



**"ENHANCING CENTRAL BANK SERVICES IN THE DIGITAL AGE:
BUILDING RESILIENT CROSS-BORDER SETTLEMENT AMID GEOPOLITICAL SHIFTS"**

AUGUST 27 - 28, 2025



Global geopolitical instability demands that Indonesia adopt an increasingly independent and active stance in positioning itself within global politics. In response, the government has taken measures grounded in Indonesia's foreign policy principle: "Bebas Aktif" (Independent and Active).

GEOPOLITIC INSTABILITY

- Donald Trump's "Make America Great Again" policy
- Trade tariff wars between major countries
- Economic and trade fragmentation
- Sanctions imposed on several countries
- The war between Russia and Ukraine

RESPONDED BY



INDONESIA GOVERNMENT: INDEPENDENT AND ACTIVE FOREIGN POLICY

- a. Indonesia's membership in BRICS
- b. Meetings and visits with countries from diverse political blocs (e.g., Russia, China, France, Türkiye)
- c. Strengthening ties and potential enhanced cooperation between Indonesia-Russia and Indonesia-China



BANK INDONESIA: FOREIGN POLICY-ALIGNED CENTRAL BANKING SERVICES



Exploring various cross-border payment systems to facilitate transactions with any counterparty globally

GLOBAL ISSUE:

Overlapping standardization initiatives

(costly, complex, and challenging to implement and maintain)

AIM

Establishing communication interoperability among financial institutions, market infrastructures, and end-users

PROPOSED SOLUTION

A unified communication standard implementable across all financial systems

ISO20022

An international standard for global financial messaging, which collectively developed by the financial industry to ensure consistency and compatibility in financial communications across institutions.

Adoption rate of ISO 20022 among domestic banks in Indonesia is **UNDER 30%**

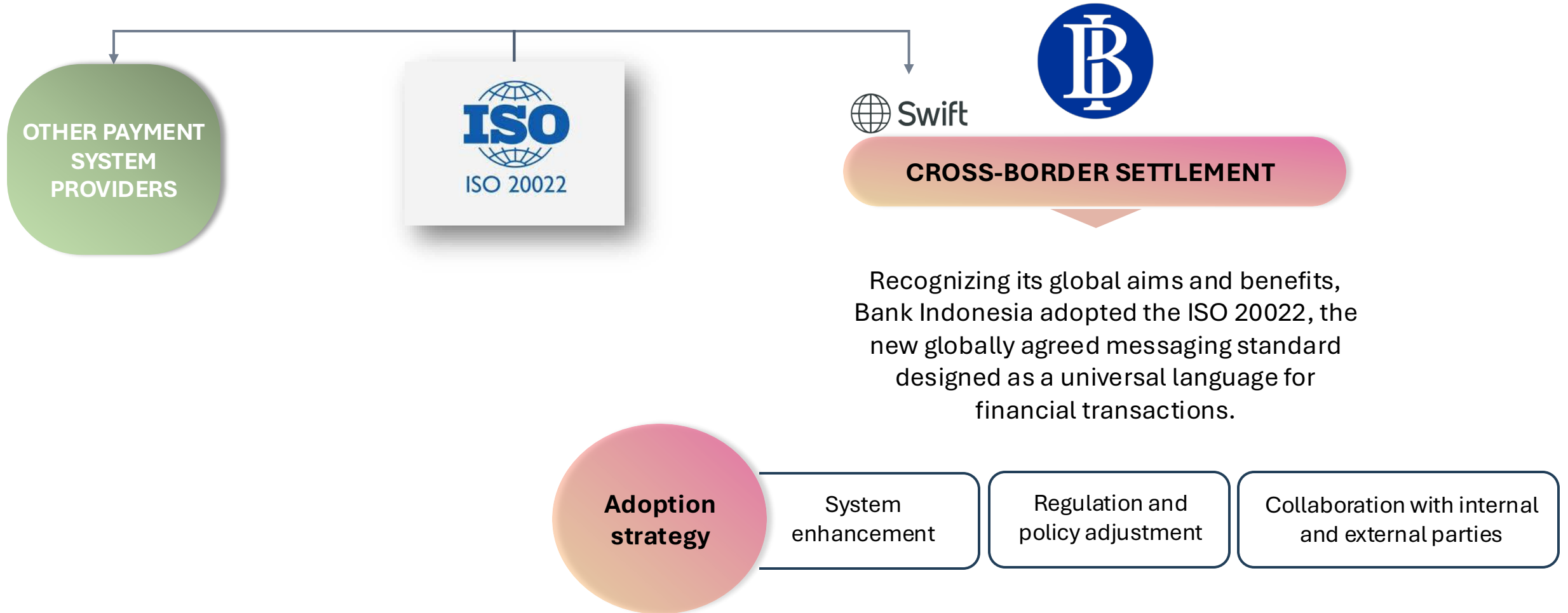
Source: Swift, 2025

Common challenges

- 1. System legacy enhancement:** difficulties in upgrading core systems to support the new message format. The comprehensive nature of the migration requires extensive testing and system preparedness.
- 2. ISO 20022 utilization:** A cultural transformation must accompany operational upgrades to fully leverage the potential of enhanced data architectures

CROSS-BORDER SETTLEMENT: BI'S STRATEGIC POSTURE

BI is currently using Swift infrastructure as the primary system for cross-border settlement



BANK INDONESIA READINESS FOR ISO 20022



PREPARATION

- Internal coordination between related departments
- Knowledge and information sourcing from credible party
- Mapping of critical infrastructure vulnerabilities and compatibility
- Developing implementation roadmaps
- Technical training for users and developers



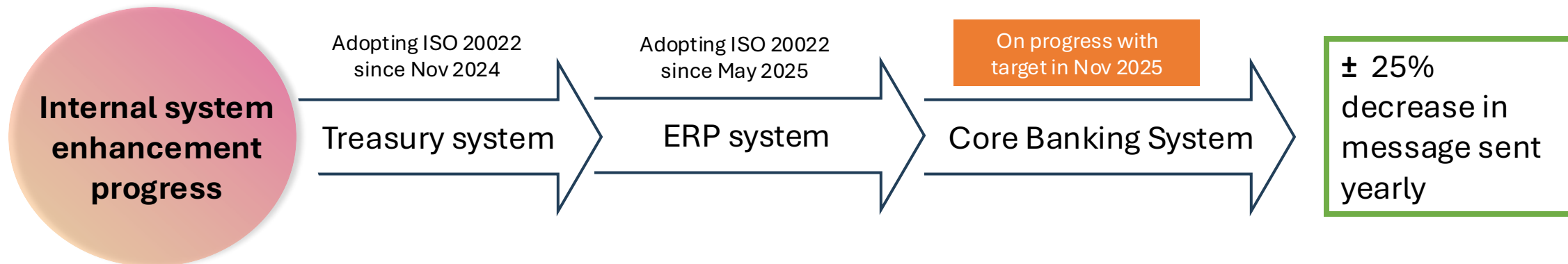
DEVELOPMENT

- Staged development for 3 internal main systems supporting cross-border settlement in BI: core banking system, treasury system, and enterprise resource planning (ERP) system
- System testing: internal test and industrial test with counterparty



IMPLEMENTATION

- Small value transaction post implementation
- The treasury and ERP systems are natively enhanced for ISO 20022 MX format, while the core banking system currently uses a converter with parallel development underway to achieve native MX compatibility by 2027



CHALLENGES

1. **Timeline critical:** Balancing significant investment needs (technology, training) with tight global migration deadlines
2. **Technical complexity:** Identifying affected systems within Bank Indonesia and mapping technical requirements for ISO 20022 compliance
3. **Resource readiness:** Building staff expertise to enhance systems and operate under the new standard.
4. **Change management:** Adjusting internal workflows, SOPs, and monitoring mechanisms to ensure successful implementation
5. **Unique specification:** Some counterparties require unique message specifications that must be supported in messaging exchanges.

STRATEGIC STEPS

1. **Cross-departmental taskforce establishment:** dedicated working groups spanning payment systems, IT, and compliance departments to drive unified execution
2. **Phased migration roadmap:** designed stage-gated implementation roadmaps with clear milestones for legacy system decommissioning and ISO 20022 integration
3. **Capacity building:** knowledge-sharing sessions and technical training leveraging Swift specialists and global financial institution partners.
4. **Rigorous system validation:** end-to-end testing and small-value pilot transactions to validate operational readiness
5. **External coordination:** close coordination with all counterparties through establishing clearly defined messaging requirements

1 Bank Indonesia supports the Government's foreign policy direction by providing aligned central banking services. In this case, BI is committed to delivering robust cross-border payment systems that facilitate government transactions with diverse global counterparts.

2 The ISO 2022 adoption ensures Bank Indonesia's cross-border payment infrastructure to evolve in lockstep with national priorities and global interoperability requirements. Bank Indonesia will continue to explore deeper and broader utilization of the enriched data capabilities offered by ISO 2022 to further upgrade our cross-border payment systems.

3 With ISO 2022 adoption nearing completion, Bank Indonesia is now exploring additional cross-border payment platforms to ensure seamless international transactions.

THANK YOU