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Legal Analysıs Of *Cbdc's Role* As A Dıgıtal Payment Instrument Regulatory System In Indonesıa

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Abstract

Bank Indonesia as the Central Bank in Indonesia has the duty to administer, regulate and maintain the smooth operation of the payment system as stipulated in the Law of the Republic of Indonesia No. 23 of 1999 concerning Bank Indonesia. The Central Bank has the authority to issue and circulate currency as legal tender in a country. Currency is not limited to cash and demand deposits, but also non-cash payment instruments in electronic and card-based forms in line with the rapid digitalization. Digitalization has changed the way humans carry out economic activities. Marked by the existence of crypto assets that are loved by modern society, crypto assets have emerged to grow rapidly at a time when economic growth is declining. In addition, loose monetary and fiscal policies are occurring evenly throughout the world, including Indonesia. Thus, crypto assets have bigger potential to develop financial system inclusion and efficiency, but on the other hand they also have the potential to create new sources of risk that can affect economic, monetary and financial system stability. The development of crypto assets is the background for Central Banks in designing and issuing Central Bank Digital Currency (CBDC) or a digital currency called Digital Rupiah. Bank Indonesia on 30 November 2022 issued a White Paper regarding the design for developing a Digital Rupiah called the Garuda Project.

Keywords: Bank Indonesia, Digitalization, CBDC, Digital Rupiah, Garuda Project.

1. INTRODUCTION

Money and economic activity are an inseparable relationship. In talking about the economic situation, the public often links the circulation of money, the growth of the economy, interest rates, soaring prices (inflation), and others. Thus, the higher the circulation of the amount of money in the community will be a driver of the development of the economy. However, this assumption can be said to be natural because the role and correlation between money and economic activity is modern which often involves money. Moreover, along with the times, the use of money is not limited to the aim of facilitating buying and selling transactions in the goods market, but money also becomes a commercial object that can also be traded in the money market.

The payment system is a system that includes a set of rules, mechanisms, and institutions used for the implementation of activities to move funds, in order to fulfill an obligation that will be born from activities in the economy. Over time, technology that continues to develop has a very significant effect in public life, inseparable from the realm of payment system implementation. The emergence of financial technology (*fintech*) has become one of the big factors in the implementation of the system. An increasing number of individuals are making their choices by using electronic money as a means of transacting rather than using currency as a tool in transactions. This trend can be seen from the rampant increase in the number of electronic money transactions from time to time, which in January 2020 was written with a total of 172.85% (*year on year*).(Hartono, 2020) The development of financial technology has made it easier for individuals in Indonesia to carry out a transaction, whether it is in fund transfer activities, related to buying and selling, to paying bills. From debit or credit card users who are swiped to *EDC* (*Electronic Data Capture*) machines to *e-wallet* users such as Go-Pay, OVO, Dana, and ShopeePay, it has become an alternative choice for financial transactions without the need to carry large amounts of cash when traveling. And also since 2020 after the Covid-19 pandemic which requires contact limitations. Bank Indonesia recorded the value of electronic money transactions reaching IDR 20,700,000,000,000 in January 2021. This number increased by 30.7% compared to the same period in the previous year of Rp 15,900,000,000,000. Not only that, the value of transactions through electronic money reached IDR 29,230,000,000,000 as of October 2021. This number increased by 5.80% compared to the previous month which reached Rp 27,630,000,000,000.

After the emergence of the term *Cryptocurrency which is a Peer-to-Peer* (*P2P*) digital currency that can be programmed and allows online payments to be sent directly from one

party to another through intermediaries, is one of the innovations in financial technology.(David, 2018)

Basically, the central bank is an important role for society in economic development. The only institution authorized to issue and circulate currency as legal tender in a country is the Central Bank, based on Law of the Republic of Indonesia number 23 of 1999 concerning Bank Indonesia. Currency is not limited to currency or giral money, which is a payment instrument used by the public, but also develops in non-cash instruments in the form of *electronic based* and *card based* along with the rapid digitalization.

Digitalization has changed the way humans conduct economic activities. Characterized by the existence of *cryptocurrency* that is being loved by modern society, the emergence of crypto assets is growing fast at a time when economic growth is declining. In addition, loose monetary and fiscal policies have occurred to all parts of the world, including Indonesia. Thus, crypto assets have the potential to develop financial system inclusion and efficiency, but in other parts they also have the potential to present new sources of risk that can affect the stability of the financial, economic, and monetary systems.(Doni P,2022).

The development of crypto assets is behind the central bank in designing and efforts to issue *a Central Bank Digital Currency (CBDC)* or digital currency issued by Bank Indonesia. Previously, Bank Indonesia held a monetary policy meeting on 20-21 July 2022 and announced the issuance of a digital rupiah as an implementation of the *Central Bank Digital Currency*. According to Doni Primanto Joewono, Deputy Governor of Bank Indonesia, the issuance of digital rupiah has great potential to advance capital market development and provide opportunities for various new businesses. Not only that, issuing digital rupiah also helps to overcome the stability risk of crypto relics which has the potential to create new sources of risk.

CBDC is a digital means of payment, but with different technological attributes. *CBDC* adopts the basic technology of *cryptocurrency*, namely *Distributed Ledger Technology (DLT)* or often called *blockchain technology* with special permits. DLT is a type of database that is spread across multiple places or servers and does not require transaction intermediaries. Thus, *CBDC will act as a digital representation of the currency of a country. Just like fiat currencies in general, CBDC wants to be backed by suitable monetary reserves and agreed upon by the country.* On November 30, 2022, Bank Indonesia issued a White Paper on the design of the Digital Rupiah development called the Garuda Project.

1.1 Problem Statement

Based on the background for the research above, the author can formulate several problems as follows :

1. How is the establishment of *Central Bank Digital Currency* as a system that regulates Digital Payment Instruments in Indonesia?
2. What is the role of *Central Bank Digital Currency* as a system that regulates Digital Payment Instruments in Indonesia?

2. RESEARCH METHODS

2.1 Types of Research Approaches

This research uses a type of empirical juridical research that examines the subject matter supported by field studies. This research will be studied methods of approaching legal implications. This approach will answer the problem of existence *CBDC* in Indonesia and how Bank Indonesia designs its conception of legal regulation in terms of applicable laws and regulations.

2.2 Data Source dam type

a. Data Type

The data used in this study is the type of primary data as the main data source. The type of primary data is data obtained by direct researchers, both conducted by interviews and field observations at Bank Indonesia. This research will be supported by secondary types of data, namely data obtained from literature studies which include laws and regulations, various books, other physical and digital literature materials related to various problems to be researched.

b. Data Sources

Data sources used in thesis writing are as follows.

1) Primary Legal Materials, which are legal materials with legally binding force, namely laws and regulations and basic legal rules. The primary legal materials related to this research are "Law No. 23 of 1999 concerning Bank Indonesia, Law of the Republic of Indonesia No. 7 of 2011 concerning Currency, Bank Indonesia Regulation (PBI) No. 20/6/PBI/2018 concerning Electronic Money, PBI No. 18/40/PBI/2016 concerning

Implementation of Payment Transaction Processing, and PBI No. 19/12/PBI/2017 concerning Implementation of Financial Technology .

2) Secondary Legal Material, where literature materials are closely related to primary legal material. It aims to understand and analyze "explanations of primary legal materials, such as books written by scholars from legal circles, doctrines, or opinions of scholars . Secondary legal materials to be used are the Central Bank Law Series Book, Bank Indonesia Report, studies on monetary policy issued by Bank Indonesia and the Ministry of Finance of the Republic of Indonesia, national and international scientific papers, and other literature materials related to this research.

3. Data Collection Techniques

Data collection techniques carried out, as follows:

a. Primary Legal Materials

The technique used in collecting primary legal material in this study is through *interviews*. Interview or interview is a data collection technique through oral questions and answers with respondents conducted by means of indirect interviews .

b. Secondary Legal Material

Secondary legal material is obtained through literature study. Literature studies are carried out through searching library materials, internet searches, and documenting studies of important files from institutions by citing data from existing sources .

4. Data Analysis Techniques

This research will be analyzed using a qualitative approach, where researchers gain an in-depth understanding of the data and phenomena that have been obtained. Thus, this research is based on thinking and understanding of the research topic through literature materials.

The data obtained will be processed through the stages of classification, verification, and analysis to get a comprehensive picture. Furthermore, conclusions are drawn in the form of writing derived from literature studies and field studies, so that descriptive research is obtained .

3. RESULTS OF RESEARCH

Bank Indonesia, the Central Bank of the Unitary State of the Republic of Indonesia, is an institution that has the sole right to issue and circulate payment instruments such as rupiah currency. As the Central Bank, Bank Indonesia's sole objective is to achieve and maintain rupiah stability. This contains two aspects, namely the stability of the currency value for goods and services, and stability for the currencies of other countries. The main aspect looks at the development of the inflation rate, while the second aspect looks at the development of the rupiah exchange rate for other countries' currencies .

This digital era has changed the way humans move in the economy. The digital era and the COVID-19 pandemic "made crypto assets grow rapidly in line with sharply falling economic growth, as well as loose monetary and fiscal policies that have taken place in all parts of the world, including Indonesia . Crypto assets have the potential to develop financial system inclusion and efficiency, but on the other hand also have the potential to pose new sources of risk, including derivatives in the form of DeFi and Metaverse, and trigger a phenomenon known as *cryptoization.* Digital disruption is no longer limited to *the issue of shadow banking,* but has also penetrated the issue *of shadow currency* and even *shadow central banking . This* can affect financial system stability, economic stability, and monetary stability.

To address the risks to stability of crypto assets, a regulatory framework is urgently needed to mitigate. Therefore, the Central Bank is exploring the design and issuance (*CBDC). Central Bank Digital Currency* (CDBC) is digital money that is issued and its circulation is controlled by the central bank, and is used as legal tender to replace fiat money. A CBDC will act as a digital representation of a country's currency. CBDC has fulfilled 3 (three) basic functions of money, namely as a store of *value*, medium of *exchange* and unit *of account.* The implementation of CDBC has an impact on a faster, more effective and more efficient payment system. Central banks can effectively monitor *the money supply*, facilitate transaction tracking and cut banking costs.

As a first step, Bank Indonesia on November 30, 2022, issued a *White Paper* on the development of *Central Bank Digital Currency* (*CBDC).* This *White Paper* is the initial opening of the "Garuda Project" in the form of *high-level* Digital Rupiah design as well as a form of communication to the public regarding plans to develop Digital Rupiah.

In the White Paper it has been explained that, "the configuration of Digital Rupiah design that is integrated from end to end, Digital Rupiah design features for the development

of new business models, Digital Rupiah technology architecture, and also support for regulatory and policy tools for the implementation of Digital Rupiah design".

CBDC is here to be the answer that is future *proof. CBDC* is seen to be a bridge to the basic needs of the community to conduct transactions in an all-digital era related to the duties and functions of the Central Bank to maintain and maintain the ongoing financial system that has been held since hundreds of years ago where the position of the Central Bank is in its pivot. *CBDC* plays a role in complementing the phenomenon of limited money circulation in the present by becoming the main tool used by the Central Bank when implementing what is mandated to it, especially in an age of rapid technological advancement. However, to issue a CBDC *is something that requires considerable effort in doing so, the Central Bank must design* a CBDC with *a* precise size and with difficulty so that its existence does not even have an unfavorable impact on economic conditions. At least, it is a must for the Central Bank to measure the development of its *CBDC* design based on 3 (three) main things, namely its presence does not interfere with the implementation of instructions and directions owned by the Central Bank in the financial and macroprudential domains *("do no harm")* , the ability to operate in harmony and side by side with the various money that is already available and used as a means of payment *today ("coexist"),* and motivates new innovation or efficiency.

From this view, it was then used as a basis by Bank Indonesia in issuing the "Garuda Project" which became the umbrella of Indonesia's *CBDC* design exploration initiative which was later known as the "Digital Rupiah". In its idea, this project is a reflection of Bank Indonesia's needs to:

i. "addressing rapid development of the digital economy and finance (EKD) in its position as the sole authority to issue legal currencies in the Unitary State of the Republic of Indonesia (NKRI) ;
ii. strengthening its role at the international level; and
iii. Accelerate the integration of EKD nationally. Through this project, Bank Indonesia will measure the most accurate Digital Rupiah design in order to be able to carry out its functions as:
    (i) "legal digital payment instruments in the Republic of Indonesia;
    (ii) core instruments for Bank Indonesia in carrying out its mandate in the digital era; and
    (iii) tools to support financial inclusion and innovation and drive end-to-end efficiencies

Digital Rupiah will be issued in 2 (two) types, namely wholesale Digital Rupiah (w-Digital Rupiah) with limited access coverage and only distributed to serve wholesale *transactions, and retail Digital Rupiah (r-Digital Rupiah)* with access coverage that is open to the public and distributed for retail transactions. The Digital Rupiah business model is made in an integrated manner from end to end based on aspects of Integration, Interoperability, and Interconnection (3I) . Therefore, the 3I aspect is implicated both between *wholesale* and retail platforms, between the Digital Rupiah platform and traditional financial market infrastructure, as well as between domestic and foreign platforms in the context of interoperability of transactions between countries .

Digital Rupiah will be created with strong design features and help the development of renewable business models that are inclusive, innovative, and become a driver of efficiency. Digital Rupiah will be equipped with various features that provide certainty for the ability to adapt in the midst of difficult conditions, especially in the field of security or availability, for example *offline functionality,* which also provides certainty regarding the expansion of financial coverage in underdeveloped regions. Digital Rupiah is also added with *programmability features* that help the development of innovation and financial efficiency (for example smart *contracts*). Securities tokenization activities have also been increased in this Digital Rupiah program to open up potential opportunities to explore the money market.

The technology building on the Digital Rupiah platform will contain 3 (three) layers, namely technology platforms, digital assets, and *use cases.* First, the technology platform *layer*, contains various features that provide support for Digital Rupiah including, *smart contracts, identity services, regulatory services,"* the use of cryptography, *application programming interface* (API), and *sandboxing schemes*. Second, the digital asset *layer*, which consists of digital assets under the management of Bank Indonesia, consists of two core digital assets, namely Digital Rupiah and digital *securities*. Third, the use case layer, *contains functions and services that use the benefits of the digital asset* layer . This *layer* contains *use cases* owned by Bank Indonesia or external parties.

Digital Rupiah development will be divided into 3 (three) stages. The first phase *(immediate),* development will begin with w-Digital Rupiah for *use cases of* issuance, destruction, and transfer of funds between parties. In the next stage *(intermediate*), the *w-Digital Rupiah use case will be expanded with* additional use *cases* that support transactions in the financial market. In the final *state, the* concept of *integrated end-to-end w-Digital Rupiah to r-Digital Rupiah* will be piloted. This approach allows the exploration of various Digital Rupiah design alternatives to ensure the most optimal added value .

CENTRAL *BANK DIGITAL CURRENCY INSTRUMENT ISSUED BY BANK INDONESIA*

Issuance and circulation of trusted *money* is a classic function of Central Banks, including Bank Indonesia. The Central Bank is the only authority with the authority to carry out the issuance of *trusted money* which is then referred to as Central Bank Money. In addition to the Central Bank, commercial banks and the non-bank private sector are also issuers of money. Different from private money, Central Bank money has the lowest level of credit risk so it is best able to provide certainty guarantees in the settlement of transactions of its users .

The biggest challenge that the central bank faces in this regard is finding a sustainable solution (*future proof solution*) that can maintain public trust in the Central Bank in carrying out its mandate in the digital era. This solution has three elements: *first*, meeting people's needs for *risk-free* money in digital form; *second*, safeguarding monetary sovereignty; *third,* ensuring the effective implementation of the Central Bank's mandate in maintaining monetary stability, financial system stability, and payment system efficiency and security .

CBDC is here to be a prospective solution that can be the answer to these challenges. *CBDC* is "a new form of Central Bank Money which is an obligation of the Central Bank and also has a denomination equivalent to the official currency and can be used as a medium of exchange, unit of calculation, or store of value".

RUPIAH DIGITAL DESIGN ACCORDING TO BANK INDONESIA

CBDC design plays an important role in making these applications successful. Added value that has the potential to affect economic conditions, the ability to act as a bridge to the implementation of what is mandated for Central Banks in the monetary and macroprudential fields, and the risks that depend on the CBDC design configuration set. The Group of Central Banks in 2021 emphasized 3 (three) fundamental things that central banks must look at when designing CBDC designs, including:

(i) Its presence does not interfere with the implementation of instructions and directives that the Central Bank has in the financial and macroprudential spheres *("do no harm")*;

(ii) The ability to operate in harmony and side by side with the various money that is already available and used as a means of payment *now ("coexist")*; and

(iii) Motivate new innovation or efficiency *(Promotion of innovation and efficiency).*

In this situation, Digital Rupiah design is faced with three main problems, namely:

1. The issue of *CBDC architecture choice*.

The Central Bank will face a choice between *wholesale* CBDC (w-CBDC) or retail CBDC (r-CBDC). W-CBDCs are usually more well-known in developed countries whose financial markets are deep and financial inclusion rates are already high. In contrast, r-CBDCs "usually well-known in developing countries whose financial markets are underdeveloped and whose levels of financial inclusion are still relatively low. While it guarantees universal direct access to *trusted money,* the development of r-CBDCs is usually more complicated than w-CBDCs. In addition, the Central Bank will also face the issue of development options that encourage interoperability of transactions between countries.

2. The issue of *CBDC*'s contribution to financial inclusion.

If designed with precision, CBDCs, *especially r-CBDCs, will be able to provide a boost to financial coverage, for example through* offline functionality features and by utilizing granular data. However, this coverage is essentially a task for all levels of society that must be pursued immediately. Its realization does not have to wait or depend entirely on the *issuance of a* CBDC. In Indonesia, for example, financial coverage at this time has been running with digitalization systems and payment services by getting support through the Indonesian Payment System Blueprint (BSPI) 2025, for example QRIS, SNAP, and BI-FAST. *CBDC* in this framework will act as a complement to the various initiatives that are already operating.

3. The issue of granting aspects of integration, interoperability, and interconnection (3i) *of CBDC* with financial market facilities, also includes the context of payments between countries

In order to meet efficient and integrated solutions, *CBDC* platforms must be able to coexist with other financial market facilities and tools that have previously been available. In addition, 3i capabilities *in CBDC* must also be included in the context of cross-border transactions through the use of technology and simplification of distribution channels to reduce high transaction costs, speed up slow transaction processes, limited access, and unopen transactions".

ROADMAP AND SYNERGY OF DIGITAL RUPIAH DEVELOPMENT ACCORDING TO BANK INDONESIA

Digital Rupiah development is divided into 3 (three) stages sorted according to four *feasibility criteria,* namely relevance, urgent, readiness, and *impact*. The sequence can start from public consultation *(consultative paper* and focus group discussion*), technology experiments* (proof of concept, prototyping, *and piloting/sandboxing),* and end with a review of the *policy* stance

In the first phase *(immediate),* Digital Rupiah will be developed with w-Digital Rupiah initially for *use cases* in issuing, destroying, and transferring funds between parties. *use case* is seen as the most *feasible choice* for the early stages of Digital Rupiah development. *This use case* is a relatively simpler *use case* because it covers a limited ecosystem, lower transaction complexity, and minimal system renewal needs This stage becomes the main foundation for carrying out the development of *later use cases*.

The use case of issuance and destruction is the conversion process between current accounts at the central bank and w-Digital Rupiah. To support this *use case,* the w-Digital Rupiah platform will be integrated, interoperability, and interconnected (3i) with the BI-RTGS infrastructure that is currently running through a converter. Meanwhile, the process of validation and settlement *of use case* transactions for fund transfers between parties will be carried out on the w-Digital Rupiah platform and limited to Digital Rupiah. At this stage, the industry can operate *nodes* independently with the infrastructure provided by Bank Indonesia .

In the next stage *(intermediate),* various *w-Digital Rupiah use cases developed in the first phase will be expanded with* additional use cases *that support transactions in the financial market. These use cases* include DvP for the Interbank Money Market (PUAB) and OM, and CCP fund settlement. At this stage, tokenization of securities began to be developed in the w-Digital Rupiah platform. Industries that perform *wholesaler functions* need to start setting up *their own nodes* according to their transactional needs

DvP transaction use cases include digital assets including *cash tokens*, namely w-Digital Rupiah and *securities tokens*, namely *digital securities*. In the process of issuing *digital securities*, securities accounts in the BI-SSSS facility are involved, just like the process of issuing w-Digital Rupiah which also involves current accounts in the BI-RTGS infrastructure. Digital *securities* and w-Digital Rupiah that have been integrated on the platform are able to make processing carried out in settlements shorter.

In this *intermediate* stage, connection to CCP will also be tested. Settlement proceeds from clearing of interest rate derivative transactions and standardized exchange rates (for example, *domestic non deliverable forward* (DNDF) transactions transacted *through the trading platform* will be carried out through the w-Digital Rupiah platform. To maximize the role of CCP, CCP will be transferred to become a participant on the w-Digital Rupiah platform. With *this use case*, the w-Digital Rupiah platform will be connected 3i with BI-APS (formerly BI-ETP), BI-RTGS, and BI-SSSS seamlessly .

In the final *state, the* concept of *integrated end-to-end w-Digital Rupiah to r-Digital Rupiah* will go through a trial process. At this stage, Bank Indonesia will also develop *use cases* for circulation and reunification as well as *peer-to-peer transfers* on the r-Digital Rupiah. One of the key *use cases* that will go through the trial process at this stage is the conversion process between w-Digital Rupiah and r-Digital Rupiah which also reflects the communication between the *wholesale* market and the retail market.

In its development, *peer-to-peer transfers use case* testing also includes the r-Digital Rupiah transfer process to meet the needs of payment for goods and services and public fund transfers. Industries that have a role as *wholesalers* must develop distribution mechanisms to end users and prepare 3i standards as determined by Bank Indonesia. *The use case* of w-Digital Rupiah at the *end-state stage* will be expanded with the issuance of *non-Bank Indonesia digital securities as digital assets in OM and money markets for* "

The fulfillment of the 3i aspect in the Digital Rupiah architecture in this section includes 3 (three) experimental magnitudes. First, the interconnection of the w-Digital Rupiah platform with the r-Digital Rupiah. Second, interconnection of w-Digital Rupiah and r-Digital Rupiah platforms with all other financial market infrastructures without using converters. Third, the development of *DLT* gateways

4. DISCUSSION

Bank Indonesia launched the Garuda Project which will be an umbrella design exploration of Indonesia's Central Banking Digital Currency or Digital Rupiah. The Garuda project complements Bank Indonesia's initiatives in driving the national digital transformation agenda. According to Ms. Filianingsih Hendarta as Assistant Governor and also Head of Payment System Policy Department of Bank Indonesia, Digital Rupiah is the same as rupiah currency only in digital format and is issued by Bank Indonesia and is an obligation from Bank Indonesia to its holders. According to him, the future plan of digital rupiah will be issued in two types, namely Digital Rupiah Wholesale (W-CBDC) and Digital

Rupiah Retail (R-CBDC). The difference between them is that W-CBDC is very limited in scope and only distributed to serve large value transactions and R-CBDC is open to the public and distributed for retail / unit transactions . The difference between Digital Rupiah and Commercial Money such as Electronic Money that we currently know is the position of Digital Rupiah, which is rupiah money issued by the Central Bank, therefore Digital Rupiah has risk-free characteristics and can be accessed directly by the public safely and this also creates public trust (*Public Confident*).

After the existence of Digital Rupiah, Kartal Money will not disappear because this Digital Rupiah will appear to be a complement to various money in the public which includes physical currency, so it will *co-exist* so that people will have diverse options in the digital era. For example, people want to use Digital Rupiah or still want to use physical currency according to their respective needs. This Rupiah Digital Money will also continue to *co-exist* with ongoing and future infrastructure, including infrastructure to be developed in the Indonesian payment system blueprint 2025 and the inland blueprint or money market advancement 2025. In essence, the digital rupiah platform is designed so that it is connected to the financial market payment system infrastructure, so this can create *co-existence* between the Digital Rupiah and various kinds of money that already exist in Indonesia.

Bank Indonesia develops Digital Currency with three main factors, namely First, due to the mandate of the Law that Bank Indonesia is the only institution authorized to issue currency in Indonesia so it is not a private party or we know as *Shadow Currency*; Second, because Bank Indonesia serves the needs of the public, it must transform to see what the community needs in the digital era so that it is a *Public Policy Objective* which must continue to transform in the classic function of money circulation so that in order to face the development of an increasingly decentralized digital financial economy; Third, Bank Indonesia is also preparing cross-border payment infrastructure to face national trade and finance in the digital era . Therefore, starting from this, the Digital Rupiah configuration was built by Bank Indonesia with the aim of being a legal digital payment instrument in the Unitary State of the Republic of Indonesia, namely *sovereign digital public goods*, as a supporter of the implementation of Bank Indonesia's duties in the financial and macroprudential and payment sectors, and as a support in developing the financial system and integrating Digital Financial Innovation as a whole at the national level With the hope of being able to strengthen end-to-end innovation inclusion and also increase efficiency. So what is expected is that this Digital Rupiah can support the fulfillment of its function, namely

being an instrument in exchanging, storing its value, and itung units and of course as a monetary anchor for other digital money in the Unitary State of the Republic of Indonesia.

The added value of the Digital Rupiah is that Bank Indonesia creates certainty, meaning that the continuity of public services to the public in this digital era has so that Bank Indonesia has expanded the payment instrument system to provide guarantees to the public to be able to transact both in current conditions in the digital era and in the future. Bank Indonesia as a public institution carries out its mandate in accordance with the law and responds to the needs of the public where the Digital Rupiah can patch or *fill in The Gap* for *existing* money that has obstacles to use in the digital era, therefore this is the answer from Bank Indonesia in bringing up the form of a digital Rupiah currency easily, quickly, cheap, reliable and secure, just like our payment system. Bank Indonesia will continue to develop with features, risk-free and this will be an instrument of Bank Indonesia.

5. CONCLUSION

1. The establishment of a Central Bank Digital Currency (CBDC) in Indonesia can be carried out by Bank Indonesia based on the authority possessed by Bank Indonesia based on the provisions of Article 15 paragraph (1) letter c of Law of the Republic of Indonesia Number 23 of 1999 concerning Bank Indonesia and its amendments. Central Bank Digital Currency (CBDC) is "a new form of Central Bank money which is also the obligation of the central bank to have the same denomination as the official currency and can be used as a medium of exchange for units of calculation or storage of finished value between and" The currency we use now is of the same value can be used for the same activity as well, only the form is different and the Indonesian CBDC is the Digital Rupiah currency.
2. Central Bank Digital Currency (CBDC) is "a currency created by the Central Bank in digital form, in essence CBDC is a response to the presence of private digital currency that is developing today. This is in line with the National Non-Cash Movement (GNNT) launched by Bank Indonesia and in accordance with Bank Indonesia's vision to become the leading Digital Central Bank that contributes significantly to the national economy and the best among emerging markets for developed Indonesia. The technology owned by private digital currency is not a threat but rather a solution for the "realization of a cashless society." Digital Rupiah is divided into two, namely Digital Rupiah Wholesale (w-Digital Rupiah which is used on a limited basis by parties appointed by Bank Indonesia, then only certain entities and not for the public) and Digital Rupiah Retail

(r-Digital Rupiah) access is open to the public and distributed for retail transactions, so for the Indonesian citizen community will use the r- Digital Rupiah.

5.1 **Sug*gestıon***

1. the author suggests a firm regulation of Digital Currency at the level of implementing regulations so as to strengthen the use of Digital Rupiah currency as "legal tender in Indonesia, among others, to facilitate the choice of safe, fast, and efficient technology-based payment instruments to meet public needs, and support the implementation of monetary policy, financial system stability, and payment system by provide efficiency of transactions and their distribution". In addition, studyoptimally".
2. The authors suggest strict control of digital money circulation by competent authorities such as Bank Indonesia and the Financial Services Authority to anticipate risks that can occur from the implementation of CBDC in Indonesia such as "security risks that can occur when storing all forms of wealth electronically. Especially when this CBDC is used to patch physical currencies that are usually held by individuals so that the benefits that can be obtained from the implementation of CBDC in Indonesia are a "manifestation" of State sovereignty in facing threats to currency sovereignty with the presence of private digital currency and various payment alternatives made by private and foreign parties as well as the efficiency of printing banknotes and coins because digital money is an alternative payment to payment instruments that already exist .

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