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Fast facts

Date
Tuesday 11 May 2010

Delegates
259

Speakers
20

SWIFT Partners
– BCSIS
– CMA
– Decillion Group
– Orange Business Services
– SafeNet
– SmartStream
– Vensys

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Building a better financial infrastructure in Asia



“We are looking forward to continuing to work with you as an infrastructure that supports Indonesia’s development, growth and stability.”

More than 250 delegates from the SWIFT community in Indonesia came together at the first-ever SWIFT Business Forum – Jakarta where we discussed how SWIFT would support the Indonesian financial industry’s vision and ambitions to play a leading role in ASEAN countries.

Efficiency of domestic payments and securities market infrastructures, standardisation and technology were broadly discussed with guest speakers who shared the latest developments and market insights that led interesting discussions around supporting Jakarta as a leading regional financial centre.

We are confident that this SWIFT Business Forum has encouraged and advanced critical dialogue and common action.

We are looking forward to continuing to work with you as an infrastructure that supports Indonesia’s development, growth and stability.

Franck de Praetere,
Head of Southeast Asia, SWIFT



Ⓐ Budi Mulya, Deputy Governor, Bank Indonesia

Opening keynote – Building a better financial infrastructure in Asia

Budi Mulya, Deputy Governor, Bank Indonesia

Deputy Governor **Budi Mulya** reflected on the importance of building a better financial infrastructure in Asia, a topic he deemed to be “increasingly crucial for the economic development” of the region. He focused his remarks on the integration of the economy and the financial markets of ASEAN member countries that will support the implementation of the ASEAN Economic Community by 2015.

Mr Mulya stated that harmonised, standardised and interoperable market infrastructures are “fundamental requirements” to facilitate the intra-ASEAN cross border transactions that will increase between the different countries in ASEAN as the region transforms into one where movement of goods, services, investment, skilled labour and capital is simpler and freer.

“Since SWIFT is used initially by banks and other financial institutions around the world for messaging transfers of cross-border payments and securities to correspondent abroad, the use of such an open

worldwide communication network ... will make the participants of the involved countries gain efficiency,” he said.

Mr Mulya added that it was also important to learn from the recent financial turmoil. “It is important to have standardised financial market transaction, to adopt a more convergent accounting standards and to increase transparency.”

SWIFT welcome

Ian Johnston, Chief Executive, Asia Pacific, SWIFT

Ian Johnston explained how the Business Forum in Jakarta, the third of a series of ten across the Asia Pacific region, was a great opportunity to share information about best practices in the industry and agree on the best way to collaborate – particularly in the non-competitive space – to meet the demands of the Indonesian financial sector. “At the top of your mind today should be to see how we can all work together so Indonesia can become a force in financial services both in ASEAN and beyond,” he said.

Mr Johnston shared SWIFT’s vision in Asia Pacific to “become the infrastructure that supports Asia’s development, growth and



Ⓐ Ian Johnston, Chief Executive, Asia Pacific, SWIFT



stability” and recognised Indonesia’s strengths as the largest economy in South East Asia and as an important emerging market, experiencing significant growth. He acknowledged the development of the nation’s financial system development, its remarkable performance during and after the crisis and offered SWIFT as the ideal partner for Indonesia to build a strong financial infrastructure starting with the implementation of the new RTGS.

“You own us: it makes sense to use what you own,” he said before mentioning how SWIFT was already providing the standards and messaging platform for eight RTGS systems in the region. Mr Johnston added that SWIFT was also helping build regional financial hubs in Shanghai, Mumbai and explained that in Indonesia SWIFT is working with KSEI, the local CSD.

Mr Johnston then took a look at the shifting of dynamics from the West to the East. “Even before the crisis we were talking about a shift in power, and today we think that has become reality.” He pointed to the increase in intra-Asian business and trade which has helped drive Asia’s recovery.

Mr Johnston concluded by stressing the need to continue to collaborate.

Building a better financial infrastructure – Roadmap for the next generation of payments systems in Indonesia

Ronald Waas, Director, Directorate of Accounting and Payment System, Bank Indonesia

Gunadi Sadikin, Director, Bank Mandiri and Member of the SWIFT Asia Pacific Advisory Group

Ian Johnston, Chief Executive Officer, Asia Pacific, SWIFT

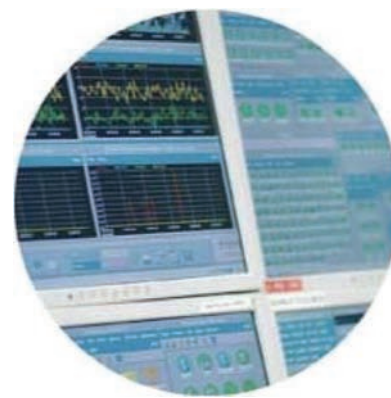
Moderator: **Franck de Praetere**

Ronald Waas gave a high level description of the current payments and settlement systems in Indonesia and explained how Bank Indonesia has been tackling the challenges it is facing to meet its objectives to set up a payment system that is efficient, robust and provides good protection for consumers.

Mr Waas recognised the need to improve micro and retail payments in Indonesia by having industrial standards that enable more efficient operations and processing. He also addressed the issue of cross-border communication. “We need a system that allows us to communicate easily with counterparts in other parts of the world,” he said.



- Ⓜ Ronald Waas, Director, Directorate of Accounting and Payment System, Bank Indonesia
- Ⓜ Moderator: Franck de Praetere, SWIFT
- Ⓜ Gunadi Sadikin, Director, Bank Mandiri and Member of the SWIFT Asia Pacific Advisory Group





259 delegates attended the first SWIFT Business Forum in Jakarta

He then went on to explain what Bank Indonesia has achieved so far with regards to policies, stressing how recent fraud with ATMs and debit card had accelerated the need to standardise operations for retail payment with a strong focus on security features.

Mr Waas also stressed the differences in advancement within ASEAN, with countries like Myanmar, Brunei, Laos, Cambodia and Vietnam being slightly behind the countries known as the ASEAN Five (Thailand, Malaysia, Singapore, Indonesia and the Philippines). “But we cannot slow down, as the business need for payment systems is increasing,” he said.

“We are now reshaping our infrastructures for payments as well as for trading, clearing and settlement of securities through the use of common and open standards and platforms,” he concluded.

Budi Gunadi Sadikin said the nation-wide payment system needs sufficient infrastructure. So far only a few of such transactions from and to Indonesia are recorded, he o.

Mr Sadikin reflected on the importance of an efficient payment system in his presentation. He started by saying that he is witnessing a significant increase of transactions and volumes on the capital market, especially in

the equity market, where a lot of major transaction are happening at the moment. Also increasing is the trading market, and on the retail side there is a steady double digit growth.

“And millions of transactions are not recorded,” he pointed out. “Only maybe 25 or 30 percent of the remittances sent out by the two millions Indonesians working abroad are recorded by the formal banking systems and the central bank systems,” he said. He also mentioned the unrecorded transactions happening between textile traders in Indonesia and China. “Volumes are tremendous,” he said.

Mr Sadikin then mentioned the impressive adoption of mobile banking: “Last February for the first time the number of transactions using mobile banking and SMS exceeded that of transactions taking places in our branches,” he said. Internet banking represents now 80% of the volume of transactions made at ATMs at Bank Mandiri. Customers, corporates and individuals are embracing the new electronic platforms. “Banks need to keep investing in technology to catch up with new customer demands and preferences,” he said. “We are planning to spend USD 55 million on technology in 2010 at Bank Mandiri.”



Commenting about the increasing cost of technology, Mr Sadikin recommended engaging in shared initiatives that will allow industry players to share resources and cost. The issue of fraud mentioned earlier by Mr Waas was also picked up by Mr Sadikin. “The infrastructure on the retail side is not as well built as the one on the wholesale side,” he remarked. “We have to make sure that our payment system is secure and well managed and that risk is mitigated.”

Mr Sadikin concluded his presentation pushing for better cost-effectiveness and revised cost structure, both from SWIFT and KSEI so that the industry can stay competitive when volumes are growing so fast. It also stressed that payment system had to be failure-proof and the need to have two payment systems as it is the case in the US or in Europe.

Mr Johnston kicked off the panel discussion by highlighting the significant growth and challenges that are happening in Indonesia at the moment. “Building redundancy in the system, as mentioned earlier by Mr Sadikin, is very important and we take this very seriously at SWIFT,” he said.

Asked about the economic future of Indonesia, Mr Waas said that he saw “bright days ahead,” as political stability is inviting foreign investment to the country. Mr Sadikin agreed:

“Indonesia is today the third-largest democracy in the world and that gives us the political stability that is the most important thing to sustain our growth.” He then stressed that the country’s well-managed finances should prompt a review of Indonesia’s rating. He concluded by pointing out that because Indonesia is a very domestic-oriented economy, it was less affected by the international turmoil and that today it was a great advantage for achieving sustainable economic growth.

With regard to questions about ASEAN integration Mr Waas mentioned how the private sector will be more involved and should play a more important role. Mr Sadikin acknowledged the differences of pace between regulators and the private sector. “Indonesia should improve its cooperation between the private and the public sector,” said Mr Sadikin. He also stressed the importance for the actors involved in this integration to be on the same level of development to make it sustainable.

With its significant footprint in market harmonisation in Europe, SWIFT can bring knowledge and expertise that will help the region’s financial integration, even though the situation is very different. “We can bring our experience of how it was done in Europe, not what has to be done,” said Mr Johnston.



7 partners exhibited in the Solution Zone





▲ Stella Lim, Country Manager, Indonesia, SWIFT

Introduction to SWIFT

Stella Lim, Country Manager, Indonesia, SWIFT

Elizabeth Kusuma, Senior Regional Education Specialist, SWIFT

Stella Lim provided delegates with the basics of SWIFT: its governance, systems, the possibilities of the SWIFNet platform, and the value of SWIFT solutions across markets. She also shared traffic data for the South East Asia region that showed the tremendous growth of 30.3% that Indonesia has been experiencing in the first quarter of 2010.

Elizabeth Kusuma then went on to explain (in Bahasa) SWIFT Standards and the key components that make up payments and securities clearing systems. She also described the SWIFT Support and Training Services that can be found online at www.swift.com/training.



▲ Elizabeth Kusuma, Senior Regional Education Specialist, SWIFT

Securities trends and opportunities – What would work best for Indonesia?

Ching Liran, Senior Manager, Securities Markets, South East Asia, SWIFT

Alec Syafruddin, Vice President, Research & Business Development Division, KSEI

Ching Liran shared the latest securities traffic in Asia Pacific and highlighted the triple digit growth of Indonesia (+111%) year to date, the second-fastest growth rate in the region, right behind China. Globally, Indonesia ranked 32nd in the first quarter of 2010 in securities traffic volume. “There’s still a lot of room for automation,” she said. “Using SWIFT will eliminate all the manual traffic jams in your processes.”

Ms Liran then explained how countries that send their traffic on SWIFT benefit from a secure, resilient and reliable system, lower cost of processing, and global standards while reducing errors and cost of human mistakes. She also stressed how SWIFT consults its community to know what it should focus on and she revealed that the outcome of the recent 2015 consultation will result in SWIFT extending reach to unconnected institutions, encouraging the



establishment of Market Practice Group to standardise the use of messages and identifying manual processes that could be move onto SWIFT. SWIFT will also support MT-MX coexistence, she said.

Ms Liran went on to look at trends in funds and the adoption of ISO 20022, the expansion of cross border usage especially in Taiwan, Singapore and Hong Kong, and the appearance of funds hub in Hong Kong – and soon in Taiwan and Korea. She highlighted that Indonesia’s mutual funds industry was expected to grow by 20 percent this year. “It’s an exciting space to watch,” she concluded.

Alec Syafruddin presented KSEI’s services as well as its strategic initiatives and explained how it works with SWIFT. Their STP initiative, one of three that aim to support the development of market infrastructure, was started to integrate the capital market infrastructures and systems for scripless trading and reduce manual processes. This also reduced risk, operating and financing costs while it increased matching and settlement rates and allowed KSEI to leverage the benefits of industry standards messaging.

“STP infrastructure is needed by participants for better client administration and to support automated post trade processing mechanism,” he said. Mr Syafruddin also raised the need to attract local investors to the capital market (only two percent of Indonesian citizens are currently registered).

He explained that KSEI chose SWIFT to support its STP infrastructure because of its reach – over 9,000 institutions are connected to SWIFT – its standards, and because SWIFTNet is a highly secure and resilient platform. “We are now in the final stages of the development of corporate actions event notifications with SWIFT,” he added. Next, KSEI will look at SWIFT for securities settlement instructions and will ready to work with the new RTGS system to be implemented by Bank Indonesia.

Also, KSEI is exploring several initiatives with SWIFT to take full advantage of being on SWIFT, including a communication hub to reach out to local participants not connected to SWIFT, a Standardised Client Cash Administration system, and a centralised cash settlement system via Bank Indonesia.



- ▲ Alec Syafruddin, Vice President, Research & Business Development Division, KSEI
- ▲ Ching Liran, Senior Manager, Securities Markets, South East Asia, SWIFT





A Aribowo, Head of Bureau, Payment System Policy and Development Bureau, Bank Indonesia

The promises of cross-border and domestic payment infrastructures

Aribowo, Head of Bureau, Payment System Policy and Development Bureau, Bank Indonesia

Andrew Lai, Head, Payment Market Infrastructures, Asia Pacific, SWIFT

Andrew Lai gave an overview of the SWIFT offering for high and low value payment. Today, more than 80 countries rely on SWIFT for their high value payment market infrastructures to ensure best-practice interoperability at domestic and international levels, while there are close to 20 systems live and a number under implementation on the low value side. "Today you're using SWIFT mainly for cross border communication with your corresponding banks. Tomorrow, when Bank Indonesia migrates to SWIFTNet, you'll be able to reuse your current connectivity to SWIFT, using the same FIN messaging standards to access its new RTGS system," he told the audience.

Mr Lai reiterated the benefits of using SWIFT: highly secure and reliable, resilient, a follow-the-sun support service, the ability for

participants to reuse their existing infrastructure and standards and a proven track record.

Aribowo explained how Bank Indonesia is readying for the Asian Economic Community by 2015 and how interoperability across borders was a key requirement. He talked about how the use of common and open standards and platforms, coupled with highly-available, secure and resilient messaging services for domestic and cross border high value payments and securities transactions, would help increase the operational efficiency of Indonesia's financial infrastructures.

Insights into SWIFT markets

Andre Boico, Director, Pricing & Competition, SWIFT

Andre Boico started his presentation by stating that two elements drive the traffic growth of a country: its GDP and its trade balance. He also mentioned that while it took two and a half years for Asia to recover from the 1997 financial crisis, it only took nine months for the traffic to pick up in Asia since post-Lehman crisis.

Mr Boico then showed delegates how SWIFT communities across Asia and Indonesia in particular are performing. With a remarkable



A Andrew Lai, Head, Payment Market Infrastructures, Asia Pacific, SWIFT



A Andre Boico, Director, Pricing & Competition, SWIFT



30 percent growth since last year, Indonesia's growth is pulled by an impressive 111.4 percent increase in securities and 30.5 percent in trade. Payments are up 10.9 percent and treasury 20.7 percent.

Currently Indonesia is the 38th country in the world in terms of SWIFT traffic and the 11th in the Asia Pacific region. Mr. Boico predicted that if the current trend growth continues the country could move further up the list and pull ahead of Malaysia and Thailand.

Mr Boico went on to explain SWIFT's pricing, which is designed to maximise and reward usage as well as to be "fair to all users, transparent and economically sustainable." He also let delegates know about the continuous messaging price reduction that have taken place over the years, including the 49% decrease in FIN prices achieved between 2005 and 2009.

Corporate Actions

Elizabeth Kusuma, Senior Regional Education Specialist, SWIFT

Elizabeth Kusuma updated participants on the standards release 2010 and its impact on corporate action messages. "We have many big changes to get rid

of: redundancies in the format, the DvE issue, prepare the transition to MX and to adapt to the business needs of users in certain markets," explained Ms Kusuma. More information about DvE can be found on smgp.webexone.com. Generic information about Standards can be found on SWIFT's website at www.swift.com/solutions/standards/.

Securities – Asian funds panel discussion

Anand Rengarajan, Head of Business Strategy & Planning, Domestic Custody Services Asia, Deutsche Bank Singapore

Abiprayadi Riyanto, President Director of PT Mandiri Manajemen Investasi and Chairman of APRDI Asosiasi Pengelola Reksa Dana Indonesia (Indonesia Mutual Fund Association)

Imelda Sebayang, Sales Head, Investors & Intermediaries, Standard Chartered Bank Indonesia

Trisnadi Yulrisman, Director of Board, KSEI

Moderator: **Patrick de Courcy**, Head, Markets & Solutions, Asia Pacific, SWIFT



- ▲ Abiprayadi Riyanto, President Director of PT Mandiri Manajemen Investasi and Chairman of APRDI Asosiasi Pengelola Reksa Dana Indonesia (Indonesia Mutual Fund Association)
- ▲ Imelda Sebayang, Sales Head, Investors & Intermediaries, Standard Chartered Bank Indonesia
- ▲ Anand Rengarajan, Head of Business Strategy & Planning, Domestic Custody Services Asia, Deutsche Bank Singapore
- ▲ Trisnadi Yulrisman, Director of Board, KSEI





Ⓐ Patrick de Courcy, Head, Market & Solutions, Asia Pacific, SWIFT

Patrick de Courcy set the tone for the discussion sharing statistics from the Luxembourg funds houses. “Thirty-five percent of the orders that the Luxembourg houses get come from Asia Pacific,” he said. Numbers showed that with regard to automation rates, the region is lagging behind Europe and the Americas. “But the growth in automation is rapid in the region with initiatives around ISO 20022 in Hong Kong, Taiwan and Singapore,” said Mr de Courcy.

“Mutual funds are rapidly growing in Indonesia but they are still small, around USD 13 billion, which is about two percent of the country’s GDP, compared to 16 percent for Malaysia,” said **Abiprayadi Riyanto**. “The opportunity to grow is still huge.” And the pace has been rapid: funds under management have doubled for two consecutive years, he reported. However, the number of investors is still relatively low. “We need to educate Indonesians about investment opportunities especially on the capital market,” said **Anand Rengarajan**.

“Indonesia has come out very well of the post-financial crisis that shows the strengths of our core: GDP growth prediction around 6.5 percent, natural resources, stability of interest rates, inflation is under

control,” said **Trisnadi Yulrisman**. He also noted that the country’s economy was consumer-led rather than export-led.

Imelda Sebayang remarked that the availability of cross borders standards developed with regulators would definitely increase the issue of funds and global funds. She believed that such infrastructures, coupled with more lenient rules from regulators, will encourage the growth of the local funds market.

Panellists agreed that the strength of the domestic market prevented funds manager from looking outside: even though outward flow is restricted to 15 percent, many have not optimised even that 15 percent. They also agreed that as far as the inflows are concerned, there are good opportunities for growth because the market has not been yet tapped.

The panellists also said that for the growth rate of the industry to continue, the Indonesian financial sector needs to be better equipped to cope with regard to STP, automation and dealing with operational inefficiencies. “We have to get to this stage,” said Mr Rengarajan. “The only way to do this is to move to better forms of administration using the internet



for investors to do transactions.” All recognised the need to create a standard format amongst the players.

“We need to make the process more efficient for the players,” said Mr Yulrisman. A project started to that effect in 2005 was abandoned two years later for lack of a trading platform amongst other reasons. Panellists agreed that regulators should be involved for such projects to succeed.

Mr Rengarajan and Ms Sebayang said that a hub would facilitate domestic investment, increase monitoring level and make it easier for both funds managers and regulators.

Payments

Andrew Lai, Head, Payment Market Infrastructures, SWIFT

Olivier Denis, Product Manager, Workers’ Remittances, SWIFT

Payment Market Infrastructures

In his information session on Payment Market Infrastructures, **Andrew Lai** showed how a well-designed, integrated and robust

RTGS is paramount to ensure the smooth and efficient operations of domestic high value payments. “Today eight countries rely on SWIFT for their high value market infrastructures in Asia Pacific alone,” he said.

Workers’ remittances

During the focus session on workers’ remittances, **Olivier Denis**, SWIFT presented an overview of SWIFT’s solution for cross-border, person-to-person payments. Contrary to widespread belief, consumers of remittances are not all poor and unbanked, he said. User profiles range from white collar workers to rural poor. The remittances business is important for banks because it gives them the opportunity to provide more services to existing clients and win new ones, he said. Also, channelling more funds through formal financial institutions can make more capital available in receiving countries.



▲ Olivier Denis, Product Manager, Workers’ Remittances, SWIFT





A Patrick Yeh, Head, Sales Services, Asia Pacific, SWIFT

Business

Patrick de Courcy, Head, Market & Solutions, Asia Pacific, SWIFT

Alex Lee, Head, Payment Solutions, Asia Pacific, SWIFT

The business stream provided delegates the opportunity to discover some of SWIFT's solutions in more depth and showed the advantages of implementing them in their organisations.

The financial crisis has been a harsh reminder of how critical it is, when liquidity is scarce, for corporate treasurers to know where their cash is, and to be able to mobilise it, said Patrick de Courcy, who then explained how SWIFT for corporates provides banks with a solution that gives their corporate customers them the global visibility they want. "Close to 600 hundred corporate entities have joined the programme, of which 11 percent are in Asia Pacific," he said. **Alex Lee** then explained the process for banks to be operationally ready to offer SWIFT for corporates and how to prepare for its roll out. For more information, please refer to www.swift.com/corporates.

Mr de Courcy also provided delegates with an update on SWIFT's initiatives in the trade and supply

chain spaces. "These initiatives are designed to create value for customers," he said. "Trade for corporates, for instance, responds to corporates' requests for a multibank solution while it allows banks to standardise their exchange of trade data with their corporates."

Mr Lee highlighted SWIFT's solutions for Exceptions & Investigations, which addresses a recognised pain point for the industry. "Financial institutions spend 50 times more time to deal with exceptions and investigations than to process payments," he said. SWIFT for E&I has already been adopted by 84 institutions worldwide.

Technology stream: Alliance portfolio and Consulting Services

Patrick Yeh, Head, Sales Services, Asia Pacific, SWIFT

Anand Bindumadhavan, Project Manager, Sales Services, Asia Pacific, SWIFT

The Technology stream gave delegates the opportunity to discover SWIFT technology and discuss the advantages of implementing them in their organisations and day-to-day financial operations.



A Alex Lee, Head, Payment Solutions, Asia Pacific, SWIFT



Anand Bindumadhavan showcased Alliance Integrator, which allows financial institutions to smoothly integrate SWIFT with their business applications. “Projects take as little as 30% of the time compared to one-off implementations,” he stressed, “and the benefits are numerous: resulting flows are fully automated, current business applications are leveraged, risk is reduced, and maintenance costs are reduced.

“With Integrator, changes required to implement the next generation RTGS will be minimal,” said Mr Bindumadhavan.

Asep Permata Suryana shared his experience of using Alliance Integrator for KSEI’s Corporate Actions automation project. “In the future we want to maximise Integrator to make settlement instructions,” he said. “We also want to make KSEI a hub for brokers to send their instructions”.

In the technology stream, **Mr Yeh** advised delegates about how SWIFT Consulting Services can assist their institutions to shape the requirements and planning of their SWIFT projects. He explained the different services provided by SWIFT that help banks improve

their business processes, identify best practice enhancement for their SWIFT infrastructure and speed up their SWIFT integration projects, whilst reducing their total cost of ownership. “We work on a long-term relationship basis with our customers,” he said “and we advise them on the things that make sense to them: reducing risk and reducing their total cost of ownership.”

Mr Bindumadhavan concluded the technology stream by giving an overview of the evolution of the SWIFT Alliance interface in which he highlighted the new features users can benefit from in Alliance release 6.3, such as data base recovery and the Integrator add-on for better interface integration.



A Anand Bindumadhavan, Project Manager, Sales Services, Asia Pacific, SWIFT



Giving back to the community

SWIFT was proud to welcome in the Solution zone representatives from XSProject, a Jakarta-based foundation that strives to support the trash picking community while raising environmental awareness by recycling waste.

The day after the Business Forum, several SWIFT staff went to visit the foundation to see firsthand how the trash collected by the trash pickers was carefully being washed and cleaned before being transformed into bags and other articles designers by skilled sewers.

“It is very inspiring to see how these really nice items are then sold and the profit made is reinvested in the community through scholarship and educational programmes,” said Stella Lim, Indonesia country manager for SWIFT. XSProject hopes that the education provided to the children of the trash picking community will give them a better life, different to that of their parents and grandparents.

Please contact Sandra Gavard (sandra.gavard@swift.com) if you or your organisation would like to join in supporting the XSProject or contact the XSProject at www.xsprojectgroup.com.

To join the community debate, please visit www.swiftcommunity.net

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