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WHAT DO WE NEED TO KNOW ABOUT RUPIAH DIGITAL?

I. An Overview of Rupiah Digital

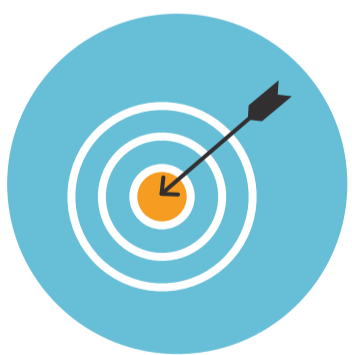
Bank Indonesia is planning to launch a Central Bank Digital Currency (“**CBDC**”) or Rupiah Digital (“**Rupiah Digital**”). Rupiah Digital is the digital form of Rupiah and will have the same use as physical currency, electronic money and card-based payment instruments (such as debit or credit card). Rupiah Digital is a form of Indonesia’s legal tender that holds the same value and is fully interchangeable with other forms of Rupiah.

The main distinction between Rupiah Digital and electronic money or card-based payment instruments is on their issuance. Rupiah Digital will be issued exclusively by Bank Indonesia

as the Central Bank, whilst electronic money and card-based payment instruments are issued by commercial banks and/or financial service institutions.



To develop Rupiah Digital, in 2022 Bank Indonesia released a White Paper (“**White Paper**”) outlining the concept of Rupiah Digital and serving as a medium of communication to the public regarding its development. In 2023, this was followed by a Consultative Paper (“**Consultative Paper**”) which was put together to get inputs and opinions from both public and private stakeholders on the design, potential impacts, and benefits of Rupiah Digital, in alignment with present and future needs.



II. Purposes

Rupiah Digital represents one of Bank Indonesia’s contributions to safeguarding the sovereignty of Rupiah in the digital era. The

Rupiah Digital project also complements Bank Indonesia’s broader initiatives to advance the national digital transformation agenda, particularly to achieve end-to-end integration of the digital economy and financial systems.

Rupiah Digital has a potential to strengthen

the existing payment system ecosystem, which may be achieved if Rupiah Digital can:

1. serve as a legitimate digital means of payment in Indonesia;
2. support Bank Indonesia’s mandate in the areas of monetary policy, macroprudential oversight and digital payment system; and
3. contribute to the development of the national financial system and the integration of the digital economy and financial systems.

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III. Legal Basis

Rupiah Digital was first introduced in Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (as amended, “**Law No. 4/2023**”). Under Law No. 4/2023, the legal currency of Indonesia is Rupiah, which consists of Rupiah banknotes, Rupiah coins and Rupiah

digital. This regulation also clarifies that Rupiah Digital has the same functions as physical banknotes and coins.



Detailed provisions on Rupiah Digital will be stipulated in a Bank Indonesia regulation, which has yet to be issued to date.



IV. Distribution Plan

Pursuant to the White Paper, the distribution of Rupiah Digital will be made by Bank Indonesia to wholesalers and/or retailers. A wholesaler is an entity granted direct access to Rupiah Digital by Bank Indonesia, authorised and responsible to distributing it to retailers and end-users, while a retailer is a party, holding a payment service provider license issued by Bank Indonesia that obtains Rupiah Digital from a wholesaler and distributes the same to end-users. A wholesaler may also act as a retailer.

Rupiah Digital will be issued in two forms, namely Wholesale Rupiah Digital (“**wRD**”) and Retail Rupiah Digital (“**rRD**”). wRD will be accessible only to the parties appointed by Bank Indonesia, and will function similarly to third party checking accounts (*rekening giro*) with Bank Indonesia. To obtain wRD, the eligible parties must convert their existing checking accounts with Bank Indonesia into wRD.

As for the public, rRD can be obtained by converting physical banknotes and coins, checking or saving accounts held in commercial banks or existing electronic money balances into rRD through intermediaries appointed by

Bank Indonesia. In this context, an intermediary is a wholesaler, which will utilize its wRD holdings to meet public demands for rRD, directly or through licensed retailers. This distribution mechanism mirrors the current distribution process of physical banknotes and coins.

The distribution of Rupiah Digital scheme combines the elements of both one-tier and two-tier systems as shown in the chart below:

Bank Indonesia

(as the issuer of Rupiah Digital)

wRD

Wholesalers / Intermediaries

(ie Commercial Banks and Financial Service Institutions)

rRD

End Users

(ie individuals and business players/entities)

However, in such circumstances as in underdeveloped (*tertinggal*), frontmost (*terdepan*) and outermost (*terluar*) regions, Bank Indonesia may implement one-tier distribution system for rRD by distributing rRD directly to end-users.

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V. Compliance with Other Regulations

Bank Indonesia is committed to protecting the privacy of Rupiah Digital transactions as well as users' data. Pursuant to the Proof of Concept ("PoC") issued by Bank Indonesia in 2024, several options are being considered to safeguard transaction privacy, including the implementation of encrypted transactions. With encryption in place, neither Bank Indonesia nor the administering banks would be able to access the details of how Rupiah Digital is used by individual users. Also, Bank

Indonesia ensures that personal data privacy principles will be taken into account in the development of Rupiah Digital, including during the distribution process and the implementation of the Rupiah Digital design.



At the same time, Bank Indonesia also recognizes the importance of transaction supervision to support the implementation of anti-money laundering principles and the prevention of terrorism financing under the prevailing laws and regulations.



VI. Digital Currency in Other Countries

Other than Indonesia, several countries such as Sweden, Brazil, Japan, India,

Australia and the United States of America are also actively developing their own CBDCs as a new form of valid payment system. Some countries that have already launched their CBDCs are The Bahamas (*Sand Dollar*), Nigeria (*e-Naira*), Jamaica (*Jam-Dex*) and China (*e-CNY*).

VII. Recent Update

Bank Indonesia has completed the PoC phase for the third stage of the Rupiah Digital development, after completing the White Paper and Consultative Paper in 2023. The PoC phase was aimed to assess the technological readiness to support the development of the Rupiah Digital business model. The results showed that all test scenarios were successfully completed, confirming that a Distributed Ledger Technology-based solution is capable

of meeting both the business and technical requirements of a wholesale digital cash ledger.



However, it remains unclear when Rupiah Digital will be available for public use. While PoC marked an important milestone in its development, Bank Indonesia acknowledges the need for further exploration in areas such as securities ledger, liquidity management and privacy technologies.