

## Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty



Hery Sudiarto<sup>1</sup>, Johannes Ibrahim Kosasih<sup>2</sup>, I Made Arjaya<sup>3</sup>

<sup>1,2,3</sup>Third Master of Law, Warmadewa University, Denpasar, Bali-Indonesia

**ABSTRACT:** Along with the digital transformation, the banking sector has undergone rapid transformation. WeChat Pay and Alipay, which are leading digital wallets in China, have spread to Indonesia and collaborated with local banks. Although WeChat Pay and Alipay collaborate with local banks, the implementation of these transactions has not fully met the regulations of Indonesia's financial system. The research problem in this study is 1) What is the government's policy in issuing legal norms for regulating foreign digital money transaction cooperation within the jurisdiction of Indonesia? 2) How do WeChat Pay and Alipay assume legal responsibility for their operations in Indonesia related to financial sovereignty in Indonesia? This study aims to analyse the government's policy in issuing legal norms for regulating WeChat Pay and Alipay electronic money transaction cooperation and its impact on Indonesia's sovereignty. The researcher analysed laws, regulations, related policies, and literature studies by using normative juridical methods. The research findings indicate that relevant agencies need to supervise Indonesia's financial system regulations to prevent illegal financial transactions in Indonesia as they are not sufficiently prepared to anticipate the globalization of the financial system. This research recommends that the Indonesian government develop more comprehensive regulations to increase supervision of WeChat Pay and Alipay electronic money transactions to maintain Indonesia's sovereignty.

**KEYWORDS:** Electronic money; WeChat Pay; Alipay

### I. INTRODUCTION

The development of a national economy that can provide prosperity for the people is a mandate of the 1945 Constitution of the Republic of Indonesia, hereafter referred to as the 1945 Constitution. Article 33, paragraph (1) emphasizes the principle of kinship in the development of the economy, and is further emphasized in paragraph (4), which mentions the principles of cooperation, efficiency, justice, sustainability, environmental awareness, independence, maintaining a balance of progress, and national economic unity as the basis of economic democracy. Economic development, both in terms of goods and services, cannot deviate from the basic principles that have been regulated by law, including in the financial sector, banking, and financial institutions, which include companies engaged in finance with the aim of collecting funds, channelling funds, or both, and can be distinguished into banking and non-banking financial institutions.<sup>1</sup>

Bank Indonesia, hereafter referred to as BI, carries out the supervision and licensing of Payment System Service Providers (PJSP) in the development of financial technology (Fintech) towards digital-based services in the banking era, while financing is supervised and licensed by the Financial Services Authority (OJK). Digital payment systems, widely known as Electronic Wallets or E-Wallets, are defined in Article 1 number 7 of Bank Indonesia Regulation Number 18/40/PBI/2016 Year 2016 concerning the Implementation of Payment Transaction Processing. Several electronic money providers such as Go Pay and OVO have obtained licenses from Bank Indonesia as electronic money providers. In China, digital wallet payments quickly replaced cash payments, and the digital wallet called Alipay and WeChat Pay emerged.

The arrival of Chinese tourists to Bali with the presence of digital payment systems provides convenience for Chinese tourists. Many businesses, including hotels, restaurants, and shopping places, use WeChat Pay services for various transactions, but according to BI officials, this should not be allowed. Currently, Alipay and WeChat Pay have collaborated with Bank BUKU 4 (Commercial Banks for Business Activities). In the context of Indonesian banking regulations, "BUKU 4" refers to the banks that

<sup>1</sup> Johannes, Ibrahim, 2018, The Crime of Fund Transfer, its Evolution, and Criminal Modes through the Medium of Banking Financial Institutions, Sinar Grafika, Jakarta, p. 13.

## **Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty**

have a core capital of at least Rp 30 trillion and are categorized as the highest level of banks in Indonesia based on their financial strength and stability. These banks are required to meet stricter regulatory requirements than lower-level banks, and they are permitted to engage in a wider range of financial activities, such as foreign exchange transactions, "investment" banking, and other capital market activities, namely CIMB Niaga Bank, as well as PT. Arash Digital Rekadana (Jakarta) and Swiftpass Global Limited (Shenzhen) are system integrators and technical service provider. There is a normative ambiguity in the implementation of cooperation between digital wallet transaction processors before the issuance of regulations on Quick Response Code Indonesian Standard (QRIS). Bank Indonesia's regulations on the use of QRIS became effective on January 1, 2020, while Alipay and WeChat Pay had been operating freely since 2017 and 2018. There was no clear regulation readiness in anticipating these situations earlier, so WeChat Pay and Alipay were free to operate in previous years.

Based on the above description, the researcher has formulated two problems, namely:

1. What is the Government's Policy in Issuing Legal Norms for the Regulation of Foreign Digital Money Transaction Cooperation Within Indonesian Jurisdiction?
2. How is the Legal Liability of WeChat Pay and Alipay Related to Financial Sovereignty in Indonesia's Operational Activities in Indonesia?

### **II. METHODS**

The research method used is the Juridical Normative method, which focuses on the analysis of the normative system in law. The legal sources used are obtained through literature or library research and use Statute Approach, Conceptual Approach, and Case Approach. The legal sources and materials needed for research include the primary legal materials sought include sources of law that have authority and are considered legitimate, such as legislation, minutes in the process of making legislation, and judicial decisions. Secondary legal materials include publications on law, legal journals previously conducted by research related to electronic payment systems and related legal issues, basic principles of legal science conveyed by scholars with high legal qualifications, and other non-legal materials related to banking, financial systems, and digital technology that are also relevant secondary sources, The source of tertiary legal materials are Legal dictionaries, Indonesian language dictionaries, and encyclopedias are also included. The researcher's analytical process examines and analyses legal materials related to legal norms in regulating foreign digital currency transaction cooperation in Indonesian jurisdiction and legal accountability for WeChat Pay and Alipay digital transactions while operating in Indonesia. There is ambiguity in the implementation of cooperation among digital wallet transaction processors before the issuance of rules regarding QRIS, thus creating opportunities for the entry of Alipay and WeChat Pay into the payment transaction system. The researcher conducts qualitative research as interpretive of what is being studied and understood. Therefore, the discovery of the law can produce more substantive, sharp, and constructive arguments.

### **III. RESEARCH RESULTS AND DISCUSSION**

#### **Government Policy in The Issuance of Legal Norms for The Regulation of Foreign Digital Currency Transactions Within the Jurisdiction of Indonesia**

The issuance of legal norms is crucial to maintain stability and justice in a country. Legal norms are rules established by the government or authorized institutions that regulate the behaviour and actions of individuals within a country. Soerjono Soekanto stated that the issuance of legal norms is the process of creating legal regulations by authorized legal bodies, aimed at providing guidance in carrying out social life.<sup>2</sup>

The theory of legal certainty emphasizes the importance of certainty and stability in the legal system. According to Hans Kelsen, legal norms form the basis of a well-organized legal system. Legal norms should be general and abstract, and meet the criteria of legal certainty, providing clear legal provisions and certainty for all members of society.<sup>3</sup>

In banking and financial transaction policies, banks and other financial institutions must comply with these rules to maintain the stability and security of the financial system in Indonesia. Law No. 7 of 1992 on Banking states that Bank Indonesia plays a role in maintaining the stability of the financial system and public trust in the banking system in Indonesia. Bank Indonesia has the authority to supervise both local and foreign digital wallet transactions in Indonesia. Todung Mulya Lubis argues that international financial transactions are complex and require a deep understanding of the laws in various countries involved.<sup>4</sup>

---

<sup>2</sup> Soekanto, Soerjono, 2008, *Introduction to Legal Science*, Jakarta, UI Press, p. 83.

<sup>3</sup> Kelsen, Hans, 1960, *The General Theory of Law and State*, Harvard University Press, Cambridge, Massachusetts, United States of America, p. 22-25.

<sup>4</sup> Lubis, Todung Mulya, 2008, *International Law: An Introduction*, RajaGrafindo Persada, Jakarta, p. 129.

## Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty

M. Husni Thamrin believes that the legal regulation of foreign digital currencies in Indonesia is still unclear and needs to be specifically regulated through the issuance of legal norms.<sup>5</sup>

This is necessary to prevent the use of foreign digital currencies for criminal purposes such as money laundering and terrorism financing. In line with Erman Rajagukguk's opinion, the use of foreign digital currencies in Indonesia should be subject to taxation according to applicable tax regulations in Indonesia.<sup>6</sup>

CIMB Niaga has collaborated with Alipay and WeChat Pay, through PT Arash Digital Rekadana (Jakarta) and Swiftpass Global Limited (Shenzhen), which are system integrators and technical service providers. In other words, Alipay and WeChat Pay did not establish legal entities in Indonesia and do not cooperate directly with banks in book 4. Bank Indonesia sets requirements that must be met by electronic system service providers or payment system service providers who want to operate in Indonesia, including system integrator companies. Some of these requirements include that the service provider must be a bank or Non-Bank Financial Institution (NBFI), the majority of the directors of the NBFI must reside in the Republic of Indonesia, there are provisions for a paid-up capital of three billion rupiah and fulfilling the float fund requirements, share ownership must be at least 51% held by Indonesian citizens or Indonesian legal entities, banks and NBFI must be legally established and comply with the laws of the Republic of Indonesia, having permission from Bank Indonesia as an electronic system service provider or a payment system service provider, and approval from Bank Indonesia regarding cooperation with other parties. Additionally, they must have adequate security systems to protect transaction data and user information, guarantee the security and integrity of the electronic system used, have adequate auditing and reporting systems, and foreign electronic money must be connected to the national payment gateway (GPN). The maximum transaction value limit is twenty million rupiah per month, and violations may result in the suspension of activities and revocation of the electronic system service provider or payment system service provider.

According to PBI No. 22/23/PBI/2020 on Payment Systems, payment system service providers consist of two types: Payment Service Providers (PSP) and Payment System Infrastructure Providers (PIP). PSPs, including banks and non-bank institutions, are responsible for providing payment services and facilitating payment transactions. Meanwhile, PIPs are tasked with providing infrastructure as a means of transferring funds for their members. The activities carried out by PSPs and PIPs consist of various activities such as fund management, provision of fund information, clearing, the final settlement, payment initiation and/or acquiring services, as well as remittance services.

Access by researchers on the Bank Indonesia website, dated April 9, 2023, at 12:32pm, on the Payment System & Rupiah Management page, where all Indonesian legal entities that have applied for or obtained permission from BI can be found and registered, with the following results:<sup>7</sup>

1. PT. Bank CIMB Niaga.Tbk, Category: Payment Service Provider - License Category 1, Permit/Decision/List/Approval No.: 23/686/DKSP/Srt/B, Permit/Decision/List/Approval Date: July 1, 2021, Status: Licensed (has already been operating).
2. PT. Bank CIMB Niaga. Tbk, Category: QRIS, Permit/Decision/List/Approval No.: 21/272/DKSP/Srt/B, Permit/Decision/List/Approval Date: August 16, 2019, Status: Licensed (has already been operating).
3. PT. Arash Digital Rekadana, Search in Category: All, Status: All, no data available, in this case no licensing was found from BI.
4. Swiftpass Global Limited, Search in Category: All, Status: All, no data available, in this case no licensing was found from BI.
5. Alipay or Alipay.com Co.,Ltd, Search in Category: All, Status: All, no data available, in this case no licensing was found from BI.
6. Wechat pay or TenPay, Search in Category: All, Status: All, no data available, in this case no licensing was found from BI.

CIMB Niaga can be categorized as a PSP, as well as Alipay, WeChat Pay, PT. Arash Digital Rekadana, and Swiftpass Global Limited, which can also be categorized as PSPs or supporting service providers. PT. Arash Digital Rekadana, an Indonesian legal entity, must obtain permission from Bank Indonesia to engage in PSP activities.

Bank Indonesia's jurisdiction covers PSPs, including their partners and supporting service providers. It is important for digital technology-related parties to be monitored using integrated technological systems. Bank Indonesia may not be able to monitor foreign digital applications as every transaction may not necessarily use QRIS. For example, many restaurants in Bali owned by Chinese nationals only require their own Alipay or WeChat Pay QR codes or accounts, which are easily activated with a Chinese ID card and a mobile phone number. When a transaction occurs, the tourist can easily pay through their Alipay or WeChat Pay account. Even though the transaction takes place in Indonesia, the sovereignty of Indonesia is violated as money is

<sup>5</sup> M. Husni Thamrin, 2019, *Legal Aspects of Crypto-Assets*, Kencana Prenada Media Group, Jakarta, p. 58.

<sup>6</sup> Erman Rajagukguk, 2018, *Crypto-Assets: Law and Taxation, Law and Development Magazine*, Vol. 47, No. 3, Jakarta, p. 376.

<sup>7</sup> Bank Indonesia, *Payment System & Rupiah Management*, (<https://www.bi.go.id/PJSPQRIS/default.aspx>, accessed on April 09, 2023).

## **Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty**

transferred from the digital wallet of the Chinese tourist, whose funds are located in China, to the digital wallet of the restaurant owner without passing through Indonesian territory. This avoids the payment of taxes and other legal obligations that should have been paid to Indonesian legal entities.

To comply with the Principle of Legal Certainty, regulations must be enforced without misinterpretation. Before being granted permission from Bank Indonesia, PT. Arash Digital Rekadana, Swiftpass Global Limited, Alipay, and WeChat Pay must be registered with Self-Regulatory Organizations (SROs), which are legal Indonesian organizations that oversee their members. Membership in an SRO must be registered with the submission of Bank Indonesia's permit application, and new memberships can only be activated after the PSP has obtained full permission from Bank Indonesia. The Indonesian Payment System Association (ASPI) is the SRO in Indonesia with 122 regular members and 94 affiliated members, including 121 banks and 95 non-bank payment service providers. CIMB Niaga is a regular member of ASPI, while PT. Arash Digital Rekadana, Swiftpass Global Limited, Alipay, and WeChat Pay are not yet members of ASPI. Although CIMB Niaga meets the criteria, PT. Arash Digital Rekadana, Swiftpass Global Limited, Alipay, and WeChat Pay, as PSPs and supporting service providers, must also become members of the SRO and apply for permission simultaneously. PT. Arash Digital Rekadana, an Indonesian legal entity, violated this regulation, while Swiftpass Global Limited, Alipay, and WeChat Pay are still not allowed to operate in Indonesian territory according to this regulation.

### **The legal responsibilities of WeChat Pay and Alipay in their operational activities in Indonesia are related to the financial sovereignty of Indonesia.**

Foreign digital transactions speed up the payment process and reduce transaction costs, thus improving business efficiency and productivity. As a sovereign country, Indonesia has jurisdiction over its territory, including foreign digital transactions conducted within its territory.<sup>8</sup>

According to Law No. 21 of 2011 concerning the Financial Services Authority (OJK), OJK has clear authority to regulate and supervise all activities within the integrated financial sector, as explained in Article 5. It is the duty of the service providers to provide devices to make monitoring by OJK more efficient and to improve compliance. Service providers are also required to make Indonesia a center for data and disaster recovery. Sanctions include written warnings, fines, cancellation of approvals, and/or cancellation of registrations.

In addition, Bank Indonesia Regulation (PBI) No. 18/40/PBI/2016 concerning the Provision of Payment Transaction Processing also regulates that payment transactions conducted in Indonesia must comply with the provisions established by BI. Currently, WeChat Pay and Alipay are not registered as national companies with legal entities in Indonesia, so they are not local PSPs that can be regulated under PBI provisions. If WeChat Pay and Alipay only have a collaboration with Bank BUKU 4, then Bank Indonesia cannot directly supervise the foreign digital transactions, but only monitor Bank BUKU 4.

Some of the Bank BUKU 4, according to data obtained by the author in 2022, are Bank Rakyat Indonesia (BRI), Bank Central Asia (BCA), Bank Mandiri, Bank Nasional Indonesia (BNI), Bank Panin, Bank Danamon, Bank CIMB Niaga, Bank Permata, Bank Tabungan Pensiunan Nasional (BTPN), and Bank OCBC NISP. The collaboration between Alipay and WeChat Pay with Bank BUKU 4 shows that the Indonesian government wants to ensure that foreign investment in the Indonesian financial sector is conducted through financial institutions that have high core capital adequacy ratios.

Based on the Theory of Authority, considers that collaborating with Bank BUKU 4 would make the transactions safer. However, BI can also oblige Alipay and WeChat Pay to establish a legal entity in Indonesia, so that they become subjects under the protection of Indonesian law. On the other hand, in accordance with the Theory of Sovereignty, the financial sovereignty of the Republic of Indonesia's territory must be protected.

In PBI Number 22/23/PBI/2020 concerning Payment Systems, there is ambiguity in the norms between Article 7, which states that BI formulates regulations, and Article 15, which regulates the granting of permission by BI for Payment System providers, the operation of Payment System infrastructure, including sanctions, as well as the cooperation between WeChat Pay and Alipay, both of which are foreign Payment System Providers and Infrastructure Providers. The regulation can be interpreted as requiring all Payment System Providers and Infrastructure Providers to obtain permission from BI, but it does not specify whether this applies to domestic or foreign entities. In practice, foreign Payment System Providers and Infrastructure Providers, such as Alipay and WeChat Pay, do not obtain direct permission from BI but can operate through cooperation with BUKU 4 banks. These foreign entities should establish legal entities in Indonesia and register themselves as Payment System providers, for example, with the names Dompot Wechat Indonesia and Dompot Alipay Indonesia, to clarify their legal status. This way, BI

---

<sup>8</sup> Sari, R. P. Kusuma, 2021, The jurisdiction of Indonesia in foreign digital transactions, *Jurnal Hukum Global, Indonesia*, p. 22.

## Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty

can grant them permission directly. However, if they only operate through third-party cooperation, this still does not fulfill the requirements of the PBI.

WeChat Pay has a maximum transaction limit of Rp110,000,000 (one hundred and ten million rupiahs) or 50,000 CNY per transaction, and the maximum annual transaction limit per recipient is Rp1,100,000,000 (one billion one hundred million rupiahs) or 500,000 CNY. Chinese citizens have the advantage of being able to transfer money to each other using this digital wallet, allowing some companies, shops, restaurants, accommodations, and transportation services owned and/or operated by Chinese citizens in Bali to directly transact with Chinese consumers or tourists. This creates a problem because they can still transact without going through the BI's QRIS channel, and as a result, money is transferred without being converted to rupiahs or paying taxes. All transactions take place in Indonesia, but the money is transferred from China and then back to China. Alipay and WeChat Pay have many similarities in their transaction mechanisms. The transfer limits to Alipay accounts comply with Alipay's regulations, where the single transfer limit to a personal Alipay account is up to Rp110,000,000 (one hundred and ten million rupiahs) or 50,000 yuan per transaction, and the transfer limit to a corporate Alipay account is up to Rp220,000,000 (two hundred and twenty million rupiahs) or 100,000 yuan per transaction. The initial daily limit is Rp4,400,000,000 (four billion four hundred million rupiahs) or 2 million yuan, and the monthly quota is Rp6,600,000,000 (six billion six hundred million rupiahs) or 3 million yuan. The minimum transfer amount in official circles is Rp220 (two hundred and twenty rupiahs) or 0.1 yuan.

In the case of WeChat Pay and Alipay, they clearly function as digital transaction processors, and in this regard, they require Indonesian legal entities. The switching role is clearly performed within the Alipay and WeChat Pay systems themselves, and Alipay and WeChat Pay are not yet legal entities in Indonesia. This certainly harms Indonesia because it cannot control and regulate these foreign digital platforms. For example, China itself has built its own search engine called Baidu and has blocked access to Google. They also have their own social media platforms like Weibo, Red (Xiao Hong Shu), and have blocked access to Facebook, Instagram, and even WhatsApp, which is widely used in Indonesia. I think this phenomenon is China's way of maintaining its sovereignty and protecting its territory from being colonized through digital technology that is difficult to regulate according to legal norms and legislation. The Chinese government has chosen a slightly extreme way to keep its country, society, and financial system safe from foreign intervention. Indonesia, as a sovereign state, can force all foreign digital systems to comply with our country's systems and regulations. We should not provide any gaps or loopholes for these foreign platforms to enter and operate without complete permits or legal permission, even if they claim to be cooperating with local banks or financial service providers as if it is legal. However, this is not entirely legal because as long as Indonesia lacks direct access to data on these digital platforms through the authority of BI, OJK, and PPATK (Financial Transaction Reports and Analysis Centre), we might miss important information about transactions, what they are for, and who is involved. This is dangerous if it involves money laundering, financing terrorism, and other financial transaction violations.

Article 23F of the 1945 Constitution regulates financial sovereignty in the legal context, stating that the state has the authority to transparently regulate and manage state finances based on healthy economic principles and justice. In addition, this provision is also regulated in Law Number 17 of 2003 concerning State Finance which explains the regulation of state finances and their management procedures. Maintaining the stability of the Rupiah and the use of Rupiah in every transaction in the Indonesian territory is evidence of the sovereignty of the state in the financial sector. Physical money is easier to control compared to digital money. BI's attitude of providing convenience only by working with BUKU 4 banks without requiring companies like PT. Arash Digital Rekadana to obtain BI permits before operating, as well as Alipay, Wechat Pay, Swiftpass Global Limited, is the same as giving freedom to digital financial colonizers to act freely. Rizal Ramli stated that "Indonesia is currently very vulnerable to economic colonization by foreigners, especially in the digital finance sector, where strict supervision is needed to protect Indonesia's financial sovereignty."<sup>9</sup>

During the period of 2017 and 2018, WeChat Pay and Alipay, working in collaboration through PT Alto Halo Network Digital (ADHI), violated Article 39 paragraphs (1) and (2) of Bank Indonesia Regulation number 20/6/PBI/2018 regarding Electronic Money. Sanctions that can be imposed on WeChat Pay and Alipay are the cessation of all existing transactions and merchants. ADHI may face sanctions in the form of fines, revocation of permits, or more serious legal action if there are serious violations. With the increasing number of transactions by Chinese tourists and currently CIMB Niaga is starting to reintroduce Alipay and WeChat Pay to facilitate transactions carried out by tourists, in terms of the economy, of course, payment convenience will lure tourists to spend their money in Indonesia. However, with regard to independence, Indonesia's financial sovereignty becomes dependent on foreign digital wallets. Therefore, if we use these applications, there will be a dependence

---

<sup>9</sup> Ramli, Rizal, 2019, Indonesia on the Global Stage: Contests and Challenges, Penerbit Mizan, Jakarta, p. 207.

## **Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty**

on technology. It would be different if Indonesia requires them to build application companies under Indonesian sovereignty, which are then integrated or connected with Alipay and WeChat Pay China. This is not new in terms of technology, but the regulation has not clearly required foreign digital financial sector actors to comply. Indonesia will forever find it difficult to maintain financial sovereignty from foreign intervention, especially when there are so many other foreign digital wallets from other countries. If every country is allowed to freely use their digital wallet, various foreign digital wallets will flourish in the trading market in Indonesia, which could affect Indonesia's position of financial sovereignty with Rupiah.

The payment transactions made by Chinese tourists with merchants facilitated by CIMB Niaga in cooperation with PT. Arash Digital Rekadana (Arash) fall under cross-border financial transactions. In this case, PPATK also has the authority to detect whether these transactions have suspicious elements. In accordance with the Anti-Money Laundering Act No.8 of 2010, identification of transactions must be carried out in order to prevent their use for money laundering. Article 17 paragraph 1 of the AMLA states that financial service providers, including banks and e-money or e-wallet providers, are obliged to report financial transactions from and to foreign countries to PPATK, regardless of the nominal value. In accordance with this provision, CIMB Niaga Bank is obliged to report to PPATK, and the role of Arash as a cooperating company has the same obligation. The use of digital wallet applications such as Alipay and WeChat Pay for money laundering activities is possible, as the nominal amount that can be transacted in one month can reach more than two hundred million to four hundred million rupiah, a relatively large amount that requires strict supervision. Based on Article 3 of the Indonesian Law No. 8 of 2010 on Money Laundering, the maximum punishment for this crime is 20 years imprisonment and a maximum fine of Rp10 billion.

If proven to have violated, then WeChat Pay and Alipay should be blocked from use. CIMB Niaga Bank and Arash can be subject to legal sanctions if they are proven to have committed criminal acts such as money laundering or fraud in financial transactions due to their involvement in transactions used by Alipay and WeChat Pay users. WeChat Pay and Alipay users can also be prosecuted if they are involved in criminal acts related to financial transactions while the transactions are carried out within the sovereignty of the Republic of Indonesia (NKRI). Technological integration must be up-to-date or created to support Indonesia's financial sovereignty. The authority of Bank Indonesia (BI), OJK, and PPATK to integrate digital supervision systems is the same as that of the Ministry of Communication and Information Technology, which has the authority to monitor internet and social media users and block sites that do not comply or violate Indonesian law. Therefore, foreign digital wallets should be monitored technologically. Referring to the QRIS PBI, everything must be connected to this payment channel. If not, the application will be automatically blocked if used for purposes outside of the QRIS channel. This needs to be regulated in legislation combined with sophisticated and powerful digital technology.

Based on the Currency Law, the Republic of Indonesia is an independent and sovereign state where the Rupiah must be respected and honored as the currency to promote social welfare, including for Alipay and WeChat Pay. Arash and SwiftPass Global Ltd may be fined IDR 200,000,000 (two hundred million rupiahs) if transactions are affiliated with terrorism, and may face life imprisonment and a fine of up to IDR 100,000,000,000 (one hundred billion rupiahs). BI has the authority to make rules on digital money transactions, but in formulating the PBI, BI did not think holistically to regulate foreign digital money. Some of these regulations apply to Indonesian legal entities, including banks and non-bank institutions, and all administrative sanctions only apply to banks and non-bank institutions under BI licensing. In this case, only CIMB Niaga can be subject to administrative sanctions. For Alipay, WeChat Pay, Arash, and SwiftPass Global Ltd, who are not legal entities in Indonesia, although they have the potential to harm Indonesia's financial system, they cannot be monitored or given sanctions as there are no clear rules governing this. Therefore, legal reconstruction is needed to have clear legislation that refers to foreign digital wallets.

## **V. CONCLUSIONS AND SUGGESTIONS**

**The conclusions and suggestions obtained from the above discussion, as follows:**

### **Conclusion**

1. The Government's Policy in Issuing Legal Norms for the Regulation of Foreign Digital Currency Transactions in the Jurisdiction of Indonesia has been regulated in various Bank Indonesia regulations, including Payment System Regulations, Payment System Infrastructure Providers Regulations, Payment Processing Transaction Providers Regulations, Payment Service Providers Regulations, Electronic Money Regulations, and Governor Board Member Regulations on QRIS. However, it is not specifically mentioned that it includes foreign digital currency, but if the transaction is operated in Indonesia, it automatically binds the foreign digital currency company. Most of these regulations mention that they must be a legal entity in Indonesia, and administrative sanctions are applied only to digital currencies that have a legal entity in Indonesia and have permission from Bank Indonesia.

## **Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty**

2. Legal Responsibility of Wechat Pay and Alipay in Operational Activities in Indonesia related to Financial Sovereignty in Indonesia can be subject to violations of Rupiah's sovereignty, a fine of IDR 200,000,000 (two hundred million Rupiah), and if the transaction is affiliated with terrorist activities, it can be punished with life imprisonment and a fine of up to IDR 100,000,000,000 (one hundred billion Rupiah). During its operation from 2017 to 2019, it was suspected that these transactions were using the Yuan currency. Until now, Wechat Pay and Alipay are linked to a cooperation with SwiftPass global Ltd in Shenzhen, which then cooperates with PT. Arash Digital Rekadana, which is a legal entity in Indonesia but has not obtained permission as a Non-Bank Payment Institution or QRIS. Then, PT. Arash Digital Rekadana continued its cooperation with CIMB Niaga's BUKU 4 Bank, so it appears that the Bank is only an intermediary to fulfill PBI criteria. Supervision and sanctioning of Wechat Pay and Alipay cannot be done directly, so the integrity of Indonesia's financial sovereignty in terms of digital wallets is not well maintained.

### **Suggestions**

1. To the Government, in this case, the authority held by Bank Indonesia, to create more specific PBI regulations governing foreign digital wallets that may operate in Indonesia, to emphasize and require the establishment of an Indonesian legal entity in accordance with applicable BKPM provisions, to become an SRO so that check and balance, reward and punishment can be administratively applied or if there are criminal violations, they can be easily addressed.
2. To Academics to study more and conduct research on the development and operation of foreign digital currencies in other countries that may be committing the same violations, and to provide legal views and input to relevant institutions, in this case, Bank Indonesia.
3. To Society, including the trade and tourism sectors related to Alipay and Wechat Pay digital payment systems, to pay attention to the validity of existing permits, not fully believing that working with BUKU 4 Bank means that it is entirely legal, and lack of understanding of transactions that do not fully comply with legal requirements can lead to criminal violations.

### **REFERENCES**

#### **BOOKS**

- 1) Johannes, Ibrahim, 2018, Fund Transfer Crimes, Evolution and Modes of Crime through Financial Institution Banks, Sinar Grafika, Jakarta.
- 2) Kelsen, Hans, 1960, The General Theory of Law and State, Harvard University Press, Cambridge, Massachusetts, United States of America.
- 3) Lubis, Todung Mulya, 2008, International Law: An Introduction, Raja Grafindo Persada, Jakarta.
- 4) M. Husni Thamrin, 2019, Legal Aspects of Crypto Assets, Kencana Prenada Media Group, Jakarta.
- 5) Ramli, Rizal, 2019, Indonesia on the Global Stage: Contests and Challenges, Penerbit Mizan, Jakarta.
- 6) Soekanto, Soerjono, 2008, Introduction to Legal Studies, Jakarta, UI Press.

#### **JOURNAL**

- 1) Erman Rajagukguk, 2018, Crypto Assets: Law and Taxation, Majalah Hukum dan Pembangunan, Vol. 47, No. 3, Jakarta.
- 2) Sari, R. P. Kusuma, 2021, Indonesian Jurisdiction in Foreign Digital Transactions, Jurnal Hukum Global, Indonesia.

#### **WEBOGRAPHY**

- 1) Bank Indonesia, Payment System & Management of Rupiah Currency, (<https://www.bi.go.id/PJSPQRIS/default.aspx>, accessed on April 09, 2023).

#### **LEGISLATION**

- 1) The Constitution of the Republic of Indonesia in 1945.
- 2) Law Number 7 of 1992 concerning Banking as amended by Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking.
- 3) Law Number 23 of 1999 concerning Bank Indonesia on payment systems.
- 4) Law Number 11 of 2008 concerning Electronic Information and Transactions.
- 5) Republic of Indonesia Law Number 43 of 2008 concerning State Borders.
- 6) Law Number 3 of 2011 concerning Fund Transfers.
- 7) Law Number 7 of 2011 concerning Currency.
- 8) Law Number 12 of 2011 concerning the Formation of Legislation.

## Regulation of Wechat Pay and Alipay Electronic Money Transactions in the Perspective of Indonesian State Sovereignty

- 9) Law Number 21 of 2011 concerning Financial Services Authority. Law Number 19 of 2016 concerning Amendments to Law Number 11 of 2008 concerning Electronic Information and Transactions.
- 10) Law Number 23 of 2019 concerning Management of National Resources for State Defense.
- 11) Bank Indonesia Regulation Number 11/12/PBI/2009 concerning Electronic Money.
- 12) Bank Indonesia Regulation Number 18/17/PBI/2016 concerning the Second Amendment to Bank Indonesia Regulation Number 11/12/PBI/2009 concerning Electronic Money.
- 13) Bank Indonesia Regulation Number 18/40/PBI/2016 of 2016 concerning the Processing of Payment Transactions.
- 14) Bank Indonesia Regulation (PBI) 19/8/PBI/2017 concerning National Payment Gateway.
- 15) Bank Indonesia Regulation Number 20/6/PBI/2018 concerning Electronic Money.
- 16) Financial Services Authority Regulation Number 12/POJK.03/2018 concerning Digital Banking Services.
- 17) Financial Services Authority of the Republic of Indonesia Regulation Number 13/POJK.02/2018 concerning Digital Financial Innovation in the Financial Services Sector.
- 18) Member of the Board of Governors Regulation Number 21/18/PADG/2019 concerning the Implementation of National Quick Response Code Standards for Payment.
- 19) Member of the Board of Governors Regulation Number 23/8/PADG/2021 concerning Amendments to Member of the Board of Governors Regulation Number 21/18/PADG/2019 concerning the Implementation of National Quick Response Code Standards for Payment.
- 20) Member of the Board of Governors Regulation Number 24/1/PADG/2022 concerning the Second Amendment to Member of the Board of Governors Regulation Number 21/18/PADG/2019 concerning the Implementation of National Quick Response Code Standards for Payment.



There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non Commercial 4.0 International (CC BY-NC 4.0) (<https://creativecommons.org/licenses/by-nc/4.0/>), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.