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Cryptocurrency Based Money Laundering in Indonesia

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ABSTRACT

Money laundering with Cryptocurrency in Indonesia in the use of digital currencies provides a loophole for criminals to hide the results of criminal acts through money laundering practices. This article reviews various strategies used in money laundering using crypto assets, with the aim of providing a deeper understanding of this issue. This research applies the normative study method by analyzing legal aspects based on literature as well as the latest developments related to money laundering and cryptocurrencies. Money laundering through crypto assets is carried out in order to disguise the source of illegal funds. Some of the commonly used methods include transactions over the dark network as well as the use of unlicensed mixing services. This crime has been regulated in various laws and regulations that aim to prevent and eradicate the practice of money laundering through cryptocurrencies

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INTRODUCTION

The use of the internet network with a variety of uses and facilities have been become a part of human life. Even the internet network becomes a necessity the underlying principle of every activity carried out by humans. By volume internet network users who have globalized, then comes the innovation of various fields that utilize the internet network. One area that shows its development is financial. In the world of Finance developed a variety of forms innovation that harnesses digital progress. One of them is crypto or cryptocurrency. From the financial aspect: crypto is defined as an investment instrument traded in financial markets. The Ministry Of Finance (MoF) defining cryptocurrency as a digital asset that uses technology cryptography to secure transactions and to exercise control over new units. Crypto as a digital currency is an option for making investments. With the use of cryptographic technology designed to secure information through encryption methods and descriptions, which serve to maintain confidentiality, authentication and integrity of existing data, it ensures that only the relevant parties have access to the data, as well as transaction facilities offered through the internet network so that crypto becomes a new option for the financial system.

Money Laundering Through Currency Virtual (Bitcoin) is a new mode that can used by someone to launder money proceeds of crime, this method of money laundering utilizing technological advances in the field Cyber, which is also called Cyber Laundering, is use of electronic based transfer methods internet in order to disguise the source of funds illegal, this type of crime occurs due to the emergence virtual currencies that have spread to various global payment network system and internet which includes electronic payment systems, Internet banking system.

Basically cryptocurrency has two sided use. Cryptocurrency can used as a means of payment or currency which is the first purpose of creating currency the money, and the other side is as as a commodity or as a digital asset it is called a crypto asset. as stated in the Ministerial Regulation Trade Number 99 Of 2018 On General Policy Of Trade Organization Crypto Asset futures recognizing crypto assets as commodities to be treated as a subject in the Futures. Regulation of the Ministry The trade was followed by the promulgation of four regulatory bodies Commodity Futures Trading (Coftra) which set up technical asset trading operations cryptocurrencies and digital gold in futures exchanges, one of the Bappebti regulations number 5 of 2019 About The Technical Terms Of Market Holding Physical Crypto Assets On Exchanges Futures.

This method is used for washing funds illegal because there are two reasons, namely: First, because untraceable and very easy to move, as a result, it is difficult to implement reporting requirements and audit trail to track. While the second reason, virtual currency (Bitcoin) allows instant transfer of funds without the intervention of financial institutions. Speed and anonymity of electronic-based transfers internet makes it difficult or even impossible, for law enforcement agencies to trace money earned illegally.

In Indonesia, cryptocurrencies are no longer recognized as a legal tender since promulgation of Bank Indonesia regulations prohibiting the maintenance of payment instrument systems who use cryptocurrency. Rules these include PBI 11/12/PBI / 2009 on Electronic money, PBI 18/40/PBI / 2016 about Implementation Of Transaction Processing Payment, PBI 19/12/PBI / 2017 on the implementation of financial technology, which prohibit the use of virtual currencywhere virtual currency includes money digital issued by a party other than the authority monetary earned by mining, purchase, or transfer of gifts (reward) between other Bitcoin, BlackCoin, Dash, Dogecoin, Litecoin, Not only that, under the law No. 7 of 2011 on currency, as well as Bank Indonesia Regulation Number 17/3 / PBI/2015 about the obligation to use Rupiah, where currencies accepted as a means of payment in Indonesia only currency is Rupiah.

Subjects of law prohibited to process transactions is a Bank or institution the like in the regulation of Bank Indonesia, not an individual. While in law No. 7 of 2011 on currency, only it is stated that the Rupiah should be used as means of payment transactions in the territory of the Republic of Indonesia. In the Bitcoin system itself Bitcoin.co.id, for buying Bitcoin should replenish the deposit in The Shape of the blade, which will then become Bitcoin according to the last exchange rate.

After buying and selling Bitcoin, users of this service can change back the assets that they get from transactions in in the website to the Rupiah currency. Although Financial Transaction Reporting And Analysis Center (PPATK) has been monitoring every Bitcoin transaction suspected of money laundering, but the existence of Virtual Currency in Indonesia has not have a clear legal position.

Referring to the features that as stated earlier, the author mem formulate the title through this paper, namely Abuse Crypto Assets In Laundering Crimes Money". The name of the Formula is forms of

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manifestation of per masalah identified through this paper, namely what are the risks of asset abuse crypto in money laundering crimes?, and how does it break down?

METHOD

The research method used in the following article uses the normative legal study method. Normative legal study method is a research method that uses primary legal materials such as books, law policies and secondary legal materials in the form of articles, journals, and theses, and use tertiary legal materials in the form of online pages and dictionaries. The following research methods aims to find answers to the truth of a normative legal phenomenon.

RESULTS AND DISCUSSION

A. Responsibility For Laundering Money Made Through Crypto Assets

Cryptocurrency as a digital currency comes as a new medium of exchange as conventional currency, which will provide convenience in financial transactions however, from the point of view of Indonesian law, the status of cryptocurrencies as currencies digital is not a legal payment device. This refers to the provisions of Article 1 Paragraph 1 of Law No. 7/2011 on currency which explains that the currency is money issued by the Republic of Indonesia which is then interpreted Rupiah.7 Although not a device legitimate transactions in Indonesia, but the presence of cryptocurrencies in Indonesia remains recognized being a digital asset and can only be carried out transactions in the physical crypto market. These terms directly stipulated in Coftra Regulation No. 5/2019 subject to technical provisions Crypto asset market implementation and Bappebti Regulation No. 7/2020 regarding the determination of the list Crypto assets that can be sold on the crypto asset market.

Crypto is hide and graphia means write. Thus, cryptography can be interpreted as a science that studies mathematical methods related to information security. Cryptocurrency works using the system blockchain. The system is a system to store digital data connected directly with cryptographic technology. This technology allows for each transaction can be done safely and decentralized, the use of blockchain systems in cryptocurrency allows the anonymity of its users, the point is in blockchain technology there is the possibility of its users to use pseudonym. This can be done as in any transaction in cryptocurrency using only certain algorithms that differ in each transaction9. Although not fully use the anonymity of this provides opportunities for occurrence criminal acts.

Cryptocurrency as a digital asset uses cryptographic technology to secure transactions and to exercise control over the new unit. Cryptographic technology is a science and technique designed to secure information through methods encryption and description, which serve to maintain confidentiality, authentication and integrity existing data, which allows only those who have an interest that can reach that data.

The development of the use of cryptocurrency assets, is also a new mode for offense especially the offense of money laundering, because the system is decentralized. Where cryptocurrency in general is not directly involved with banks so there is no the central authority that controls the cryptocurrency network as a system traditional finance in general are controlled by central banks, which makes the movement of these currencies is completely controlled by the market mechanism. On the other side the use of peer-to-peer networks also allows participants to interact without intermediaries such as banks. As well as the use of cryptocurrency that is not limited to certain geographic regions make the cryptocurrency world a new way of morning follow money laundering.

Money laundering is an attempt to clean up money or property so as not to it is detected that its origin comes from a crime or criminal act. Washing history money shows that the bank as a safe institution for storing money is one of the most commonly applied means. However, with the advancement of Information Technology and the increasing complexity of the financial system, the methods used by actors money laundering is increasingly diverse. One of them is through the use of digital currencies or virtual currency. This digital currency was created as a legitimate alternative in terms of payment.

The interesting thing about digital currencies is that they are anonymous, that is it does not use the complete data of its users or owners. Therefore, the user is difficult tracked, and this makes digital currencies a very effective tool for the rise of crime, including the crime of digital money laundering. There are many incidents where digital currencies are used to launder money online. An example is the use of virtual currencies such as Bitcoin.

In conducting money laundering, there is an exchange or conversion of Bitcoin into conventional money or otherwise. In this context, any individual who accepts Bitcoin through donations, grants, custody, or other methods, considered part of money laundering activities if connected with such

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transactions. This is because the process placement of criminal proceeds of crime and attempts to disguise or segregate Bitcoin derived from crime, referred to as "dirty money", to look like money that legally.

In Law No. 8 of 2010 on prevention and Eradication Money laundering, it is defined in Article 2 Paragraph (1), where the parties who plays a role in carrying out the exchange or conversion of Bitcoin into money conventional or otherwise said to have committed money laundering. Hal it toughens the responsibility and the law on the parties involved in the process money laundering through virtual currencies such as Bitcoin.

B. Correct Money Laundering strategies in crypto assets

Coin mixing aka blending or tumbling can also be called a collection process funds, merging funds, and redistribution of funds that have previously been mixed with funds from other users, to a new address specified by the user.10 of it is this process that coin mixing aims to mix illegally obtained crypto with legitimate crypto to obscure the origin and purpose of crypto funds, so that it becomes it is difficult to trace the possibility of money laundering.

Non-integrated transactions are crypto exchange services conducted in outside without using an official financial system that does not go through strict rules. This service has nothing to do with coin mixing, because the service is not integrated this is one of the doors for the coin mixing process. Services that are not integrated offers high anonymity and ease of transaction, so an opportunity for money laundering.

More regarding the explanation of the above points, the anonymous use of cryptocurrency or currency anonymous crypto money is to use a type of crypto currency designed and offers high privacy features to hide transaction details or using crypto exchanges that do not implement KYC (Know Your Customer) and or AML (Anti Money laundering). So that this becomes a technique used by the money laundering parties in order to hide traces of illegally obtained funds. More KYC is an identity verification process run by financial institutions. This procedure is applied to mitigate the risk of money laundering and other forms of non-criminal. While AML is a policy and procedure designed to prevent, detect suspicious financial activity.

Cryptocurrency exchanges can vary, depending on your needs, preferences, and user priorities that include security, liquidity, anonymity and usage fees. Cryptocurrency exchange is a service of the process of buying, selling, and exchange cryptocurrencies such as Bitcoin, Ethereum and other types of cryptocurrencies. If linked to money laundering this cryptocurrency exchange deals with three points above, which utilizes the system in cryptocurrency.

The occurrence of laundering offense is the result of the original criminal offense. So that talking about strategies for handling and preventing money laundering offenses, the discussion will also be related to the handling of criminal acts of origin. Normatively handling and Prevention of money laundering offense has been regulated in law No. 8/2010 regarding the handling and Prevention of money laundering offences.

Clearly define the offense of money laundering and related activities offense origin (predicate offence). The original offense contained in law No. 8/2010 Article 2 Paragraph (1) which composed of 26 original delik. this clear defining mechanism will provide clear coverage of the flow of money laundering.

Form of strengthening supervisory and regulatory institutions can be implemented with increased coordination between authorized institutions, with the institution PPATK (Center for Financial Reporting and analysis), as the main regulator in charge supervise, prevent, and coordinate efforts to prevent money laundering delinquents12, together with the Financial Services Authority (OJK) as a financial services regulator, set up and supervise financial institutions in the implementation of anti-money laundering programs, such as application of AML and KYC to Cryptocurrency platforms with established procedures experience changes from before, as well as verify the identity of users and source of funds before making transactions with improved technology terbaru 13. Strengthening this institution also applies to the National Police, which is authorized to conduct investigations on money laundering offences. The Attorney General ' s office filing a claim for the perpetrators of TPPU. Ministry of Finance, which through policy fiscal duty to develop policies and regulations relevant to the development crime of money laundering offense. Coftra, Capital Market Supervisory Agency has a role active to supervise the activities of the financial sector suspected as a follow money laundering.

With various modes of use of technology undertaken to launch the follow money laundering, including the use of cryptocurrencies that are not limited to geographical area, making the handling of this case requires cooperation international, such as mutual assistance agreements or Mutual Legal Assistance, this agreement is also recommended by

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the FATF (Financial Action Task Force) as an intergovernmental organization established for the purpose of setting standards and promoting legal policies related to the offense of financing terrorism, money laundering, and another threat that has an impact on the financial world.

Law enforcement strategy and application of sanctions for handling money laundering offenses with the provision of legal sanctions commensurate with the offense committed. Because obviously, law enforcement must be in accordance with the actions of criminals. The need for enforcement of laws and sanctions is to avoid abuse of power so that the perpetrators of money laundering offenses are not free from punishment that should be they accept. Enforcement of this law includes the return of state assets, and return of state financial losses.

CONCLUSION

Gratuities that can be classified as bribery corruption, when the gratuities were given to civil servants / state officials / officials related to their positions. The receipt of such gratuity is contrary to the obligations or duties of the state administrator. This can be seen in Article 12 B paragraph (1) of Law No. 31 th.1999 jo Act no.20 th.2001. A sign of gratitude that can lead to a gratuitous type of corruption crime is a sign of gratitude or a gift given and related to the duties and obligations of civil servants or state administrators. Salain it usually has an unnatural value. Such as giving gifts at fantastic prices or contrary to laws and regulations or giving honors that are not in accordance with standards.

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