

# Cracking the Code: Investigating the Hunt for Crypto Assets in Money Laundering Cases in Indonesia

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## Abstract

This study aimed to investigate the use of digital information and communication technology in the form of crypto assets as proceeds of crime in money laundering action, due to the multi-layered security of the blockchain. This phenomenon was presented on a global scale in transnational crimes, providing challenges for Indonesian law enforcement officials in hunting the crypto assets scattered outside its legal jurisdiction. The results showed that Police Investigators and General Prosecutors utilizing penal and non-penal approaches in performing the crypto assets tracing, seizing and recovering, which shows the importance of maintaining formal and informal cooperation with other countries through the Financial Intelligence Units (FIUs) and Interpol, besides developing domestic regulations in controlling the crypto assets physical trading. Due to legal uncertainty of storing and releasing crypto assets, the investigators and the prosecutors faced disagreement in determine the procedures, which then affected the asset recovery process of Indra Kesuma case. This study proposed potential models for effective management on confiscated crypto assets that law enforcement officials could adopt in recovering these

assets such as seizure orders, confiscation orders, and pre-confiscation sale. This was a legal study conducted by collecting data through literature reviews and interviews.

**KEYWORDS** *Assets Recovery, Cryptocurrency, Crypto Asset, Cryptography, Money Laundering*

## Introduction

The idea of freedom and independence from third parties such as states or financial institutions creates a great interest in cryptocurrencies.<sup>1</sup> The presence of electronic payment systems based on cryptographic proof rather than trust, allows two parties to agree to transact directly with each other without the need for a trusted third party.<sup>2</sup> This utilization of cryptography in the economic sector presents significant transformations not solely in the definition of money, but also for the entire world in terms of coping with the implications of its employment as a currency.

Numerous nations lack a cohesive perspective regarding the adoption of crypto asset as a form of payment or an investment tool, which is better known as a cryptocurrency. In the United States, various institutions vested with the authority to regulate this virtual currency possess distinct interpretations of its use. The Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and the Financial Crimes Enforcement Network (FinCEN) consider crypto asset as a security, commodity and currency, respectively.<sup>3</sup> For Malaysia, crypto asset is not a medium of exchange, but rather an investment in the form of securities, whose regulatory

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<sup>1</sup> Ireneusz Miciuła and Katarzyna Kazojć, “The Global Development of Cryptocurrencies,” *Prace Naukowe Uniwersytetu Ekonomicznego We Wrocławiu* 63, no. 2 (2019), <https://doi.org/10.15611/pn.2019.2.16>.

<sup>2</sup> Although there is a wide variety of functions, uses, legal classifications, and distribution models, “crypto assets” will be used here to refer to all kinds of crypto assets system that encrypt the private key to control those underlying assets. More specific terminology will be used if there is meaningful distinction required.

<sup>3</sup> Todd Hammond, Susannah; Ehret, “Cryptocurrency Regulations by Country,” *Regulatory Intelligence. Crypto on the Rise.*, 2022, <https://www.thomsonreuters.com/en-us/posts/wp-content/uploads/sites/20/2022/04/Cryptos-Report-Compendium-2022.pdf>.

authority is subject to the Securities Commission.<sup>4</sup> Meanwhile Indonesia's regulation registered them as investment instrument in the form of a commodity known as crypto assets, which are supervised under the Commodity Futures Trading Regulatory Agency ("CoFTRA").<sup>5</sup>

Despite the uncertainties surrounding the nature of crypto asset, its use is in demand by many parties, namely, as of December 2022, the number of global crypto assets owners reached 425 million users, and in 2023 it is estimated that the number will grow to 600 to 800 people.<sup>6</sup> Some reasons they are very popular is because the fact that they eliminate central banks—who tend to reduce the value of money—from managing the money supply, whereas speculators favor cryptocurrencies because they increase in value and are unaffected by the long-term currency adoption as a means of moving money.<sup>7</sup> Those reasons also included the technology behind them known as blockchain, as it is a processing and recording system, is decentralized and possibly more secure than the traditional payment systems.<sup>8</sup>

Even so, many countries have acknowledged that the presence of cryptocurrencies presents its own legal problems. For instance, the United States reported losses of over 1 billion US dollars in 2021 due to crypto asset frauds, affecting more than 46,000 individuals.<sup>9</sup> In Indonesia, it has been extensively utilized by criminals as a method to place, conceal and incorporate the proceeds of their illicit activities, such as in the case of Dony Salmanan and Indra Kesuma.<sup>10</sup> Dony Salmanan allegedly used crypto assets to maintain the

<sup>4</sup> Shangeetha Sukumaran, Thai Siew Bee, and Shaista Wasiuzzaman, "Cryptocurrency as an Investment: The Malaysian Context," *Risks* 10, no. 4 (2022), <https://doi.org/10.3390/risks10040086>.

<sup>5</sup> See Minister of Trade of the Republic of Indonesia, "Peraturan Menteri Perdagangan Nomor 99 Tahun 2018 Tentang Kebijakan Umum Penyelenggaraan Perdagangan Berjangka Aset Kripto (Crypto Asset)" (2018), <https://peraturan.bpk.go.id/Details/128487/permendag-no-99-tahun-2018>. (last visited Sep 3, 2023)

<sup>6</sup> Raynor de Best, "Number of Identity-Verified Cryptoasset Users from 2016 to December 2022," 2023, <https://www.statista.com/statistics/1202503/global-cryptocurrency-user-base/>.

<sup>7</sup> Dasih Irma et al., "The Future of Cryptocurrency Legality in Indonesia," *Journal of Economics and Business Letters* 1, no. 1 (2021), <https://doi.org/10.55942/jebll.v1i1.87>.

<sup>8</sup> Irma et al.

<sup>9</sup> Federal Trade Commissions, "Reported Crypto Scam Losses since 2021 Top \$1 Billion, Says FTC Data Spotlight," 2022.

<sup>10</sup> Tatang Guritno, "Polisi Sebut Doni Salmanan Investasi Di Mata Uang Kripto," *Kompas Nasional*, 2022, <https://nasional.kompas.com/read/2022/03/23/15083021/polisi-sebut-doni-salmanan-investasi-di-mata-uang-kripto>; Teti Purwanti, "Terbongkar! Indra Kenz & Adiknya Punya Kripto Senilai Rp 35 M," *CNBC Indonesia*, 2022, <https://www.cnbcindonesia.com/investment/20220421095145-21-333470/terbongkar-indra-kenz-adiknya-punya-kripto-senilai-rp-35-m>.

profits obtained from inviting and promoting QUOTEX, a mechanized binary options platform the transaction is similar to gambling, for people to be interested in registering and depositing funds in its account.<sup>11</sup> As in Indra Kesuma case, crypto assets are used to hide the proceeds of crime obtained from influencing people to invest in Binomo, also a mechanized binary option platform akin to gambling, as if it were a legal investment platform recognized by Indonesian law.<sup>12</sup>

Meanwhile, Malaysia's close geographical proximity to Indonesia also means that they share similar conditions in facing the controversies arising from its existence. In this situation, the emergence of fraud cases disguised as crypto assets and forex through the Federal Information Processing Standards (FIPS) platform resulted in an impact on Malaysian citizens as well as those from the UK, Indonesia, Singapore, Australia and Thailand, with a total of 844 victims and losses amounting to RM 3.6 million.<sup>13</sup> Apart from that, other cases use crypto assets as a crime tool under the guise of having a romantic relationship through a dating application. The perpetrator who claimed to be from Malaysia, brainwashed his victim from Indonesia to join his business in a marketplace that uses USDC as a transaction tool. In fact, the platform is fraudulent, and she cannot withdraw the money earned from the business. This victim was not alone, because there were at least 26 other people who experienced similar incidents, with a total loss of IDR 3 billion.<sup>14</sup>

The rise of illicit investments that use crypto assets to hide their crimes indicate a significant risk in using crypto assets as instrument for money

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<sup>11</sup> Teti Putwanti, "Doni Salmanan Sempat Ikutan Trading Kripto, Tapi Kalah Melulu," *CNBC Indonesia*, 2022, <https://www.cnbcindonesia.com/mymoney/20220324085646-72-325524/doni-salmanan-semapat-ikutan-trading-kripto-tapi-kalah-melulu>.

<sup>12</sup> Pengadilan Negeri Tangerang, "Indonesia v. Indra Kesuma, 1240/Pid.Sus/2022/PN.Tng, Tangerang District Court" (2022); Pengadilan Tinggi Banten, "Indonesia v. Indra Kesuma, 117/ PID.SUS/2022/PT.BTN, Banten High Court" (2022), <https://putusan3.mahkamahagung.go.id/direktori/putusan/zaed91961c11dd56b545313635353432.html>; Mahkamah Agung Republik Indonesia, "Indonesia v. Indra Kesuma, 2029 K/PID.SUS/2023, Supreme Court," (2023).

<sup>13</sup> Fayyad Jaafar, "844 Scam Victims Sue Investment Bank CEO for Fraud," *The Malaysian Reserve*, 2022, [https://themalaysianreserve.com/2022/06/03/844-scam-victims-sue-investment-bank-ceo-for-fraud/?\\_\\_cf\\_chl\\_tk=FLN5PBI.Leht5tOA2lthZH\\_XpolB4qbDNoAYUfXy9O8-1654946307-0-gaNycGzNB70](https://themalaysianreserve.com/2022/06/03/844-scam-victims-sue-investment-bank-ceo-for-fraud/?__cf_chl_tk=FLN5PBI.Leht5tOA2lthZH_XpolB4qbDNoAYUfXy9O8-1654946307-0-gaNycGzNB70).

<sup>14</sup> Rindi Salsabilla, "Modus Penipu Cinta Tinder Swindler Indonesia: Dolar Kripto!," *CNBC Indonesia*, 2023, <https://www.cnbcindonesia.com/lifestyle/20230824104152-33-465725/modus-penipu-cinta-tinder-swindler-indonesia-dolar-kripto>; Pertiwi, Caroline Saskia; Kusuma, Wahyunanda, "Polisi Selidiki Kasus 'Tinder Swindler' Indonesia, Penipuan 'Dating Apps' Yang Sasar Perempuan Mapan," *Kompas*, 2023, <https://tekno.kompas.com/read/2022/10/10/09000047/pig-butcher-modus-penipuan-investasi-kripto-mirip-tinder-swindler-di-netflix?page=all>.

laundering crimes.<sup>15</sup> This risk has been disclosed in the result of the National Risk Assessment of Money Laundering Crimes in 2015 namely, the use of crypto assets, including Bitcoin, in conducting financial transactions in an emerging threat to money laundering crimes in Indonesia. This is due to its intangible, unknown and untraceable nature, and its use has spread as an alternative payment for property, luxury vehicles, illegal weapons and for financing terrorism.<sup>16</sup>

In the National Risk Assessment of Money Laundering in 2021, the emerging threats have been identified as the practice of buying and selling and the use of bank accounts in the names of others by syndicates, misuse of e-commerce in transactions of criminal proceeds, and unlicensed peer-to-peer (P2P) financial technology practices.<sup>17</sup> Due to the nature of involving public internet networks, this phenomenon seems to be commonly found in other countries.<sup>18</sup>

This study specifically addressed the legal issues arising from the use of crypto assets and the enforcement of law in Indonesia. Therefore, the focus is to examine the understanding of officials regarding crypto assets and the obstacles posed by the characteristics, as well as the steps in tracing, securing and recovering assets acquired from money laundering crime. Since crypto assets are a recently emerging items with global circulation, it is imperative to engage in this study, particularly for legal professionals, law enforcement officials and members of the public with interest in crypto assets-related issues.

The discussion is based on the characteristics of crypto asset that are encrypted by blockchain technology, providing layered security, and often used as proceed of crime in money laundering cases. The regulation does not provide a solution to prevent illegal activities and complicates law enforcement in tracing, confiscating, and recovering crypto assets used in money laundering.

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<sup>15</sup> Muh. Afdal Yanuar, “Kewenangan Penyidik Otoritas Jasa Keuangan Dalam Menyidik Tindak Pidana Pencucian Uang,” *AML/CFT Journal: The Journal of Anti Money Laundering and Countering the Financing Terrorism* 1, no. 1 (2022), <https://doi.org/10.59593/amlcft.2022.v1i1.4>.

<sup>16</sup> Mardiansyah, *Indonesia Risk Assessment on Money Laundering 2021*, 2021.

<sup>17</sup> Mardiansyah.

<sup>18</sup> Valeriia Dyntu and Oleh Dykyi, “Cryptocurrency In The System Of Money Laundering,” *Baltic Journal of Economic Studies* 4, no. 5 (2019), <https://doi.org/10.30525/2256-0742/2018-4-5-75-81>. The authors describe several examples of the use of the Bitcoin cryptocurrency for criminal activities whose scope of crimes spans the globe, such as the Liberty Reserve money laundering case (2013), a company that provides an electronic transaction system to perform commercial activities without being registered by providing money transfer and money laundering services, assisted with illegal income transaction which has millions of users worldwide. Another case is “Silk Road” which is a virtual market where people illegally buying and selling drugs using Bitcoin as payment tool and confidentially is guaranteed through the use of the Darknet

Therefore, the discussion in this study will be divided into five parts. The first part is to build an understanding of the development of digital economy until the emergence of crypto assets. This section also examines the virtual currency as proceed of crime in money laundering. Moreover, the second part focuses on the response of the Indonesian government to the presence of crypto assets and the regulation to address the trading worldwide. The third section addressed the issue of money laundering process specifically using crypto asset as proceed of crime. The fourth section thoroughly analyses the investigation process, specifically on the acquisition and recovery of crypto assets obtained from criminal actions. This section primarily flaws its material from interview conducted with law enforcement officers in Indonesia who handle money laundering cases. From that we propose model of an effective management of confiscated crypto asset in Indonesia, which discussed in the fifth section. Finally, the last section offers recommendations for future analyses in both local and global context. In a boarder sense, the analysis is intended to contribute to the scientific development of law enforcement issues concerning the development of digital technology and economy, amidst outdated laws, and to evaluate the legal framework underlying law enforcement action in addressing existing problems.

This discussion is based on legal research with a prescriptive document review, supplemented by primary data obtained from interviews. The legal and logical reasoning used in this research is deductive reasoning. The deductive reasoning through a systematic investigation, allows to present an organized body of knowledge, which present the inherent features of the research problem, but presented considering the empirical references which guided the researcher and the reader on what has been done and what remains to be investigated.<sup>19</sup>

## Understanding Cryptocurrencies and Their Anonymity Consequences

In daily life, individuals use money as medium of exchange to obtain goods and services. The concept entails that money serves as assets representing the wealth of an individual. Therefore, people are expected to convert their assets from other form into this specific medium before transacting, as this collection is generally accepted in commercial transactions.<sup>20</sup> Although

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<sup>19</sup> Wilfredo Molina Wills, "Inductive Or Deductive Reasoning in The Narrative of The Introduction of a Scientific Article: A Logical and Sequential Ordering," *Clinical and Medical Research and Studies* 1, no. 2 (2022): 1–14, <https://doi.org/10.59468/2836-8525/006>.

<sup>20</sup> Bill Z. Yang, "What Is (Not) Money? Medium of Exchange ≠ Means of Payment," *American Economist* 51, no. 2 (2007), <https://doi.org/10.1177/056943450705100213>.

generally accepted, the applicability of money as a medium of exchange is limited to certain areas.<sup>21</sup> This is because almost every country in the world has its own currency with different exchange rates. Likewise, in Indonesia, Rupiah is the only legal currency accepted.<sup>22</sup> Due to differences in the currencies of each country, when making international transactions, an exchange rate is needed.

Meanwhile, the development of technology in Industrial Revolution 4.0 has brought major changes to modern society, including in economic activities. The presence of this technology has blurred national boundaries, opening the gate for digital transactions to be conducted by international communities. The utilization and empowerment of information and communication technology for economic activities are known as digital economy, where business is conducted through virtual media, and the creation and exchange of value, transactions and mature economic relationships are established with the internet as medium of exchange.<sup>23</sup>

The emergence of digital economy has also created new exchange instruments, known as digital and virtual currency. The disparity between the two lies in the fact that digital currency constitutes a non-tangible manifestation of conventional currency while virtual currency lacks any physical shape or value beyond the confines of the virtual realms.<sup>24</sup> A contemporary trend that has gained considerable transaction is the advent of virtual currency in the form of cryptocurrency. This currency variant utilizes cryptography to safeguard transactions, regulate the generation of supplementary units, and authenticate the transfer of assets.<sup>25</sup>

In contrast to the traditional currency governed by a centralized financial institution, cryptocurrency operates on a public network, with its records primarily stored in blockchain technology. The term “blockchain” refers to a

<sup>21</sup> Sepri Wulan Sari, “Perkembangan Dan Pemikiran Uang Dari Masa Ke Masa,” *An-Nisbah: Jurnal Ekonomi Syariah* 3, no. 1 (2016), <https://doi.org/10.21274/an.2016.3.1.39-58>.

<sup>22</sup> Dewi Asri Puanandini, “Pidana Pencucian Uang Hasil Kejahatan Siber (Cyber Crime) Melalui Mata Uang Digital (Crypto Currency),” *Jurnal Pemuliaan Hukum* 4, no. 2 (2021), <https://doi.org/10.30999/jph.v4i2.1480>; Ahmad Sofian and Bambang Pratama, “Tindak Pidana Mata Uang Dalam Konteks Hukum Pidana Dan Hukum Siber,” *Jurnal Hukum Pidana Dan Kriminologi* 2, no. 2 (2021), <https://doi.org/10.51370/jhpk.v2i2.56>.

<sup>23</sup> Nila Dwi Aprilia, Surryanto Djoko Waluyo, and Herlina J R Saragih, “Perkembangan Ekonomi Digital Indonesia,” *Jurnal Ekonomi Pertahanan* 1, no. 2 (2018): 245–59; Economics Nsafe et al., “Perkembangan Ekonomi Digital di Indonesia: Peluang Atau Ancaman? (Sebuah Studi Literatur),” *Prosiding National Seminar on Accounting, Finance, and Economics (NSAFE)* 1, no. 8 (2021).

<sup>24</sup> Inta Kotane, “Concept of Virtual Currencies in Modern Economies,” *Latgale National Economy Research* 1, no. 10 (2018), <https://doi.org/10.17770/lner2018vol1.10.3605>.

<sup>25</sup> Wolfgang Karl Härdle, Campbell R. Harvey, and Raphael C.G. Reule, “Understanding Cryptocurrencies,” *Journal of Financial Econometrics*, 2020, <https://doi.org/10.1093/jjfinec/nbz033>.

secure ledger that manages a list of transaction records, progressively appended to the growing chain of blocks hierarchically. Each block is further fortified by cryptographic techniques to ensure the integrity of its recorded transactions.<sup>26</sup> The distributed rather than centralized structure of blockchain provides several levels of security, as it is impossible for attacks to be carried out against every copy on the database.<sup>27</sup>

Due to its decentralized nature on a public network, when authorizing a transaction, it is necessary to possess the knowledge of the public address and utilization of the private key. The private key is cryptographically generated credential used by the owner to control their assets which is usually kept secret.<sup>28</sup> Since the private key is the sole means of claiming authority, anyone in its possession is deemed the rightful owner.<sup>29</sup> If the private key is not backed up, forgotten, or even stolen, then the rightful owner could permanently lose control of their cryptocurrency.

The decentralized nature of blockchain technology is what enables cryptocurrency to function as a currency, free from a centralized authority. As a result, individuals can trade cryptocurrency with one another without any form of control or interference, and with minimal fees.<sup>30</sup> In this particular instance, the exchange transpires through the transfer of digital assets in the form of coins, rather than monetary means. This feature facilitates the conduct of off-the-books cryptocurrency transactions, even in the absence of a public network, through the utilization of a storage medium referred to as a cold wallet. It can be noted that a hot wallet necessitates a public network to enable the purchase of an item and the storage of funds.<sup>31</sup> In contrast, a cold wallet, where the signing of transactions offline involves two computers.<sup>32</sup> This so-called Cold wallet is like a safe deposit box in a bank to store several types of digital assets.

Despite its high level of difficulty to penetrate, assuming that the impact of cryptocurrency does not cause any issue is a fallacy. Therefore, it is a serious error to overlook the importance of creating legal awareness by regulating the

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<sup>26</sup> Rui Zhang, Rui Xue, and Ling Liu, "Security and Privacy on Blockchain," *ACM Computing Surveys* 52, no. 3 (2019), <https://doi.org/10.1145/3316481>.

<sup>27</sup> Härdle, Harvey, and Reule, "Understanding Cryptocurrencies."

<sup>28</sup> Andrew M Hinkes, "Throw Away The Key, or The Key Holder? Coercive Contempt For Lost or Forgotten Cryptocurrency Private Keys, or Obstinate Holders," *Northwestern Journal of Technology and Intellectual Property* 16, no. 4 (2019).

<sup>29</sup> Fulya Teomete Yalabık and İsmet Yalabık, "Anonymous Bitcoin v Enforcement Law," *International Review of Law, Computers and Technology* 33, no. 1 (2019), <https://doi.org/10.1080/13600869.2019.1565105>.

<sup>30</sup> Teomete Yalabık and Yalabık.

<sup>31</sup> Stevo Jokić et al., "Comparative Analysis of Cryptocurrency Wallets vs Traditional Wallets," *Ekonomika* 65, no. 3 (2019), <https://doi.org/10.5937/ekonomika1903065j>.

<sup>32</sup> Jokić et al.



virtual currency legally. This is particularly crucial given the consequential anonymity that blockchain technology provides in cryptocurrency transactions.

Anonymity can be classified into two forms, namely fully anonymous, where it is impossible to trace, and pseudonymity, with possibility to track transaction.<sup>33</sup> Although cryptocurrency considered as traceable anonymity, when tracing the transactions using common methods, the user's identity cannot be found. That is because users can only be traced using a numeric code, which is often transferred under various pseudonyms.<sup>34</sup>

Additionally, criminals can easily move cryptocurrencies quickly and virtually undetected. This is because cryptocurrencies stored in hot wallets can be sold to online trading exchanges and traded with privacy coins called anonymity-enhanced cryptocurrency (AEC).<sup>35</sup> As a result, it is difficult for law enforcers to trace back in identifying the legal subject clearly. This level of anonymity is the reason cryptocurrencies are so popular in illegal activity.<sup>36</sup>

For individuals engaged in criminal actions, blockchain technology presents certain limitations. The transaction history becomes immutable once law enforcement gains access to blockchain records, thereby preventing any further modification or manipulation. Law enforcement officials can then easily obtain all relevant information on criminal actions.<sup>37</sup> This is due to the consequence of blockchain characteristic as a distributed ledger stored on each computer that runs cryptocurrency software, making all transactions public.<sup>38</sup> Therefore, possessing knowledge of cryptocurrency address enables an individual to access details of all cryptocurrency transaction associated with incoming and outgoing address.

Acquiring access to an account used to store funds obtained through illicit means presents a formidable task for law enforcement agencies in terms of asset recovery. This is primarily because cryptocurrency received is solely under the control of the individual in possession of the private key linked to the receiving account, thereby making retrieval of the funds exceedingly difficult.<sup>39</sup>

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<sup>33</sup> Yanuar, "Kewenangan Penyidik Otoritas Jasa Keuangan Dalam Menyidik Tindak Pidana Pencucian Uang."

<sup>34</sup> Yanuar.

<sup>35</sup> Yanuar.

<sup>36</sup> Rolf van Wegberg, Jan Jaap Oerlemans, and Oskar van Deventer, "Bitcoin Money Laundering: Mixed Results?: An Explorative Study on Money Laundering of Cybercrime Proceeds Using Bitcoin," *Journal of Financial Crime* 25, no. 2 (2018), <https://doi.org/10.1108/JFC-11-2016-0067>.

<sup>37</sup> van Wegberg, Oerlemans, and van Deventer.

<sup>38</sup> Andrew W. Balthazor, "The Challenges of Cryptocurrency Asset Recovery," *FIU Law Review* 13, no. 6 (2019), <https://doi.org/10.25148/lawrev.13.6.16>.

<sup>39</sup> Balthazor.

## ‘New Stuff’ Called Cryptocurrency: Indonesia’s Perspective

Several policies issued by the Indonesian government seem sceptical despite the current popularity of cryptocurrency, prohibiting fintech companies from using it as a means of payment.<sup>40</sup> This is due to the nature of cryptocurrency itself, which is encrypted by the blockchain, causing it to become a means that is often used for layering in recent money laundering crimes.

This risk has made the Indonesian government took various mitigation measures against cryptocurrencies, including by enforcing provision in Law Number 7 of 2011 on Currency (“Currency Law”) which prohibits the use of currencies other than Rupiah for means of payments. This provision is then translated into Bank Indonesia Regulation Number 19/12/PBI/2017 concerning Implementation of Financial Technology which contains a prohibition for fintech to use virtual currency for its payment system. However, the government could not continue to make policies that deny its existence, especially if they look at the impact caused by the rejection made by other legislator in other countries which ended up disrupting their own domestic economy.<sup>41</sup>

Since cryptocurrency has great investment potential and a ban may impact capital outflow, then a letter from the Minister of Economic Affairs of Indonesia No. S-312/M/E.EKON/09/2018 dated September 24<sup>th</sup>, 2018, stated that the virtual currency remains banned as a means of payment.<sup>42</sup> In addition, the provisions for the trading of crypto assets as commodities regulated through the Minister of Trade Regulation No. 99 of 2018 on the General Policy for implementation of Trading in Crypto Assets, which organized under the Commodity Futures Trading Regulation Agency (“CoFTRA”).

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<sup>40</sup> Soonpeel Edgar Chang, “Legal Status of Cryptocurrency in Indonesia and Legal Analysis of the Business Activities in Terms of Cryptocurrency,” *Brawijaya Law Journal* 6, no. 1 (2019), <https://doi.org/10.21776/ub.blj.2019.006.01.06>.

<sup>41</sup> Fabian Maximilian Johannes Teichmann and Marie Christin Falker, “Money Laundering via Cryptocurrencies – Potential Solutions from Liechtenstein,” *Journal of Money Laundering Control* 24, no. 1 (2020), <https://doi.org/10.1108/JMLC-04-2020-0041>. EU’s fifth Anti Money Laundering directive has caused an abundance of Europe crypto businesses left the market permanently or moved into the less strict jurisdiction because the due diligence obligations that must be complied with by crypto service providers are considered not feasible. This condition has made other regulators struggle in creating proper legislation without suppressing innovation including cryptocurrencies.

<sup>42</sup> Badan Pengawas Perdagangan Berjangka Komoditi, “Ketentuan Teknis Penyelenggaraan Pasar Fisik Aset Kripto (Crypto Asset) di Bursa Berjangka” (2019).

According to CoFTRA, the factors considered in determining crypto assets as commodity are as follows. *Firstly*, crypto assets can experience increase and decrease in value over time and can be easily traded, making them highly liquid due to their fluctuating prices. *Secondly*, there is no government intervention due to blockchain system, making the market purely based on supply and demand. *Thirdly*, there is a high demand for crypto assets, both domestically and globally, due to their large market share. *Finally*, assets conform to commodity standard indicating their utilization of sophisticated technology, determination of price or value through mining process, and provision of functions and benefits as a medium of payment in specific commodities or projects.<sup>43</sup>

The determination as commodities can be better understood from the perspective of civil property law. Since crypto assets possess identifiable electronic information, transferrable ownership rights, and the ability to be transferred, they may be regarded as a form of property.<sup>44</sup> In this situation, assets confer a proprietary right to electronic information, which, according to Cross, can possess two distinct values. The first is the utility value from its capacity to reduce the marginal costs associated with output production for a company. An example is the use of consumer data in providing operational efficiency to a business.<sup>45</sup> Meanwhile in the context of crypto assets, their usefulness value lies in the electronic information that provides a portion of the underlying assets or gives access to the functions provided by its issuer.<sup>46</sup> The second value is the monopoly that makes the owner the only person capable of accessing the information system. The value of a monopoly arises only when it already possesses utility value. Meanwhile, the proprietor of information can generate profits that are unattainable by its competitors using exclusive characters.<sup>47</sup>

Even though the Indonesian government has permitted the trading of crypto assets as a commodity, certain conditions must be met for the trading of

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<sup>43</sup> Lendra Dika Kurniawan, "Upaya Mitigasi Risiko Pencucian Uang Melalui Aset Kripto," 2022, <https://pdrh.law.ui.ac.id/koleksi/detail/17572/upaya-mitigasi-risiko-pencucian-uang-melalui-aset-kripto>.

<sup>44</sup> Salam Abdul, *Kebendaan Digital: Suatu Kajian Hukum Keperdataan* (Badan Penerbit Fakultas Hukum Universitas Indonesia, 2018), <https://scholar.ui.ac.id/en/publications/kebendaan-digital-suatu-kajian-hukum-keperdataan>.

<sup>45</sup> John T Cross, "Trade Secrets , Confidential Information , and the Criminal Law Synopsis Applying Property-Based Criminal Laws to the Misappropriation of Information Other Property Crimes The Future of the Criminal Law and Information Introduction," 1991.

<sup>46</sup> Hassan Sarhan, "Crypto-Assets : An Overview Crypto-Assets : An Overview," no. July (2020), <https://doi.org/10.13140/RG.2.2.20551.73120>.

<sup>47</sup> Cross, "Trade Secrets , Confidential Information , and the Criminal Law Synopsis Applying Property-Based Criminal Laws to the Misappropriation of Information Other Property Crimes The Future of the Criminal Law and Information Introduction."

assets. According to Article 3 paragraph (2) of CoFTRA Regulation No. 5 of 2019, which deals with the Technical Provisions for the Implementation of Crypto Assets Physical Market on Futures Exchange, crypto assets must also be traded on the largest exchanges.<sup>48</sup> This poses a challenge for law enforcement to hold the responsible parties accountable, as crypto assets are situated in foreign jurisdictions and the actual criminal actions occur within the internet network. In contrast to the stock market, crypto asset lacks a public authority with official responsibility for conducting market manipulation. crypto asset is not categorized as securities, derivatives, or other financial instruments, enabling the trade across multiple platforms globally.<sup>49</sup>

In its most recent development, Indonesia then transferred the authority of CoFTRA in organizing and supervising crypto assets trading to the Financial Services Authority (OJK), along with other commodities included in financial instruments and digital financial assets through Law Number 4 Year 2023 on the Development and Strengthening of the Financial Sector. This transfer of authority is inseparable from the risk poses by crypto assets to the Indonesian financial sector. If we take it further, money laundering by abusing various kinds of financial systems, including using crypto assets to hide or disguise the origins of proceeds of crime obtained, can have a negative effect on people's live, especially in the economic sector. Nevertheless, the impact of these changes cannot be felt considering that it is still in transitional period for up to 2 years from the issuance of this regulation.

Indonesia and other nations have endeavoured to mitigate the risk associated with crypto assets trading. This has been accomplished by classifying the virtual currency as assets rather than as medium of exchanges and regulating the concept within the laws of each respective jurisdiction to authorize each transaction. However, crypto assets remain a challenging tool for criminal actions, primarily for money laundering, and despite the efforts, legal development often lags behind societal changes. The legal system is struggling to keep pace with the rapid advancement in technology. Emerging technologies are continually introducing new possibilities, and individual are engaging in novel behaviours. The law should be directed towards solving old problems, while being unable to keep up with the modern world.<sup>50</sup>

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<sup>48</sup> Badan Pengawas Perdagangan Berjangka Komoditi, *Ketentuan Teknis Penyelenggaraan Pasar Fisik Aset Kripto (Crypto Asset) di Bursa Berjangka*.

<sup>49</sup> Roy Keidar and Sttphane Blemus, "Cryptocurrencies and Market Abuse Risks: It's Time for Self-Regulation," *SSRN Electronic Journal*, 2018, <https://doi.org/10.2139/ssrn.3123881>.

<sup>50</sup> Lyria Bennett Moses, "Agents of Change: How the Law 'copes' with Technological Change," *Griffith Law Review* 20, no. 4 (2011), <https://doi.org/10.1080/10383441.2011.10854720>.

Every nation has its distinct approach concerning the incorporation of novel technology such as crypto assets, as well as the management of its distribution to prevent money laundering. In Indonesia, lawmakers have attempted to draft the Electronic Transaction Information Law Number 11 of 2008 on Electronic Information and Transactions, which was amended by Law Number 19 of 2016, to tackle the use of technology in criminal actions. However, this regulation fails to encompass criminal procedural law that concerns crypto assets tracing, confiscating and recovering. Criminal procedural law still refers to Law Number 8 of 1981 on the Code of Criminal Procedure (“Code of Criminal Procedure 1981”), which was enacted four decades ago. Law enforcement officials must rely on their internal regulations and interpretations to address money laundering offenses involving crypto assets.

## **Law Enforcement Attempt to Detect, Investigate and Prosecute Money Laundering Related to Crypto Assets**

### **A. Crypto Assets Abuse as Proceeds of Crime in Money Laundering Cases**

In essence, money laundering defined as a process done by criminals in the context of: a. hiding, in this case thwarting or making it difficult to identify the origin, search or confiscate assets, or b. disguise, in this case make the proceeds of crime appear to be legitimate assets.<sup>51</sup> United Nations Office on Drugs and Crime initially thought that the process of hiding and disguising the proceeds of crime had to go through three stages, namely placement, layering and integration, where the three of them could occur simultaneously or in stages, or perhaps overlapping.<sup>52</sup> Turns out that the essence of money laundering is not the fulfilment of these three stages, because in fact money laundering may only go through one of them.

Indonesian criminal law does not make these three stages explicit. In general, Law Number 8 of 2010 on Prevention and Eradication of Money Laundering Crimes (“Anti-Money Laundering Law 2010”) seeks to break down the elements of money laundering as follows: 1. Every activity, 2. The act was

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<sup>51</sup> Yanuar, “Kewenangan Penyidik Otoritas Jasa Keuangan Dalam Menyidik Tindak Pidana Pencucian Uang.”

<sup>52</sup> Seehanat Prayoonrat, “The Need and Compliance Issues of Thailand’s Regime on Anti-Money Laundering and Combating the Financing of Terrorism.,” no. August (2007): 2008.

committed against an item that should be suspected of being the proceed of crime, and 3. There was a purpose to disguise it. In contrast to the initial definition of UNODC, the Anti-Money Laundering Law includes all acts that are considered contrary to law against goods whose origins are known as proceeds of crime.

Not only that, but it also turns out that in the Anti-Money Laundering Law, the elements of disguise as a manifestation to the perpetrator's intention or '*mens rea*' is apparently not mandatory to prove. This relates to the existence of two forms of money laundering, namely those that was done in active way where the three elements are fulfilled, and those that was done in passive way, if someone without the need for an intention to disguise, carries out an act against an item whose origin is known. The passive form is then regulated in Art. 5 of the Anti-Money Laundering Law, for people whose receive or control the proceeds of crime.

The use of crypto assets has the potential to become means of money laundering crimes, because of its decentralized and anonymous nature which can disguise its origin.<sup>53</sup> Through this condition, there are various mode of operation of misusing crypto assets for money laundering: a) by exploiting the characteristics of anonymous coins or pseudo anonymous which is in line with the typology of money laundering using anonymous assets, b) by misusing a crypto account belonging to a nominee or strawman, through placing the proceeds of crime into that account, and c) by abusing through other parties who are not the offender of the predicate crime, to obtain proceeds of crime disguised by criminals into crypto accounts, which are known or reasonably suspected by the other party that there are proceeds of crime in the crypto account.<sup>54</sup> These three modes of operation are basically attempts to hide or disguise the origin of the crime as one of the elements of the crime of money laundering. The difference between them lies in the role of perpetrator, which then according to the Anti-Money Laundering Law 2010 is distinguished as active and passive in laundering activities, as previously explained.

The main strategy used in investigating money laundering activities that use crypto assets is to 'follow the money', which means that an analysis of transaction flow and the *tempus delicti* must be known to find the name of the owner of crypto assets, by following their transaction history, bearing in mind details of all crypto assets transactions are distributed to account holders in the

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<sup>53</sup> Meiryani, "Exploration of Potential Money Laundering Crimes with Virtual Currency Facilities in Indonesia," *Journal of Money Laundering Control*, 2023, <https://doi.org/10.1108/JMLC-01-2023-0010>.

<sup>54</sup> Yanuar, "Kewenangan Penyidik Otoritas Jasa Keuangan Dalam Menyidik Tindak Pidana Pencucian Uang."

master report.<sup>55</sup> However, when we use this paradigm, it is very likely that the parties involved are located outside the jurisdiction of Indonesian law. For this reason, the prevention and eradication of money laundering crimes has its own mechanism in national and international cooperation, especially in information exchange through the Indonesian Financial Transaction Reports and Analysis Center which established cooperation with various institutions (including Law Enforcement Agencies) both in within and outside the country.

We took the example of a fraud case committed by Indra Kesuma who used all those modes of misuse of crypto assets as explained above to launder money. In this case, Kesuma took advantage of the anonymity of crypto assets by layering the proceeds of crime in his own accounts. The money first spread in various account from illegal crypto assets selling platform then integrated in the legal platform which was already registered by the CoFTRA.<sup>56</sup> This means that the defendant exploited the anonymity in crypto assets themselves to hide the proceeds of crime, which then considered as the first mode.

Apart from that, Kesuma by all accounts disguised the proceeds of crime by purchasing crypto assets into his sister's crypto account.<sup>57</sup> He also reportedly borrowed his girlfriend's identity to transact crypto assets in selling platform.<sup>58</sup> Those acts could be considered either as the second mode or the third mode of using crypto assets as a means of money laundering crimes. It depends on the role of the girlfriend and his sister, whether they are nominees who perform crypto assets transaction since he was unwilling to perform the transactions under his own account, which considered doing the laundering activities actively, or as third parties who are considered to do it passively because they know or are reasonably suspected of knowing that the assets they obtained came from crime. These matters were later investigated in separate trial.

## B. Tracing, Confiscating and Recovering Crypto Assets in Indonesia

In money laundering crimes, there are various approaches used to return assets obtained. *First*, the criminal approach known as *in-personam* forfeiture,

<sup>55</sup> Meiryani, "Exploration of Potential Money Laundering Crimes with Virtual Currency Facilities in Indonesia."

<sup>56</sup> Pengadilan Negeri Tangerang, Indonesia v. Indra Kesuma, 1240/Pid.Sus/2022/PN.Tng, Tangerang District Court. The defendant sent Bitcoin to his Indodax account which was sent from his own accounts spread across various crypto asset selling platforms

<sup>57</sup> Rahel Narda Chaterine and Bagus Santosa, "Indra Kenz Dan Adiknya Pernah Punya Aset Kripto Senilai Rp 35 Miliar," *Kompas*, 2022, <https://nasional.kompas.com/read/2022/04/21/09411211/indra-kenz-dan-adiknya-pernah-punya-aset-kripto-senilai-rp-35-miliar>.

<sup>58</sup> Chaterine and Santosa.

namely confiscation of assets through criminal justice and a criminal decision stating that the defendant is found guilty, and confiscation of these assets is part of the criminal sanction, while the suspected assets must go through a proof process as a result or tool use by perpetrator. *Second*, the civil approach known as *in-rem* forfeiture, namely the process of confiscating assets is separate from the criminal process and requires evidence that the assets are polluted, considering that the object holder does not have the right to control assets obtained from an unlawful act.<sup>59</sup>

The application of the *in-rem* forfeiture approach has received support from the international world through a number of international conventions and regulations, including the 2003 United Nation Convention Against Corruption (UNCAC), which ask participating countries to take steps that allow for confiscation without criminal penalties in cases where the perpetrators cannot be prosecuted on the basis of their death, flight or absence, or in other appropriate cases. In addition, the 2000 United Nations Convention Against Transnational Organized Crimes (UN-CATOC) also emphasized on member countries to implement similar measures in their domestic legal systems to make it possible to confiscate: 1) the proceeds of crime obtained from the offenses covered by the Convention, or the value of property related to them, and 2) Property, equipment or other devices used in or intended for use in crimes covered by the Convention. Specifically for money laundering crimes, in international law instrument the application of this *in-rem* approach is also encouraged by the Financial Action Task Force (FATF) if the requirements are consistent with their domestic legal principles.

The law enforcement regime for combating money laundering crimes in Indonesia adheres to an *in-rem* approach. This is reflected in Article 67 of the Anti-Money Laundering Law 2010, where assets confiscation is aimed at recovering the proceeds of crime, because there is a mechanism for asset confiscation that can be done without punishing the perpetrator. In addition, Supreme Court Regulation Number 1 of 2013 concerning Procedures for Handling Assets in Money Laundering or Other Crimes allows for the asset confiscation obtained from criminal acts without going through prior punishment. This approach is also in line with the 'follow the money' strategy of law enforcement in tackling money laundering crimes with the aim of recovering assets. This strategy is then broken down into several stages, which consist of tracing, confiscating and recovering the assets.

The authority to search, confiscate, and recover crypto assets as a proceed of crime is spread across various agencies. *First*, the Indonesian Financial Transaction Reports and Analysis Center (Pusat Pelaporan dan Analisis Transaksi Keuangan, "PPATK"), which according to Anti-Money Laundering

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<sup>59</sup> Pengadilan Negeri Tangerang, Indonesia v. Indra Kesuma, 1240/Pid.Sus/2022/PN.Tng, Tangerang District Court.



Law 2010 has the task to preventing and eradicating money laundering by managing data and information, monitoring the Compliance of the Reported Party, and analysing reports and information financial transactions. *Second*, namely the Indonesian Police Department, which according to Code of Criminal Procedure 1981 has the authority to search as an initial investigator and to confiscate as an investigator, if the predicate crime is handled by them. *Third*, namely the Attorney of the Republic of Indonesia, which has the role of confiscating assets resulting from money laundering as well as recovering assets in criminal acts based on Anti-Money Laundering Law 2010. Stated below are actions took by various agencies in tracing, confiscating and recovering crypto assets that have become the proceeds of money laundering crime.

## 1. Tracing Crypto Assets

Tracing crypto assets as a proceed of crime for money laundering is carried out by Law Enforcement Officials through series of procedures in formal criminal law. The Indonesian Police Agency holds the authority to conduct investigations by referring to the provision of Article 5 and Article 7 Criminal Procedural Law. In the investigation process, this stage is reflected in the investigator's act to search and confiscate the assets. The search and confiscating acts are a series of actions in order to find evidence of a criminal activities being committed by a person.

However, it is also important to remember that the Anti-Money Laundering Law 2010 applies according to the principle of *lex specialis derogat legi generali* specifically in its formal legal context. In this case, the authority to investigate has expanded by the existence of this law, which is not only owned by the Police Investigators, but also public prosecutors and judges who can request the Reporting Party to provide written information regarding the suspected assets of the person reported by PPATK. This makes the searching process continuous, not only limited to the initial investigation stage and investigation stage, but also to the prosecution and trial stages to support the examination of all stages.

In addition, as a follow-up to the promulgation of these provisions, Bank Indonesia as monetary authority and bank supervision then issued a derivative regulation, namely Bank Indonesia Regulation Number 14/27/PBI/2012 which adopted the 'Know Your Customer' (KYC) principle. This principle is an inseparable part of the bank's risk control system to prevent the banking industry from being used as a means and target for crimes, especially money laundering.<sup>60</sup> In practice, this principle can also be used by crypto asset traders as a non-penal tool, as a form of commitment to the money laundering

<sup>60</sup> Benedictus Renny, and Ahmadi Miru, "Know Your Customer (KYC) Principles Relates to Bank Confidentiality as an Effort to Prevent Money Laundering Crimes," *Journal of Law, Policy and Globalization*, 2019, <https://doi.org/10.7176/jlpg/81-12>.

prevention program.<sup>61</sup> Through CoFTRA Regulation Number 5 of 2019, Crypto Asset Commodity Traders are also required to implement KYC when accepting customers.

This KYC principle then developed further into Know Your Transaction (KYT) and is needed to be able to identify suspicious transactions in the blockchain technology. By attaching more detailed information to each transaction or payment instructor, such as legal entity information and beneficiary owner, blockchain technology can help to reduce the current false positive rate (99.9%) for suspicious transactions.<sup>62</sup>

**TABLE 1** Mechanism for Crypto Assets Tracing as Proceed of Money Laundering Crime

Mechanism	Institution	Details
Penal	Indonesian National Police	Initial Investigator's authority according to Article 5 (1) b2 of The Code of Criminal Procedure 1981: 'search for information and evidence' to seek and find criminal events. Investigator's authority according to Art. 7 (1) of the Criminal Procedural Act: 'search warrant and documents check', to clarify the existence of a criminal act.
	The Public Prosecution Service of the Republic of Indonesia & Judges	Special authority according to Art. 72 of Anti-Money Laundering Law 2010: for the purposes of examination in money laundering cases, public prosecutors and judges can request written information from the Reporting Party regarding the assets of the defendant.
Non-penal	Indonesian Financial Transaction Reports and Analysis Center (PPATK)	The authority to prevent and eradicate money laundering crimes according to Art. 40 of the Anti-Money Laundering Law 2010 by analyzing reports and information on financial transactions that indicate money laundering and/or other criminal acts.
	Crypto Asset Commodity Traders	The authority to know the purposes of the transactions is based on the 'Know Your Customer' principle according to Art. 29 of Anti-Money Laundering Law

<sup>61</sup> Anton Jaksa Trisakti and Eko Soponyono, "Upaya Pencegahan Tindak Pidana Pencucian Uang Dalam Bentuk Uang Kripto (Bitcoin) Menggunakan Prinsip Kehati-Hatian Perbankan," *Agustus*, 2021.

<sup>62</sup> Benjamin Quinlan and Yvette Kwan, "FROM KYC TO KYT: Blockchain's Emerging Role in the Global Payments System," no. November (2016).

Mechanism	Institution	Details
		2010 <i>jo.</i> Art. 12(4) & 12(5) CoFTRA Regulation Number 5 of 2019.

Source: *The Code of Criminal Procedure 1981, Anti-Money Laundering Law 2010, Technical Provisions for Organizing the Physical Market for Crypto Assets (Crypto Assets) on the Futures Exchange 2019. Examples provided by the Authors.*<sup>63</sup>

In conducting the crypto assets search at the investigation stage, the Police investigator relies on collaborative deanonymization by utilizing the crucial investigative function in seeking witnesses' statements against the blockchain technology.<sup>64</sup> Through peer-to-peer manner, Police officer performs anonymous revocation-based information collection activity with the cooperation of other users.

The process taken by the police is reflected in the narrative explained by Schmidt, where there is allegation of suspicious output on the blockchain and they attempt to backtrack, they first utilize all the standard blockchain forensics available for KYT to aggregate and map the transactions. Ultimately, law enforcement will reach an expected number of users who could be held accountable for the outcome, which they cannot further reduce due to the anonymity protocol used. These users then become the witnesses to the transaction, which will be contacted to request their cooperation to give testimony to narrow the offending individual down to the last user who does not cooperate.<sup>65</sup>

While the Police Investigators perform crypto assets tracing, the least complicated way is when the use of crypto assets has been exchanged for money. That is due to the KYC and KYT mechanism that have been running well in banking institutions, removing incognito transactions. If the crime is related to money involving interbank, the investigators can directly contact the bank to freeze the account.

But the Police Investigators face obstacles more in tracing crypto assets as proceed of money laundering crimes, considering that the main characteristic of cybercrime is that it is borderless, where the victims can be in various

<sup>63</sup> Hukum Acara Pidana (The Code of Criminal Procedure), 1981 Anti-Money Laundering Law), 2010 (Law No. 8/2010, LN. 2010/ No. 122, TLN No. 5164) art. 29, 40, 72; Badan Pengawas Perdagangan Berjangka Komoditi (BAPPEBTI), Ketentuan Teknis Penyelenggaraan Pasar Fisik Aset Kripto (*Crypto Asset*) di Bursa Berjangka (Technical Provisions for Organizing the Physical Market for Crypto Assets (Crypto Assets) on the Futures Exchange), 2019, (Regulation No. 5/2019) art. 12.

<sup>64</sup> Interview with Kombes. Pol. Reinhard Hutagaol, Kasubdit I Dittipidsiber Criminal Investigation Agency of Indonesian National Police, (2022).

<sup>65</sup> Alicia Schmidt, "Virtual Assets: Compelling a New Anti-Money Laundering and Counter-Terrorism Financing Regulatory Model," *International Journal of Law and Information Technology* 29, no. 4 (2021), <https://doi.org/10.1093/ijlit/eaac001>.

countries and so do the perpetrators, the regulations between these countries are also different, as in the countries' perspective on crypto.<sup>66</sup> The diverse view of the authorities of the states involved in crime regarding money laundering and the use of crypto assets in it, making it considered as a 'multi-jurisdictional transnational crime'. As explained by Satria Prakasa, the terminology affects the legal processes that can prosecute transnational crimes, including which courts can handle these cases, which law enforcement officials can investigate, and so on.<sup>67</sup> This is in line with Pickering and McCulloch's view, that globalization, which requires borderless market access states, has a devastating effect on the rise of transnational crime, due to its own goal to undermine state sovereignty.<sup>68</sup>

The next difficulty faced is regarding the need for explicit confession made by suspects to reveal the use of crypto assets as proceed of crime.<sup>69</sup> Since the crypto asset trading is a non-centralized or a DeFi (Decentralised Finance) trade that does not require a central authority or other third party, the trade can occur fast without even being noticed and without intervention from anyone due to its blockchain technology to be recorder in a Distributed Ledger Technology (DLT).<sup>70</sup> As explained in the previous chapter, the government then tried to balance the decentralised finance concept with centralised government regulation, by controlling the physical market trading of crypto asset through CoFTRA. Which until now there are only 28 physical traders of crypto assets who have pocketed permits to operate crypto assets trading from CoFTRA.<sup>71</sup> But the consequence is, outside of these licensed exchangers, even though criminal acts occurred in Indonesia, the Police are still unable to conduct tracing related to these crypto assets.<sup>72</sup>

Although the government has controlling mechanism to the physical market trading of crypto assets that registered to the CoFTRA, if the police do not know where the crypto assets are and what is the name of the wallet account,

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<sup>66</sup> Interview with Kombes. Pol. Reinhard Hutagaol, Kasubdit I Dittipidsiber Criminal Investigation Agency of Indonesian National Police, (2022).

<sup>67</sup> Satria Unggul Wicaksana Prakasa, "Garuda Indonesia-Rolls Royce Corruption, Transnational Crime, and Eradication Measures," *Lentera Hukum* 6, no. 3 (2019), <https://doi.org/10.19184/ejhl.v6i3.14112>.

<sup>68</sup> Sharon Pickering and Jude Mcculloch, "Introduction : Beyond Transnational Crime," *Social Justice* 34, no. 2 (2007).

<sup>69</sup> Pickering and Mcculloch.

<sup>70</sup> Daeng Naufal Firjatullah and M Putra Iqbal, "Legal Protection for Crypto Assets Investment In Commodity", *Student Journal of International Law* 3, no. 1 (2023): 47–68.

<sup>71</sup> Kementerian Perdagangan RI, Kepala Bappebti: Pemerintah Kuatkan Regulasi Dan Pembinaan Ekosistem Aset Kripto, Kementerian Perdagangan RI (2023), <https://www.kemendag.go.id/berita/siaran-pers/kepala-bappebti-pemerintah-kuatkan-regulasi-dan-pembinaan-ekosistem-aset-kripto> (last visited Apr 22, 2023).

<sup>72</sup> Interview with Kombes. Pol. Reinhard Hutagaol, Kasubdit I Dittipidsiber Criminal Investigation Agency of Indonesian National Police.

it will be burdensome for Police to confiscate these crypto assets. It would be different if the Police knew the unique number and could immediately search through the internet. If it is known that there is a unique number, then the tracing process can be done immediately.

This difficulty remains a problem even though the process of tracing assets gained from money laundering has been facilitated by the reversal burden of proof (*omkering van het bewijslast*) that is contained in Art. 77 and 78 of Anti-Money Laundering Law 2010. Through reversing the burden of proof, the defendant is not dedicated to proving that he is not guilty of committing a criminal act, but to prove whether the assets confiscated by investigators, which are then presented by the public prosecutor at trial, come from legitimate assets.<sup>73</sup> Meanwhile, if the assets stated by the public prosecutor can be proven do not come from a crime, then the assets are not suitable for confiscation.<sup>74</sup> However, this process cannot be achieved without first knowing the wallet account.

To deal with these various difficulties, another approach needs to be taken apart from the punitive approach, namely through a cooperative approach. Yunus Hussein revealed that to prevent and to eradicate money laundering, there is a 'follow the money' paradigm used by the law enforcement officials, the implementation of which has its own mechanism in relation to formal exchange cooperation.<sup>75</sup> This paradigm generally discussed the flow of financial transaction to be followed or traced to use them as evidence which is then confiscated. however, the implementation of this approach is a progressive act regarding to uncover cases, starting from the level of investigation, prosecution and evidence at trial, which functions as a complementary to the 'follow the suspect' paradigm, where these two approaches do not work independently.<sup>76</sup>

The Indonesian National Police collaborates with various countries through the Interpol network to provide security against cybercrime in the form of Mutual Legal Assistance (MLA). An MLA agreement requires both

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<sup>73</sup> Artha Febriansyah et al., "Reversal Burden of Proof in Process of Proving Money Laundering Cases in Indonesia," *Indonesia Law Review* 13, no. 1 (2023), <https://doi.org/10.15742/ilrev.v13n1.5>. See also Artha Febriansyah, Frizky Hervando, and Vera Novianti. "Kebijakan Kriminal Terhadap Korban Investasi Binomo Binary Option dan Quotex Robot Trading di Indonesia: Criminal Policies Towards Victims of Binomo Binary Option and Quotex Robot Trading Investments in Indonesia." *Jurnal Hukum Pidana Indonesia* 1, no. 1 (2024): 17-50.

<sup>74</sup> Febriansyah et al.

<sup>75</sup> Yunus Husein, "National And International Cooperation in the Prevention and Eradication of Money Laundering," *Indonesian Journal of International Law* 7, no. 1 (2021), <https://doi.org/10.17304/ijil.vol7.1.225>.

<sup>76</sup> Rizky Amalia, Implementasi Pendekatan Follow the Money dalam Tindak Pidana Pencucian Uang (TPPU) dari Sisi Penegak Hukum di Indonesia, *Thesis* (Jakarta: Fakultas Hukum Universitas Indonesia, 2017), p. 98-99.

governments to appoint representative for central authority on money laundering eradication. Its cooperation scope covers the investigation, examination trial court decision.<sup>77</sup> This collaboration between the Police and other countries via Interpol takes the form of giving red notices at each country's immigration to monitor the rate of cybercrime.<sup>78</sup> Other common collaboration between them takes form of an Extradition Treaty, which focuses on arresting a suspect or defendant who is in the jurisdiction of other country.<sup>79</sup> In practice, the Indonesia National Police through Interpol network also performs informal cooperation by maintaining diplomatic relation in order to get data from intelligence activities.<sup>80</sup>

In the realm of combating financial crimes, the Prosecutor's Office assumes a pivotal role alongside law enforcement agencies such as the Police. With the rise of crypto assets as potential conduits for money laundering, the Prosecutor's Office wields authority to conduct thorough investigations, utilizing penal procedures to uncover illicit financial activities. This mandate, enshrined within the legal framework delineated by Attorney General Regulation Number 7 of 2020, underscores a systematic approach to asset recovery. The procedural journey traverses through distinct stages, beginning with the meticulous tracing of suspect funds, followed by the imperative task of securing these assets to prevent their dissipation. Subsequent steps entail the maintenance of seized assets, their ultimate confiscation, and the intricate process of asset return to rightful owners.

Integral to the execution of these measures is the collaboration between the Attorney General's Office and pertinent entities such as the Financial Transaction Reports and Analysis Centre (PPATK), the Financial Transaction Reports Analysis Centre (CoFTRA), and authorized Crypto Asset Trading Companies. The dual facets of securing assets—administrative and legal—are meticulously undertaken by the Prosecutor's Office. While administrative security measures were traditionally coordinated with CoFTRA through the Asset Recovery Center, recent jurisdictional shifts to the Financial Services Authority (OJK) have introduced complexities, casting uncertainties on the future of collaborative practices.<sup>81</sup>

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<sup>77</sup> Husein, "National and International Cooperation in the Prevention and Eradication of Money Laundering."

<sup>78</sup> Interview with KBP Chaidir S.H., S.I.K., M.Si., M.P.P., Kabag Kominter Set NCB Interpol Indonesia, Divhubinter Polri, (Jakarta, Indonesia, 22 September 2022).

<sup>79</sup> Husein, "National and International Cooperation in the Prevention and Eradication of Money Laundering."

<sup>80</sup> Interview with KBP Chaidir S.H., S.I.K., M.Si., M.P.P., Kabag Kominter Set NCB Interpol Indonesia, Divhubinter Polri, *supra* note 89.

<sup>81</sup> Attorney General Republic of Indonesia, Second Amendment to the Attorney General's Regulation Number PER-027/A/JA/10/2014 on Guidelines for Asset Recovery, Attorney

In tandem with administrative efforts, the Attorney General spearheads legal security measures aimed at combating money laundering through asset confiscation. This endeavor is fortified by the oversight of an independent institution, steadfastly committed to the prevention and eradication of financial crimes. The interplay of legal mandates, procedural guidelines, and collaborative endeavors underscores a concerted effort to safeguard financial integrity and uphold the rule of law in the realm of crypto asset regulation and enforcement.<sup>82</sup>

As mentioned before, one of the non-penal approaches to trace crypto assets through collaboration with the PPATK Institution. PPATK is a FIU that performs its functions with an administrative model, that acts as an intermediary between the public and the financial services industry and law enforcement institutions.<sup>83</sup> It has the authority to conduct assets tracing, by managing the data and information obtained by it, namely by analysing reports and information on financial transactions that are indicated by criminal acts of money laundering and/or other criminal acts.<sup>84</sup> Analysis was performed on the data provided by the reporting party regarding the obligation of Anti-Money Laundering and Prevention of Terrorism Financing also the obligation to report financial transactions to PPATK based on Government Regulation Number 61 of 2021 concerning Amendments to Government Regulation Number 43 of 2015 concerning Reporting Parties in the Prevention and Eradication Money Laundering Crime. In this case, the obligation is imposed on the physical trader of crypto assets.

Given the encrypted nature of crypto assets, PPATK through Art. 44 number 1 letter I Anti-Money Laundering Law 2010 can ask financial service providers to temporarily stop all or part of transactions that are known or suspected to be the result of a crime. During the period of January to April 2022, PPATK has temporarily suspended eight transactions with one physical trader of crypto assets.<sup>85</sup>

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General Regulation (2020), <https://peraturan.bpk.go.id/Details/169929/peraturan-kejaksanaan-no-7-tahun-2020> (last visited Sep 6, 2023).

<sup>82</sup> The Prevention and Eradication of the Criminal Act of Money Laundering (Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang).

<sup>83</sup> Christyanda Sabrielle, Nyoman Serikat Putra Jaya, and Pujiyono, "Praktik Penelusuran Aset (Asset Tracing) Hasil Kejahatan Oleh Pusat Pelaporan Dan Analisis Transaksi Keuangan (PPATK) Dalam Penegakan Tindak Pidana Pencucian Uang," *Diponegoro Law Journal* 6, no. 1 (2017).

<sup>84</sup> Pusat Pelaporan dan Analisis Transaksi Keuangan, Tugas Dan Fungsi PPATK, Pusat Pelaporan dan Analisis Transaksi Keuangan, [https://ppid.ppatk.go.id/?page\\_id=779](https://ppid.ppatk.go.id/?page_id=779) (last visited Aug 10, 2023).

<sup>85</sup> Interview with Muhammad Novian, S.H., M.H., Head of GA of Indonesian Financial Transaction Reports and Analysis Center, (2022).

In tracing crypto assets as proceeds of money laundering, PPATK may ask financial service providers to temporarily stop all or part of transactions that are known or suspected to be the proceeds of crime within a maximum period of 5 working days and can be extended for a maximum period 15 working days. After holding the transaction and the result of analysis or examination finding indications of a crime, the PPATK will coordinate with law enforcer to take legal action in the form of delaying the transaction for maximum 5 working days or blocking assets that are known or reasonably suspected to be the proceed of crime for maximum 30 working days.<sup>86</sup>

Even though PPATK has assisted in handling money laundering cases related to crypto assets, there are still obstacles faced when tracing and recovering crypto assets, namely when criminals use crypto-to-crypto transactions to the wallet, then the funds received are in the form of crypto and transferred to the personal account of the perpetrator, the nominee, and also transferred to another private wallet, thus breaking the trace of the transaction source of sending or transferring crypto to exchanger.

If crypto assets located in foreign jurisdiction, the PPATK as an independent institution uses their network with FIUs abroad, if there is cross-border case handling, they can exchange information. FIU Australia, FIU Karibia, FIU Belarus, FIU Kazakhstan, FIU Swiss, FIU British Virgin Island and FIU Russia are the parties directly involved and have cooperation with PPATK in tracing and recovering crypto assets as proceeds of money laundering crime in Indonesia that involves foreign jurisdictions.<sup>87</sup>

Therefore, we see that the biggest challenge for Indonesian Law Officials in conducting crypto assets tracing is closely related to *locus delicti* of the transnational crimes. In the term of performing cross-border asset tracing, the law enforcers then performing cooperation as shown on Table 2.

**TABLE 2** Forms of Cooperation for Cross-Border Assets Tracing

Aspect	Formal Cooperation	Informal Cooperation
Form of Cooperation	Through MLAs and Extradition Treaties which submitted by the Ministry of Law and Human Rights of Indonesia	Through surveillance & intelligence activities using Interpol networks.
Characteristic	Coercive measures	Non-coercive measures
Measures taken	Obtaining evidence or information, taking	Tracking crime proceeds, providing non-sensitive public

<sup>86</sup> The Prevention and Eradication of the Criminal Act of Money Laundering (Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang).

<sup>87</sup> Interview with Muhammad Novian, S.H., M.H., Head of GA of Indonesian Financial Transaction Reports and Analysis Center.



	witnesses statements by conducting joint investigations with the Law Officials between countries.	records (i.e. Citizen ID, criminal records, vehicle registrations, property registrations, company share ownerships, and immigration records) by sharing investigative leads between countries.
Objectives	To enforce foreign court orders (i.e. seizure, freezing and confiscating criminal proceeds)	For investigating and asset tracing purposes, not for prosecution or court proceedings.

Source: *Interview with KBP Chaidir S.H., S.I.K., M.Si., M.P.P., Kabag Kominter Set NCB Interpol Indonesia Divhubinter Polri (Jakarta, Indonesia, 22 September 2022); data analyzed by the Authors.*<sup>88</sup>

In the case of Indra Kesuma, Police Investigators were assisted by PPATK in tracing crypto asset, where from the search result it was found that the perpetrator used another persons' name to store his assets abroad. The PPATK then said that the assets were froze to secure them.<sup>89</sup> Although it was said to be frozen, not all the crypto assets have been successfully retrieved. We concluded this from the facts obtained in the trial that the defendant had performed crypto asset transactions on platforms that were not registered in Indonesia, only then some of the assets were put into a number of accounts on registered physical crypto asset trading platforms. In this case, only the crypto assets stored in the registered platform can be kept in custody until the confiscation is performed.<sup>90</sup>

<sup>88</sup> See also Ridwan Arifin, Indah Sri Utari, and Herry Subondo. "Upaya Pengembalian Aset Korupsi Yang Berada di Luar Negeri (Asset Recovery) Dalam Penegakan Hukum Pemberantasan Korupsi di Indonesia." *Indonesian Journal of Criminal Law Studies* 1, no. 1 (2016): 105-137; Ridwan Arifin, et al. "A Discourse of Justice and Legal Certainty in Stolen Assets Recovery in Indonesia: Analysis of Radbruch's Formula and Friedman's Theory." *Volksgeist: Jurnal Ilmu Hukum dan Konstitusi* 6, no. 2 (2023): 159-181.

<sup>89</sup> Vidi Batlolone, "PPATK: Aset Crypto Indra Kenz Senilai Rp 38 Miliar Sudah Dibekukan," *Kompas*, 2022, <https://www.kompas.tv/nasional/277045/ppatk-aset-crypto-indra-kenz-senilai-rp-38-miliar-sudah-dibekukan>.

<sup>90</sup> See *Indonesia v. Indra Kesuma*, 1240/Pid.Sus/2022/PN.Tng, Tangerang District Court, see pp. 199, 260, 373–374 The defendant admitted to having a number of assets spread across various crypto asset trading platforms (see p. 260), but in the process of proof it was discovered that only one platform was stated in the trial to have frozen the assets (see p. 199), until later in the verdict crypto assets on that platform were declared confiscated (see pp. 373-374 no. 233 and 238). We assess that the fate of crypto assets spread across other platforms is unclear because these platforms are not registered in Indonesia so law enforcement officials have limitations in accessing, freezing and confiscating them.

## 2. Confiscating Crypto Assets

Confiscation is an act taking property belonging to someone who has been named a suspect in a criminal act, where the takeover is part of the evidentiary process in criminal procedural law.<sup>91</sup> This step was taken after the Law Enforcement officials succeeded in tracing the assets that were closely related to the crime.

Attempts to confiscate crypto assets used as proceed of money laundering crimes are much different from confiscate assets in general according to the Criminal Procedural Law. As in the tracing process, the confiscation process has also expanded so it can be performed not only at the investigation stage but also openly at prosecution and trial stages in the criminal justice system. In addition, the process of confiscating crypto assets can also be performed by the public prosecutors through the Prosecutor's Office.<sup>92</sup>

Confiscating crypto assets presents law enforcement officials with a twofold challenge: firstly, discerning the feasibility of confiscation, and secondly, devising strategies to preserve the value of seized assets. The parameters for confiscation, as outlined within Article 39 of The Code of Criminal Procedure 1981, encompass a range of scenarios, including assets derived from criminal activities, those directly used in committing crimes, and items hindering criminal investigations. Additionally, specialized assets crafted for criminal purposes and those directly linked to criminal acts are subject to confiscation. Navigating these criteria necessitates a nuanced understanding of both legal frameworks and the technical complexities of cryptocurrency transactions. Addressing these challenges mandates innovative approaches tailored to the distinctive nature of crypto assets within the broader spectrum of criminal proceedings.

Based on these five points, crypto assets as proceeds of money laundering crimes should be confiscated. However, if we take a closer look at the forms of goods that can be confiscated and stored, the mechanism for storing confiscation of crypto assets is still unclear, considering that crypto assets do not have physical properties because they are digital objects, which at that time the Code of Criminal Procedure 1981 did not recognize its existence.

In addition to that, the first problem becomes more complex since it deals with similar conditions in the crypto tracing stage, namely when the crypto asset has changed ownership, or its control is in the hands of a nominee or third party. Due to its monopoly value as explained in the previous chapter which

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<sup>91</sup> Henry Donald Lbn Toruan, "Efektivitas Hukum Penyimpanan Barang Sitaan di Rupbasan (Legal Effectiveness Storage of Confiscated Good in Rupbasan)," *Jurnal Ilmiah Kebijakan Hukum* 14, no. 2 (2020).

<sup>92</sup> The Prevention and Eradication of the Criminal Act of Money Laundering (Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang).

allows the owner of the asset to manipulate existing data, law enforcer must be able to ensure a direct relationship between the asset and the crime committed.

Meanwhile, the second problem with the confiscation is closely related to the value of crypto assets as volatile digital objects that can change in a brief time. This is closely related to the normalization of price manipulation in cryptocurrencies caused by ‘whales’ who have tactics to increase the number of tokens they hold, which results in price drops and panic among people, resulting in panic selling.<sup>93</sup> One of the examples is a recent case occurred in South Korea where affected markets throughout the world, involving the founder of Crypto Asset Development Company Terraform Labs, Do Kwon. Do Kwon allegedly ordered an employee to manipulate the price of Luna Classic (LUNC).<sup>94</sup> As a result, many retail investors lost their life savings when Luna and Terra collapsed, and South Korean authorities have opened an investigation into the occurrence.<sup>95</sup>

To avoid similar problems, Indonesian Police Investigators took steps after blocking the wallet to immediately convert the crypto assets value into money, where the disbursement performed by order of the investigator to the exchanger where the wallet account was located and based on the approval of the account owner, then stored it in a temporary holding account owned by Criminal Investigation Agency before finally being handed over to the Attorney.<sup>96</sup> They claimed this strategy adhered to the Art. 45 of the Code of Criminal Procedure 1981. Based on this provision, investigators can take action to sell confiscated object at auction or secure them in the presence of the suspect or his attorney, if: 1) the objects are quickly damaged or dangerous so they cannot be kept until the decision is legally binding; 2) objects that have too high storage cost. In this case, Police combined confiscation and recovering measures to maintain the stability of the value of confiscated assets, making them easier to be stored.

On the other hand, the Indonesian Prosecutor’s Office has a different opinion. Although in practice the Indonesian Attorney Generals’ office has never confiscated crypto assets, a possible step is to confiscate crypto assets as

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<sup>93</sup> Simon Mackenzie, “Criminology Towards the Metaverse: Cryptocurrency Scams, Grey Economy and the Technosocial,” *British Journal of Criminology* 62, no. 6 (2022), <https://doi.org/10.1093/bjc/azab118>.

<sup>94</sup> Brayden Lindrea, South Korean Prosecutors Accuse Do Kwon of Manipulating Terra’s Price, *Cointelegraph* (2022), <https://cointelegraph.com/news/south-korean-prosecutors-accuse-do-kwon-of-manipulating-terra-s-price/amp> (last visited Aug 10, 2023).

<sup>95</sup> Gagas Yoga Pratomo, CEO Terraform Labs Do Kwon Mengaku Bersalah Atas Runtuhnya LUNA Dan UST, *Liputan6* (2022), <https://www.liputan6.com/crypto/read/5045036/ceo-terraform-labs-do-kwon-mengaku-bersalah-atas-runtuhnya-luna-dan-ust> (last visited Aug 10, 2023).

<sup>96</sup> Interview with Kombes. Pol. Reinhard Hutagaol, Kasubdit I Dittipidsiber Criminal Investigation Agency of Indonesian National Police.

digital objects, because in Asset Recovery Center itself there is a categorization of objects in the form of tangible and intangible objects possible to become State Confiscated Objects, making it possible to confiscate crypto assets without having to convert them into tangible objects.<sup>97</sup> Therefore, the Prosecutor's Office chose to confiscate fixed assets in their original form, namely digital form.

Another reason the Prosecutor's Office chose to confiscate fixed assets as digital object was that they felt it would not be appropriate if the release of crypto assets was performed before there was a binding force of a decision made by the Judge by referring to Art. 45 (1) of the Code of Criminal Procedure 1981.<sup>98</sup> In this provision, only objects that are easily damaged or dangerous cannot be stored until a court decision becomes legally binding, or if the cost of storing the items would be too high, while those can be disbursed are sold at auction, or secured by investigators or public prosecutors with consent of the suspect or his attorney. Meanwhile, even though crypto assets themselves are objects whose value fluctuates, they do not meet any of the points required for them to be disbursed.

Despite contradictions, the Police Investigators said that such a process had been applied in confiscate crypto assets in the Indra Kesuma case. This is done solely so that the proceeds of the crime can be secured in a more stable form.

**TABLE 3** Mechanism for Storage of Crypto Assets as Confiscated Objects

Category	Indonesian National Police	Indonesian Attorney General's Office
Confiscated objects	Money	Electronic information (e.g., crypto wallets)
Mechanisms	Once blocked, disbursement is requested with the permission of the Suspect/Legal Advisor. The money disbursed then deposited in the temporary account of the Indonesian Police.	Once blocked, the disbursement must wait for a binding force of decision made by the Judge to be executed. It values often experiences valuation.

<sup>97</sup> See Attorney General Republic of Indonesia, *supra* note 84 at Appendix Chapter I Letter F point 1 Assets that can be confiscated are all objects, both material and immaterial, movable, or immovable, tangible or intangible, and documents or legal instruments that have economic value.

<sup>98</sup> Interview with Silvia Destyrosalina, Kabid Hansetnas PPA Attorney General's Office of Indonesia, (2022).

Legal basis	Follow the provisions of Art. 45 of the Code of Criminal Procedure 1981.	Cannot Follow Art. 45 of the Code of Criminal Procedure 1981 but Art. 46 or 273 of The Code of Criminal Procedure 1981.
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Source: *Interview with Kombes Pol Reinhard Hutagaol, Kasubdit I Dittipidsiber Bareskrim Polisi Republik Indonesia (Jakarta, Indonesia, 26 September 2022)*; *Interview with Silvia Destyrosalina, Kabid Hansetnas PPA Kejaksaan Republik Indonesia (Jakarta, Indonesia, 26 September 2022)*.

### 3. Recovering Crypto Assets

The attempt to asset recovery can be performed through judicial process in criminal and civil courts in order to find, freeze and recover the assets obtained from crime to the state. The recovery of crypto assets as proceeds of money laundering crimes through penal procedure can be done in two ways: 1) using the conviction-based asset forfeiture, by punishing the perpetrators first then confiscate their assets, and 2) using the non-conviction-based asset forfeiture, by confiscating their assets without punishing the perpetrators.

Using the conviction-based asset forfeiture, assets obtained from criminal acts can be seized and by the court decision the status of the assets is determined, whether they are used as evidence in related cases, confiscated for the state, destroyed, or returned to the sole owner.<sup>99</sup> But the problem occurred when the perpetrator has died, since the state will lose their rights to prosecute the crime subject and the judicial process will be stopped.<sup>100</sup> Apart from that, it is also possible that the perpetrator has fled abroad or is experiencing a permanent illness which makes them cannot be examined until the case will eventually expire to be prosecute.<sup>101</sup>

This situation is now limited by the presence of provision in the Anti-Money laundering Act 2010 which use a non-conviction-based asset forfeiture. Art. 67 (2) wrote that investigators can submit request to the district court to decide whether the assets belong to the state or returned to the rightful person if the perpetrator of the crime is not found in 30 days.<sup>102</sup> Furthermore, Art. 79 allows persecutor to fill request to the judge to decide the status of the assets

<sup>99</sup> Hukum Acara Pidana (The Code of Criminal Procedure), 1981 (Law No. 8/1981, LN. 1981/ No.76, TLN. No.3209), 46 (1981), <https://peraturan.bpk.go.id/Details/47041/uu-no-8-tahun-1981> (last visited Sep 7, 2023).

<sup>100</sup> Moeljatno, *Kitab Undang-Undang Hukum Pidana (KUHP)* (Jakarta: Bumi Aksara, 1999), art. 77. The death of the suspect or defendant is one of the reasons for the prosecutor to stop the prosecution, which can generally result in loss of the victim's right to claim the damages through criminal process.

<sup>101</sup> Moeljatno, Art. 78. Due to the time limitation on prosecuting, the perpetrator would take actions to delay by disappearing or hiding in other countries outside the national jurisdiction.

<sup>102</sup> Anti-Mone Laundering Act 2010, article 67 (1)

confiscated from the defendant who has died or is not present at the trial.<sup>103</sup> Thus, this asset recovery method can be a solution in answering the problem of the defendant's absence in claiming the assets. The procedure is regulated further in The Settlement Application Procedure for Property Handling in the Crime of Money Laundering or Other Crimes in the Supreme Court Regulation Number 1 Year 2013, namely giving the opportunity to the parties who have rights to the property to express to object.

One of the examples of asset crypto recover using the non-conviction-based asset forfeiture in criminal procedure is the crypto asset owned by Indra Kesuma's sister, NK. NK allegedly money laundering Kesuma's proceeds of crime by placing it to crypto assets under her name.<sup>104</sup> Although NK has arrested and detained for the alleged act, until now there has not been a single judicial decision declaring her guilty and punishing her act. But the court who examine and adjudicate Indra Kesuma took the crypto assets under her name to be confiscated.<sup>105</sup> we want to make note that although the defendant declared that he offered NK to create an account in a crypto asset trading platform account but she refused and stated that she was not interested, also the trading platform representative who become one of the witnesses in the trial stated that he does not remember there is a deposit made by the defendant's sister in the name of NK, those assets are still become the object of confiscation.<sup>106</sup> The decision also not stated if NK has been asked to testify as a witness. Therefore, we presume that the law officials by the help of PPATK may have undisclosed data showing that the crypto assets NK owns has been contaminated by criminal acts committed by Kesuma, and based on the provision on Art. 67 (1) Anti-Money Laundering Act 2010, the crypto assets then become part of the evidence in Indra Kesuma case, since NK has given the opportunity to claim the assets was obtained legally but could not provide any proof due to the reversal burden of proof principle adopted by this Act.

<sup>103</sup> Anti-Mone Laundering Act 2010, article 79.

<sup>104</sup> See Mustaqim Indra jaya, 'Menyusul Indra kenz, Usai Diperiksa Nathania Kesuma Ditahan di Rutan Bareskrim Polri', *medan.tribunnews.com*, April 21st 2022 <https://medan.tribunnews.com/2022/04/21/menyusul-indra-kenz-usai-diperiksa-nathania-kesuma-ditahan-di-rutan-bareskrim-polri> (last visited 20 Nov 2023); *Indonesia v. Indra Kesuma*, 1240/Pid.Sus/2022/PN.Tng, Tangerang District Court, (2022). <https://putusan3.mahkamahagung.go.id/direktori/putusan/zaed6b03539c111aa1df313434393135.html> (last visited Nov 19, 2023).

<sup>105</sup> See *Indonesia v. Indra Kesuma*, 1240/Pid.Sus/2022/PN.Tng, Tangerang District Court, p. 374, no. 238 (2022), this decision has decided to confiscate the money from the crypto assets owned by NS which is not the person being tried in this case, but the court decides that the assets of NS as the third party to be confiscated for the state instead.

<sup>106</sup> *Indonesia v. Indra Kesuma*, 1240/Pid.Sus/2022/PN.Tng, p. 261. The defendant declared that he offered NK to create an account in a crypto asset trading platform account, but she stated that she was not interested.

The implementation of asset recovery is under the sole authority of the Indonesian Prosecutor's Office. The Prosecutor's Office is a central institution in the criminal law justice system, with the duties and responsibilities to coordinate or control investigations, prosecuting and executing court decisions that have a binding force of law (*incracht van gewijsde*), also responsible for all evidence confiscated both during the prosecution stage serves to prove a case, as well as for execution purposes.<sup>107</sup> On the other hand, the Prosecutor's Office as a state attorney/state legal advisor has the duty and responsibility of providing legal considerations, legal assistance, legal services and legal protection as well as law enforcement of the civil rights of the state or the general public from violations by other parties, especially against financial/material lost, which must be restored to its original position.<sup>108</sup>

In accordance with the position, function, duties and responsibilities of the Prosecutor's office as public prosecutors and state attorney, the recovery of losses suffered by victims (state/individual/corporations/institutions/other parties) caused by criminal acts and unlawful acts, is the *dominus litis* of the Prosecutor's Office, which is described in the form of asset recovery activities.<sup>109</sup> To embody the good governance in asset recovering, all activities related to criminal acts and/or other assets must be performed effectively and efficiently by involving public supervision so it can be held accountable.<sup>110</sup> When we look closely to the phrase 'and/or other assets', we can conclude that crypto assets are also included in it.

As previously explained, the prosecutor's office took steps to confiscate crypto assets only in digital form. Meanwhile, the asset disposal will only be performed after there is an executable decision, which will later involve the Ministry of Trade, CoFTRA, Crypto Asset Traders and brokers, especially in determining how to manage the crypto assets stated in the decision to be confiscated to the state and when to sold them so that they can reach their original value as much as possible.<sup>111</sup>

However, the mechanism for disposing the crypto assets is still at a dead end, even if it is performed after the judge has made the decision to confiscate them for the state. This because crypto assets are not suitable to be disposed by an auction, but by selling, which can also be compared to shares. Meanwhile, in the Regulation of the Minister of Finance of the Republic of Indonesia Number 145/PMK.06/2021 concerning Management of State Property Originating from State-Confiscated Goods and Gratification Goods, only

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<sup>107</sup> Attorney General Republic of Indonesia

<sup>108</sup> Attorney General Republic of Indonesia

<sup>109</sup> Attorney General Republic of Indonesia

<sup>110</sup> Attorney General Republic of Indonesia

<sup>111</sup> Interview with Silvia Destyrosalina, Kabid Hansetnas PPA Attorney General's Office of Indonesia

shares are exempt from being released through a trading mechanism on the stock exchange with the intermediary of exchange members, as well as state property originating from the Attorney General's Office with a maximum fair value of IDR 35,000,000.00 also by way of sale. Based on this, there is still a legal vacuum which result in the inability to recover crypto assets used as proceed of money laundering crimes.

This legal vacuum is what underlines the difference in implementation of asset crypto recovery in Indra Kesuma laundering case, where the Police Investigators already withdrawn the crypto assets into money form to make the asset storage and management easier. Besides, this condition also seems to make the Investigators and Prosecutors confused on how to confiscate the crypto wallet account and their keys as a form of digital assets, where in the decision there is no single piece of evidence stated that it was confiscated as a digital object but as the money instead.<sup>112</sup> This condition is not in line with the Attorney General Regulation Number 7 of 2020 where every objects with economic value can be confiscated, therefore in the perspective of civil property law, digital assets including crypto assets have economic value in it, and as an object with economic value, crypto assets together with the wallets and their keys could be and should be confiscated.<sup>113</sup>

## Model for Effective Management of Confiscated Crypto Assets in Indonesia

The policy objectives to be achieved by the asset recovery regime have evolved over time. The origin and ultimate goal of asset recovery is an important law enforcement tool in achieving the broader goals of justice, accountability and by the rule of law, by disabling how criminals commit crimes.<sup>114</sup> Nowadays, there are other objectives of returning the assets, including using the recovered

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<sup>112</sup> The court decided that "Uang tunai sebesar Rp 214,311,103 (dua ratus empat belas juta tiga ratus sebelas ribu seratus Rupiah) yang berada dalam pada akun atas nama Indra Kesuma pada crypto marketplace Indodax" and "*Uang senilai Rp.757,877,920;- (tujuh ratus lima puluh tujuh juta, delapan ratus tujuh puluh tujuh ribu, sembilan ratus dua puluh rupiah) yang berada dalam akun di PT Indodax Nasional Indonesia atas nama NATHANIA KESUMA*" confiscated for the state.

<sup>113</sup> See Abdul Salam supra note 48; Attorney General Regulation Number 7 of 2020 concerning the Second Amendment to the Attorney Generals' Regulation Number PER-027/A/JA/10/2014 concerning Guidelines for Asset Recovery at Appendix Chapter I Letter F point 1, the as crypto assets should be regarded as a form of property since it possesses identifiable electronic information, transferrable ownership rights, and the ability to be transferred. Therefore, it complies with the Attorney Generals' Regulation where it can be confiscated.

<sup>114</sup> United Nation Office on Drug and Crime (UNODC), *Effective Management and Disposal of Seized and Confiscated Assets*, (2017).



proceeds of crimes to provide compensation to victims, to support crime eradication programs and for sustainable development.<sup>115</sup>

To support the purpose of recovering assets in such a way, the interim phase needs to be ensured in the confiscation process to reduce the risk that assets allegedly owned by perpetrator can be placed beyond the reach of law enforcement, lost, damaged, destroyed, or reduced in value.<sup>116</sup> Those conditions faced by law enforcement officials as described in the previous chapter show that they face a big challenge to determine the right steps in this interim phase to be able to recover crypto assets used to commit crimes amid Indonesia's legal vacuums. This is because the consideration during this interim phase in whether the assets will remain available if a confiscation is made.<sup>117</sup>

Based on the steps taken by law enforcement officials in managing confiscated crypto assets in Indonesia, the authors summarize several models for managing crypto assets as follows: 1) freezing order to limit the use of assets in the hands of the owner or third parties; 2) confiscation of assets from the owner's control or third parties; and 3) sale or disposal of assets prior to confiscation.

## 1. Seizure orders

The method preferred by the Indonesian Prosecutor's Office in dealing with the problem of using crypto assets as proceeds of money laundering crimes is by confiscation. This process, which can break the owner's control over his assets so they cannot be transferred by means of confiscation, has become a mainstay of the law enforcement officials.

In performing confiscation, there are several things that need to be considered – to be adjusted to the circumstances of a case, namely: 1) the availability of the assets after the final confiscation order is made, and 2) the type of asset to determine the possibility of managing it.<sup>118</sup> By considering these two things, the implementation for seize the crypto asset is difficult to perform.

## 2. Freezing orders

The act of freezing crypto assets as proceeds of crime is supported by Anti-Money Laundering Law 2010, which can be performed at any stage of examination in the criminal procedural law. Based on the provisions of art. 71, both investigators, public prosecutors and judge, can order Crypto Assets Traders to block any person's assets reported by PPATK, belonging

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<sup>115</sup> UNODC, *Effective Management and Disposal of Seized and Confiscated Assets*

<sup>116</sup> UNODC, pp. 8-9

<sup>117</sup> UNODC, p. 14.

<sup>118</sup> UNODC.

to suspects or defendants, which are known or reasonably suspected to be proceeds of crime.

This asset management model has both advantages and disadvantages. The positive value is that blocking efforts can temporarily stop transactions while law enforcement officials can examine the crypto assets, so that owners or third parties who control them cannot transfer the assets to other parties. That way, civilly, the material rights of crypto asset owner remain with the owner, so law enforcement officials do not need to think about the cost of maintaining asset.

But the drawback lies in the limited time. Art. 70 (3) requires that blocking can only be carried out no later than 30 working days, or the crypto assets will be returned to the control of the owner and can be freely transferred through a buying and selling mechanism. Another drawback is that this blocking can only be done on crypto assets that are traded by registered Crypto Asset Traders in CoFTRA. To be able to access the crypto assets from unregistered traders, it is necessary to collaborate with countries that are in the legal jurisdiction of the Crypto Assets Traders.

### 3. Pre-confiscation sale

Some jurisdictions prohibit the sale of assets prior to confiscation and limit its application to perishable goods only because the final determination of assets cannot be performed in the interim phase.<sup>119</sup> Similarly, Indonesian criminal law regulates the sale of assets by limiting it to the perishable goods according to the provisions of Art. 45 Code of Criminal Procedure 1981. Even so, the Indonesian National Police Agency continues to apply this method to crypto assets as proceeds of money laundering crimes, amidst the existing legal vacuum. This has a significant risk of misappropriation of money obtained from selling them.

However, some countries apply this method if the object has a high depreciation rate. As in the Czech Republic, Law Number 86 of 2015 allows law enforcer to sell confiscated assets quickly because the cost of storing or maintaining them is not worth the value, or if asset management requires special conditions that cannot be met with disproportionate difficulty.<sup>120</sup> Meanwhile in Thailand, the Anti-Money Laundering Law 1999 authorizes law enforcement officials to sell assets, even if the risk of depreciation arises from negligence or improper management.<sup>121</sup>

Based on the points explained, various methods of recovering crypto assets as proceed of crime of money laundering have their respective advantages and

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<sup>119</sup> UNODC, p. 18.

<sup>120</sup> UNODC, p. 19.

<sup>121</sup> UNODC

disadvantages. According to the authors, a more appropriate method for responding to problems arising from the characteristics of crypto assets if they are used as a means of money laundering crimes is to sell the assets before the confiscation with the consent of the asset's owner and/or the attorney, through the crypto exchanges. If it is not proven later that the assets were used to commit a crime, then law enforcers will return the money equivalent to the money obtained from the sale of the assets. However, in determining the methods that can be used by law enforcement officials, Indonesia needs to regulate them first in criminal procedural law or at least in the internal regulations of law enforcement agencies.

## Conclusion

This study highlighted and concluded that cryptocurrencies, encrypted by blockchain technology, offer a multi-layered security feature, but unfortunately, they have also become favored tools in money laundering schemes. Recognizing this, the Indonesian Government has classified cryptocurrencies as commodities, specifically crypto assets, to curb their extensive use in illicit transactions. However, these regulatory efforts have proven insufficient in thwarting their exploitation for illegal activities. Law enforcement faces significant challenges in tracing, confiscating, and recovering crypto assets linked to money laundering crimes.

Despite provisions allowing law enforcers to block crypto assets during criminal investigations, implementation remains cumbersome due to the lack of registration for all crypto assets. To combat this, Indonesian authorities collaborate with international entities like Interpol and domestic agencies such as the Financial Intelligence Unit (FIU). This collaboration, both formal and informal, amplifies efforts in tracing crypto assets. Nevertheless, the penal approach remains vital for asset confiscation and recovery, as court rulings are required to legitimize these actions.

A notable case, like that of Indra Kesuma's money laundering investigation, underscores the challenges stemming from legal ambiguity regarding the treatment of crypto assets. Divergent procedures between investigators and prosecutors further complicate matters, particularly regarding asset storage and release. In light of these complexities, a model is proposed for managing confiscated crypto assets. This model suggests conducting pre-confiscation sales through authorized crypto exchanges, contingent upon the consent of asset owners or their attorneys. Any proceeds are returned if the assets are proven not to be linked to criminal activities. However, to enact such measures effectively, new criminal procedural laws or specialized regulations must be established to provide a legal framework for law enforcement actions related to crypto assets' search, confiscation, and recovery.

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### **Acknowledgment**

None

### **Funding Information**

None

### **Conflicting Interest Statement**

The authors state that there is no conflict of interest in the publication of this article.

### **History of Article**

Submitted : September 14, 2023

Revised : November 6, 2023; December 20, 2023; March 15, 2024

Accepted : April 15, 2024

Published : May 8, 2024