

## Study of Crypto Currency in Indonesia

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### Abstract

Currency as a legal means of payment is needed in domestic and international economic activities to achieve the social welfare of Indonesian society as a whole. Regulations regarding the nature and price of currency are contained in Article 23 B of the 1945 Constitution of the Republic of Indonesia. To ensure legal certainty and legal protection, another law was enacted, namely Law Number 7 of 2011 concerning currency. The aim of this research is to analyze the use of crypto money as a means of payment in Indonesia. This research uses a statutory approach and a conceptual approach. Data analysis uses qualitative analysis techniques to test the validity of the data in this research by looking for existing reference sources. Based on the research results, it shows that a series of legal regulations in Indonesia regarding digital crypto money show the government's awareness in creating the rule of law within the scope of the economic ecosystem in the digital era. So this is something special for Indonesia as a country that is serious about protecting its people in cryptocurrency transactions as assets or commodities (crypto assets). However, there are conflicting perspectives in viewing the position of digital crypto money. Bank Indonesia places it as digital money (virtual currency) so its use is prohibited as a means of payment. As for the Ministry of Trade, through Bappebti, it places crypto digital money (cryptocurrency) as a digital asset or commodity so that based on normative provisions it is allowed to be traded on the Futures Exchange. Therefore, the government needs to harmonize the law in positioning crypto digital money.

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## 1. INTRODUCTION

Currency as a legal means of payment is needed in domestic and international economic activities to achieve the social welfare of Indonesian society as a whole. Regulations regarding the nature and price of currency are contained in Article 23 B of the 1945 Constitution of the Republic of Indonesia. To ensure legal certainty and legal protection, another law was enacted, namely Law Number 7 of 2011 concerning currency.

The advancement of technology and information in the modern era has brought many changes and influences in various aspects. Things that are practical, fast and efficient tend to be preferred by today's people. This also has an influence on the development of payment systems, especially in carrying out transactions. The existence of money is increasingly being displaced by the presence of cashless or non-cash payments, with the emergence of various fintechs offering various features supporting non-cash payment systems with an attractive appeal to consumers. Payment systems continue to develop and will progress as time goes by. Until the emergence of crypto coins as digital money began to attract public attention.

Cryptocurrency or cryptocurrency is a digital currency that uses an encryption scheme and is distributed in various forms of digital currency throughout the world. Crypto is considered a highly valid, globally valid, decentralized, secure and efficient alternative

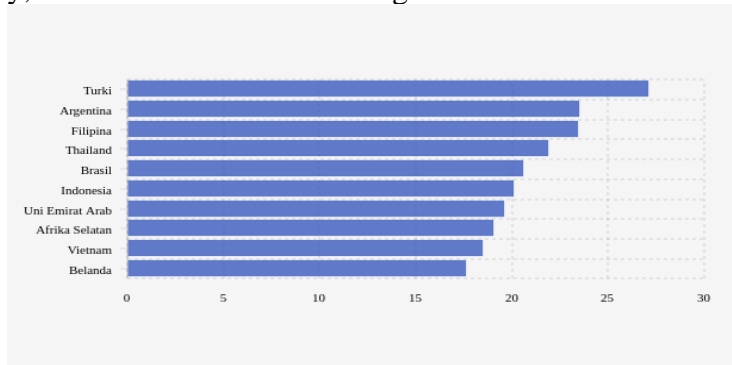
payment method. Although there is a lot of debate about this, we can see that cryptocurrency is growing rapidly due to the influence of technological developments.

The existence of crypto coins as something new in society clearly requires legal aspects. Surprisingly, cryptocurrencies are developing so rapidly that it gives the impression that legal progress is slow. The law should be the basis for predicting the negative impacts of technological progress. Regarding digital payments, Bank Indonesia as the financial regulator has an obligation to ensure that the system can operate effectively, efficiently and safely. Bank Indonesia (BI) said that allowing cryptocurrencies as a means of payment violates the Currency Law Number 7 of 2011 which regulates that one- The only legal means of payment in Indonesia is the rupiah. However, BI cannot ignore technological developments. That's why BI will continue to educate you about crypto coins and everything related to them.

Cryptocurrency is a series of cryptographic codes that are formed in such a way that they are stored in a computer device and can be transferred like electronic mail and can be used as a means of payment. Basically, cryptocurrencies are the same as other computer data so they can be destroyed and hidden. Apart from that, cryptographic algorithms protect these programs from counterfeiting.

Indonesia, Indodax (address indodax.com) is one of the cryptocurrency exchanges. As of December 11, 2020, the total number of registered accounts was 4,444, which equates to approximately 2.3 million. In fact, this number is far from Indonesia's population of 4,444 people. However, according to IndoDax CEO Oscar Darmawan, daily trading volume on IndoDax exceeds IDR 1 trillion, and the number of members or account holders reaches approximately 11.444 billion. At the global level, the development of cryptocurrencies is increasingly advanced. On the website coinmarketcap.com, which usually records the development of cryptocurrencies, the most popular cryptocurrencies so far are at least 7,950 cryptocurrencies (62.8%). Last March, Bitcoin prices hovered around \$5. 800 and \$6,000, while in December 2020, it was worth \$18,000.

This high investment in cryptocurrency has encouraged a number of countries to regulate its use, including Indonesia. Indonesia itself is categorized as a country that prohibits the use of cryptocurrency along with China, India, Egypt, Nepal, Morocco, Saudi Arabia and several other countries. 11 Meanwhile other countries such as America, Japan, Germany, Great Britain, the Netherlands and Switzerland are gathered in 111 countries. which provides legal status for cryptocurrencies while continuing to prevent money laundering and misuse. Other countries such as Argentina, Tunisia, Emirates, Peru, Uruguay, Tunisia and Jordan are thought to have not taken a stance on this digital currency.



Picture. 1.1 Data comparing crypto money in Indonesia with other countries.

From the problems above, it would be interesting to study further regarding cryptocurrency which provides the highest returns compared to other instruments. This is what makes many people start to be interested and wonder how to invest in this instrument. Because it is a new thing, especially when cryptocurrency is booming in Indonesia in 2021,

there are many ordinary people who want to start investing in this instrument but don't know about cryptocurrency itself. For this reason, the author wants to study and analyze more deeply by raising the title "STUDY ON CRYPTO CURRENCY IN INDONESIA"

## 2. RESEARCH METHOD

The type of research used is normative legal research or library research, namely a form of research library materials the main source of data, whether in the form of books, notes or research reports from previous research. The approach used in this research is to use 2 types of methods approach, namely the statutory approach and the contextual approach. The variables used in this research are independent variables. Apart from that, this research uses 3 data sources, namely primary data, secondary data and tertiary data. The data collection technique uses data analysis techniques in this research using qualitative analysis techniques to test the validity of the data in this research by looking for existing reference sources.

## 3. RESEARCH RESULTS AND DISCUSSION

### A. Use of Crypto Money as a Means of Payment in Indonesia

On July 17 2023, the government inaugurated the Crypto Asset Futures Exchange to create a crypto asset trading ecosystem. Through a BAPPEBTI decision letter, the implementation of the Crypto Asset Futures Exchange (CFX) to PT Bursa Komoditi Nusantara, the Crypto Asset Futures Clearing House to PT Kliring Berjangka Indonesia, and the Crypto Asset Storage Manager to PT Tennet Depository Indonesia.

The establishment of a Crypto Asset Exchange, Clearing House and Crypto Asset Storage Management will make crypto asset trading more transparent, effective and fair, thereby enabling the crypto industry in Indonesia to operate and be able to contribute to the national economy. There are five key terms in the crypto asset trading mechanism, namely:

- a) Crypto asset customers, namely parties who use the services provided by Crypto Asset Physical Traders in trading crypto assets;
- b) Physical traders of crypto assets, namely parties who have been approved and permitted by BAPPEBTI to carry out crypto transactions;
- c) Futures exchange, which is a place that monitors crypto asset trading;
- d) Futures clearing house, responsible for completing transactions and recording transaction details;
- e) Depository, which is a place where crypto assets that have been transacted are stored.

The crypto asset transaction mechanism goes through several stages:

- a) Prospective Customers create an account with Crypto Asset Commodity Trader. After passing a series of Know Your Customer (KYC) procedures, the prospective Customer's account will receive approval as a customer, so that they can make transactions through Crypto Asset Commodity Traders (Exchangers).
- b) Transactions can take the form of exchanging (purchasing): Crypto assets with Fiat Money (IDR) -(or vice versa); Exchange between crypto assets, or place a price quote for selling or buying crypto assets
- c) Customers deposit funds into a separate Crypto Asset Commodity Trader (Exchanger) account.
- d) The funds in question are funds used to purchase Crypto Assets. 70% of the funds will be deposited with the Clearing House and the remaining 30% will be deposited with the Crypto Asset Commodity Trader.

- e) The crypto assets that have been transacted (public and private keys) are then stored by the Crypto Asset Commodity Trader in a depository, either a "Hot Wallet" or a "Cold Wallet" in the Storage Manager.
- f) There are financial records between Crypto Asset Commodity Traders and the Futures Clearing House including records of crypto asset ownership. The Futures Clearing House will verify the financial amount with crypto assets held by the Depository Manager.
- g) Availability of transaction data reports from Crypto Asset Commodity Traders, Futures Clearing Houses and Depository Managers to the Futures Exchange as a reference for price values and market monitoring.

Based on a series of rules and regulations that have been issued by the Indonesian Government, the legal ratio has been stated that the implementation of crypto asset transactions in Indonesia is legal and protected. In fact, of the 383 types of crypto assets that are permitted to circulate in Indonesia, there are 10 crypto asset coins created by the nation's children. This is because the Ministry of Trade defines crypto money as a commodity or merchandise, so that investors and futures exchange members benefit from price and exchange rate fluctuations.

However, Bank Indonesia as the country's monetary authority defines crypto money not as a commodity but as digital money or virtual currency so that its use as a transaction tool is prohibited because it is not a legal transaction tool in Indonesia. This prohibition is contained in Bank Indonesia Regulation Number 18/40/PBI/2016 concerning the Implementation of Payment Transaction Processing, in Chapter VIII Prohibitions article 34. Payment system service providers are prohibited from:

- a. Processing payment transactions using virtual currency

In the explanatory sheet of article 34 letter a, it is written that what is meant by "virtual currency" is digital money issued by parties other than the monetary authority which is obtained through mining, purchasing or transferring rewards, including Bitcoin, BlackCoin, Dash, Dogecoin, Litecoin, Namecoin, Nxt, Peercoin, Ripple, and Ven. Not included in the definition of virtual currency is electronic money.

One regulation is not enough to respond to the ever-increasing digital financial climate, Bank Indonesia (BI) has again issued 2 (two) regulations, namely, Bank Indonesia Regulation Number 19/12/PBI/2017 concerning the Implementation of Financial Technology which requires the use of the rupiah and the application of anti- money laundering and prevention of terrorist financing to financial administrators, and subsequent regulations, namely Bank Indonesia Regulation Number 20/6/PBI/2018 concerning Electronic Money

It can be concluded that Bank Indonesia in its stance prohibits the use of virtual currency or with other terms cryptocurrency, due to the dangers (mafsadat) it causes, including:

- 1) The exchange rate is very volatile, changes in increases are irregular and is susceptible to the risk of bubbles, which has the potential to harm the finances of local communities.
- 2) The technology used in virtual currency allows pseudonymous transactions that can be used for money laundering and terrorist financing crimes.
- 3) Parties that facilitate customers in virtual currency trading (wallet and exchange providers) are vulnerable to cyber-attacks and lack of supervision which results in low levels of consumer protection.

In agreement with Bank Indonesia (BI), the Indonesian Financial Services Authority (OJK) also considers that crypto digital money is just a crypto asset or crypto digital commodity regulated by Bappebti and is not a legal means of payment. Therefore, all

financial service institutions such as banks, insurance and multi-finance companies are prohibited from using, marketing and facilitating these crypto assets.

The legal status of cryptocurrencies is still often changing in various countries, in a 2018 Library of Congress document, there are eight countries that have declared absolute prohibitions on the use of cryptocurrencies as currency or transaction media, including Egypt, Morocco, Bolivia, Nepal, Algeria, United Arab Emirates and Pakistan. There are also other countries that implicitly prohibit it, such as Colombia, Iran, Bangladesh, Bahrain and also Indonesia.

Based on the explanation above, there is an understanding in understanding crypto money. Bank Indonesia prohibits the use of crypto money because crypto money is digital money (virtual currency), a transaction tool, which is not issued by the competent authority, namely Bank Indonesia. Meanwhile, the Ministry of Trade places crypto money as a commodity or merchandise so that its use is legal and protected by law.

#### 4. CONCLUSION

From the conclusions of the series that the author described in the previous chapters, the following conclusions can be obtained:

A series of legal regulations in Indonesia regarding crypto digital money shows the government's awareness in creating the rule of law within the economic ecosystem in the digital era. So this is something special for Indonesia as a country that is serious about protecting its people in cryptocurrency transactions as assets or commodities (crypto assets).

However, there are conflicting perspectives in viewing the position of digital crypto money. Bank Indonesia places it as digital money (virtual currency) so its use is prohibited as a means of payment. As for the Ministry of Trade, through Bappebti, it places crypto digital money (cryptocurrency) as a digital asset or commodity so that based on normative provisions it is allowed to be traded on the Futures Exchange. Therefore, the government needs to harmonize the law in positioning crypto digital money.

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