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Legal Review of the Use of Crypto Currency as a Means of Payment in Indonesia

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Keywords

Legal Review, Crypto Currency, Bitcoin

Abstract. The rapid growth of financial technology, especially cryptocurrencies, raises challenges and legal questions regarding their acceptance and use in economic transactions. This research aims to examine the legal aspects related to the use of cryptocurrency as a means of payment in Indonesia. This research uses a normative legal approach to laws and regulations relating to cryptocurrencies in Indonesia. The research results show that the use of cryptocurrency, especially Bitcoin, as a means of payment in Indonesia has not been officially recognized. Although regulations such as Bappebti Regulation 7/2020 allow trading of crypto assets on the physical market, cryptocurrency is not considered a legal currency for payment transactions within the country. There are administrative sanctions for Payment Service Providers who violate this provision, and individuals who do not use Rupiah in payment transactions may be punished. Research recommendations include the need for clearer regulations to regulate the legal status of cryptocurrencies, including supervision, taxation and implementation of blockchain in Indonesia. In conclusion, legal recognition and stricter regulations are needed to accommodate the development of cryptocurrencies by considering national economic and financial policies.

1. INTRODUCTION

Currency as a legal form of payment plays a crucial role in supporting economic activities, both at the national and international levels, to achieve social welfare for all Indonesian society. Regularity regarding the type and value of currency is essential, as mandated by Article 23B of the 1945 Constitution of the Republic of Indonesia. This article aims to provide legal certainty and protection for the sustainability of the economic system (Rikmadeni, 2021).

In order to answer the need for comprehensive regulations related to Currency, the Indonesian Government has enacted Law No. 7 of 2011 concerning Currency. This law details the provisions governing the use, issuance and exchange rate of Currency, in line with economic principles and national development goals. With the enactment of this law, it is hoped that a solid legal foundation will be created to maintain economic stability and protect the interests of all levels of society related to currency (Tambun & Putuhena, 2022).

The advancement of technology and the development of information in the modern era has had a significant impact on various aspects of life, including payment systems. Practicality, speed and efficiency are values that are highly valued by today's society. This change in preferences also creates a shift in the way people carry out transactions, where cash is increasingly being replaced by non-cash or cashless payments. The emergence of various fintechs with various features supporting non-cash payment systems has become a special attraction for consumers who want convenience and innovation in every transaction (Heradhyaksa, 2023).

The development of payment systems continues, and over time, will experience further progress. The latest phenomenon that has attracted public attention is the emergence of crypto coins or cryptocurrencies as a form of digital money. The uniqueness of crypto coins lies in the decentralization and security of the underlying blockchain technology. This appeal makes crypto coins increasingly popular as an alternative to digital payments, providing new opportunities and challenges in the transformation of global payment systems. This progress illustrates the changing dynamics of the financial ecosystem which is constantly adapting to technological developments in the modern era (Amboro & Christi, 2019).

The presence of cryptocurrency comes from the concept of cashless transactions. Its development began with the design of a cryptographic algorithm designed to secure electronic money

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(e-money) transactions by utilizing encryption methods. This revolutionary idea gave rise to a further step when Satoshi Nakamoto took the initiative to develop this idea into practical implementation (Dwicaksana, 2020).

Satoshi Nakamoto launched Bitcoin in 2009, creating a virtual currency that utilizes blockchain technology to validate and record every transaction. Blockchain technology provides the advantage of a decentralized system, which means there is no single authority that controls the entire network (Jannah, 2022). This makes it difficult to manipulate and provides the high level of security brought by blockchain technology. Since then, cryptocurrency has continued to experience growth and acceptance in various economic and financial sectors, creating a new paradigm in the world of digital payments and finance (Widyarani et al, 2022).

Currently, the growth in use of Bitcoin and cryptocurrency throughout the world has given rise to various regulatory problems in various countries, including Indonesia. Indonesia itself is still facing uncertainty in determining the legality of cryptocurrency as a means of payment (Fitria, 2021). In 2014, Bank Indonesia stated that Bitcoin was not recognized as a legal means of payment in Indonesia. Nonetheless, views on cryptocurrencies may change in the future, depending on how this technology fulfills various aspects considered important by authorities (Cadizza & Yusandy, 2021).

Another problem that arises is the level of financial literacy of the Indonesian people regarding cryptocurrency which is still low. A lack of understanding regarding how it works, security, and the potential benefits and risks associated with cryptocurrency means that its use is still not common among the public. Education and outreach regarding cryptocurrency are crucial to increasing understanding and awareness of the development of this financial technology (Jati & Zukfikar, 2021).

On the other hand, the ban on cryptocurrency as a means of payment raises new concerns regarding the potential for misuse for illegal activities, including money laundering. Therefore, wise and balanced regulations are needed to accommodate this technological development without compromising the security and integrity of the financial system. Implementing appropriate policies will help minimize the risk of misuse while enabling positive growth in the use of cryptocurrencies in Indonesia (Brahmi & Darmadha, 2018).

This research aims to investigate and analyze legal aspects related to the use of cryptocurrency as a means of payment in Indonesia. By involving normative and empirical analysis, this research will identify existing legal regulations, both supporting and hindering the use of cryptocurrencies. is expected to manifest in contributing to a better understanding of the legal complexities surrounding cryptocurrencies, providing an informed view for policymakers, legal practitioners and the general public regarding the development and implications of the use of cryptocurrencies in Indonesia's payment system .

2. METHOD

This research uses the Normative Legal Research method, which is carried out through literature review based on primary and secondary legal materials. In its approach, this research adopts two main approaches, namely the statutory and conceptual approaches (Purwanti, 2020). In practice, the technique for collecting legal materials is carried out through literature and documentation studies, where the process of searching for legal materials is carried out in a structured manner through the inventory stage. The collected legal materials are then identified and classified using a recording method with a file system, according to research needs. After all the legal materials have been collected, it continues with a systematic analysis process, using legal arguments based on deductive and inductive logic (Yulianah, 2022). The results of the analysis are then presented in descriptive form, providing a comprehensive picture regarding the legal aspects related to the use of cryptocurrency as a means of payment in Indonesia.

3. RESULTS AND DISCUSSION

The emerging cryptocurrency phenomenon marks a significant innovation in the world of finance, bringing ease of transactions and the potential to increase the value of currencies. Although

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initially the development of cryptocurrency was not taken seriously, especially with the blockchain technology that had been applied previously, various factors such as trends in digital world usage and changes in people's lifestyles have provided significant support for cryptocurrency adoption. The existence of cyberspace creates a new paradigm in life, changing the way humans interact and transact. The world that was originally based on natural relationships has now turned into an artificial form of life, largely built by technology. This phenomenon creates artificial life or "artificial life," where natural functions are replaced by technological substances (Piliang, 2012).

The humanistic approach in studying this phenomenon underlines the importance of seeing society as a subject that continues to transform, not only as "to be a human," but also as "human becoming." Society seeks its identity in the form of "homo ludens," which explores various potentials and changes in everyday life. The promising growth in the value of cryptocurrency has also influenced people's interest in this digital currency, creating new dynamics in understanding the value and role of finance in the digital era.

The development of *cryptocurrency* every year is considered increasingly significant and popular. This can be seen in the development of Bitcoin as *the cryptocurrency* with the largest market value in the world. Bitcoin's popularity is starting to enter Indonesia, even Bank Indonesia (BI) identified 44 traders in Bali who accept Bitcoin as a means of payment. The 44 merchants operate in the hotel sector, vehicle rental services, cafes, and tour packages. The reason why bitcoin intensity in Bali is quite high is due to the influence of many foreign citizens who are also accustomed to making transactions using bitcoin (Sajidin, 2021). From the explanation above, it can be seen that the Bitcoin system is a system that runs based solely on public participation without any competent authority in its regulation and with this mechanism Bitcoin offers a high level of anonymity for its users. The problem is, currently, Bitcoin's position as a legal means of payment is still unclear in Indonesia.

Legally, legal means of payment in Indonesia is regulated by Law Number 7 of 2011 concerning Currency (Currency Law). Article 1 number 2 of the Currency Law states that what is meant by money is legal means of payment issued by an Indonesian bank or a commercial bank with authority. In addition, Article 21 of the Currency Law mandates the use of the rupiah as mandatory currency in every payment transaction. However, there are exceptions to the obligation to use rupiah for several types of transactions, such as transactions in the context of implementing the state revenue and expenditure budget, receiving or giving grants from or to foreign countries, international trade transactions, deposits in banks in foreign currency, or financing transactions. international in terms of international trade and financing.

Furthermore, when cryptocurrencies are classified as digital objects, the data processing aspect becomes central in understanding the dynamics of these digital currencies. In this context, blockchain technology becomes a key aspect that provides the foundation for transactions and validation of ownership. Blockchain is a distribution system that records every transaction in interconnected blocks, creating a decentralized and secure digital footprint. Data processing via blockchain becomes the essence of cryptocurrency function and security, ensuring the integrity of each transaction and creating trust among stakeholders (Nurcholis et al, 2022).

This exception raises interesting questions regarding the potential use of Bitcoin as a means of payment in international trade transactions. In principle, cryptocurrency can be used in any transaction as long as there is an agreement between the parties involved and understand the concept. However, it is important to remember that Bitcoin and other cryptocurrencies do not yet fully meet the requirements of money in theory, such as stable value, standardization by authorities, and general recognition (Chaira, 2020). Therefore, cryptocurrency cannot completely replace money in general. Despite this, the debate surrounding the legality and legal recognition of cryptocurrencies as a means of payment continues to grow. A deeper understanding of the characteristics of cryptocurrencies and possible changes in regulation could form the basis for broader integration in the global financial system.

Bitcoin as a very popular crypto coin has gained recognition in Indonesia, although with limitations as a commodity that can be traded as a futures asset. This legal view of cryptocurrency is

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reflected in the Minister of Trade Regulation Number 99 of 2018 concerning General Policy for Implementing Crypto Asset Futures Trading, where it is explained that cryptocurrency can be traded in the form of futures assets.

A legal approach that views cryptocurrency as a right that can be controlled, along with Article 499 Burgerlijk Wetboek (BW), provides a legal basis for recognizing the economic and trade value of digital currency. In this perspective, cryptocurrencies are considered as intangible objects that can have owners and be bought and sold according to market mechanisms. Classification as digital objects also becomes relevant, in line with Article 1 number 1 of Law Number 11 of 2008 concerning Information and Electronic Transactions, which views digital objects as entities that involve data processing.

Even though cryptocurrency has its own intrinsic value, its difference from electronic money is regulated by Article 1 Number 3 Letter a Bank Indonesia Regulation Number 20 of 2018 concerning Electronic Money. Electronic money must be based on the value of the money deposited, while cryptocurrencies have varying values like conventional currencies in the world. Therefore, its status as legal tender in Indonesia remains unclear. The diversity of cryptocurrency values and incompatibility with the definition of electronic money indicate that explicit regulations are needed to address the complexity of this digital currency. The author highlights the importance of the government to provide clear regulations regarding the position of cryptocurrency, including whether it is considered an official currency or medium of exchange, limitations on its location and use, transaction monitoring mechanisms, applicable tax procedures, storage protection, and the application of blockchain technology in currency management in Indonesia.

Bitcoin, although often used in international trade as a means of payment for online buying and selling transactions, is not recognized as a virtual currency or legal means of payment in Indonesia. This is confirmed in the Explanation to Article 202 of Bank Indonesia Regulation Number 23/6/PBI/2021 concerning Payment Service Providers (PBI 23/2021), where a number of digital currencies, including Bitcoin, are identified as examples of virtual currency. Virtual currency itself is defined as digital money issued by parties other than monetary authorities.

Within this regulatory framework, payment service providers (PJP), such as banks or non-bank financial institutions, are strictly prohibited from accepting, processing or linking virtual currency, including Bitcoin, with payment transactions. This prohibition also includes a prohibition on PJP from facilitating trading of virtual currency as a commodity, except in accordance with the provisions of applicable laws and regulations. This confirmation shows Bank Indonesia's strict attitude towards the use of digital currency, mandating that payment transactions in Indonesia continue to use the legal currency, namely the rupiah. Even though Bitcoin and other virtual currencies have a role in the international trade ecosystem, their existence remains outside the realm of legality as a means of payment in Indonesia (Watung, 2019).

The decision not to recognize cryptocurrency as a legal means of payment in Indonesia is in line with the legal basis regulated in Law Number 7 of 2011 concerning Currency. This law stipulates that the legal currency is that issued by the Unitary State of the Republic of Indonesia. Strictly speaking, this law mandates that every transaction that has the purpose of payment, obligations that must be fulfilled with money, or other financial transactions carried out in the territory of the Unitary State of the Republic of Indonesia must use Rupiah.

This provision confirms that the Rupiah is the only means of payment officially recognized in Indonesia, and the use of digital currencies such as cryptocurrency for payment purposes is prohibited. Notably, this ban indicates a strong policy of the authorities to maintain financial stability and prevent risks associated with the use of digital currencies that have not been carefully regulated. Thus, this decision reflects the government's commitment to maintaining the sustainability of the payment system and protecting national economic interests.

Even though cryptocurrencies or cryptocurrencies are not recognized as legal means of payment in Indonesia, there have been significant developments through the issuance of Commodity Futures Trading Supervisory Agency Regulation Number 7 of 2020 concerning Determining the List

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of Crypto Assets that Can Be Traded on the Physical Crypto Asset Market ("Bappebti Regulation 7/2020") by the Ministry of Trade through the Commodity Futures Trading Supervisory Agency (Bappebti). This regulation stipulates that crypto currency is not a legal means of payment in the territory of the Unitary State of the Republic of Indonesia (NKRI), but is grouped as a crypto asset that can be traded on the Physical Asset Market Crypto.

Article 1 paragraph (1) of Bappebti Regulation 7/2020 emphasizes that prospective physical traders of crypto assets and/or physical traders of crypto assets can only trade crypto assets on the physical crypto asset market that has been determined in the list of crypto assets that can be traded on that market. With this regulation, the government is trying to provide a legal framework for managing and supervising crypto asset trading on the physical market. Although this recognition does not make crypto currency a legal means of payment, it does provide a platform for crypto asset trading activities with certain rules and mechanisms, in line with the increasing interest and growth of the crypto industry in Indonesia.

In the context of using Bitcoin or cryptocurrency as a means of payment transactions in Indonesia, the government has established administrative sanctions for Payment Service Providers (PJP) who violate these provisions. This sanction is regulated in Commodity Futures Trading Supervisory Agency Regulation Number 7 of 2020 concerning Determining the List of Crypto Assets that Can Be Traded on the Physical Crypto Asset Market. If a PJP violates these rules, they may be subject to administrative sanctions, such as a warning, temporary suspension of part or all of their activities, including the implementation of cooperation, and/or revocation of their permit as a PJP.

Apart from administrative sanctions, for every individual who does not use Rupiah in payment transactions or other financial transactions, the law stipulates criminal sanctions. A person who violates this provision may be subject to a maximum imprisonment of 1 year and/or a fine of a maximum of IDR 200 million. The determination of these criminal sanctions shows the government's seriousness in implementing regulations to maintain the stability of the Rupiah currency and prevent the use of cryptocurrencies as a means of payment which could disrupt the country's financial ecosystem. These steps aim to ensure compliance with applicable financial and currency regulations in Indonesia, as well as to provide a clear legal basis regarding the use of cryptocurrencies. In this way, the government seeks to maintain the stability of the national financial system and protect the interests of the public from potential risks associated with the use of cryptocurrencies in payment transactions.

4. CONCLUSION

The use of cryptocurrency, especially Bitcoin, as a means of payment in Indonesia is still not officially recognized. Even though there are positive developments in the form of regulations such as Bappebti Regulation 7/2020 which allows trading of crypto assets on the physical market, cryptocurrency is not considered a legal currency that can be used for payment transactions within the country. Law no. 7 of 2011 concerning Currency stipulates that the Rupiah is the only legal means of payment in Indonesia. The prohibition on the use of cryptocurrency as a means of payment is also confirmed in Bank Indonesia Regulation Number 20 of 2018 concerning Electronic Money, which does not cover cryptocurrency due to its incompatibility with the definition of electronic money. Nonetheless, there are exceptions where cryptocurrencies are recognized as crypto assets that can be traded in physical markets. However, in the context of this regulation, cryptocurrencies are not legal tender. This regulation provides a basis for crypto asset trading activities with certain rules and mechanisms. Furthermore, there are administrative sanctions for Payment Service Providers who violate the provisions for using cryptocurrency as a means of payment. The government also imposes criminal sanctions on individuals who do not use Rupiah in payment transactions or other financial transactions. With the complexity of regulations and the unclear legal status of cryptocurrencies, there are recommendations for the government to formulate clear regulations. This includes the position of cryptocurrency as a currency or medium of exchange, limitations on its location and use, transaction monitoring, taxation, deposit guarantees, and the implementation of blockchain technology. In

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conclusion, although cryptocurrencies have the potential as an innovative financial instrument, further efforts in legal regulation and clarification need to be made to accommodate the development of this financial technology in a balanced manner with national economic and financial policies.

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