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New RI crypto rules will create friction but protect investors: Analysts

Vincent Fabian Thomas

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The government is set to tighten its grip on cryptocurrency trading in the country in a move that analysts say will slow the growth of the industry but will serve the long-term interests of investors.

The regulation, which is to be introduced by the Commodity Futures Trading Regulatory Agency (Bappebti), will require crypto exchanges to ensure that two thirds of the members of their boards of directors or commissioners are Indonesian, to meet certain minimum transaction levels and to have a minimum of Rp 100 billion (US\$6.6 million) in capital, twice the current figure, among other rules.

Earlier this year, the government began collecting value-added tax (VAT) and income tax on crypto capital gains and transactions.

Nailul Huda, who heads the Center of Innovation and Digital Economy at the Institute for Development of Economics and Finance (Indef), a think tank, told *The Jakarta Post* on Thursday that the more stringent cryptocurrency regulations would come at a cost.

"It could slow down the growth of the crypto industry," Nailul said.

Cryptocurrency participation has grown significantly in the country over the past years. In June, 15 million Indonesians had crypto investments, while only 9 million had traditional equities investments, Finance Ministry data shows.

Nailul added that the increased financial friction of the upcoming regulation could lead to a drop in transactions on exchanges and noted that the industry should expect further regulation to follow.

Ibrahim Kholilul Rohman, a senior research associate at the think tank IFG Progress, said on Thursday that despite the added burdens, the new rules would be good for the industry as a whole.

"The crypto industry will be

more mature, although it will mean there will be three or so major players left," Ibrahim told the *Post*.

He also said the rules would make companies think twice before making an initial coin offering (ICO), meaning only serious developers would go through with it.

Earlier this year, several public figures introduced their own coins. A number of Indonesians purchased the coins and eventually lost their money as the value of the assets tanked.

Ibrahim added that the regulations could result in domestic exchanges being required to hire more Indonesians or have an in-country headquarters.

"We also hope this will mean that these crypto exchanges will provide better data security and privacy," he said.

Didid Noordiatmoko, acting head of Bappebti, maintained that the regulation would benefit the industry, as it would offer better protection for investors.

"We do not want the many previous cases to happen again," Didid told lawmakers on Tuesday, referring to the large sums investors had lost in crypto scams in recent years.

In one case, investors were allegedly unable to withdraw their funds from crypto exchange Zypmex, but the company's board of directors was Singaporean and was not able to be held accountable by Indonesian authorities.

"In the new regulation we will require [crypto exchanges] to have Indonesians as board members. At least then we can block them [from fleeing the country]," Didid said.

He added that Bappebti had found that 98 percent of crypto transactions were conducted on five exchanges, while the rest took place on some 20 other exchanges.

"There is imbalance among exchanges. We want to make sure that exchanges operating in Indonesia can be trusted by the public," Didid said.