

# CHAPTER I

## INTRODUCTION

### A. Background

The advancement of digitalization has had a significant impact on the development of economic activities conducted by the public, ushering in a new era of the digital economy that leverages the internet as a transaction medium. The presence of the digital economy is characterized by transactional activities conducted through digital platforms on the internet, as well as the use of digital instruments for conducting transactions.<sup>1</sup> Trading through digital platforms on the internet has led to a transformation in people's purchasing habits when it comes to available commodities, thereby making trading increasingly digitized.

One form of digital transaction that is currently gaining popularity among the Indonesian population is digital currency transactions known as cryptocurrency or crypto coins.<sup>2</sup> Cryptocurrency is a system that utilizes cryptography technology to securely transmit data and facilitate the exchange of digital currencies.<sup>3</sup> In brief, crypto is a virtual monetary system that serves as a standard currency and enables users to make virtual payments for transactions through digital platforms.<sup>4</sup>

Indeed, cryptocurrency transactions in Indonesia reached Rp. 306.4 trillion in 2022.<sup>5</sup> The magnitude of these transaction figures indicates that many Indonesians are enthusiastic about the presence of cryptocurrency in the country and have become active

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<sup>1</sup> Indrajit Eko Richardus, 2001, *E-Commerce Kiat Dan Strategi Bisnis Di Dunia Maya*, Bandung, Jakarta Elex Media Komputindo, p. 21

<sup>2</sup> Rizaty Monavia Ayu, 2023, *Transaksi Kripto Di Indonesia Sebesar Rp306,4 Triliun Pada 2022*, <https://dataindonesia.id/komoditas/detail/transaksi-kripto-di-indonesia-sebesar-rp3064-triliun-pada-2022>, (Accessed on February 15, 2023 at 10:00 WIB)

<sup>3</sup> M. Tony, "A Brief History of Cryptography", *Inquiris Journal*, Vol. 1, No.11 (2009), p. 1.

<sup>4</sup> Nurfia Oktaviani Syamsiah, "Kajian Atas Cryptocurrency Sebagai Alat Pembayaran Di Indonesia", *Indonesian Journal on Networking and Security*, Vol. 6, No. 1 (Juni, 2017), p. 53–61

<sup>5</sup> *Ibid.* p. 62

participants in the cryptocurrency trade. Those who engage in transactions on digital platforms to buy cryptocurrencies are referred to as crypto investors. They typically buy crypto coins at relatively low prices and hold onto them for a relatively long period with the intention of selling them at the cryptocurrency's highest price point.

With the increasing prevalence of cryptocurrencies on digital platforms in Indonesia, legal protection becomes essential for cryptocurrency transactions in the country. The state institution responsible for overseeing cryptocurrency trading is the Commodity Futures Trading Supervisory Agency (Bappebti), which has the authority and responsibilities in this regard. Based on the Minister of Trade Regulation Number 99 of 2018 on the General Policy of Cryptocurrency Futures Trading, cryptocurrency assets are the subject of futures contracts that can be traded on futures exchanges. This is supported by Bappebti Regulation Number 7 of 2020, which outlines the mechanism for determining types of cryptocurrencies that are legally tradeable on the crypto market in Indonesia.

As a regulator of local cryptocurrency assets, Bappebti also determines which assets can be traded. The terms that are regulated are based on distributed ledger technology, whether as utility cryptographic assets or cryptocurrencies. These determinations have been made in accordance with the Analytical Hierarchy Process (AHP) method established by Bappebti.<sup>6</sup> In line with this, Bappebti has also designated 11 official brokers along with registered companies under its supervision to conduct digital cryptocurrency trading.

**Tabel 1. 1** List of official cryptocurrency trading brokers registered with Bappebti

1	PT Indodax Nasional Indonesia (Indodax)
2	PT Crypto Indonesia Berkat (Tokocrypto)

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<sup>6</sup> Lona Olavia, 2022, *Investor Aset Kripto Di Indonesia Tembus 16,1 Juta Pelanggan*, <https://investor.id/market-and-corporate/308938/investor-aset-kripto-di-indonesia-tembus-161-juta-pelanggan> accessed, ( Accessed on February 20, 2023 at 11 WIB)

3	PT Zipmex Exchange Indonesia (Zipmex)
4	PT Indonesia Digital Exchange (Idex)
5	PT Pintu Kemana Saja (Pintu)
6	PT Luno Indonesia LTD (Luno)
7	PT Cipta Koin Digital (Koinku)
8	PT Tiga Inti Utama
9	PT Upbit Exchange Indonesia
10	PT Rekeningku Dotcom Indonesia
11	PT Trinita Investama Berkat

Source: bappebti.go.id

Based on the data related to the number of registered brokers mentioned above, the Indonesian community uses these 11 brokers to conduct crypto transactions that are directly supervised by Bappebti. However, outside of this list, especially in Yogyakarta, many Indonesians still use illegal brokers like OctaFX from outside Indonesia for cryptocurrency trading. There is also the use of Binance, which is an illegal cryptocurrency trading broker in Indonesia.<sup>7</sup> Indirectly, this opens up opportunities for malpractice in cryptocurrency trading in Indonesia because it cannot be directly monitored by Bappebti.

**Tabel 1. 2** List of cryptocurrency brokers located in Yogyakarta.

1	Central Capital Futures
2	Kontak Perkasa Futures
3	Monex Investindo Futures
4	Rifan Financindo Berjangka
5	Valbury Asia Futures

<sup>7</sup> NPB, 2021, *Binance Illegal, Ini 13 Marketplace Uang Kripto Legal Di RI*, <https://www.cnbcindonesia.com/tech/20210503150121-37-242745/binance-ilegal-ini-13-marketplace-uang-kripto-legal-di-ri>, (Accessed on Maret 17, 2023 at 10:00 WIB)

6	PT Cipta Koin Digital (Koinku)
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Source: seputarforex.com

On the other hand, issues related to cryptocurrency trading continue to emerge in Indonesia. This includes the emergence of economic instability due to the highly volatile cryptocurrency market, which in turn can disrupt the economic stability in Indonesia.<sup>8</sup> Furthermore, another issue related to inconsistent regulations has also arisen, and among the public, it is evident that many people have limited understanding of cryptocurrency as a trading commodity.<sup>9</sup>

The lack of understanding among the people of Yogyakarta regarding cryptocurrency trading is indeed a concern. It's essential for individuals to comprehend the advantages and disadvantages of this investment instrument, continually deepen their knowledge of cryptocurrencies to make optimal investment decisions, regularly follow cryptocurrency news developments, conduct technical analyses before initiating investments, and understand the features offered by cryptocurrencies. Ultimately, the cryptocurrency trend, especially since late 2020, has introduced risks, including the potential for losses, declining asset prices leading to lower selling prices than buying prices, the possibility of irresponsible developers absconding with assets, misplacing positions in the futures market resulting in losses, and geopolitical factors that can influence the market.

This has been utilized by several individuals to promote coin projects. It's exploited by various parties to sell cryptocurrency coin projects to the public solely based on public legitimacy, as seen in the case of ASIX coin, which was promoted by Indonesian

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<sup>8</sup> Putri Cantika, 2022, *Kripto 'Meledak' Di RI Buat Sri Mulyani Terima Banyak Aduan*, <https://www.cnbcindonesia.com/tech/20221214081102-37-396670/kripto-meledak-di-ri-buat-sri-mulyani-terima-banyak-aduan>, (Accessed on Maret 19, 2023 at 12:00 WIB)

<sup>9</sup> Ignatia Maria Sri Sayekti, 2023, *Literasi Aset Kripto 2023, Mendag Zulkifli: Masyarakat Harus Paham Perdagangan Kripto*, <https://pressrelease.kontan.co.id/news/literasi-aset-kripto-2023-mendag-zulkifli-masyarakat-harus-paham-perdagangan-kripto>, (Accessed on April 8, 2023 at 02:00 WIB)

celebrities and ultimately experienced a significant decrease in value. As a result, Indonesian citizens who had purchased ASIX coins felt disadvantaged. Furthermore, various cryptocurrency coins produced by celebrities have encountered similar issues, such as LESLAR and I-COIN.<sup>10</sup>

The significant bearish events that have harmed the public undoubtedly benefit the promoters of those coins, as people have already invested money to purchase those coins. In this regard, two issues are apparent from the dynamics of cryptocurrency in Indonesia. First is the limited understanding of cryptocurrency among investors, and second is the inadequacy of Bappebti's actions in addressing such incidents, despite legal cryptocurrency releases being directly supervised by Bappebti for commodity transactions.

According to Bappebti Regulation Number 7 of 2020, a mechanism has been established for cryptocurrency assets that can be traded as commodities. This means that Bappebti provides specific criteria for cryptocurrency assets that can be released as tradable commodities. However, the real-world situation shows that various cryptocurrency assets, such as coins promoted by Indonesian celebrities, have passed Bappebti's selection mechanism despite not having a strong underlying value. As a result, significant bearish events have occurred, harming crypto investors.<sup>11</sup>

On the other hand, to protect crypto investors from similar losses, there is an existing consumer protection law that has often been considered insufficient and may need to become a priority for the state. The purpose of organizing, developing, and regulating consumer protection is to enhance the dignity and awareness of consumers. Moreover, it indirectly encourages business operators to be more responsible when conducting their

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<sup>10</sup> Bestari Putri Novina, 2022, *Sempat Heboh, Bagaimana Nasib Harga Token Kripto Artis RI?*, <https://www.cnbcindonesia.com/tech/20220606113006-37-344630/semnat-heboh-bagaimana-nasib-harga-token-kripto-artis-ri> (Accessed on April 09, 2023 at 02:00 WIB)

<sup>11</sup> Wella Andany, 2022, *Hati-Hati Dengan Euforia Token Kripto Artis Yang Menjamur*, <https://www.cnnindonesia.com/ekonomi/20220304061147-92-766493/hati-hati-dengan-euforia-token-kripto-artis-yang-menjamur>, (Accessed on April 10, 2023 at 03:00 WIB)

business activities, with crypto investors also falling under the category of consumers. Therefore, specific legal protection for crypto investors is greatly needed, and it should be a focus for Bappebti.

Furthermore, in addition to Bappebti overseeing the crypto market in Indonesia, the Financial Services Authority (OJK) now also has the authority to jointly oversee cryptocurrency transactions in Indonesia with Bappebti. This is based on the Financial Services Sector Development and Strengthening Law (UUPPSK), Article 6 Paragraph 1 e, which states that OJK will carry out regulatory and supervisory tasks related to activities in the financial technology innovation sector, digital financial assets, and cryptocurrencies.<sup>12</sup> However, OJK is limited in its ability to oversee certain types of crypto assets, such as stablecoins or cryptocurrencies whose values are tied to specific currencies and commodities. Oversight will also target cryptocurrencies with real underlying assets.<sup>13</sup> Yet, cryptocurrency trading in Indonesia includes many types of coins, including those that are not considered stable coins and do not have a strong underlying asset, similar to the coins promoted by Indonesian celebrities.

Among the various provinces in Indonesia, based on data from Coinfolk, there are six provinces with the highest interest in cryptocurrency assets: Bali, DKI Jakarta, Banten, Yogyakarta, Kepulauan Riau, and West Java. Yogyakarta Special Region falls into the category of provinces with the highest cryptocurrency transactions among individuals aged 18-30.<sup>14</sup> This fact leads to the conclusion that Yogyakarta Special Region

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<sup>12</sup> Andrian Kristianto, 2022, *Tak Lagi Haram! Pasar Kripto Resmi Diatur OJK*, <https://www.cnbcindonesia.com/market/20221215093109-17-397101/tak-lagi-haram-pasar-kripto-resmi-diatur-ojk>, (Accessed on April 10, 2023 at 04:00 WIB)

<sup>13</sup> Teti Purwanti, 2022, *Pengumuman! OJK Hanya Awasi Kripto Jenis Ini*, <https://www.cnbcindonesia.com/market/20221221132015-17-398837/pengumuman-ojk-hanya-awasi-kripto-jenis-ini>, (Accessed on April 11, 2023 at 04:00 WIB)

<sup>14</sup> Achmad Adhito, 2023, *Berikut, 6 Provinsi Dengan Aset Kripto Terbesar*, <https://www.topbusiness.id/73329/berikut-6-provinsi-dengan-aset-kripto-terbesar.html>, (Accessed on April 11, 2023 at 05:00 WIB)

is a suitable choice for researchers to conduct research on legal protection for investors in crypto transactions.

Based on the above information, the author is interested in conducting research in the form of a thesis with the title "**LEGAL PROTECTION FOR INVESTORS IN CRYPTO TRANSACTIONS ON COMMODITY FUTURES EXCHANGES.**"

## **B. Problem of Research**

1. How is the legal protection for investors in cryptocurrency asset transactions on the commodity futures exchange in the Special Region of Yogyakarta?
2. What are the weaknesses in the regulations related to legal protection for investors in cryptocurrency transactions?

## **C. Objective of Research**

1. To determine the legal protection for investors in cryptocurrency asset transactions on the commodity futures exchange in the Special Region of Yogyakarta.
2. To identify the weaknesses in regulations related to legal protection for investors in cryptocurrency transactions.

## **D. Benefits of Research**

1. Theoretical Benefits

This research will contribute to the knowledge in the field of legal protection, particularly legal protection for investors in cryptocurrency transactions within the commodity futures exchange.

2. Practical Benefits

This research can be used as a reference for individual or institutional crypto investors, providing benefits to the community at large and the government or regulator as a basic for making policy recommendations to improve investor protection mechanism in cryptocurrency transactions on commodity futures exchanges.