



THE URGENCY OF MONITORING BITCOIN TRANSACTIONS IN PREVENTING MONEY LAUNDERING: A SADD AL-DZARI'AH PERSPECTIVE

Aulia Rahman Sitepu¹, Rahmat Hidayat²

^{1,2}Universitas Islam Negeri Sumatera Utara, Indonesia

*Corresponding Author: aulia0204212067@uinsu.ac.id

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ABSTRACT

The development of digital financial technology has driven the emergence of cryptocurrencies, particularly Bitcoin, as a transaction and investment instrument offering ease of cross-border transfers, decentralization, and a high degree of anonymity. However, these characteristics also open up significant opportunities for Bitcoin's misuse as a means of money laundering. In Indonesia, the dual policy of prohibiting the use of cryptocurrencies as a means of payment and recognizing them as a traded commodity creates legal uncertainty and weakens oversight. This study aims to analyze the urgency of monitoring Bitcoin transactions in preventing money laundering based on Indonesian positive law and the perspective of sadd al-dzari'ah. The study uses a normative juridical method with a legislative and conceptual approach. Data sources consist of primary, secondary, and tertiary legal materials analyzed qualitatively and descriptively. The results show that weak oversight, the absence of specific criminal sanctions, and the complex nature of crypto asset transactions provide opportunities for criminals to disguise the origins of illicit funds. From the perspective of sadd al-dzari'ah, this situation demands preventive measures to mitigate potential harm early on. Therefore, strengthening regulations, integrating anti-money laundering mechanisms, implementing the precautionary principle for crypto asset traders, and strengthening cooperation between national and international institutions are necessary. This study confirms that Bitcoin transaction oversight is an urgent need to ensure legal certainty, protect the public interest, and maintain the integrity of the national financial system.

Keywords: Bitcoin, cryptocurrency, money laundering, transaction monitoring, sadd al-dzari'ah

1. INTRODUCTION

The development of digital technology has driven a major transformation in the global financial system, including the emergence of cryptocurrencies as electronic transaction instruments and stores of value. Bitcoin, as the most popular cryptocurrency, offers

advantages such as decentralization, efficient cross-border transfers, and easy access without the intermediary of conventional financial institutions. However, these characteristics also raise complex legal issues because Bitcoin transactions occur in a peer-to-peer system, are difficult to monitor directly, and offer a high degree of anonymity. In the context of financial law and governance, this situation positions Bitcoin not only as a technological innovation but also as a problematic regulatory object due to its potential for exploitation beyond legitimate economic purposes (Hariyanto, 2022; Julianti & Apriani, 2021).

In Indonesia, Bitcoin regulation still demonstrates a disharmony of norms. On the one hand, Bank Indonesia asserts that cryptocurrencies are not legal tender because the national monetary system only recognizes the rupiah as the official currency. On the other hand, Bitcoin is recognized as a digital commodity that can be traded on a futures exchange through a commodity futures trading supervisory regime. This dualism in policy creates ambiguity in legal practice, particularly when crypto assets are positioned as legal in trade but not legitimate in payment systems. This ambiguity not only creates legal uncertainty for market players but also opens up opportunities for abuse due to the lack of a fully integrated supervisory framework across trade, digital transactions, and financial crime prevention (Nitha & Westra, 2020; Ilyasa, 2019; Nababan, 2019).

One of the most serious risks of weak oversight of Bitcoin transactions is their potential use as a means of money laundering. The anonymous, cross-jurisdictional, fast, and difficult-to-trace nature of crypto transactions makes them an attractive instrument for criminals to disguise the origins of illicit funds. In practice, the use of crypto mixers, tumblers, and cross-chain transfer mechanisms complicates the process of identifying fund flows and challenges the effectiveness of anti-money laundering regimes, which have been primarily designed for the conventional financial system. This situation demonstrates that the development of digital assets should not be viewed solely as a phenomenon of economic innovation, but also as a serious challenge to the criminal justice system, the protection of public interests, and the integrity of the national financial system (Fauziah, 2020; Al Qodri & Lubis, 2024; Lorien & Tantimin, 2022).

From an Islamic legal perspective, the Bitcoin issue is becoming increasingly important because it relates not only to formal legality but also to considerations of benefits and harms in muamalah activities. The debate over the permissibility of Bitcoin has generally centered on issues of *gharar* (unlawful) risk, speculation, value volatility, and the lack of underlying assets. However, when Bitcoin is viewed in the context of money laundering, the focus of analysis is no longer solely on the instrument's *halal-haram* status, but rather on the potential social and economic harm that can result from its misuse. Within this framework, the principle of *sadd al-dzari'ah* (prohibition of misuse) becomes relevant, emphasizing the importance of blocking avenues for harm, even if an activity appears to be permissible in principle. Thus, monitoring Bitcoin transactions can be understood as a preventive measure in line with the principles of asset protection and prevention of harm as outlined in the *maqasid al-Shari'ah* (Islamic principles) (Fawaid, 2019; Takhim, 2020; Kawakib et al., 2020).

Several previous studies have discussed Bitcoin from both positive and Islamic legal perspectives. Some studies focus on the legality of Bitcoin as an investment and digital commodity, while others examine the debate in Islamic jurisprudence (*fiqh muamalah*) regarding its use. However, these studies generally focus on legality, investor protection,

or normative assessments of crypto investments, and have not specifically addressed Bitcoin transaction monitoring as a preventive instrument for money laundering, analyzed from the perspective of *sadd al-dzari'ah*. This is where this research gap lies. This article not only discusses the legal status of Bitcoin, but also highlights the urgency of designing supervision that can bridge positive law and Islamic legal principles in addressing the risks of digital asset-based financial crimes (Julianti & Apriani, 2021; Nurhisam, 2017; Nitha & Westra, 2020).

Based on this description, this research is important because it seeks to address the need for a stronger supervisory framework for Bitcoin transactions amid the increasing use of crypto assets and the high risk of misuse for money laundering. This study aims to analyze the urgency of Bitcoin transaction supervision in preventing money laundering crimes based on Indonesian positive law and the *sadd al-dzari'ah* perspective. Academically, this research is expected to enrich the discourse on digital economy law and contemporary Islamic law. Practically, the results of this study are expected to contribute to strengthening regulations, implementing prudential principles such as Know Your Customer, Customer Due Diligence, and Enhanced Due Diligence, as well as establishing a more preventative, fair, and responsive supervisory model to the development of digital financial technology (Hasibuan et al., 2024; Al Qodri & Lubis, 2024; Kawakib et al., 2020).

2. RESEARCH METHOD

This research employs a normative juridical method, a legal research that positions law as a norm, principle, and system analyzed through relevant legislation, doctrine, and decisions or cases, without conducting field research (Ibrahim, 2012; Marzuki, 2017). This method was chosen because the research focuses on analyzing the legal status of Bitcoin in Indonesia, the disharmony of its regulation within the national legal system, and the urgency of monitoring Bitcoin transactions as a preventative measure for money laundering. Therefore, this research does not aim to measure the empirical behavior of crypto market players, but rather to examine the adequacy of existing legal norms and supervisory frameworks in addressing the risk of digital asset misuse.

The approaches used include a statute approach, a conceptual approach, and a case approach. A legislative approach is used to examine the relationship and potential disharmony between regulations governing currency, crypto assets, and the prevention of money laundering, specifically Law Number 7 of 2011 concerning Currency, Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering, and Bappebti regulations regarding crypto asset trading. A conceptual approach is used to examine the concept of cryptocurrency, digital transaction supervision, anti-money laundering principles, and the theory of *sadd al-dzari'ah* as a normative foundation in Islamic law. Meanwhile, a case study approach is used to a limited extent to analyze patterns of crypto asset misuse in money laundering practices to strengthen normative arguments (Marzuki, 2017; Soekanto & Mamudji, 2014).

The legal materials in this study consist of primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations relevant to the object of study. Secondary legal materials include books, scientific journal articles, previous research results, and expert opinions discussing the legality of Bitcoin, crypto asset

supervision, money laundering, and the concept of sadd al-dzari'ah in Islamic jurisprudence (fiqh muamalah). Tertiary legal materials include legal dictionaries, encyclopedias, and other supporting sources that help clarify technical terms and key concepts. The legal material collection technique was conducted through literature review by tracing, inventorying, classifying, and reviewing legal sources according to the research focus.

The legal material analysis was conducted qualitatively using descriptive-analytical techniques, interpreting, connecting, and comparing positive legal norms with Islamic legal concepts to obtain a comprehensive argument regarding the urgency of Bitcoin transaction supervision. The analysis began by identifying Bitcoin's legal status in the Indonesian legal system, followed by an examination of regulatory gaps that could allow the misuse of crypto assets for money laundering. These normative findings were then analyzed from a sadd al-dzari'ah perspective to assess the extent to which strengthened supervision can be positioned as a preventative measure to eliminate the path to harm. Through these stages, this research is expected to produce an argumentative formulation regarding the importance of integration between positive law and Islamic legal principles in building a Bitcoin transaction supervision model that is more preventive, adaptive, and oriented towards protecting public interests (Ibrahim, 2012; Marzuki, 2017).

3. RESULT AND ANALYSIS

Bitcoin's position in the Indonesian legal system demonstrates a regulatory dualism that directly impacts weak legal certainty. On the one hand, Bitcoin receives limited recognition as a digital commodity that can be traded on a futures exchange mechanism. On the other hand, Bitcoin is not recognized as legal tender because the Indonesian monetary system only recognizes the rupiah as the official currency. This normative finding indicates that national law has not yet established a comprehensive regulatory framework for Bitcoin as a digital transaction object, as legal recognition is only granted to the trading aspect, not to the full risks posed by its circulation. This situation demonstrates a legal gray area that has the potential to be exploited by certain parties to carry out activities that formally appear legal but substantially carry the risk of financial crime (Hariyanto, 2022; Ilyasa, 2019; Nababan, 2019).

This regulatory disharmony then becomes a vulnerable point in the context of preventing money laundering. When Bitcoin is recognized as a commodity, but not accompanied by a supervisory system integrated with the anti-money laundering regime, existing regulations stop at the administrative aspects of trade. However, the fast-moving, cross-border nature of crypto transactions, and their lack of reliance on formal financial institutions, makes them vulnerable to being used to disguise the origin of funds. Therefore, normative analysis suggests that the primary issue lies not solely in whether Bitcoin is legal or illegal, but rather in the legal system's unpreparedness to interpret the criminal consequences of its use. In this context, regulatory gaps not only create legal uncertainty but also increase the opportunity for digital assets to be used as a means of money laundering (Nitha & Westra, 2020; Julianti & Apriani, 2021).

This risk is exacerbated by Bitcoin's anonymity, decentralization, and transfer flexibility, which conventional financial instruments lack. Normatively, these characteristics complicate the process of identifying perpetrators, tracing the flow of

funds, and proving the link between digital assets and predicate crimes. While the pseudonymous nature of blockchain transactions does not completely erase transaction traces, it is sufficient to complicate law enforcement when user identities are disguised through digital wallets, offshore accounts, or platforms not subject to national jurisdiction. Therefore, Bitcoin is not simply a digital investment, but also an instrument that can potentially be used to conceal the proceeds of crime through multiple methods of transferring, converting, and disguising funds. This finding aligns with the view that the development of crypto assets must be interpreted with caution, as financial technology innovation can move faster than the law's ability to regulate it (Julianti & Apriani, 2021; Tazkiyyaturrohmah & Amin, 2022).

A review of the positive legal framework reveals that Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering can essentially be used to prosecute money laundering practices through crypto assets. However, this law does not specifically regulate the characteristics, patterns, and mechanisms of cryptocurrency transactions, which are evolving rapidly. As a result, there is a gap between general norms for preventing money laundering and the reality of digital crime methods using crypto mixers, tumblers, and cross-chain transfers. In this context, positive law does indeed have a repressive basis, but it is not yet strong enough to develop preventive instruments that adapt to the complexities of blockchain technology. These normative findings emphasize that strengthening Bitcoin transaction oversight needs to be positioned not only as a policy option, but as an urgent regulatory need to address the weaknesses of the existing system (Fauziah, 2020; Al Qodri & Lubis, 2024).

The discussion also shows that the most relevant oversight model in the Indonesian context is strengthening the precautionary principle for crypto asset traders and officially operating exchange platforms. The implementation of Know Your Customer (KYC), Customer Due Diligence (CDD), and Enhanced Due Diligence (EDD) principles is a crucial tool for identifying users, verifying the source of funds, and detecting suspicious transaction patterns early on. This approach is crucial because preventing money laundering in the digital asset sector cannot be achieved solely through criminal sanctions after a crime has occurred, but must begin with the design of oversight at the transaction entry point. In other words, the stronger the verification and reporting requirements on official exchanges, the less room for perpetrators to use Bitcoin as a means of concealing illicit funds. In this regard, non-penal strategies play a strategic role in supporting the effectiveness of the anti-money laundering regime (Nitha & Westra, 2020; Hariyanto, 2022).

However, the effectiveness of domestic oversight remains limited when Bitcoin transactions are conducted through foreign exchanges, decentralized exchanges, or digital privacy platforms beyond the reach of national authorities. These findings demonstrate that crypto-asset-based crimes cannot be addressed solely through a national jurisdictional approach, as the nature of digital transactions allows for the rapid movement of value across borders without clear territorial boundaries. Therefore, strengthening Bitcoin oversight must be built within a coordinated framework between national institutions, such as Bappebti, PPATK, OJK, Bank Indonesia, and law enforcement officials, and expanded through international cooperation. The involvement of forums such as the Financial Action Task Force (FATF), the Egmont Group, and the Mutual Legal

Assistance mechanism is crucial for more effective asset tracking, information exchange, and law enforcement in addressing cross-border money laundering patterns (Fauziah, 2020).

From a *sadd al-dzari'ah* perspective, these normative findings demonstrate that oversight of Bitcoin transactions has a strong basis in Islamic law. The *sadd al-dzari'ah* principle emphasizes that any means that have the potential to lead to harm must be prevented, although these means are not necessarily absolutely prohibited. In this context, Bitcoin as a technological instrument is not automatically positioned as haram or essentially forbidden, but it becomes problematic when its regulatory structure is weak and the potential for misuse outweighs its benefits. Therefore, calls for tightened supervision, clearer regulations, and restrictions on high-risk transactions align with the *maqasid al-Shariah* orientation, particularly in safeguarding assets (*hifz al-mal*) and preventing broader social harm (Fawaid, 2019; Takhim, 2020; Kawakib et al., 2020).

Based on the overall analysis, it can be emphasized that the urgency of monitoring Bitcoin transactions stems not solely from the growth of the crypto industry, but from the need to close legal loopholes that allow digital assets to be used as a means of money laundering. This research shows that regulatory dualism, suboptimal AML mechanisms, limited cross-jurisdictional oversight, and high transaction anonymity are factors that increase the risk of Bitcoin misuse. Therefore, the development of more comprehensive regulations or revisions to the Money Laundering Law (TPPU) needs to be directed at integrating crypto asset trading oversight with the principles of money laundering prevention and the *sadd al-dzari'ah* approach. With this construction, the law is not merely a repressive tool after a crime has occurred, but also a preventive instrument to maintain legal certainty, protect the public interest, and ensure that digital financial innovation continues to develop within the framework of justice and social welfare (Kawakib et al., 2020; Al Qodri & Lubis, 2024; Nitha & Westra, 2020).

4. CONCLUSION

This research confirms that the urgency of Bitcoin transaction oversight in Indonesia is rooted in regulatory disharmony, limited oversight mechanisms, and the high potential for misuse of crypto assets as a means of money laundering. Although Bitcoin has gained limited recognition as a tradable commodity, its legal standing has not been fully integrated with the financial crime prevention system, thus opening up space for the practice of disguising the origin of funds through the anonymous, decentralized, and cross-border nature of transactions. Using a normative juridical approach, this research demonstrates that strengthening oversight cannot be achieved solely through repressive instruments but must be built through preventive measures that include strengthening regulations, applying the principle of prudence to crypto asset traders, integrating anti-money laundering mechanisms, and inter-institutional coordination at the national and international levels. From a *sadd al-dzari'ah* perspective, these steps align with the principle of blocking the path to harm, making Bitcoin transaction oversight not only a positive legal requirement but also an ethical imperative to safeguard assets, protect the public interest, and ensure that the development of digital financial technology remains within the corridors of justice, legal certainty, and public welfare.

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