

Legalisation Of Crypto-Asset In Indonesia

The Indonesian Supervisory Board of Futures Commodities Trading, or commonly known as Bappebti, recently legalised the crypto-asset trading market in Indonesia by issuing Regulation No. 5 of 2019 on Technical Provisions on the Implementation of Physical Market for Crypto-Assets. The enactment of this Regulation is aimed to give certainty to the digital commodity market, in line with the increased trading of various crypto-assets in Indonesia.

Definition of Crypto-Asset and Parties Involved

In the Regulation, Bappebti defines crypto-asset as a digitally intangible commodity, using cryptography, peer-to-peer network, and distributed ledger to implement the creation of new units, verify transactions, and secure transactions without any intervention from any third party. The Regulation also states certain requirements that must be satisfied by the parties involved in the crypto-asset trading, such as the future exchange, broker, customer, clearing and settlement institution, as well as the custodian.

Each party (other than the customers) must fulfill several requirements detailed in the Regulation, such as minimum capital requirement, employment of qualified human resources, and adequate internal SOP as well as IT infrastructure. The Regulation also contains an exhaustive list of technical and non-technical requirements that must be fulfilled by the broker to ensure the security of the IT system for the online trading of crypto-assets. Under the Regulation, Bappebti also acknowledges electronic wallet as one of the features to support the crypto-asset trading while coins and tokens are recognized as crypto-asset products.

Crypto-Asset Trading

Prior to being traded, a crypto-asset must be included in Bappebti's list of tradeable crypto-assets in Indonesia. To be included, such crypto-asset must meet several criteria, among others, distribution is made using ledger technology, such crypto-asset is in the form of utility crypto or crypto backed-asset, and the market cap size is in the top 500th worldwide (for utility crypto-asset).

The Regulation also contains the relevant trading mechanism, starting from the opening of bank account, crypto-asset transaction, and the disbursement of crypto-assets and funds from and to the customers. Further, the Regulation also stipulates that crypto-assets trading must only use the Delivery versus Payment (DvP) method as Bappebti restricts short-selling trading. Bappebti also introduces the mandatory use of Indonesian Rupiah in crypto-assets trading in Indonesia.

Conclusion

In the transition period (i.e., 1-year as of the enactment of this Regulation), all brokers that have conducted crypto-asset trading prior to this Regulation must register themselves to Bappebti by fulfilling the requirements in the Regulation. During the transition period, the brokers can only conduct limited business activities.

By enacting this Regulation to legalise crypto-assets trading, Indonesia is one-step ahead in acknowledging crypto-asset as an alternative investment product, a new class of commodity, for both retail and corporate investors, as opposed to being a disruption to the conventional investment product. In addition, crypto-asset also provides a source of funding for companies seeking investors.

Nevertheless, in order to be perfectly implemented in Indonesia, crypto-asset trading still requires the active participation of each party involved, which in turn, requires compatibility between the parties' different IT systems and upholding of the security of their IT infrastructure.

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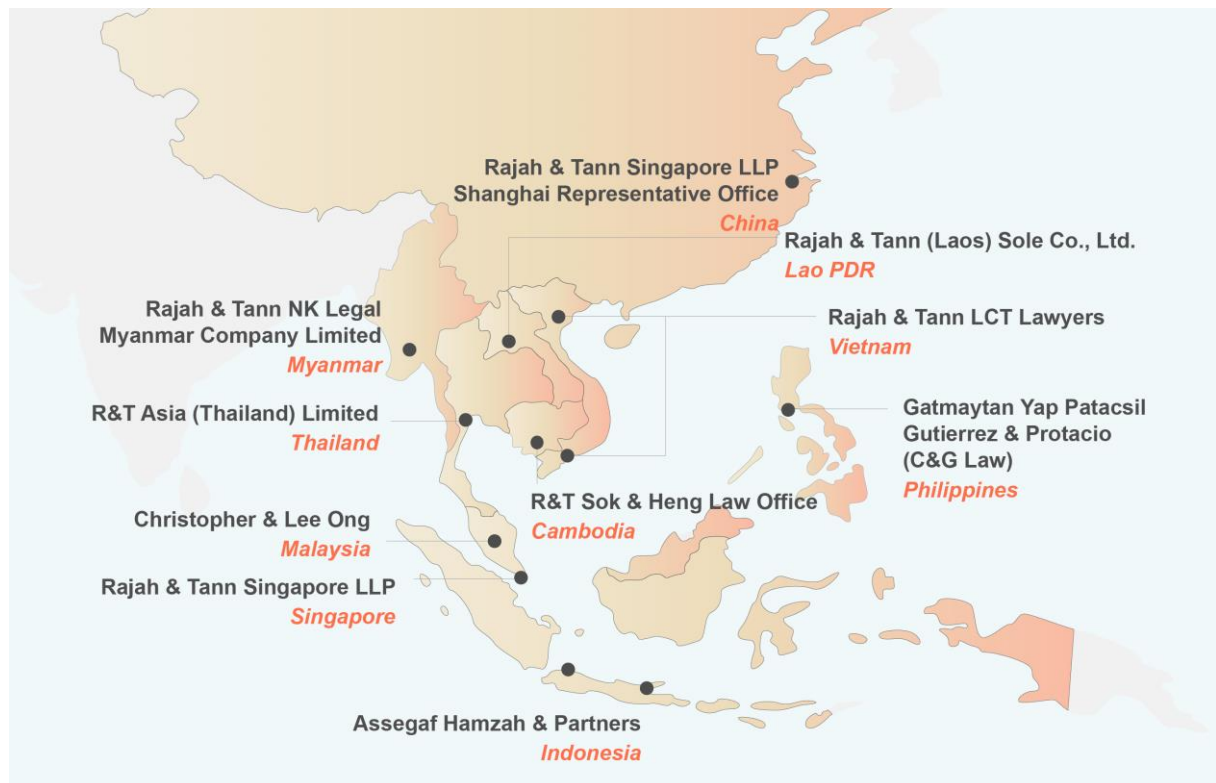
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