conference Call
IDMA	Indonesia Digital Media Awards
IFEMC	Indonesian Foreign Exchange Market Committee
IFRS	International Financial Reporting Standards
IHK	Consumer Price Index (CPI)
IHT	In-House Training
IIFD	Indonesia Investment Forum in Dubai
IIGMA	Indonesia Islamic Global Market Association
IIP	International Investment Position
IKKAT	Independence, Consistency, Coordination, Accountability and Transparency
IKN	New National Capital City – Nusantara
IKU	Key Performance Indicators (KPI)
IMF	International Monetary Fund
IN2MOTIONFEST	Indonesia International Modest Fashion Festival
IndONIA	Indonesia Overnight Index Average
INFRATANI	Integrated Farming with Technology and Information
InMA	Inhouse Magazine Awards
IOSCO	International Organisation of Securities Commissions
IPEF	Indo-Pacific Economic Framework for Prosperity
IPK	Financial Market Infrastructures (FMIs)
IRFCL	International Reserves and Foreign Currency Liquidity
IRU	Investor Relations Unit
ISDA	International Swaps and Derivatives Association
IsDB-APIF	Islamic Development Bank-Awqaf Properties Investment Fund

Abbreviation	Description
ISEF	Indonesia Shari'a Economic Festival
ISEI	Indonesian Economist Association
ISO	International Organisation for Standardisation
ISSB	International Sustainability Standards Board
ITSM	Information Technology Service Management
JULEHA	Halal Abattoir
JSI	Joint Statement Initiative
KAD	Inter-regional Cooperation
KCBA	Foreign Bank Branch
Kemenag	Ministry of Religious Affairs
Kemenko Marves	Coordinating Ministry for Maritime and Investment Affairs
Kemenkeu	Ministry of Finance
KEM PPKF	Macroeconomic Framework and Principles of Fiscal Policy
KIP	Public Information Disclosure
KIP-Kuliah	Indonesia Smartcard – College
KKB	Automotive Loans
KKI	Karya Kreatif Indonesia, or Indonesia Creative Works Exhibition
KKI	Indonesia Credit Card
KKI	International Financial Cooperation
KKP	Government Credit Card
KLM	Macroprudential Liquidity Incentive (MLI) Policy
KNEKS	National Islamic Economy and Finance Committee
KOPERBI	Bank Indonesia Office Complex
KPI	Key Performance Indicator
KPK	Corruption Eradication Commission
KPP	Group of Potential Employees
KPPU	Business Competition Supervisory Commission
KPR	Housing Loans
KSK	Financial Stability Review (FSR)
KSSK	Financial System Stability Committee
KTI	Eastern Indonesia
KTT	High-Level Conference (Summit)

Abbreviation	Description
KUPVA BB	Non-Bank Money Changers
KUR	People's Business Loans
LAKU	Complete, Accurate, Up to Date
LBS	Locational Banking Services
LBUT	Integrated Commercial Bank Report
LCBSA	Local Currency Bilateral Swap Agreement
LCS	Local Currency Settlement
LCT	Local Currency Transactions
LF	Lending Facility
LHKPN	Wealth Report of State Officials
LIKE IT	Indonesia Flagship Financial Literacy Program
LK	Financial Institution
LKTBI	Bank Indonesia Annual Financial Statements
LLD	International Transaction Reporting System (ITRS)
LMS	Learning Management System
LP3E	Institute for Economic Studies, Research and Development
LPPOM MUI	Assessment Institute for Food, Drugs and Cosmetics of the Indonesian Council of Ulama
LPS	Indonesia Deposit Insurance Corporation
LRUK	Rupiah Banknote Residue
LSB	Non-Bank Institution
LSEG	London Stock Exchange Group
LTV/FTV	Loan/Financing-to-Value Ratio
LU	Sector
MAS	Monetary Authority of Singapore
MATRIC	Massive, Technology-Based, Responsive and Consumer Centric
MBR	Low-Income Earners
MDR	Merchant Discount Rate
MEA	ASEAN Economic Community (AEC)
MES	Islamic Economic Community
MFH	Millennial Function Hall
Minerba	Mineral and Coal Mining

Abbreviation	Description
MKTBI	Bank Indonesia Task Continuity Management
MLFF	Multilane Free Flow
MMS	Multi-Matching System
MoU	Memorandum of Understanding
MRBI	Bank Indonesia Risk Management
MSDM	HR Management
MSUK-R HS	High-Speed Banknote Sorting Machine
MuBI	Bank Indonesia Museum
MUFFEST	Muslim Fashion Festival
MUI	Indonesian Council of Ulama
Muklas	Levelled-Up Mustahiq
NKRI	Republic of Indonesia (RI)
NNS	Strategic Values
NPF	Non-Performing Financing
NPI	Indonesia's Balance of Payments
NPL	Non-Performing Loans
NWGBR	National Working Group on Benchmark Reform
NZE	Net-Zero Emission
OECD	Organization for Economic Co-operation and Development
OIKN	Nusantara Capital City Authority
OJK	Financial Services Authority
OKP	Supporting Operational Activities
OM	Monetary Operations (MO)
OP	Market Operations
OPT	Open Market Operations (OMO)
P2DD	Accelerating and Expanding Regional Digitalisation
P2SK	Development and Strengthening of the Financial Sector
P3JPH	Centre for the Study and Development of Halal Product Guarantees
PAD	Locally Generated Revenue
PADG	Board of Governors Regulation
PAK	Interagency Committee
PBI	Bank Indonesia Regulation
PBI PUVA	Bank Indonesia Regulations concerning the Money Market and Foreign Exchange Market

Abbreviation	Description
PCPM	Young Candidates
PDB	Gross Domestic Product
Pemda	Regional Government
PEN	National Economic Recovery
PFMI	Principles for Financial Market Infrastructures
PII	International Investment Position
PIP	Payment System Infrastructure Operators
PJP	Payment Service Providers (PSP)
PKH	Family Hope Program
PKWT	Fixed-Term Contracts
PLJP	Short-Term Liquidity Assistance
PLJPS	Sharia-Compliant Short-Term Liquidity Assistance
PLM	Macroprudential Liquidity Buffer (MPLB)
PMA	Foreign Direct Investment (FDI)
PMI	Indonesian Migrant Workers
PoC	Proof of Concept
PolTech	Policy Technology
PP	Government Regulation
PP DHE SDA	Government Regulation concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources
PPKSK	Financial System Crisis Prevention and Mitigation
PRP	Bank Restructuring Program
PS	Strategic Program
PSBI	Bank Indonesia Social Program
PSN	National Strategic Projects
PSRU	Real Sector and MSME Empowerment
PTB	Study Assignment Program
ptp	point to point
PUAS	Sharia Interbank Money Market
PUR	Rupiah Currency Management
PUVA	Money Market and Foreign Exchange Market
QRIS	Quick Response Code Indonesia Standard

Abbreviation	Description
QRIS TUNTAS	QRIS Withdrawal, Transfer and Deposit
Rakornas	National Coordination Meeting
RDG	BOG Meeting
Repo	Repurchase Agreement
RFP	Request for Payment
RIKOPERBI	Bank Indonesia Office Complex Masterplan
RIM	Macroprudential Intermediation Ratio (MIR)
RIPABI	Bank Indonesia Asset Utilisation Masterplan
RIPAMBI	Bank Indonesia Security and Rescue Masterplan
RIRU	Regional Investor Relations Unit
RIVIBI	Bank Indonesia Digital Innovation Masterplan
RPBI	Draft Bank Indonesia Regulation
RPC	Regional Payment Connectivity
RPH	Abattoir
RPIM	Macroprudential Inclusive Financing Ratio
RPOJK	Draft OJK Regulation
RPP	Draft Government Regulation
RPP KKB	Draft Government Regulation concerning Sustainable Finance Committee
RRH	Daily Average
RTGS	Real Time Gross Settlement
SAA	Strategic Asset Allocation
SAP	Strategic Action Plan
SAPIT	Integrated Information Exchange Platform
SAPIT IEA	Integrated Information Exchange Platform - Information Exchange Application
Saprotan	Agricultural Production Facilities
SBBI	Bank Indonesia Foreign Exchange Bills (BI FX Bills)
SBC	Structured Bilateral Cooperation
SBDK	Prime Lending Rate (PLR)
SBN	Government Securities

Abbreviation	Description
SBNT	Interest Rate and Exchange Rate
SBP	Strategic Business Plan
SBV	State Bank of Vietnam
SCR	Sovereign Credit Rating
SDDS	Special Data Dissemination Standards
SDM	Human Resources
SEACEN	South East Asian Central Banks
Sekber	Joint Secretariat
SEKDA	Provincial Economic and Financial Statistics
SEKI	Indonesian Economic and Financial Statistics
SERAMBI	Ramadan and Eid-ul-Fitr Rupiah Campaign
SheFO	Sharia Economic and Financial Outlook
SI	Information System
SIAPIK	Financial Information Recording Application Information System
SIKA	Sharia-Compliant Commodity Trading Certificates
Simkrisnas	National Crisis Simulation
SIPA	Sharia-Compliant Interbank Fund Management Certificates
SKNBI	National Clearing System
SNAP	National Open API Payment Standard
SNI	Indonesian National Standards
SNR	Serial Number Reading
SOP	Standard Operating Procedure
SP	Payment System
SPAN	State Government Treasury System
SPBI	Bank Indonesia Payment System
SPHP	Food Supply and Price Stabilisation
SPIP	Indonesia Payment System and Financial Market Infrastructure Statistics
SP-PUR	Payment System and Rupiah Currency Management
SPU	Currency Management Centre
SRIA	Sharia Restricted Investment Account

Abbreviation	Description
SRO	Self-Regulatory Organisation
SSK	Financial System Stability
SSKI	Indonesia Financial System Statistics
STRANAS-PK	National Consumer Protection Strategy
Sulampua	Sulawesi-Maluku-Papua
SULNI	Indonesia External Debt Statistics
SupTech	Supervisory Technology
SUSPI	Indonesia Public Sector Debt Statistics
SUVBI	Bank Indonesia Forex Sukuk
SVBI	Bank Indonesia Forex Securities
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TBCCI	The Best Contact Centre Indonesia
TD	Term Deposit
TE	Series Year
TF	Task Force
TOBAKU Halal	Halal Raw Materials Store
ToT	Training of Trainers
TF LCT	Task Force on Local Currency Transactions
TFSF	Task Force on Sustainable Finance
TIK	Information Communication Technology
TLM	Technical Level Meeting
TP2DD	Regional Digitalisation Acceleration and Expansion Team
TPID	Regional Government Inflation Control Teams
TPIP	Central Government Inflation Control Team
TPPTHI	Indonesia Green Taxonomy Editorial Team

Abbreviation	Description
TSOM	Term Structure of Monetary Operations
UE	Electronic Money
UKA	Foreign Banknotes
ULE	Fit for Circulation
ULN	External Debt
UMi	Ultra Micro
UMKM	Micro, Small and Medium Enterprises (MSME)
UPB	Large Denomination Banknotes
UPK	Small Denomination Banknotes
UU	Act of Law
UUS	Sharia Business Unit, or Islamic Window
UYD	Currency in Circulation
Valas	Foreign Currency
VF	Volatile Foods
WB	World Bank
WFH	Work From Home
WFO	Work From Office
Wisman	International Traveller
Wisnus	Domestic Traveller
WIZSTREN	Indonesia Waqf, Infaq, Zakat and Sadaqah Pesantren Foundation
WMS	Warehouse Management System
WTE	Waste-to-Energy
WTP	Unqualified Opinion
yoy	year-on-year
ZIS	Zakat, Infaq, and Sadaqah
ZISWAF	Zakat, Infaq, Sadaqah and Waqf
WTP	Wajar Tanpa Pengecualian
yoy	Year on Year
ZIS	Zakat, infak, sodaqoh
ZISWAF	Zakat, Infak, Sedekah, dan Wakaf





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