

Crypto Asset-Trade Resilience During The Covid-19 Pandemic In Indonesia

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ABSTRACT

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Purpose of the study: This research aims to examine the resilience, existence, and security of crypto assets in Indonesia. In fact, bitcoin's presence results in pros and cons in society, so there is a need for a deeper study of crypto assets.

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Methodology: The research method used was normative-empirical law using a statutory approach and case studies. This research also employed literature study techniques to reveal theory, data, etc.

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Results: The results of this study indicated that the sustainability of crypto-asset trading in Indonesia has increased in demand even during the pandemic, and the public can perform trading activities safely because there are already several legal umbrellas related to crypto asset trading in Indonesia, which are regulated by Bappebti (Commodity Futures Trading Supervisory Agency).

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Applications of this study: This research is expected to provide literature related to crypto-asset regulation in Indonesia. On the other hand, the authors hope that this paper will be able to provide public awareness in conducting crypto-asset transactions in the form of bitcoin.

Novelty/ Originality of this study: To obtain government protection

in conducting crypto asset trading, customers need to choose crypto asset traders who have been registered and comply with the rules set by Bappebti. With the emergence of high risk in trading, the authors expect the costumers to be careful when choosing crypto asset traders.

Keywords: Crypto Assets; Bappebti; Pandemic; Trade.

INTRODUCTION

Digitalization in the industrial revolution 4.0 era has brought changes in many sectors. The presence of digitalization has resulted in a transition from conventional performance to the digital direction. The entire sector develops its performance to become more accessible, efficient, and advanced with technology. Likewise, the development of the industrial sector has increased the country's economic growth

The development of the industrial sector in the digitalization era cannot be separated from technology. In fact, both issues are interrelated. Several countries have various great potentials regarding the development of the digital economy, Indonesia. It is in line with the target set by the President of the Republic of Indonesia, Joko Widodo. The statement contains Indonesia's target to become a digital economy giant in ASEAN in 2020 with a projected value of e-commerce transactions of 130 USD (Sayekti, 2018). Besides, Indonesia is projected to occupy the online trading market of 5 billion for formal online trade and 3 billion for informal online trade (Das et al., 2018).

One proof of the development of the digital economy in the financial sector can be observed from creating digital application innovations as a means of payment and financing. This manifestation seems to shift the market position from conventional to digital, becoming business opportunities. One of the meant is by no longer using physical currency but using digital currency or virtual currency protected by cryptography (cryptocurrency) (Lesmana, 2016).

Besides, digitalization has had a changing impact on the emergence of new digital industries, such as digital currency or bitcoin (Watung, 2019). Bitcoin is a form of digital currency and payment instrument with electronic ownership and is regulated using a technology called cryptocurrency, which has high-security standards with cryptographic systems and algorithms as security (Watung, 2019). Changes and developments in transaction

instruments and currencies have been regulated in Bank Indonesia's Regulation Number 11/12/PBI/2009. Even though there are related regulations governing bitcoin, it still reaps the pros and cons in Indonesia. It is because this type of currency does not meet the criteria as a currency, as stated in Law Number 7 of 2011 concerning Currencies.

On the other hand, Bappebti (Commodity Futures Trading Supervisory Agency) discussed bitcoin through regulation Number 5 of 2019, which states that bitcoin is one of the digital assets' futures exchange due to the relatively high level of demand in Indonesia. However, in fact, the Covid-19 Pandemic has brought various impacts that have hit various sectors, one of which is trade. The figures for the realization of trade results from the end of 2019 to mid-2020 were not comparable and tended to decline supply and demand. It can potentially affect goods inflation, change public consumption patterns, and weaken people's purchasing power (Biro Hubungan Masyarakat Kementerian Perdagangan, 2020). On the other hand, bitcoin owns a significant impact during the current COVID-19 pandemic. Bitcoin price in early 2021 exceeded Rp. 500 million per coin.

In fact, research related to crypto and bitcoin assets has been conducted previously, such as 1) Research conducted by Siti Nurjannah and I Gede Artha with the title "*Bitcoin sebagai Aset Kripto di Indonesia dalam Perspektif Perdagangan*" (Nurjannah & Artha, 2019). This research revealed that bitcoin's crypto-assets could not be used as a legal means of payment in Indonesia. However, bitcoin assets can be traded in a futures exchange; and 2) Research conducted by Fergyanto E Gunawan and Rizki Novendra with the title "*An Analysis of Bitcoin Acceptance in Indonesia*" (Gunawan & Novendra, 2017). This study aims to determine the acceptance factors of bitcoin in Indonesia. This study also stated that the interest of the Indonesian people in using bitcoin is still relatively low.

Given that research related to crypto and bitcoin assets has been conducted several times before, this research examined the pros and cons regarding the existence of bitcoin, crypto assets, and weak trade inclusion due to the COVID-19 pandemic. Based on the background as mentioned earlier, the problems to be studied can be formulated, namely: 1) How is the existence of crypto-asset trading in Indonesia?; 2) How is the legality of crypto-asset trading in Indonesia?; 3) How will the demand for crypto assets be affected during COVID-19 pandemic?; and 4) What is the role of Bappebti as a supervisory agency for Crypto Asset trading transactions?

RESEARCH METHOD

This research is empirical legal research with a law approach and a case approach. This statutory approach is intended to analyze and identify the existence of crypto-asset trading that is reaping the pros and cons in society by reviewing the regulatory functions that bind to the sustainability of crypto-asset trading. This research utilized secondary data by using the literature study technique. Secondary data included primary legal materials, secondary legal materials, and tertiary legal materials. Primary legal materials consisted of various laws relating to crypto asset trading, secondary legal materials obtained from literature studies in multiple journals and books about crypto asset trading issues, and other tertiary legal materials to explain the problems via the internet and related news. To analyze the various legal materials that have been collected, this study employed a qualitative data analysis method that is presented descriptively, which described the relationship between the problem of the global pandemic and the pros and cons of trading crypto assets in Indonesia by linking binding regulations related to the legality of trading crypto assets.

RESULTS & DISCUSSION

CRYPTO ASSET TRADING IN INDONESIA

As is well known, crypto assets are a part of digital assets traded on a futures exchange. Currently, investing in commodity futures trading transactions in the futures exchange can reap substantial profits. It is due to the continuous digitalization of the trade sector's development. The rise of investment through commodity futures trading involving organizers and actors from all over the world is also supported by an agreement among the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation (APEC), and the ASEAN Free Trade Area (AFTA). Thus, it is known as the future investment trend.

Commodity futures trading in Indonesia itself has also been regulated in Law Number 10 of 2011 concerning Commodity Futures Trading. Since its inception, the futures exchange has met national needs based on global trends. It aims to make Indonesia's commodity futures trading market players easier to conduct transactions, namely the Jakarta Futures Exchange (JFX) since 2000 and PT Bursa Komoditi Derivatif Indonesia (BKDI) since 2009. It should also be noted that investment in futures trading Commodities has a high risk in addition to high returns in a relatively short time (high-risk, high-return).

In this case, one form of the digital asset is bitcoin, a digital currency and digital payment instrument owned electronically (It does not have a physical form). The controlling nature of bitcoin is closed because no one can control it except the private key holder, namely the owner of bitcoin (Watung, 2019). The technology that governs bitcoin is known as cryptocurrency. Bitcoin also has security standards with a specially designed cryptographic system and algorithm as a security form.

The development of bitcoin in Indonesia does not seem to result in issuing special rules governing permits to use bitcoin as a legal means of payment. According to the mandate of Law number 7 of 2011, the currency that can only be used in Indonesia is the Rupiah, and only Bank Indonesia is authorized to issue, circulate, revoke, and withdraw Rupiah. In line with this statement, Bank Indonesia also urges the public to be careful, considering the various risks associated with its use {Citation}.

The presence of Regulation of the Minister of Trade Number 99 of 2018 concerning General Policy for the Implementation of Crypto Asset Futures Trading permits to hold transactions related to bitcoin (Yohandi et al., 2007). This licensing is under the Commodity Futures Trading Supervisory Agency's supervision under the Ministry of Trade in the Regulation of the Commodity Futures Trading Supervisory Agency Number 5 of 2019 concerning Technical Provisions for the Implementation of the Physical Market for Crypto Assets on the Futures Exchange. The reason for granting this permit is the high number of transactions made by 200,000 bitcoin users in Indonesia, with 4 billion rupiahs per day (Yohandi et al., 2007).

The Coordinating Minister for the Economy Letter Number S-302/M.EKON/09/201 follows the Coordination Meeting implementation, which regulates Crypto Assets as a commodity traded on a futures exchange. Besides, trading crypto assets that can be traded on a futures exchange should consider:

1. The principle of a good company by prioritizing members, traders, and bitcoin customers at a fair and appropriate price;
2. The objective of establishing a physical market for crypto assets is to form a transparent price and is used as a reference price on a futures exchange;
3. Legal certainty;

4. Crypto asset customer protection;
5. Facilitating the development of physical trading of crypto assets.

Every transaction carried out by a crypto asset customer needs to be facilitated by a crypto asset trader to verify the clearinghouse's verification. The function of the clearinghouse itself as a business entity has to organize and provide a system and/or means of clearing implementation, besides as a guarantor for the settlement of futures trading transactions and physical markets. Regulation of the Commodity Futures Trading Supervisory Agency, Number 5 of 2019 concerning Technical Implementation of the Physical Market for Crypto Assets (Crypto Asset) in Futures Exchange, provides space for digital commodity business development, business certainty in the digital field, and legal certainty and protection to the public. These are the reasons why Indonesians can use crypto-assets. It must also meet the conditions of use, which can only be used as an investment tool in one commodity type. It is because digital commodities or crypto assets are categorized as rights or interests as stipulated in Law Number 10 of 2011. There are extensive developments regarding crypto assets in the community, and it is necessary to regulate crypto asset trading as a form of protection for the public and legal certainty for business actors.

THE LEGALITY OF CRYPTO-ASSET TRADING SECURITY IN INDONESIA

As a government guarantee of the course of crypto-asset trading in Indonesia, considering the consequences of consumers looking for markets that legalize crypto transactions will impact the amount of investment that comes out (capital outflow), there are several further regulations regarding technical matters. An implementing regulation will be drawn up in the form of a Commodity Futures Trading Supervisory Agency Regulation to accommodate various inputs from Ministries/Agencies.

Various regulations related to crypto asset trading are regulated, ranging from laws to regulations from regulatory agencies, which cover trading in commodity futures to technical provisions for its implementation. There are several rules regarding this matter, including:

- Law Number 10 of 2011 concerning Commodity Futures Trading "Article 1 Number 2: Commodities are all goods, services, rights, and other interests and any

derivatives of commodities that can be traded and become the subject of futures contracts, sharia derivative contracts, and/or other derivative contracts."

- Determination of commodities as subjects of futures contracts regulated in the Regulation of the Head of Bappebti:
 - Article 3 of the Commodity Futures Trading Law: Commodities that can be subject to Futures Contracts, Sharia Derivative Contracts, and/or other Derivative Contracts are regulated by a Regulation of the Head of Bappebti.
 - Regulation of the Head of Bappebti Number 3 of 2019: Regarding Commodities that Can Be Used as Subjects for Futures Contracts, Sharia Derivative Contracts, and/or Other Derivative Contracts Traded on the Futures Exchange
 - Article 15 of the Commodity Futures Trading Law:
- The Futures Exchange may carry out physical commodity transactions of which type is regulated as referred to in Article 3 after obtaining the approval of Bappebti.
- As referred to in paragraph (1), provisions regarding the procedure approval shall be regulated a Regulation of the Head of Bappebti.
- Regulation of the Minister of Trade Number 99 of 2018 concerning the General Policy for the Implementation of Crypto Asset Futures Trading (Crypto Asset);
- Bappebti Regulation Number 2 of 2019 concerning Implementation of the Physical Commodity Market in the Futures Exchange;
- Commodity Futures Trading Supervisory Agency Regulation Number 5 of 2019 concerning Technical Provisions for the Implementation of the Physical Crypto Asset Market (Crypto Asset) in the Futures Exchange;
- Bappebti Regulation Number 6 of 2019 concerning Implementation of the Anti-Money Laundering and Prevention of Terrorism Funding Program (APU-PPT) related to the implementation of the Physical Commodity Market in the Futures Exchange;

- Bappebti Regulation Number 9 of 2019 concerning Technical Provisions for the Implementation of the Physical Crypto Asset Market in the Futures Exchange.

The purpose of the various arrangements regarding physical trading of crypto assets by Bappebti is in addition to guaranteeing legal certainty, namely to protect crypto-asset customers against possible losses from crypto asset trading. Besides, it facilitates innovation, growth, and development of physical crypto assets in Indonesia's trading business activities. Another issue that is also crucial is the use of crypto assets for illegal purposes such as money laundering and terrorism financing and the development of weapons of mass destruction by the mandate of the Criminal Act of Money Laundering and Terrorism Financing.

THE EFFECT OF A PANDEMIC ON CRYPTO ASSET TRADING

Since the COVID-19 outbreak's stipulation as a global pandemic, all parts of the country have prepared various mitigation measures, including Indonesia (Taniady, Aditya, et al., 2020). The entire country has implemented strict restriction policies to reduce the spread of the virus. However, in line with this policy's existence, it also impacts the global and drastic slowdown and decrease in demand in various sectors, especially trade and the economy, which are interrelated (Taniady, Riwayanti, et al., 2020). The exorbitant uncertainty caused by the pandemic has put pressure on the global financial market's performance, which has arrived at an uncertain period.

The decline in performance in the economic and trade sectors has resulted in losses nationally. The prediction of the government's mission regarding economic growth, which was estimated at 5.3%, was not in line with the reality of Indonesia's economic growth in 2020, which was below 2%, and resulted in fluctuations in the USD exchange rate to 16,000 in early April 2020 (Hadiwardoyo, 2020).

However, fluctuations in the similar sector with different fields in this regard, namely crypto assets, experienced significant price fluctuations within a period of 24 hours in the futures market, with the total market capitalization of all crypto assets reaching 444.6 billion USD at this time (Daniyanto, 2020). Crypto assets have a performance equation with gold that is relatively resilient to macroeconomic conditions, causing crypto assets a safe-haven asset and storing the value in volatile economic times like today.

The pandemic is an excellent opportunity for the existence of crypto assets in Indonesia to invest and boost the economy. In Indonesia, crypto asset trading has been supported by 13 crypto asset traders who have been legally and formally registered with Bappebti (Commodity Futures Trading Supervisory Agency) as of June 2020. Positivism regarding crypto assets in Indonesia can be seen from the increased trading volume by three folded when the bitcoin price fell during the week. Crypto assets show the ability to rise much faster than other types of investment, which means that investing in crypto assets can be used as an option to increase additional income amid a weakening economy and can ignite the economy. At the beginning of 2021, crypto-assets increased significantly. We can observe this on January 7, 2021; bitcoin penetrated the Rp. 500 million per coin. Based on Indodax's analysis, annually, it has recorded an increase of 400% (Indonesia, 2020).

BAPPEBTI AS THE SUPERVISORY AGENCY FOR CRYPTO ASSET TRADING TRANSACTIONS DURING THE PANDEMIC

Bappebti as the sole real-time supervisor has the authority to foster, regulate, develop and supervise commodity futures trading activities (PBB), warehouse receipt system (SRG), and commodity auction market (PLK). As for the role of Bappebti in realizing PBB activities, one of which is trading crypto assets in an orderly, fair, efficient, and effective manner and maintaining a healthy atmosphere of competition. Besides, crypto-assets included in the commodity futures category that can be traded benefit from risk management, price discovery, and an alternative investment (investment enhancement). Related to the previous matter, the provision of means of price risk management and transparent pricing through hedging activities to protect all parties' interests from risk threats and price fluctuations (Kementrian Perdagangan, 2020). Protection from various risks and price fluctuations during a volatile national economy during this pandemic is essential for crypto asset traders.

The excessive risk that is owned when investing in commodity futures trading should be one thing that really needs to be considered and other issues before investing in commodity futures trading, such as crypto assets. Therefore, prospective traders are urged not to be easily tempted by describing the promised profits in investing. Moreover, the guarantee of security and trade comfort begins with the obligation for those who wish to engage in commodity

futures trading activities to understand Law Number 10 of 2011 concerning commodity trading.

Reporting transaction data from crypto-asset commodity traders as a price reference and market supervision within the crypto-asset area can make business actors safe for transactions that take place. To feel even more secure in conducting trading activities, it is necessary to acquire accurate information through Bappebti, BBJ (Jakarta Futures Exchange), and BKDI (Indonesian Derivative Commodity Exchange) or Futures Brokers who have registered as members of the BBJ and BKDI. It is indispensable for prospective and business actors to consider because there are unlicensed futures brokers and 137 unlicensed domains of futures brokerage sites during this pandemic, as reported by Bappebti (Yozami, 2020).

The various contribution steps taken by Bappebti in the implementation of digital asset trading on the commodity futures market are the realization of various arrangements made to support the achievement of goal number 2 of the Ministry of Trade for 2020-2024. It is by increasing national consumption that supports economic growth through the compilation of Bappebti's strategic targets. Focusing on growing and increasing economic growth during this pandemic is a national priority to strengthen economic resilience for quality growth.

CONCLUSION

Based on the description above, it can be seen that crypto-assets initially reaped the pros and cons related to their existence as a digital currency. This type of currency does not meet the criteria as a currency, as stated in Law Number 7 of 2011 concerning Currencies. Another alternative by the government where crypto-assets can be categorized as one of the digital assets that can be traded on a futures exchange with terms and conditions is regulated in the Commodity Futures Trading Supervisory Agency Regulation Number 5 of 2019 concerning Technical Implementation of the Physical Crypto Asset Market. Licensing from the government is due to considerations about the possible consequences where consumers will search for markets that legalize crypto transactions, which will impact the amount of investment that comes out. It is relatively risky given the economic fluctuation due to the pandemic. It is because of the unstable supply and demand of crypto assets. However, on the other hand, trading crypto assets in Indonesia is comparable to gold, which has the security to invest during a pandemic. With the government's compilation of regulations through Bappebti

as a crypto asset trading supervisory agency, business actors in trading activities can be guaranteed safety.

Given the excessive risk involved in commodity futures trading, it is necessary to sort and select crypto asset traders to protect crypto-asset customers by the government through registered traders and following the regulations set by Bappebti. As we know, there are many kinds of crypto assets registered in Bappebti. Additionally, there is a need to check and obtain information through credible and correct informants through Bappebti, BBJ, and BKDI or Futures Brokers who have registered as members of BBJ and BKDI. Another crucial issue is that before investing and trading on the futures exchange, it is necessary to learn about trading crypto assets or commodity futures.

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