Sharia and State's Intervention: Uncertainty Cryptocurrency in Indonesia

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Abstrak: *Cryptocurrency* sebagai bagian dari perkembangan baru ekonomi global mendapatkan perhatian serius dari negara sebagai otoritas keuangan publik. Respon terhadap *cryptocurrency* sekarang ini tidak hanya berkisar pada posisinya sebagai mata uang, tetapi juga sebagai aset. Studi ini menganalisis kebijakan negara Indonesia terhadap *cryptocurrency* yang dihubungkan dengan posisi syariat Islam terhadap *cryptocurrency* sebagai mata uang dan aset. Studi ini dilakukan dengan penelitian hukum normatif, yang bersumber dari peraturan perundang-undangan, fatwa Majelis Ulama Indonesia (MUI) dan Majelis Tarjih dan Tajdid Pengurus Pusat Muhammadiyah. Dengan pendekatan normatif, studi ini menemukan bahwa *cryptocurrency* memiliki nilai instabilitas yang berbeda dengan konsep mata uang yang bersifat stabil. Hal ini menjadikan *cryptocurrency* sulit dikendalikan oleh negara ketika terjadi inflasi dan deflasi. Intervensi negara hanya sebatas mengakuinya sebagai aset, bukan sebagai mata uang. Pengakuan negara terhadap *cryptocurrency* sebagai aset bertentangan dengan fatwa MUI yang menyatakan bahwa *cryptocurrency* tidak memenuhi *syurūṭ al-sil'ah fī al-mabā'i*, tidak memiliki nilai dan jumlah yang pasti. Lebih dari itu, *cryptocurrency* dapat dikategorikan sebagai *iḥtikār* dan *gharar* yang bertentangan dengan *maqāṣid al-sharī'ah*.

Kata kunci: syariah; intervensi negara; *cryptocurrency*; *maqāṣid al-sharī'ah*

Abstract: Cryptocurrencies have gained significant attention as part of global economic developments, prompting serious considerations from governments as public financial authorities. The current response to cryptocurrencies goes beyond their role as a form of currency and extends to their classification as assets. This study aims to analyze Indonesia's governmental policies concerning cryptocurrencies, explicitly examining their compliance with sharia principles regarding their classification as both currency and investment. The research methodology employed in this study is a primarily normative legal analysis, relying on legislative regulations, fatwas issued by the Indonesian Ulama Council (MUI), and the Fatwa Council of the Central Executive Board of Muhammadiyah. Through this normative approach, the study reveals that cryptocurrencies possess inherent instability, distinguishing them from stable currencies. Consequently, their uncontrolled nature makes it challenging for governments to regulate them effectively during periods of inflation and deflation. State intervention, therefore, is limited to acknowledging cryptocurrencies as assets rather than recognizing them as official currencies. However, this governmental recognition of cryptocurrencies as assets contradicts the fatwa issued by the MUI, which asserts that cryptocurrencies fail to meet *syurūṭ al-sil'ah fī al-mabā'i*, primarily due to their lack of precise value and quantity. Moreover, cryptocurrencies can be categorized as forms of hoarding (*iḥtikār*) and uncertainty (*gharar*), both of which are considered contrary to the objectives of *maqāṣid al-sharī'ah*.

Keywords: sharia; state intervention; cryptocurrency; *maqāṣid al-sharī'ah*

Introduction

The emergence of cryptocurrencies has garnered worldwide attention. One of the main issues that arise is the uncertainty of their capital value (Aharon et al., 2022; Lucey et al., 2022; K.-C. Yen & Cheng, 2021). Cryptocurrencies tend to exhibit highly fluctuating capitalization values and have the potential to cause harm to multiple parties. Moreover, cryptocurrencies are not authorized by a state institution that regulates currency values through policy interventions in currency circulation. Cryptocurrencies present challenges when used as transactional assets with payments made in fiat currency. The problem arises when the value or price of a cryptocurrency is solely based on market demand and user supply schemes (Ausop & Aulia, 2018). The price or value of a cryptocurrency will rise when a particular coin is scarce in circulation or fails to meet the desired purchasing needs, increasing the cost of that cryptocurrency. The extreme volatility of cryptocurrency prices is also influenced by companies engaged in cryptocurrency trading.

Initially, when cryptocurrencies were unknown and did not have high value, companies or exchange platforms started introducing them to the general public. Over time, cryptocurrencies are gaining popularity and increasing their value (Coinvestasi, 2022). However, instead of following government regulations, the demand, supply, and prices have been regulated by private companies. Hence, they can indirectly monopolize and manipulate cryptocurrency prices to rise or fall. Therefore, this situation could facilitate massive money laundering since the government cannot trace the origin of funds used to purchase cryptocurrencies.

The way cryptocurrency works is by placing valuable digital assets. This system relies on cryptographic principles, in which the information network, the concept of a decentralized blockchain system, and transaction verification are safe from external interference. However, it is essential to understand that the valuation of an asset should not solely be based on technical mechanisms but also on the intrinsic value of the asset itself. If an asset has no intrinsic value, the country needs to make up for the shortfall so that the asset has a value similar to fiat or paper currency. Thus, the asset can be accepted for transactions (Rohaya & Wahid, 2014).

In several countries, cryptocurrency has become a national discourse. For example, Iraq has banned the practice and circulation of cryptocurrency. The ban on cryptocurrency circulation also applies in Russia due to its involvement in criminal activities (Rustem et al., 2019) and the lack of legal regulations governing it (Shovkhalov & Idrisov, 2021). Moreover, cryptocurrency is believed to contribute to the spread of organized crime, challenge state authorities, and facilitate money laundering (Al-Kathiri, 2021). On the other hand, the United States and Singapore allow cryptocurrency. However, they maintain supervision to prevent national economic threats (Amboro & Christi, 2019).

In the Indonesian context, cryptocurrency is dynamic. In 2014, Bank Indonesia declared that Bitcoin and other digital currencies were not recognized as legal payment instruments, and the central bank warned the public not to use them as a means of payment (Yohandi et al., 2017). The government has intervened in regulating the legal framework of cryptocurrency through the issuance of Regulation the Commodity Futures Trading Regulatory Agency (Bappebti) No. 7 of 2020 concerning the Determination of Cryptocurrency Assets Eligible for Trading in the Physical Market of Cryptocurrency Assets and No. 8 of 2021 concerning Guidelines for the Implementation of Trading in the Physical Market of Cryptocurrency Assets. With these policies, the state acknowledges that the trading of cryptocurrencies in Indonesia is legally permissible. In 2019, Bappebti officially recognized cryptocurrency trading as a tradable product on futures exchanges.

Additionally, in 2021, Indonesia launched its largest cryptocurrency exchange, Indodax, regulated by the Financial Services Authority (OJK). The authorities, such as Bank Indonesia and *OJK* have provided guidance and regulations regarding the trading of cryptocurrency assets. However, there are still many uncertainties regarding legal aspects such as consumer protection, taxation, and legal actions against criminals using cryptocurrency.

Scholars have extensively studied state policies regarding cryptocurrency. Many studies analyze the effects of policy uncertainty surrounding cryptocurrency (Hasan et al., 2022; Karaömer, 2022; H.-P. Yen et al., 2022; K.-C. Yen & Cheng, 2021). Other studies examine state policies toward cryptocurrency (Cao & Xie, 2021; Leuprecht et

al., 2023; Walton, 2014). Several studies focus on the compatibility of cryptocurrency with Islamic Shariah (Akbar & Huda, 2022; Basywar & Amdar, 2021; Mardi, 2021; Putri et al., 2022), affirming that cryptocurrency involves elements of *maysir* and *gharar* that are inconsistent with Shariah, making its legal status haram.

This study discusses the government intervention in cryptocurrency practice, as it is not only a currency but also an asset. The government's position on cryptocurrency is linked to Islamic law, which encompasses the principles of *maqāṣid al-sharī'ah*. In the context of state intervention in cryptocurrency, considerations of the maqasid al-shariah principles are also raised as a foundation for determining the state's position on regulating cryptocurrency as a currency or asset. This study analyzes the compatibility of cryptocurrency policies with Islamic law principles. Further, the findings provide a deeper understanding of cryptocurrency regulations and policies implementation in Indonesia and their alignment with the Islamic law perspective on currency and assets.

Method

This study employs normative legal research, which systematically interprets regulations, elucidates the correlation between regulations and the issues at hand, and creates a proper legal framework for the future (Marzuki, 2016: 32). Normative legal research on cryptocurrency focuses on legal doctrines, regulations, and other related disciplines (Hakim, 2017: 106). This study analyzes state intervention in regulating cryptocurrency based on Islamic law principles. The study identifies whether state regulations account for cryptocurrencies' volatility and reflect Sharia perspectives.

The approach utilized in this research is the statutory approach, which involves comprehensively understanding the statutory regulations (Syamsudin, 2007). Another approach is the conceptual approach, based on prevailing opinions and doctrines consistently utilized in law. The data sources for this study include statutory regulations (Law Number 7 of 2011 concerning Currency, Bank Indonesia Regulation Number 19/12/PBI/2017, Commodity Futures Trading Regulatory Agency (Bappebti) Regulation Number 7 of 2020 on the Designation of Tradable Crypto Asset Lists in the Physical Crypto Asset Market and Number 8 of 2021 on Guidelines for Organizing Trading in the Physical

Crypto Asset Market, Commodity Futures Trading Regulatory Agency (Bappebti) Regulation Number 5 of 2019 on Technical Provisions for the Operation of Crypto Asset Physical Market on Futures Exchange), as well as the Fatwas issued by the Indonesian Ulema Council (MUI) and the Central Board of Tarjih and Tajdid of Muhammadiyah.

Cryptocurrency and State Intervention

Throughout history, currencies have constantly evolved to meet the changing needs of exchanging goods and services. The development of more complex trade systems has required coins to adapt to the complexities of modern economic transactions. From using metal-based exchange tools to establishing authentic currencies stamped by rulers or states, the aim has always been to provide legal certainty in economic transactions within a specific jurisdiction (Sari, 2016). One form of currency evolution that has emerged is a digital currency, which aims to serve as a medium of exchange through Internet networks. It does not rely on centralized authorities such as governments or banks to regulate and oversee its transactions (Hidayat et al., 2021). Unlike previous digital payment methods that relied on centralized authorities (Antal et al., 2021), cryptocurrencies generally use decentralized blockchain technology for user transaction recording.

Users generally create a "digital wallet" for exchanging cryptocurrencies to access the cryptocurrency system. Transactions occur when two parties agree to transfer cryptocurrencies from one account to another (Antal et al., 2021).). The use of blockchain in these currencies requires all users to record and monitor changes in currency transaction records (Raharjo, 2022: 3); blockchain technology utilizes cryptographic protocols to prevent invalid changes or manipulations. In other words, before any transaction is entered into the transaction record and permanently altered, several users must validate the transaction (Rejeb et al., 2021). Unlike banking transactions that banks authenticate, cryptocurrency transactions can be authenticated by all cryptocurrency users through mining (Cocco & Marchesi, 2016).

The authentication mechanism is the main difference between cryptocurrency and traditional banking transactions. The bank typically authenticates conventional banking transactions, while all cryptocurrency users can authenticate them through mining. Mining

involves using high computational power to solve complex algorithms, which in turn validates transactions and ensures the integrity of the blockchain. This mining process also enables users to earn rewards in the form of cryptocurrency as an incentive for their computational contributions (Fadhillah et al., 2022).

In this regard, blockchain technology and the mining mechanism play a crucial role in maintaining the security and reliability of cryptocurrency transactions. With validation by distributed users and robust encryption mechanisms, the risks of manipulation and fraud can be minimized (Fadhillah et al., 2022). However, it is essential to notice that the mining process also has significant environmental impacts due to its high energy consumption.

In specific cryptocurrencies, validation requires members to solve highly complex computational decryption (proof of work) (Huberman et al., 2021:3). Users then compete to validate the transaction by including it in the publicly accessible transaction ledger that all cryptocurrency users can access. After a transaction is validated, the users who successfully mine it will receive benefits in the form of new coins and are entitled to transaction fees charged to both parties involved in the cryptocurrency transaction (Huberman et al., 2021). For example, in Bitcoin cryptocurrency mining, the result is 0.0005639 coins, while in Litecoin cryptocurrency, the development of validating transactions through the mining method is 0.003033 coins (Alami et al., 2015).

Despite the various breakthroughs introduced to facilitate online financial transactions, cryptocurrencies still pose significant risks for ongoing transaction processes. This is due to the volatility of cryptocurrency values as digital currencies. For instance, in the case of Luna cryptocurrency, its value was $119.18 in April 2022 and dropped by 63% to $0.00005687 on May 13, 2022 (Nurjani, 2022). The factors that influence the instability of cryptocurrency prices are the market capitalization in cryptocurrency transactions by users. The value of cryptocurrency assets is determined by multiplying the price of the cryptocurrency coin or token by the current circulating supply (Huda & Hambali, 2020). Thus, the value of cryptocurrencies is highly influenced by market supply and demand, which entails potential profits and the risk of losses in their usage.

Therefore, the cryptocurrency system relies solely on supply and demand and places trust in the workings and system of cryptocurrency. It does not focus on any particular underlying asset, leading to highly fluctuating and even extreme price values resembling speculation or gambling.

The gambling mechanism of cryptocurrencies becomes apparent in cases like Terra, a specific type of cryptocurrency with a stablecoin called UST pegged to the value of the US Dollar. To maintain the stability of the UST stablecoin, Terra creates a cryptocurrency asset called Luna as collateral to ensure the strength of the stablecoin. The purpose of creating Luna is to keep the value of UST equivalent to the US Dollar by exchanging Luna for UST. By exchanging Luna for UST, the supply of Luna becomes scarce, meeting the increased demand for UST to maintain its value against the US Dollar. This practice is primarily based on high demand and supply dynamics. However, suppose there is a bear market or a decrease in the enthusiasm for the cryptocurrency market. In that case, significant pressure arises to sell Luna and UST massively and simultaneously, resulting in a drastic decline in the value of both Terra coins (Riyanto, 2022). This is because there is no underlying asset that serves as a reference or foundation for the movement of the cryptocurrency market. As a result, the volatility of a cryptocurrency asset can easily reach close to 100% in terms of price fluctuations.

For example, the Terra Luna cryptocurrency shows a significant price 100% drop. When it was first issued, Terra Luna had a price of $0.8 per coin and reached a peak of $119.5 per coin (Linda Hasibuan, 2022). However, when its value declined, Terra Luna coins dropped to $0.32 per coin. In practice, those users who purchased Luna coins at a low price would gain substantial profits when the price was $0.8 and sold at its peak value. On the other hand, those who bought Luna coins at a high price would experience losses when the value dropped drastically. This situation demonstrates that cryptocurrency activities are indirectly based on supply and demand dynamics without a clear underlying asset.

When the price of a coin like Luna is only $0.8 and gains popularity, early cryptocurrency users who bought the coin at a low price will benefit significantly compared to those who bought it at its highest

value. Therefore, in addition to containing *gharar* (uncertainty) due to being based solely on supply and demand without an underlying asset, such practices can be considered a form of Ihtikar (hoarding). Ikhtikar refers to purchasing and withholding something for later resale at a higher price under certain conditions (Muslim, 2010:1–3).

The potential profits cryptocurrency users can obtain depend on the price at which they buy the coins. If the price of a particular coin, such as Luna, is as low as $0.8 and then significantly increases, cryptocurrency users who bought the coin at a low price will earn more significant profits than those who bought it at its highest value. However, the emphasis on profit potential also highlights the uncertainty in cryptocurrency transactions. This is because the price of cryptocurrencies is heavily influenced by market supply and demand dynamics without a clear underlying asset. In Islamic transactions, such uncertainty can be categorized as *gharar*, which refers to undesired uncertainty or ambiguity.

The context of using cryptocurrency can unwittingly lead to practices that dominate the economy through hoarding coins when their prices are low. The accumulated coins are then sold when their demand increases, especially when a particular coin, like Luna, is high. However, these activities do not meet the criteria for maintaining assets, which ensures that the acquired assets come from proportional economic practices that do not harm others.

Technological advancements present in a country serve as evidence of the global competition that is taking place (Piliang, 2012). This demands an improvement in understanding and human resource capabilities. The emergence of cryptocurrency as an innovation in transactional exchange tools is a result of the ongoing developmental strategies of the current era (Rinaldi & Huda, 2016). Alongside this, many questions arise regarding the legality and legal status of the novelty of cryptocurrencies. From a legal perspective, cryptocurrency as a medium of exchange does not have a legal framework that can be used as a basis for legalizing its widespread use as a transactional medium in Indonesia. Further, based on Article 21, paragraph (1) of Law No. 7 of 2011 stated that Rupiah is the legal currency in Indonesia.

Furthermore, Article 21, paragraph (1) of the Currency Law explicitly states that the Rupiah must be used in every transaction

for a payment purpose. This article requires that all transactions be conducted using a medium of exchange in the form of Rupiah, issued by the country's official authority, Bank Indonesia. This is solely based on the role of Bank Indonesia as the responsible party for all monetary policies implemented in a country (Patimbano, 2016, pp. 76–78). In contrast, cryptocurrency lacks a central authority overseeing and being accountable for its movements and monetary factors. To be categorized as money, an entity must have an official authority that regulates and supervises its circulation, stable value, and an inexhaustible supply (Kasmir, 2018: 15–16). This condition contrasts the characteristics of cryptocurrency, which do not rely on a central authority like other currencies that are products of a country's official leader.

In cryptocurrencies, all users can own a limited amount of coins. This can be seen in cryptocurrencies like Bitcoin, which have a limited supply of 21,000,000 coins (Meynkhard, 2019). The logical consequence of this condition is the difficulty in controlling inflation and deflation in cryptocurrencies due to the predetermined quantity. In contrast, the currency issued by monetary authorities, such as the Rupiah, can be controlled in circulation to avoid massive inflation or deflation (Perlambang, 2010:16). In other words, cryptocurrency volatility contradicts the value stability principle inherent in a currency. Therefore, using cryptocurrency as a transactional tool in fintech is prohibited by Article 8, paragraph (2) of Bank Indonesia Regulation No. 19/12/PBI/2017, which states that Financial Technology providers are not permitted to conduct payment system activities using virtual currency.

However, the use of cryptocurrency is legally regulated under the Minister of Trade Regulation No. 99 of 2018 on the General Policy for the Implementation of Crypto Asset Futures Trading. Such regulation requires the transformation of cryptocurrencies, initially considered as currencies, into commodities traded on Futures Exchanges (Article 1 of the Minister of Trade Regulation No. 99 of 2018 on the General Policy for the Implementation of Crypto Asset Futures Trading). This regulation is further governed by the Commodity Futures Trading Regulatory Agency (Bappebti) Regulation No. 5 of 2019 on the Technical Provisions for implementing Crypto Asset Physical Market on Futures Exchanges. Consequently, cryptocurrencies are categorized

as digital investment assets whose value is referenced to currencies (such as the Indonesian Rupiah, US Dollar, Euro, etc.) and can be owned by the public. Therefore, the high investment risks associated with cryptocurrencies are borne entirely by investors.

On the other hand, the idea of using cryptocurrencies as currencies also leads to legal uncertainty. This condition is based on cryptocurrency trading lacking comprehensive legal protection, as there is no mechanism for protecting crypto asset trading on exchanges. Events such as fraud and other cybercrimes like hacking or intrusion can occur, as exemplified by the case of the Bitcoin trading company Mt. Gox, where 850,000 Bitcoins stored in the company's e-wallet were successfully stolen. However, there is no mechanism for complaints and/or cancellation of unwanted transactions, resulting in unavoidable losses (Robert McMillan, 2014). Therefore, there is an urgent need for further comprehensive regulation regarding legal protection for individuals engaging in cryptocurrency transactions.

In this context, stricter regulatory measures are necessary to protect the public from risks associated with cryptocurrency transactions. Comprehensive legal protection should encompass preventive measures against fraud, cybercrime, hacking, and other forms of abuse in cryptocurrency transactions. Regulators and relevant institutions must develop adequate frameworks considering consumer protection, transaction security, and user privacy in cryptocurrency regulation. With improved law, the public will have greater confidence in using cryptocurrencies as a legitimate transactions. This will also help reduce the current legal uncertainty and provide a clear legal foundation for crypto asset owners and all parties involved in the cryptocurrency ecosystem.

Two regulatory provisions govern the government's intervention in the existence and activities of cryptocurrencies. First, the Commodity Futures Trading Regulatory Agency (Bappebti) Regulation No. 7 of 2020 on the Registration of Crypto Assets that can be Traded on the Physical Crypto Asset Market and Bappebti Regulation No. 8 of 2021 on the Guidelines for the Implementation of Trading in the Physical Crypto Asset Market on Futures Exchanges. Second, these policies establish that the state has legalized cryptocurrencies and their transactional activities. These policies fundamentally legalize

cryptocurrencies by providing a list of tradable crypto assets and regulating crypto asset activities under specific provisions. Among these provisions are crypto assets that meet the criteria of distributed ledger technology, utility crypto assets, or asset-backed crypto assets and have undergone an evaluation process using the Analytical Hierarchy Process (AHP) method.

The concept of distributed ledger technology can essentially be referred to as the decentralization concept embraced by the cryptosystem. This concept creates a system for crypto activities that bypasses third parties in verifying transactions among users. All transactions are digitally recorded in a ledger called the blockchain, which contains the transaction history of the crypto, making crypto coins tamper-proof due to their automatically recorded digital footprint through the blockchain (Jati & Zulfikar, 2021:141–142). Consequently, no institution is authorized to verify any crypto coin transactions conducted by users other than the users themselves, including the state.

The consequence of the absence of state intervention in the cryptosystem is that crypto practices occur without oversight. While crypto activities positively foster economic benefits, taxation, digital economy growth, IT industry, and IT professional competencies (Muttaqien, 2023). the same cannot be said for the practices of crypto asset providers. Individuals engaging in crypto transactions are uncertain as they navigate the fluctuating crypto prices that can rapidly shift from their peak to their lowest value. This is because, in crypto activities, the state is not involved in determining any intervention in crypto activities, as is the case with stock exchanges that employ the concept of Auto Rejection Bottom (ARB). The idea of ARB is derived from the understanding of Auto Rejection, which is divided into Auto Rejection Top and Bottom. Auto Rejection is a system that automatically rejects offers to buy or sell stocks that exceed the parameters set by the stock exchange. The purpose of this concept is to maintain trading continuity and protect the stock exchange from high volatility (Utami & Mawardi, 2021) or put, and it is an automation of the stock exchange that limits a company's stock price decline by implementing suspensions if there is an unusual drop (Rita & Wisudana, 2010).

The cryptosystem cannot be intervened in the same way as it is not based on the stock exchange concept with the concept of Auto Rejection Bottom (Financial Services Authority, 2020). As a result, the movement of crypto prices can change drastically, as exemplified by the nearly 100% decline in the value of the Luna crypto coin within a very short period. Therefore, in the crypto context, it can be hypothesized that it operates as a money game concept based solely on supply and demand without actual government intervention in crypto activities and without knowledge of the underlying assets of the crypto, which causes the fluctuation in prices. Consequently, state intervention in the crypto sector is limited to legal and regulatory aspects through Bappebti Regulation No. 7 of 2020 and No. 8 of 2021. This intervention aims to ensure that crypto transactions are conducted with the principles of Corporate Governance in Physical Crypto Asset Trading, protect crypto assets, and provide a Futures Exchange equipped with an Analytical Hierarchy process for the crypto assets to be traded. However, state intervention does not involve monitoring the price or value of a crypto coin, which is vulnerable to high volatility. This is done to prevent potential losses for the public when there is a drastic decline in crypto prices.

Sharia, Policy and Cryptocurrency

Islam does not consider currency a commodity for excessive profit-taking (*ribā*). The Prophet Muhammad (PBUH) prohibited selling dinars for dinars unless they are equal in value, and the same applies to selling dirhams for dirhams (Nawawi, 1924)." This prohibition is based on the desire to maintain the welfare (maslahah) in individual or group transactions. The concept of *maṣlaḥah* aims for all transactions to bring benefits and avoid harm (*ḍarar*) for all parties involved (Ardi, 2017). Al-Ghazali stated that any welfare in line with Islamic law should be accepted and considered in determining Islamic law. In other words, *maṣlaḥah* is an essential component, and Islamic law cannot contradict the principle of *maṣlaḥah* (Aji, 2022). The welfare contained in Islamic law aims to protect and facilitate the organization of a well-functioning society. Without applying the principle of *maṣlaḥah* in Islamic economics, the goal of maintaining and realizing the welfare of the people through economic balance becomes difficult to achieve (Al Arif, 2015).

The activities and use of cryptocurrencies, which rely solely on supply and demand for determining their value and involve cryptographic systems that contain uncertainty *(gharar),* are also characterized by their highly fluctuating value and lack of significant intrinsic value. In contrast, the concept of intrinsic value exists in a tangible asset that has inherent value, such as gold. Gold is considered to have intrinsic value because it is a valuable metal, and any economic concept or system does not influence its value. It has been used in human transactions for a long time (Setiawan et al., 2010).

When considering the instability of cryptocurrency values influenced by supply and demand in circulation, cryptocurrencies pose significant risks that can result in substantial profits or losses for users. In other words, the use of cryptocurrencies in transactions between individuals or groups is characterized by uncertainty (*gharar*). Furthermore, cryptocurrencies are associated with uncertain security mechanisms. This is due to the anonymity of cryptocurrency users, making them vulnerable to abuse. One example of this vulnerability is cryptocurrency theft through hacking methods, where transactions cannot be reversed, and the transacted cryptocurrency cannot be recovered, thus posing a risk of harm. Consequently, engaging in transactions using a currency with uncertain or unmonitored value contradicts Islamic economics's *maṣlaḥah* (public interest) concept (Jati & Zulfikar, 2021).

From a normative Shariah perspective, cryptocurrencies are considered speculative instruments that do not align with Islamic principles. Cryptocurrencies are prohibited because their value is uncertain and can harm one party. This prohibition is affirmed by the concept of *maqāṣid al-sharī'ah*, which states that the preservation of wealth must be based on the provisions set by Allah (Aprianto, 2017: 70). Cryptocurrencies that only benefit certain parties while causing harm to many others contradict the principles of *maqāṣid al-sharī'ah* (Aji, 2022, p. 28). The management and development of assets through cryptocurrencies, which have more harm than benefit due to their highly fluctuating nature, causing significant losses to some while providing substantial gains to others, do not comply with the principles of *maqāṣid al-sharī'ah* regarding wealth preservation.

Therefore, Ijtima' Ulama (2021) stated that cryptocurrencies contain *gharar* (uncertainty) and *ḍarar* (harm to one of the parties) and do not

meet the requirements of *shar'ī* conditions, such as having no physical form, lacking intrinsic value, and having an unknown quantity, which can lead to losses in their activities (Redaksi@mui.or.id, 2021). The fatwa of the Indonesian Ulama Council (MUI) declares that the actions and existence of cryptocurrencies involve *gharar* because the fundamental basis of cryptocurrency transactions is the uncertainty of their value. *Gharar* is a form of ignorance or uncertainty in a trade transaction where the good or bad outcome of the transaction is unclear. Gharar refers to a transaction containing ambiguity, risk, or gambling, resulting in uncertain rights and obligations (Hosen, 2009:56).

Meanwhile, the Tarjih and Tajdid Council of the Central Executive Board of Muhammadiyah views the cryptocurrency debate from two perspectives: as an investment instrument and as a medium of exchange. As an investment instrument, cryptocurrencies have many shortcomings when viewed from the perspective of Islamic law, such as their speculative nature. Cryptocurrency values are highly volatile, with abnormal increases and decreases, and they also involve *gharar* (uncertainty). The speculative nature and *gharar* render them prohibited by Islamic law. As a medium of exchange, the Tarjih Council of Muhammadiyah considers cryptocurrencies to be initially permissible since they can be equated with the fiqh principle of barter. Barter emphasizes mutual satisfaction, non-harm, and adherence to applicable rules. However, if the principle of *sadd al-dharī'ah* is applied, the use of cryptocurrencies becomes problematic. The Tarjih Council believes that the currency standard used as a medium of exchange should meet two requirements: acceptance by society and authorization by the government through official authorities, such as the central bank (Ilham, 2023).

The LBM-PWNU East Java has also issued a fatwa prohibiting cryptocurrencies. This fatwa aligns with the fatwas issued by MUI and the Tarjih and Tajdid Board of Muhammadiyah Central Executive. However, it differs from the fatwa of LBM-PWNU Yogyakarta. Cryptocurrencies are prohibited because they do not meet the requirements of Islamic principles. Another reason is that cryptocurrencies do not have a physical form or tangible material existence. Therefore, the lack of clarity in their form is the primary factor behind the prohibition of cryptocurrencies. The LBM-PWNU East Java believes that digital

format is not considered physical. Cryptocurrencies are not included in *sil'ah* or tradable goods/commodities (Ariza, 2022).

The debate within MUI regarding the prohibition of cryptocurrencies has been lengthy and complex. As it is known, the Ijtima Ulama Commission of the Indonesian Council of Ulama discussed the status of cryptocurrencies on November 9-11, 2021. Some scholars support the prohibition of cryptocurrencies because digital currencies can threaten security and economic stability and facilitate criminal activities such as money laundering and terrorism financing. For example, there were reasons to prohibit their use during the cryptocurrency discussion. According to the Chairman of MUI's Fatwa Department, Asrorun Niam Sholeh, the use of cryptocurrency as a currency is forbidden due to the presence of *gharar*, *ḍarar*, and its contradiction with Law No. 7 of 2011 and Bank Indonesia Regulation No. 17 of 2015.

Furthermore, cryptocurrency as a commodity or digital asset is not valid for trading as it contains *gharar*, *ḍarar*, and *qimar*, and does not meet the requirements of *sil'ah* under Islamic principles. The conditions for *sil'ah* include physical existence, having value, known quantity, ownership rights, and transferability to the buyer. This demonstrates that MUI takes the issue of determining the legality of cryptocurrency based on Islamic Shariah principles very seriously (Fahlevi, 2021).

Some scholars argue that cryptocurrencies can still be considered halal and permissible if used correctly and under applicable rules. Mahbub Maafi, the Deputy Secretary of the Fatwa Committee of the Nahdlatul Ulama Central Executive Board (LBM PBNU), explains that there are scholars who allow the use of cryptocurrencies by comparing them to gold, considering the difficult and costly production process of cryptocurrencies. However, he points out an issue with equating cryptocurrencies to gold because cryptocurrencies do not have a tangible form and do not possess intrinsic value, unlike gold which retains value even if its price drops. This indicates that the debate regarding the legality of cryptocurrencies is still ongoing and requires deep thinking to find appropriate and balanced solutions for Indonesian society (Kurnialam, 2021).

Another perspective that permits using cryptocurrencies is based on individuals' views on cryptocurrencies and the benefits and risks they can generate. Therefore, policies related to cryptocurrencies in

Indonesia continue to be debated and discussed among parliament members and other relevant stakeholders. So, how did the government respond to the prohibition of cryptocurrencies?

Following the prohibition of cryptocurrencies by the Indonesian Ulama Council (MUI), the government responded positively by affirming that cryptocurrency trading is illegal in Indonesia. According to the Governor of Bank Indonesia (BI), Perry Warjiyo, following the Constitution, the Bank Indonesia Act, and the Currency Act, cryptocurrencies are not considered valid payment instruments. Perry also emphasizes that it is not cryptocurrencies but rather crypto assets. Therefore, BI has prohibited all financial institutions, especially those partnering with BI, from facilitating the use of crypto assets for payment or financial services. This statement has significant implications for the use and regulation of cryptocurrencies in Indonesia, as it strengthens the stance that cryptocurrencies are not recognized as valid forms of payment and emphasizes the importance of compliance with existing laws and regulations. It also has the potential to restrict the growth and development of the cryptocurrency industry in the country (Saputra, 2021).

The Indonesian government has also initiated dialogues with stakeholders and the industry to discuss how to regulate cryptocurrencies and the underlying blockchain technology to ensure proper oversight and minimize security and financial system stability risks. However, some parties criticize this decision, considering it insufficiently considering blockchain technology's potential benefits and advantages. Thus, debates and differing views on cryptocurrencies continue in Indonesia. Overall, the government's response to the prohibition of cryptocurrencies by MUI is to affirm the ban on cryptocurrency trading, take strict actions against violators, and engage in dialogue with stakeholders to find better solutions for regulating cryptocurrencies in Indonesia (Firdimas, 2022).

The Indonesian government has also taken other steps in addressing the cryptocurrency debate. They continue to conduct in-depth studies on blockchain technology's potential risks and benefits and its impact on the financial sector and the national economy (Fageh & Iman, 2021). Additionally, the government strives to enhance literacy and public understanding of cryptocurrencies to enable wiser investment decisions.

Therefore, the Indonesian government is committed to balancing minimizing risks and promoting innovation in cryptocurrency regulation. They recognize that blockchain technology has the potential to improve efficiency and transparency in various sectors but also acknowledge the importance of protecting the public from potential risks. Thus, continuous cooperation among the government, industry, and society is needed to achieve balanced and sustainable regulations for cryptocurrency usage in Indonesia.

Conclusion

Cryptocurrency can be seen both as a currency and as an asset. As a currency, cryptocurrencies exhibit instability in value, which contradicts the stability typically associated with the concept of currency. Additionally, the limited supply of cryptocurrencies makes them challenging to control during periods of inflation or deflation. However, the principle of state intervention in cryptocurrencies, as manifested through policies issued by Bappebti, does not include a concept of supervision in the form of a Bottom Auto Rejection to prevent high volatility from using cryptocurrencies.

Islamic law fundamentally bases economic activities on transactions that bring about benefit or utility while avoiding harm to the parties involved. However, using cryptocurrencies in commerce as a currency or an asset introduces uncertainty as they rely solely on supply and demand dynamics and possess unpredictable security mechanisms. Furthermore, the preservation of wealth is one of the primary objectives of Islamic law as a fundamental necessity. Cryptocurrencies represent forms of hoarding (*iḥtikār*) and uncertainty (*gharar*) that contradict the goals of *maqāṣid al-sharī'ah*. Moreover, the absence of underlying assets in cryptocurrencies leads to a misalignment with the objectives of Islamic law in terms of wealth preservation.

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