

# A surge in **Indonesia's** positioning as Web3 giant



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## A Surge In Indonesia's Positioning As A Web3 Giant

### Cryptocurrency: A Boon For Indonesia's Unbanked Population

Blockchain, in its native stage, wasn't exactly a concept worth applying, but when it got coupled with an idea to build a financial model for the world's unbanked population, it suddenly made all the sense in the world.

The emergence of Cryptocurrencies gave an actual arsenal to less economically strong countries than the developed nations. There was a systematic flaw in their banking infrastructure, inserting a gap in access to financial applications and the power of investing, borrowing and lending.

The growth of crypto might have erupted from the West, but it ideally is a perfect solution for the East, where a significant portion of the world's unbanked population resides. The implication of financial freedom for everyone will be instrumental and pave the way for an evolved and permissionless society.

Some hard facts about the unbanked population in the world:

- According to the World Bank, in 2022, there are 1.4 billion unbanked adults worldwide.
- The unbanked population is disproportionately concentrated in developing countries, with 70% in sub-Saharan Africa and South Asia.
- The lack of access to financial services significantly impacts people's lives, making investing or accessing credit difficult.

## A Surge In Indonesia's Positioning As A Web3 Giant

### Cryptocurrency: A Boon For Indonesia's Unbanked Population

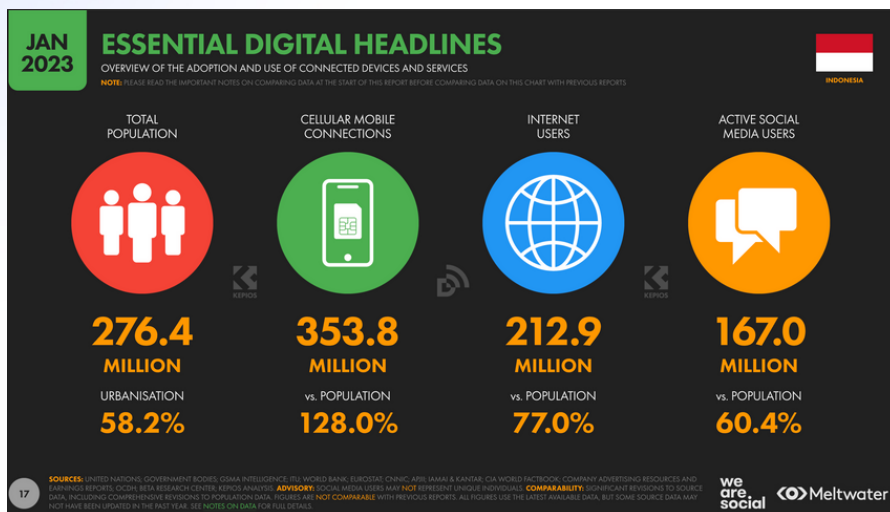
To truly study the impact of blockchain-bought financial protocols, **Indonesia** (a major contributor to the above stats from the South Asia side) is 'the' best geography on the grounds of how fast its GDP is increasing, how adoptive the country has been towards digital assets, how still a major chunk of its population does own a bank account and lastly its governmental stance to push the envelope of cryptocurrency adoption in the country as a means to instill economic upliftment and give a valid classification to crypto assets

World's Most Unbanked Countries						
Country	Total Population (Millions)	Unbanked Population (%)	Cash Transaction (%)	Card Transaction (%)	#of ATMs per 100,000 Adults	Internet Penetration (%)
Morocco	36.9	71	41	27	28.6	62
Vietnam	97.3	69	26	35	25.9	66
Egypt	102.3	67	55	27	20.1	45
Philippines	109.6	66	37	22	29.0	60
Mexico	128.9	63	21	44	61.5	66
Nigeria	206.1	60	24	27	16.9	70
Peru	33.0	57	22	62	126.7	49
Colombia	50.9	54	15	55	41.3	62
Indonesia	273.5	51	13	34	53.3	55
Argentina	45.2	51	18	45	60.9	76

World's Most Unbanked Countries, Source: Merchant Machine, 2021

# A Surge In Indonesia's Positioning As A Web3 Giant

## Indonesia: A HotSpot For Digital Assets Market



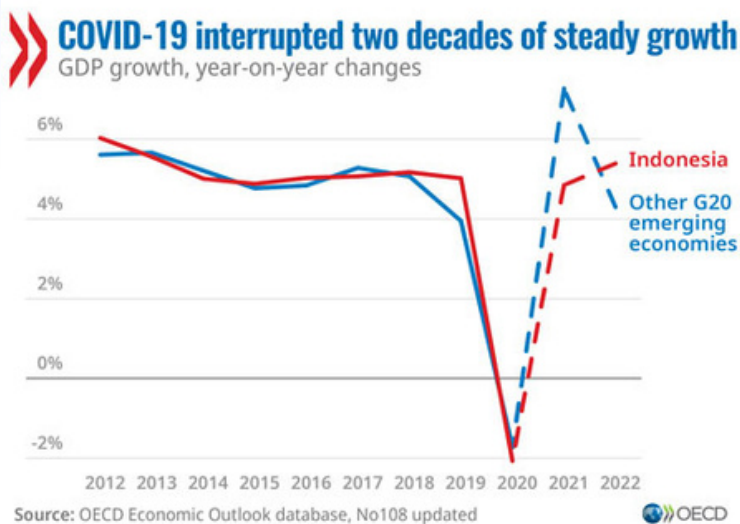
Indonesia is a country with a young and tech-savvy population. As of 2023, the average age of an Indonesian is 29 years old, with the most progressive graph of internet adoption, mobile phone usage and social media participation.

- Over 64% of Internet Users
- Over 59% are active on social media
- A steady rate of urbanisation at 57%

This has made Indonesia a fertile ground for adopting digital assets, cryptocurrencies and NFTs, to be precise.

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The COVID-19 pandemic played a significant role in the rise of cryptocurrency adoption in Indonesia. The pandemic caused economic uncertainty in the country, leading to a decline in the value of the Indonesian Rupiah. This made Indonesians particularly interested in cryptocurrencies to protect their wealth and hedge against inflation.



The result of this adoption was showcased immediately, as in 2021, the number of cryptocurrency users in Indonesia reached almost 4.2 million, according to Bapebti (the organization which monitors and governs cryptocurrency in the country). This is close to the number of stock market users in Indonesia, which is 4.5 million.

Ideation of the feasibility of using crypto assets in Indonesia came after the progressive bull run in 2021 that made this asset class a favourite for all those willing to put in more risk to gain more from the market.

## A Surge In Indonesia's Positioning As A Web3 Giant

### Indonesian crypto investor growth



 cointelegraph.com

source: *Indonesia Blockchain Association*

Indonesia's daily cryptocurrency transaction volume has also increased significantly in recent years. In 2019 the daily transaction volume was around 600 to 800 billion rupiahs. In 2021, this figure had risen to over 10 trillion Rupiah.

The rise of cryptocurrency adoption in Indonesia is being driven by a number of factors, including:

- A young and tech-savvy population
- Economic uncertainty caused by the COVID-19 pandemic
- A decline in the value of the Indonesian Rupiah
- A lack of trust in traditional financial institutions

As cryptocurrency adoption continues to grow in Indonesia, with a large and growing population of crypto users, Indonesia has an untapped potential to be a major player in the global cryptocurrency market.

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Some additional insights:

- According to a report by Gemini Exchange (2022), 41% of Indonesians own some cryptocurrency. This places Indonesia at 6th in the world behind Nigeria, Thailand, Brazil, South Africa and the Philippines.
- The most popular cryptocurrency in Indonesia is Bitcoin, followed by Ethereum, Tether and Solana.
- The Indonesian government has taken a relatively positive stance on cryptocurrency, even with the central bank issuing several warnings about the risks associated with investing in cryptocurrencies. The government has also expressed interest in regulating the cryptocurrency market and is working towards implementing compliance and
- The rise of cryptocurrency adoption in Indonesia has many implications for the country's economy and financial system. It could lead to increased investment and innovation and new opportunities for financial inclusion.



## A Surge In Indonesia's Positioning As A Web3 Giant

### The Journey Of Crypto Regulations In The Indonesian Island

The eternal debate of how to classify crypto assets was fought more or less in the same way in Indonesia as in the other major jurisdictions, which even considered including crypto assets in a regulated asset class framework.

Here's a complete timeline between the regulatory authorities and government bodies.

#### 2018

##### Legal Classification Of Cryptocurrencies

In September 2018, the Ministry of Trade granted cryptocurrencies the status of recognized asset class, allowing for trading Bitcoin (BTC) and other crypto assets as commodities.

The Indonesian government took a significant step in granting legal status to cryptocurrencies for trading on exchanges. In an effort to regulate the digital asset space and promote financial inclusion, the government recognized cryptocurrencies as a legitimate form of financial instrument. This move came into effect after thorough consideration by relevant authorities, including the Ministry of Finance and the Financial Services Authority (OJK).

# The Journey Of Crypto Regulations In The Indonesian Island

## 2019

### Introduction of BAPPEBTI

An earmarked event happened in 2019 when for the first time, the authorities, legal practitioners, crypto players, and tech journalists sat down and discussed the notion set by the government articulating the new regulation that allows cryptocurrencies to be traded like any other commodity, like gold.

This regulation processed two decisively critical points:

- Crypto asset is a commodity that can be a subject of a futures contract that can be traded on futures exchanges.
- Further regulation regarding the specification of the crypto asset can be a subject of a futures contract which is traded on futures exchanges; its development and supervision will be specified by the Futures Exchange Supervisory Board (Bappebti)

### Regulatory Framework Setup

After declaring cryptocurrency trading legal, the next step by Trade Ministry's Futures Exchange Supervisory Board (Bappebti) was a new regulation in 2019 that defined the technical provisions regarding crypto assets on the futures exchange.

# The Journey Of Crypto Regulations In The Indonesian Island

## 2020

### Crypto Exchange Registration Framework

Next was Bappebti Regulation No. 7 (2020), whereby Bappebti compiled a list of 229 crypto assets and deemed them tradable assets through any registered crypto exchange entities.

Bappebti, in their quest to extend this same regulation for crypto-asset physical traders, has put forth an array of responsibilities to which these traders must adhere. These responsibilities include:

- The establishment of meticulously crafted and standardized operating procedures. Such procedures serve the purpose of meticulously monitoring and evaluating the crypto-assets that these traders are exchanging.
- Mind you; the monitoring and assessment processes are carried out with utmost independence and an active approach. Furthermore, these traders are expected to provide diligent reports to not only Bappebti but also the Cryptoassets Futures Exchange and the Cryptoassets Committee. These reports aim to provide comprehensive insights into the outcomes of the monitoring and assessment activities conducted on the traded crypto-assets.
- Lastly, it is worth noting that these traders possess the authority to unilaterally impose certain limitations on crypto-assets that fail to meet their risk standards. This ensures a certain level of control and risk management within the crypto trading sphere.

# The Journey Of Crypto Regulations In The Indonesian Island

## 2021

### **Crypto Asset Physical Trader License**

Bappebti Regulation No. 8 of 2021 further mandated companies to obtain a Crypto Asset Physical Trader License to operate as a Crypto Asset Physical Trader. In the absence of established infrastructure, it added a norm that both existing and new companies must apply for a Candidate License to conduct business.

Once the Futures Exchange and Futures Clearing Agency are established, new companies can apply for the physical trader license directly. Existing candidates must reapply within one month of launching the exchange and clearing agency to become a Crypto Asset Physical Trader.

## 2022

### **Updating Whitelisted Asset List**

Regulation no. 7 was later improvised to include even more crypto assets under the label of whitelisted assets and grew the number to 383 from 220 in 2022. The revised Whitelist is incorporated in Bappebti Regulation No. 11 of 2022 on the List of Tradable Crypto Assets on the Crypto-Asset Physical Market.

## The Journey Of Crypto Regulations In The Indonesian Island

### Income Tax on Crypto Asset Transaction

Regulation no. 68 was also pushed in 2022 to clarify the taxation of crypto assets and the nature of the transaction. Based on this MoF-68, two tax brackets were implied, Art. 22 Income Tax and Value Added Tax (VAT). This regulation stated that all crypto transactions, such as trading, swap, and provision of services, are subject to Income Tax and VAT.

NO	TYPE OF TRANSACTION	ARTICLE 22 INCOME TAX RATE	VAT RATE	
1	Sale and purchase of crypto asset using fiat currency	0.1%*	0.11%*	
2	Exchange/swap between one crypto to another crypto currency			
3	Exchange between crypto with goods other than crypto and/or service		11%	
4	Provision of electronic platform to facilitate crypto transaction			
5	Crypto verification service and/or management service of crypto mining pool			1.1%
6	Other income from crypto			N/A

Source: <https://indonesia.aclimate.com/news/vat-income-tax-crypto-asset-transaction/>

# The Journey Of Crypto Regulations In The Indonesian Island

## 2023

### Shift Of Status From Commodity To Securities

A recent change in Indonesian legislation has transferred the regulatory authority for cryptocurrencies from the commodities watchdog CoFTRA to the Financial Services Authority (OJK). This signifies a significant shift in the country's approach to overseeing the crypto industry and acknowledging that it encompasses more than asset trading.

The new law, signed by Indonesian President Joko Widodo on January 12, aims to modernize financial regulations by amending outdated local laws to adapt to technological advancements. One potential consequence of this overhaul is reclassifying crypto assets from commodities. Under the previous system, exchanges operating in the country were required to submit regular transaction reports to CoFTRA. However, with the regulatory powers now under the purview of OJK, Indonesia is moving forward with plans to establish a national crypto exchange. This development is expected to enhance regulatory oversight and monitoring of market activities on a broader scale.

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### Adoption Parity of Crypto In Indonesia

The current situation regarding cryptocurrencies being classified as commodities in Indonesia has resulted in limited acceptance of cryptocurrencies among merchants. Nevertheless, a small but growing number of businesses have begun embracing crypto payments. Here are a few examples:

- **ESO Trans Digital:** ESO Trans Digital operates a platform that utilizes blockchain and NFC technology to simplify payments and transactions. Users can conveniently make crypto payments using QR codes and other payment methods.
- **Nobi:** Nobi is a blockchain savings platform that rewards cryptocurrency-seeking users. Users can deposit, save, and stake cryptocurrencies through its mobile applications to earn rewards.
- **BCS Technology:** BCS Technology is a blockchain consulting firm specializing in project development. The company accepts crypto payments for its services.

There is an expectation among some individuals that the government will eventually revise the classification of cryptocurrencies, shifting them from commodities to digital assets. Such a change would accelerate the acceptance of cryptocurrencies as a viable payment method among merchants.

## A Surge In Indonesia's Positioning As A Web3 Giant

### Top Exchanges In Indonesia

Crypto Exchanges are the most successful use cases throughout the crypto industry; the same is valid with Indonesia. It offers a gateway into cryptocurrency investing with minimal understanding and knowledge of managing a self-custodial wallet.

In Indonesia, individuals can securely and conveniently acquire Bitcoin and other cryptocurrencies through a platform overseen by BAPPEBTI. Investors have various options, including bank transfers, domestic payments, and additional methods, to deposit Indonesian Rupiah (IDR) and engage in regulated buying, staking, and trading of digital assets.

In Indonesia, both the internationally acclaimed and local exchanges operate together, sometimes in collaboration as well, to serve one of the wealthiest markets of retail investors. Here's a look at the top crypto exchanges and their impact on Indonesia's Web3 power.



# A Surge In Indonesia's Positioning As A Web3 Giant

## Top Exchanges In Indonesia

### Tokocrypto

- Tokocrypto, the largest crypto exchange in Indonesia, has experienced significant market share growth, reaching 43.0% in 2023 from 23.4% in 2022.
- Tokocrypto got acquired by Binance in their attempt to serve the Indonesian market in collaboration with a local exchange.
- In 2022, Indonesian crypto traders generated \$6.57 billion in trading volume on Tokocrypto.
- Despite a higher market share range in 2023, the average monthly trading volume has decreased.

### Indodax

- Indodax is Indonesia's oldest and second-biggest crypto exchange and has maintained consistent market share performance between 21.7% and 42.0% over two years.
- Despite being a pioneer in the Indonesian crypto market, Indodax has yet to become the market leader, even though it captured the highest market share for two months in 2022.
- Indonesian investors traded \$7.60 billion worth of crypto on Indodax in 2022.
- The average monthly crypto trading volume has decreased from \$0.63 billion in 2022 to \$0.24 billion in 2023.
- Indodax's market share increased from 32.1% to 42% in 2023 alone.

## A Surge In Indonesia's Positioning As A Web3 Giant

### Top Exchanges In Indonesia

#### Upbit

- Upbit launched in Indonesia in 2019 and is part of a larger South Korean crypto exchange established in 2017. Upbit's international operations hold a market share of approximately 7.1% and rank as the second largest crypto exchange globally.
- Upbit's international operations hold a market share of approximately 7.1% and rank as the second largest crypto exchange globally.
- Upbit Indonesia's market share has fluctuated between 15% and 61.6% since last year as investors traded \$9.80 billion worth of crypto on Upbit Indonesia in 2022.
- Upbit Indonesia's market share has fallen from 44.5% to 15% in 2023.
- Average monthly crypto trading volume on Upbit Indonesia has dropped from \$0.82 billion in 2022 to \$0.22 billion in 2023.

# A Surge In Indonesia's Positioning As A Web3 Giant

## Top Exchanges In Indonesia



While the above three exchanges share a considerable percentage of the Indonesian market, there are some other crucial players as well that constitute healthy competition and showcase the emergent explosion of the Indonesian crypto market like Pintu, Gudam kripto, MKS, Digital exchange indo and more.

Not just the local exchanges, the Indonesian market has lured some of the upcoming and new international exchanges also in a pursuit to capture and broaden their brand in one of the most active crypto countries, Indonesia.

## A Surge In Indonesia's Positioning As A Web3 Giant

### Indonesia's National Crypto Exchange

Indonesia's recently launched cryptocurrency exchange and clearinghouse has finally become operational following several delays that started back in 2021. This development was announced on 21st July, 2023 by the country's commodities regulator.

Unlike modern crypto exchanges such as Binance or Coinbase, this platform bears a closer resemblance to traditional securities markets like the New York Stock Exchange, Nasdaq, and Tokyo Stock Exchange. This distinction arises from its approval by the government.

Establishing these exchanges, clearinghouses, and crypto asset storage managers is evidence of the government's involvement in fostering a transparent and equitable trading ecosystem for crypto assets. The objective is to ensure legal certainty and prioritize the protection of the public, who are customers in this arena.

Bappebti, in collaboration with the country's Financial Services Authority (OJK), central bank, and Ministry of Finance, will oversee the platform's operations. This crypto exchange has been designed to facilitate the smooth functioning of the local industry and to manage potential risks associated with cryptocurrencies.

### **Regulated Custody Providers: A Missing Piece For Indonesia's Institutional Crypto Market**

Around everything that the Indonesian market has encapsulated in the Web3 economy, there is a major irregularity that exists and needs to be addressed immediately to fortify the ecosystem fully and capitalize on the growing relationship between Web3 native Institutions willing to expand services in Indonesia, and the government authority for digital assets, Bappebti.

The missing piece is the placement of a regulated custodian to aid major Institutions in adhering to the security, custody and compliance standards set by Bappebti to run operations smoothly and legally.

As the crypto market continues spreading its stride in the country and more and more vulnerabilities are exploited to rekt protocols, mainly user-centric funds, it is not becoming inevitable to implement highly secured, structurally efficient, managerially efficient and operationally sustainable custody framework via a regulated custody provider.

### **Regulated Custody Providers: A Missing Piece For Indonesia's Institutional Crypto Market**

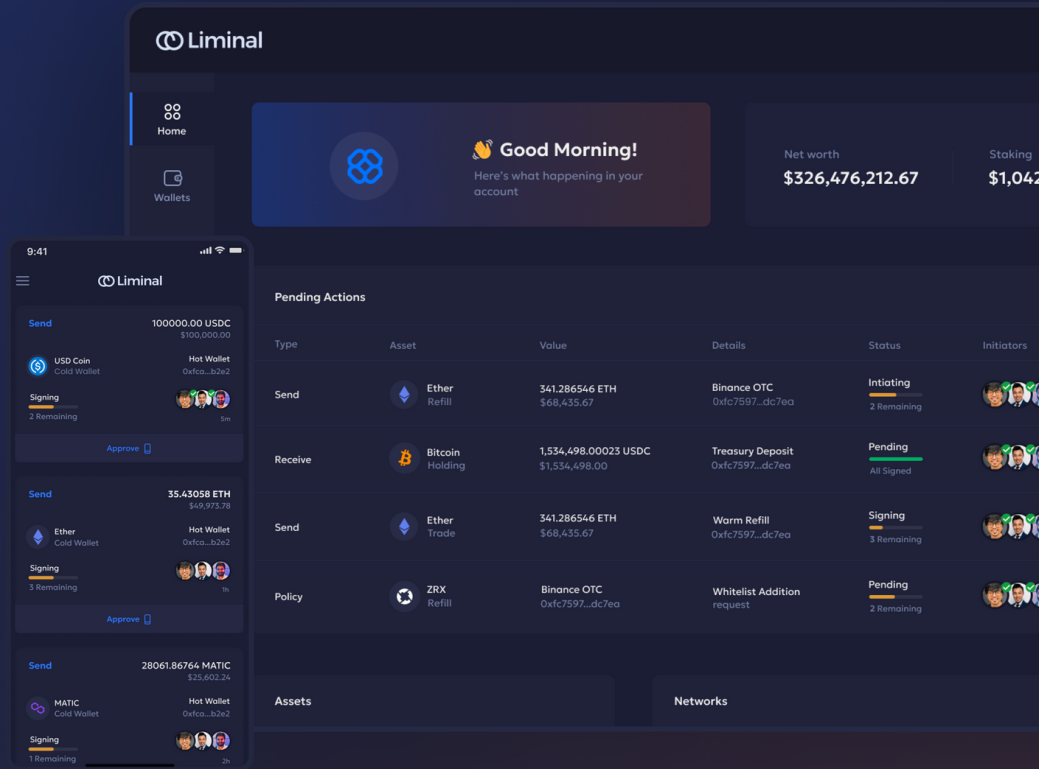
This type of collaboration with a custody provider works best for Institutions to grow their business in Indonesia evenly with the government authorities to build standardized architecture for Institutions, upon which they are judged and granted permission to conduct business and for the end users of Indonesia as well, as they get to trust the platforms where they are trusting and allocating their funds to invest and keep safe.

Indonesia government's strong positioning to dictate how digital assets should be traded and secured and managed by Institutions, with the increase in the number of active crypto users in the country, is an evident indication of why a regulated custody provider can modify any protocol's offering to include all such regulatory and compliance procedures without setting up everything from scratch and be well up-and-running in no time.

At Liminal, we are working extremely close with organizations like Bappebti to build an all-inclusive custody platform, catered directly towards the Institutions and protocols registering under offering crypto trading and exchange services to bridge all gaps and procure the safest, secure, efficient and economical solution to safeguard assets and be compliant on an Institutional-grade level.



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\$550 Mn+

Assets under protection

\$600 Mn+

Wallet refills processed

\$6000 Mn+

Transactions processed

1000 +

Manual hours saved



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