BLOCKCHAIN LATAM REPORT

Ecosystem, adoption and regulation of cryptocurrencies and blockchain in Latin America

SUMMARY

INTRODUCTION

LATIN AMERICA has experienced a wave of blockchain adoption over the past few years, and the COVID-19 pandemic seems to be accelerating this transition. Cryptocurrency adoption has grown in LATAM as local residents realized that they could shift money from their own diminished local currencies to a safer haven of value, such as Bitcoin.

A recent survey commissioned by Sherlock Communications from Toluna to test this hypothesis shows that over three-quarters of respondents are more interested in investing in cryptocurrencies as a result of the economic crisis triggered by COVID-19. The most commonly-cited reason for investment was “to protect my assets from inflation and economic stability”.

Furthermore, there are over 250 million unbanked adults in Latin America. The pandemic has also sped up the banking process, and created plenty of opportunities for blockchain-based applications, as our research shows.

Many organizations are aiming to include Latin America’s unbanked population in these financial networks. Financial tools are accessible to every smartphone user, so the challenge now concerns adoption: how to improve user experience, publicize the applications and build communities around new products?

Financial inclusion also means broadening trust. As the unbanked population enters the financial system, they expand their choices and possibilities: sending and receiving payments easily, using complementary currencies, accessing credit and many other services associated with the decentralized finance wave.

Blockchain can play a major role in helping communities from Latin America recover or rebuild their economic systems. The pandemic has led to a major economic crisis, which in turn presents an opportunity for redefining trust, and promoting the adoption of decentralized applications.

Gaming and social media provide useful test cases. Latin Americans love both. Being paid for creating content, using a messaging app, or playing games are ways for people to earn income and satisfy basic needs. Token economic models that reward users for their engagement can help families to rebuild their lives, especially in vulnerable communities.

Will blockchain be used as a tool to improve wellbeing in Latin America? It all depends on the future we want to build, on our shared dreams.

This study highlights key aspects from the blockchain ecosystem in 21 Latin American countries, including Brazil, Argentina, Venezuela, Colombia and Mexico. Its aim is to provide useful insights for organizations that are aiming to make an entrance in the region, and create a positive impact.

FOREWORD

Latin America is the perfect environment for a Blockchain industry to grow. Low trust in institutions and fellow citizens, IP piracy, rampant corruption, Kafkaesque bureaucracy, financial exclusion, exchange rate extreme volatility due to government intervention - you name the problem Blockchain is supposed to solve, we have it down here. We also have awesome entrepreneurs, engineers and designers that are able to work around those problems and use technology to overcome our most pressing problems. Anyone interested in the actual impact blockchain can have in the lives of billions of people should watch closely the Latin American scenario.

Thiago Canellas - EOS Rio Cofounder & CEO, Edmund Hillary Foundation Fellow

I see a truly vast opportunity for the expansion of crypto-based tools into LATAM markets. There is a confluence of contributing factors including unstable national currencies, corrupt governments, poverty, hundreds of millions of unbanked humans, and mobile-first users that are known to be early adopters. To boot, the LATAM blockchain community is talented, passionate and hyper-collaborative. These local teams are eager to facilitate the introduction of great tools to their networks.

Autumn Moss Peñaloza - Director of Strategic Partnerships at MakeSense Labs

ARGENTINA

_ REGULATION
The Argentinian government has so far decided to only regulate taxation, and the prevention of money laundering and financing terrorism. It's still unclear how the legal framework will work for blockchain projects. The Argentinian Parliament is currently working on crypto regulations, and hopefully a more clear framework will be put in place.

_ TAXATION
Cryptocurrencies are taxed like any other intangible asset. Income derived from the sale of digital currency is taxed at 15%.

_ ADOPTION
Cryptocurrency adoption has been brisk in Argentina. Arcane Research notes that Argentines have been trading record amounts of pesos for Bitcoin on LocalBitcoins, as the national government threatens to default on its debt: "Volume has increased by 1028% in Argentine pesos, by 407% in BTC and by 139% in USD since the beginning of 2018, showing a substantial growth in real terms as well".

_ ECOSYSTEM
Argentina has a vibrant ecosystem, with many regional and international events held in Buenos Aires prior to the pandemic. The Argentinian capital is considered one of the top 10 Bitcoin cities in the world. Exchanges such as Binance and Houbi are operating in the country.

_ KEY PLAYERS
RSK, Ripio, Attix Labs, Wayniloans and EOS Argentina, which participates on Latam Link, a voluntary regional alliance led by Latin American organizations.

> *"Argentinians have a long history of not trusting their own currency, the Peso; instead, they have always taken refuge in either the U.S. dollar or tangible assets like land or real estate. The scenario is ideal for the adoption of Bitcoin and other cryptocurrencies in Argentina, as people are always looking for other ways to protect their wealth"*
> ***Jesús Chitty - EOS Argentina Cofounder and leader in Argentina's Blockchain Ecosystem***

Eduardo Sanchez / Unsplash

BOLIVIA

_ REGULATION

Bolivia has greater restrictions on cryptocurrencies than most of its neighbours. In 2014 the Bolivian government issued Resolution N044/2014, banning the use of any currency not issued and controlled by the government or an authorized entity, including cryptocurrencies. Consequently, the use of Bitcoin and other cryptocurrencies can result in fines.

_ ADOPTION

Cryptocurrencies are banned, so there are no significant cases of blockchain technology adoption in Bolivia. However, national authorities are attempting to develop blockchain solutions. In July 2019, the Bolivian CVM launched its 1st App Challenge with an exclusive blockchain session.

_ ECOSYSTEM

The country's ecosystem is weakened by the ban on cryptocurrencies, but it is not inexistent. According to Coinmap, cryptocurrency movements are taking place in Bolivian cities such as La Paz and Santa Cruz de La Sierra. And CoinTelegraph points to P2P operations in small Telegram and WhatsApp groups throughout the country. Moreover, Bolivia traded around 5,710 BTC on the day that former president Evo Morales resigned.

holgs / iStock

_ KEY PLAYERS

Bolivian Mind Blockchain, Blockchain Bolivia

BRAZIL

_ REGULATION

On 15th March 2020 the Brazilian Securities and Exchange Commission (CVM) published its instruction 626, adopting a regulatory sandbox for the next 3 years. This means blockchain projects can work closely with the CVM without fear of regulatory reprisals.

One of Brazil's largest investment firms, XP Investimentos, is currently selling bitcoin funds to their clients. And BNDES, Brazil's leading development bank, has experimented with blockchain based solutions and is looking to invest in startups that use the technology.

_ TAXATION

Financial authorities state that cryptocurrencies are financial assets and should be taxed accordingly. Current taxation rates vary from 15% to 22.5%.

_ ADOPTION

Brazil has approximately 1.4 million registered crypto users. In November 2020, Bitcoin reached a new all-time high in the country, valued at R$105.000,00; this was attributed to the devaluation of the Brazilian Real.

_ ECOSYSTEM

Brazil has a vibrant blockchain community, mostly based in São Paulo and Rio de Janeiro, with a presence in other cities such as Campinas, Florianópolis, Recife and Belo Horizonte.

_ KEY PLAYERS

Mercado Bitcoin, Foxbit, OriginalMy, Moeda Seeds , Blockforce, EOS Rio, Hashdex, BLP Crypto, Stratum Blockchain, QR Capital, Banco Maré, Blockchain Academy - Foreign exchanges like Binance and Huobi operate in Brazil.

FlaviaC / Wikipedia

COLOMBIA

_ REGULATION

There is a lack of regulation in Colombia, with government agencies positioning themselves against crypto projects so far. As per the Superintendencia Financiera de Colombia's, Circular Letter 52 in 2017, crypto - and virtual currencies do not have the backing of any Central Bank,, so they cannot be used as legal tender. This is set to change, and recently the Ministry of Technology endorsed blockchain and crypto, publishing guidelines for the public sector to adopt blockchain and DLT.

_ TAXATION

According to the country's Ministry of Finance, if cryptocurrency earnings come from a professional or business activity, they should be declared and taxed accordingly.

_ ADOPTION

Bitcoin exchange platforms such as LocalBitcoin, Colbitex and Paxful are operating in a regulatory grey area, although some local merchants already accept Bitcoin payments. Colombia has a burgeoning market in the development of crypto-active products, as one of the regional leaders in its adoption. Colombia has more bitcoin ATMs than any other Latin American country, with 60 ATMs in operation according to the CoinATMRadar website.

_ ECOSYSTEM

The Bank of the Colombian Republic recently formalized an agreement with software company R3 to enhance opportunities for partnership. Colombia's Ministry of Technology currently has two projects in testing, in partnership with ViveLab.

_ KEY PLAYERS

Buda.com Colombia, Panda Exchange, RSK, ViveLab Bogotá, Cajero.co, IntiColombia, Paxful

ProColombia

COSTA RICA

_ REGULATION

In Costa Rica cryptocurrencies are not regulated by the Central Bank, but they are legal and acknowledged as legitimate means of payment. A government statement issued in 2017 illustrates state agencies' total detachment towards the responsibility and administration of cryptocurrency operations, advising users to employ them "at their own risk". The BCCR has made it clear that they will neither regulate nor enforce the use of cryptocurrencies, as they are not issued or backed by the Central Bank. According to The Tico Times, "Article 166 of the labor code states that Costa Rican laws allow for the use of commonly accepted assets as a means of payment". This means that employers can receive part of their salaries in cryptocurrencies.

_ ADOPTION

Cryptocurrencies are widely adopted in Costa Rica, and many businesses accept them as means of payment - unsurprisingly for a country where workers can receive a portion of their wages in crypto. Costa Rica has 3 crypto ATMs despite its population of just 5 million. Following the example of Venezuela´s Petro, Costa Rica launched a cryptocurrency based on the country's own ecosystem of digital assets, called CRCoin, in January 2020. According to Contxto, at least 40 businesses have already signed up to accept CRCoins as payment. This cryptocurrency has the benefit of being instant, so the user doesn´t have to wait until the next business day to receive the money in their bank account.

_ ECOSYSTEM

Costa Rica has embraced blockchain technology and cryptocurrencies extremely quickly, and has a lively ecosystem as a result. Costa Rica has become a crypto hub due to high demand among businesses to incorporate the tech into their system, and accept it as payment. The country has hosted several events such as Tico Blockchain and EOS Surf, led by EOS block producer EOS Costa Rica. Moreover, Costa Rica has one of the largest renewable energy outputs in the world: almost 90% of its energy is renewable, making it an attractive location for mining projects.

_ KEY PLAYERS

Blockchain Costa Rica, EOS Costa Rica**,** Cambiatus**,** Genesis Blockchain Technologies

Geoffrey Smith / Unsplash

CHILE

_ REGULATION

In Chile there is no specific regulation of cryptocurrencies and, as with most other parts of the world, this situation is not yet clearly defined. For now, they are not legal. During Chile Day 2019 in New York, Treasury Minister Felipe Larraín stated that the country's financial authorities have sent a project to congress that seeks to regulate cryptocurrencies, but there have been no further developments on this front to date.

In 2018, banks in Chile closed accounts from several Exchanges, claiming that they could not have any relation with the cryptocurrency market. However, the judiciary system ruled that the decision violated free competition. Since then, the case remains open, but the Exchanges are still operating.

Pixabay

_ TAXATION

Notwithstanding this lack of regulation, the government classifies cryptocurrencies as digital/virtual assets for tax purposes. Taxpayers should declare cryptocurrencies, and are taxed according to general norms for income tax. However, this is not applicable for taxes on goods and services once they are classified as an asset and not a legal or foreign currency.

_ ADOPTION

Cryptocurrency market data platform CoinDance shows that Chile´s crypto market has begun to develop exponentially since 2017 and, during the Covid-19 pandemic, the volume of cryptocurrencies in Chilean Pesos has increased even more. Bitcoin.com points to a recent Statista study in which 11% of respondents in Chile admitted to owning and using digital assets, placing Chile in the top 10 crypto countries worldwide.

Chilean residents appear to be turning to crypto to safeguard their savings against the Chilean peso's depreciation. Cryptocurrency market data platform CoinDance shows that LocalBitcoins volume in Chile reached a new record of over 388 million Chilean pesos in the week ending on August 8th.

Moreover, even though cryptocurrencies are not regulated in Chile, there are three bitcoin ATMs operating in Santiago, which allow users to directly withdraw Chilean pesos.

_ ECOSYSTEM

Vibrant ecosystem. Chile is one of the most open economies in Latin America, and more and more people and companies are interested in blockchain and cryptocurrencies. Chile held the Blockchain Summit Latam in 2018, and once a year the Bitcoin Chile NGO organizes an event called CryptoNight, which assembles the most relevant names from the regional Cryptocurrencies and Blockchain ecosystem to debate these matters.

Apart from cryptocurrencies, blockchain technologies are also on the rise. Chile's Government Treasury has announced a blockchain platform dedicated to processing citizens´ taxes, in order to make this task faster and more transparent. Furthermore, the National Electric Coordinator has announced that blockchain will be used to certify cost statements and fuel stock throughout the country's electrical system. And Pontificia Universidad Católica, one of the most famous and prestigious Universities in the country, is working on a Blockchain Diploma for Computer Engineers.

_ KEY PLAYERS

Local exchanges include Crypto Intercambio, Orionx and buda.com. Local crypto associations are led by ONG Bitcoin Chile and BLOQS4, responsible for the project related to the Chilean salmon supply chain.

RPBaiao / Shutterstock

CUBA

_ REGULATION

As with most countries, Cuba has no specific cryptocurrency regulations. Some Cubans, wary of being considered as engaging in illicit financial activities by the authorities, are calling for regulation, while also fearing restrictions or an outright ban on cryptocurrencies.

_ ADOPTION

According to a recent Reuters report, cryptocurrencies are being used to circumvent US sanctions in Cuba, as well as making online purchases, investing and trading. Alex Sobrino, founder of a Telegram channel called CubaCrypto dedicated to crypto debate and trade, asserts that approximately 10,000 Cubans are currently using cryptocurrencies. Despite their increasing popularity in Cuba, cryptocurrencies still face a wide range of obstacles. Users have limited access to crypto exchanges. Some recognized exchanges explicitly prohibit users from countries that face embargoes from the US, such as Cuba. The only exchange that works actively in Cuba is Fusyona, not without cost: the minimum transaction amount is $150, and the platform charges up to 10% commission. For these reasons, Cubans often end up conducting face-to-face transactions: the buyer hands over cash, and the seller buys cryptocurrencies from his phone or laptop. On November 2nd 2020, Cuba ranked second in the Google Trends ranking in terms of interest in cryptocurrencies over the past 30 days. Interest is growing, and adoption shouldn't be too far behind.

_ ECOSYSTEM

The future of Cuba's ecosystem is unknown. It has enormous potential, but could be decimated overnight with a government ban. Another potential issue is internet access. According to CiberCuba, on an island of 10 million people, only 2.5 million have internet on their phones, and 4G technology was only rolled out in 2019. In July 2019, the Cuban government announced that they were studying cryptocurrencies in order to alleviate the country's economic crisis. Economy Minister Alejandro Gil Fernandez stated: *"We are studying the potential use of cryptocurrency ... in our national and international commercial transactions, and we are working on that together with academics".*

_ KEY PLAYERS

Fusyona, Qbita.org, BitRemesas.com

Cuba Ban Yido / Unsplash

DOMINICAN REPUBLIC

_ REGULATION

There is no specific cryptocurrency regulation in Dominican Republic. In 2017, Central Bank president Héctor Valdez Albizu stated that crypto assets such as Bitcoin, Litecoin and Ethereum are not backed by the Central Bank. While this does not mean that they are illegal, they are not legal either.

_ ADOPTION

Julián Geovo, a director of the Japanese exchange BitPoint, stated that there are around 5,000 traders using cryptocurrencies on a regular basis in the Dominican Republic. Moreover, CoinDance shows that weekly Bitcoins volume traded in LocalBitcoins amounts to around 10BTC in 2020.

_ ECOSYSTEM

Despite this cryptocurrency trading volume, the Dominican Republic's ecosystem is not very lively. Few establishments accept cryptocurrencies as a means of payment, and there are not many noteworthy cases of blockchain use in the country.

_ KEY PLAYERS

Coinmama and CEX.io are exchanges that serve the country

GiuseppeCrimeni / Shutterstock

ECUADOR

_ REGULATION

Cryptocurrency has always been a controversial topic in Ecuador. The government banned cryptocurrencies in 2014, allowing only a state-run “dinero eletronico” crypto tied to the local currency—the dollar - and outlawing all others. The Ecuadorian Central Bank clarified that it is illegal to use bitcoins as a means of payment, although it is not illegal to buy and sell bitcoins or any other cryptocurrency over the internet.

_ ADOPTION

Cryptocurrencies are illegal as a means of payment, so they are not used often for this purpose. However, Ecuador’s crypto buyers are growing in number on Localbitcoins. At the beginning of 2018, a group called Criptoasesores installed the country’s first cryptocurrency ATM, in Quito. One week after its opening, the Ecuadorian Central Bank declared the ATM illegal.

On the other hand, blockchain is being adopted more and more. This year, an Ecuadorian bank incorporated a blockchain solution to operate a mileage program in their system.

_ ECOSYSTEM

Although Ecuador does not have the liveliest of ecosystems, cryptocurrency users are increasing in the country. The fact that Ecuadorian’s legal currency is the dollar makes it easier for users to acquire and sell cryptocurrencies because they don´t need to convert from their local currency to dollar and then to crypto - they can just buy or sell the cryptocurrency directly.

_ KEY PLAYERS

Criptoasesores, El Ordeño & IBM Food Trust, Hoja verde & FairChain

Carlos Aguirre / iStock

EL SALVADOR

_ REGULATION

There is no cryptocurrency regulation in El Salvador. According to a document issued by the *Secretaría Ejecutiva del Consejo Monetario Centroamericano*, representatives of El Salvador's Central Bank stated that cryptocurrencies do not have legal tender status in any jurisdiction, and issued warnings over their use.

_ ADOPTION

El Salvador doesn't even appear in websites that monitor Bitcoins trading volumes such as CoinDance and UsefulTulips, so its cryptocurrencies trading volumes can be considered as negligible. However, there is one Bitcoin ATM operating in El Salvador.

_ ECOSYSTEM

A whole El Salvadorean village of around 3,000 habitants has adopted Bitcoins as fiat currency. An anonymous millionaire donated an enormous amount of Bitcoins to the village of El Zonte, with the goal being not only to help the village but also to educate the population about cryptocurrencies and create a sustainable Bitcoin ecosystem. An initiative called BitcoinBeach was created to distribute the Bitcoins to the community via educational grants, funds for school transportation and the exchange of youth community services, such as road repairs and trash removal, for Bitcoins. As a result, several establishments in the village began to accept Bitcoins as a means of payment.

_ KEY PLAYERS

Beach Bitcoin, 16 Exchanges that serve the country: Coinbase, Kraken, Binance, Huobi, CEX.io, Coinmama, Localbitcoins, eToro and Poloniex are some examples.

Freepik

GUATEMALA

_ REGULATION

There is no current specific regulation for cryptocurrencies in Guatemala. In 2017, the Guatemala Bank director stated that cryptocurrencies are not recognized as a legal means of payment, however there are no restrictions around them. There is also no tax policy regarding cryptocurrencies.

_ ADOPTION

Cryptocurrencies are not widely adopted in Guatemala. Despite its claim to the highest population density in the region, Guatemala has fewer commercial establishments that accept cryptocurrencies than most of its neighbouring countries.

_ ECOSYSTEM

In 2020 the World Bank launched DIGITAGRO, a pilot program to develop digital tools in support of the country's farmers. DIGITAGRO's ecommerce platform supports food demand from local school with supply from local farmers. In the context of the pandemic, the pilot gained traction and is showing encouraging results for both schools and farmers. With the exception of this project, Guatemala has no expressive cryptocurrencies trading volume and offers no incentives from the country's authorities. However, the amount of groups and organizations offering blockchain courses, such as Blockchain Developers Guatemala, is growing every day.

_ KEY PLAYERS

World Bank, Blockchain Developers Guatemala, EOS Meso (former EOS Block Producer). Exchanges that serve the country: Coinmama, CEX.io, Localbitcoins, Kraken.

James Kelley / iStock

HAITI

_ REGULATION

There is no specific regulation for cryptocurrencies in Haiti, and no indication that the situation is going to change anytime soon.

_ ADOPTION

Haiti doesn't even appear on websites that monitor Bitcoins trading volumes such as CoinDance and UsefulTulips, so its cryptocurrencies trading volume can be considered as negligible. Moreover, hardly any establishments accept cryptocurrency as a means of payment. However, at the 2019 Haiti Tech Summit it was announced that the Haitian Central Bank is planning a pilot for a blockchain-backed digital currency.

Heather Suggitt / Unsplash

_ ECOSYSTEM

The ecosystem for cryptocurrencies in Haiti is very weak, but this is not the case for blockchain. Multiple blockchain projects are underway to solve some of the country's biggest problems. An agricultural initiative called AgriLedger allows international buyers to scan a QR code and track the entire supply chain of a product. Similarly, in the cotton industry an initiative called the Blockchain Cotton Project allows international users to track the supply chain of organic cotton. Haiti also boasts an initiative which pays for recyclable plastic in crypto tokens, that can be exchanged for goods through the Plastic Bank.

_ KEY PLAYERS

Plastic Bank, AgriLedger

HONDURAS

_ REGULATION

There is no regulation concerning cryptocurrencies in Honduras. In January 2019, the Honduran Central Bank issued a bulletin stating that cryptocurrencies are not backed by the Central Bank, and that those who use them are not protected by law. According to a document issued by the *Secretaría Ejecutiva del Consejo Monetario Centroamericano*, representatives of the Honduran Central Bank indicated that once cryptocurrencies are more widely used, they will call upon specialists to better analyze the issue.

_ ADOPTION

The UsefulTulips website shows that Bitcoins trading volumes in Honduras are very low, and very few establishments accept cryptocurrencies as a means of payment.

_ ECOSYSTEM

The Honduran ecosystem is not very lively. However, some interesting blockchain projects have launched recently, seeking to solve some of the country's problems. GrainChain is a project that tracks the supply chain of Honduran coffee, while a similar program aims to digitalize the value chain of Honduran chocolate.

_ KEY PLAYERS

GrainChain and TetraTech. Exchanges that operate in the country: CEX.io, Coinmama, LocalBitcoins.

MarcPo / iStock

MEXICO

_ REGULATION

Mexico's " Fintech Law" aims to provide guidelines for electronic payments, crowdfunding and digital assets in the country. Cryptocurrencies are recognized as digital assets, and thus a legitimate means of payment and transactions. There is a regulatory sandbox in place for innovative projects.

_ TAXATION

Cryptocurrency isn't taxed in Mexico. Although Mexican authorities plan to tax it, this is still under review

_ ADOPTION

More than 11,000 Dash Pay ATMs are available in the country. Bitso.com, currently Mexico's leading exchange, offers cash deposits for bitcoin wallets as well as cash withdrawals at over 140,000 convenience stores throughout the country. This means that 140,000 convenience stores have effectively been turned into cryptocurrency ATMs.

_ ECOSYSTEM

Mexico has a booming fintech industry and its own Blockchain Association, founded in 2018. Government initiatives like Blockchain HACKMX use decentralized technologies to enhance transparency and trust in the federal government. In the private sector major national industries, from insurance to banking, are exploring ways to tackle inefficiencies using blockchain solutions.

_ KEY PLAYERS

The exchanges Volabit and Bitso, which counts 1 million users. Investment firms Exponent Capital, Lvna Capital and GBM, ConsenSys Academy and BIVA, the second stock exchange in Mexico. All are founding partners of the Mexican Blockchain Association.

Oaxaca Marisol / Unsplash

NICARAGUA

_ REGULATION

There is no regulation regarding cryptocurrencies in Nicaragua. Moreover, there has not been any official pronouncement from the Central Bank on this matter. So the issue remains vague in the country.

_ ADOPTION

Nicaragua doesn't even appear in websites that monitor Bitcoins trading volumes such as CoinDance and UsefulTulips, so its cryptocurrencies trading volume can be considered as negligible. Some establishments accept Bitcoins as a means of payment, including Zopilote, a permaculture farm/hostel. A resident also made the news recently for buying a plot of land in Nicaragua using Bitcoins, to avoid involving any banks or third-party intermediaries.

_ ECOSYSTEM

The cryptocurrency and blockchain ecosystem is weak in Nicaragua. Blockchain projects are few and far between, and the trading volume of cryptocurrencies is very low.

_ KEY PLAYERS

Exchanges like Coinbase, Binance, Bitrex, Kraken serve the country. Nicaragua also participates in the "Ibero American Network of Prosecutors", an initiative that plans to use blockchain to fight corruption in Latin America.

NeilPalmer / CIAT

PANAMA

_ REGULATION

In Panama, there is no guidance on what crypto activity is legal and what is not, resulting in a "grey area". However, the Panama SEC and other relevant authorities are in the process of studying the issue, with a view to proposing legislation.

_ ADOPTION

Panama is among the Latin American countries with the most cryptocurrency ATMs - around 15 in total. According to CoinMap, approximately 33 establishments in the country accept cryptocurrencies as a means of payment.

_ ECOSYSTEM

A handful of blockchain projects are in development, but a blockchain-specialized workforce is missing in Panama. The government wants to promote the technology, and is backing a blockchain project for administrative procedures. In this project, manufacturing and agroindustries must sign up to the National Industry Register (RIN). According to Rodrigo Icaza, of the Chamber of Digital Commerce and Blockchain of Panama, it pays to consider Panama as virgin territory for the crypto industry, currently taking firm steps towards digital transformation.

_ KEY PLAYERS

PTY Bitcoin Academy, Panama Crypto

SL-Photography / Shutterstock

PARAGUAY

_ REGULATION

As with most countries, there is no regulatory oversight of cryptocurrencies in Paraguay. However, the law firm Gresham International recently announced that they are working together with legislators to introduce a new cryptocurrency bill by the end of the year. In May 2019, the Paraguayan Central Bank issued a release reiterating that the only official currency in the country is the *guaraní,* and warning investors and the general public about cryptocurrency use.

_ ADOPTION

The UsefulTulips website shows that Bitcoins trading volume in Paraguay is very low and that very few establishments accept cryptocurrencies as a means of payment.

_ ECOSYSTEM

The ecosystem is weak for now, but certain initiatives may change all that. The Commons Foundation has launched a project in Paraguay called the Golden Goose, to build the biggest crypto mining center in the world: 200,000 square metres, using energy from the Itaipú hydroelectric dam.

As for blockchain, Paraguay hosts several organizations whose technological and educational projects promote this technology, such as *Casa Bitcoin* and *Bitcoineta*. There are also some cases of blockchain use, one of which is a pilot plan launched by the government for the management and traceability of Paraguayan meat.

_ KEY PLAYERS

Cripex, Gobit SA, Casa Bitcoin, Signatura.co.

Viktor_Kisman / Pixabay

PERU

_ REGULATION

Like most other countries, Peru has no specific legislation on cryptocurrencies. The Peruvian SEC has warned the population about the risks of cryptocurrencies and ICOs, and has made it clear that ICOs can only be offered by SEC-authorized or supervised companies, according to article 2nd of Law #30050.

_ ADOPTION

CoinDance shows that Bitcoin volumes traded in Peruvian LocalBitcoins are not insignificant. This year, Peru was one of the top countries in the region in terms of cryptocurrencies transaction volume, behind only Colombia and Venezuela. Blockchain.com also notes that Peru is the country with the greatest increase in its proportion of total Blockchain wallet transactions in July over June 2020.

Meanwhile, the Peruvian Central Bank is analyzing the possibility of launching its own digital currency.

_ ECOSYSTEM

Peru's ecosystem is lively, with large volumes of cryptocurrency transactions. CoinMap shows that over 80 commercial establishments accept cryptocurrencies as a means of payment. Moreover, there is a lot of interest in blockchain´s applicability. One use case is the Ministry of Labor and Employment Promotion's adoption of blockchain in a project to prevent the falsification of documents.

_ KEY PLAYERS

Stamping.io, Talos Digital. Exchanges like Binance, eToro, CEX.io, Coinmama, Kraken, Paxful and Localbitcoins serve the country.

Willian Justen de Vasconcellos / Unsplash

PUERTO RICO

_ REGULATION

Despite being an unincorporated territory of the United States located in the northeast Caribbean Sea, Puerto Rico does not share the US' norms and general financial treatment regarding cryptocurrencies, and indeed does not have any specific regulations for them. However, for tax purposes, cryptocurrencies are considered as property and are subject to Income Tax when there are capital gains. Moreover, the new Incentive Code applies special provisions when classifying virtual currencies as “other assets”, allowing foreign investors to exclude their earnings if they decide to stay and reside in Puerto Rico. Other provisions establish that certain activities related to Blockchain could be exempt from taxation, especially in accounting, law, health, and financial sectors, in order to promote the adoption of these technologies at an operational level.

_ ADOPTION

Puerto Rico doesn't appear in websites that monitor Bitcoins trading volumes such as CoinDance and UsefulTulips, so its cryptocurrencies trading volume can be considered as negligible. Only a few commercial establishments accept cryptocurrencies as a means of payment on the archipelago. This seems to be changing, and community events like Crypto Mondays are starting to take place in San Juan.

_ ECOSYSTEM

Despite the *Ley de Incentivos de Puerto Rico* exempting certain blockchain initiatives from paying taxes, not many blockchain initiatives have taken hold in Puerto Rico to date. However, the law was only issued in July 2019, so this scenario may change. Some blockchain initiatives are already underway, such as the Raincoat project, a disaster insurance company, and Coqui Cash, a barter network aiming to create a local crypto economy in Puerto Rico. Moreover, Brock Pierce and Crystal Rose, two crypto entrepreneurs, are based in Puerto Rico and are actively prompting more people to become residents on the island. They participate in several projects, such as the Venture Capital firm Unicorn.vc with the blockchain-based messenger Sense chat in its portfolio, Médici bank and EOS blockchain protocol publisher Block.one.

_ KEY PLAYERS

Unicorn.vc, Raincoat Project, Coqui Cash, FIO Protocol

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URUGUAY

_ REGULATION

In June 2018, the Uruguayan chamber of fintech created a special committee to develop its framework for crypto regulation. The chamber invited a wide range of stakeholders to collaborate, from government officials to consultants, organizations, and entrepreneurs. According to the Cointelegraph, the chamber's former president Sebatián Oliveira stated that they were trying to attract investments and promote Uruguay as a regional technology hub: *"We realize that no activity can be developed outside of the regulatory sphere, and that's particularly true when we're talking about the financial system. For that reason we're focusing on collaborating with the regulator and all other stakeholders involved. Within the fintech community we dream of Uruguay being the 'crypto-valley' of LatAm."* However, so far no specific cryptocurrency regulations have been introduced.

_ ADOPTION

Although traded volumes of cryptocurrencies are not high compared to Uruguay´s Latin American neighbors, P2P trading volumes have been increasing and reaching record highs since the beginning of July. The Uruguayan Central Bank wanted to test digital currencies and, in 2018, successfully completed a small-scale digital currency pilot, the e-Peso. All e-pesos were cancelled after the closing of the pilot programme, for evaluation by the Central Bank. Uruguay is also innovating. A Uruguayan beach resort has discovered an interesting use for cryptocurrencies: at the resort, guests can earn digital currencies, called *plasticoins*, in exchange for plastic debris. This encourages guests to fight pollution and keep beaches clean using cryptocurrency. Another interesting project is the Digital Party, which aims to run its governance system using smart contracts.

_ ECOSYSTEM

The ecosystem in Uruguay is flourishing. The government is open to the crypto market and is making efforts to regulate it. Several blockchain conferences have taken place in the country, including the Blockchain Summit which has been held once a year since 2018. Moreover, Uruguayan companies are using blockchain technology. One of these, Uruguay Can, is launching the world's first blockchain network to track medicinal cannabis.

_ KEY PLAYERS

BlockBear, a software development firm, UTE and Energy Web partnership, blockchain protocol Aeternity.


Freepik

VENEZUELA

_ REGULATION

In 2019, Venezuela created the Sunacrip, a government office dedicated to regulating cryptocurrencies in the country. The most clear legal framework concerns mining - users need to apply for a license if they intend to mine in Venezuela, and the same applies to exchanges. And everything revolves around Petro - the country's government-issued cryptocurrency.

_ ADOPTION

Venezuela is a hot market for user adoption. It occasionally has the second-highest Bitcoin trading volume in the world on localbitcoins. Many crypto projects are trying to establish themselves in Venezuela due to the volatile political and economic situation there, leading to significant development at the community level. Many Venezuelans work in crypto, as community managers, translators, designers and more. Traki, the biggest department store in the country, accepts payments in crypto through the Cryptobuyer merchant solution. The country also hosts many blockchain initiatives for social purposes. Plenty of these use crypto as a means of payment for donations and other kinds of charity efforts.

_ ECOSYSTEM

The real builders of the national ecosystem currently operate from abroad - working with Venezuela but based somewhere else.

Public government officials receive a portion of their salaries in Petro, and the majority of the population has some notion of crypto. The country is home to many different communities on major projects such as BTC, BCH, DASH, EOS, ETH, LTC, and local exchanges, like Surbitcoin.

_ KEY PLAYERS

Amberes and CrytoLago are government backed exchanges, Cryptobuyer and Locha Mesh.

> *"Undeveloped economies and unbanked users are a great context to introduce solutions based on decentralization, economic freedom and borderless commerce. In Latin America, Bitcoin and blockchain is not an alternative system to seek better ideals, but a tangible solution for the many challenges that our region faces. The adoption of this tech is not an option, but a necessity"*
> ***Alberto Guerrero Montilla, co-founder of criptotendencias.com and Venezuela Blockchain***

Alexandra Burguera / iStock

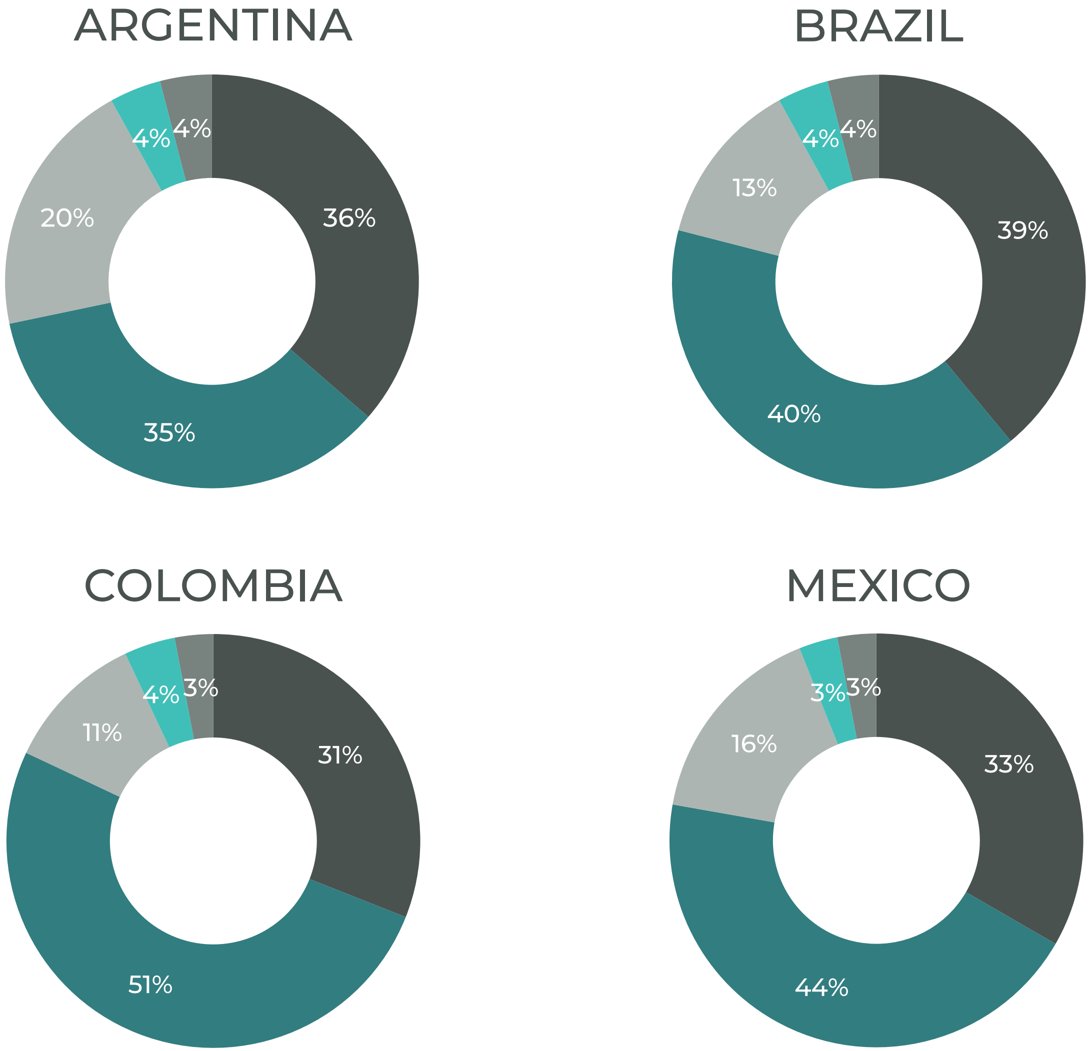
EXCLUSIVE RESEARCH: THE RISE OF CRYPTOCURRENCY

With the coronavirus pandemic showing no signs of slowing down in Latin America, **Sherlock Communications** commissioned an exclusive survey from the research platform Toluna, of more than 2,200 people across four Latin American countries: Brazil, Mexico, Argentina and Colombia. The aim of the study was to gauge Latin Americans' attitudes towards cryptocurrencies.

IMPACT OF THE PANDEMIC TOWARDS ADOPTION OF CRYPTO

Above 75% of respondents say they are more interested in investing in cryptocurrencies as a result of the economic crises. Brazil and Colombia led the way in this respect, with more than 80% of respondents.

Are you more likely to be interested in cryptocurrencies as a result of the economic crises brought about by the covid pandemic?



- MUCH MORE INTERESTED
- SLIGHTLY MORE INTERESTED
- DON'T KNOW
- SLIGHTLY LESS INTERESTED
- MUCH LESS INTERESTED

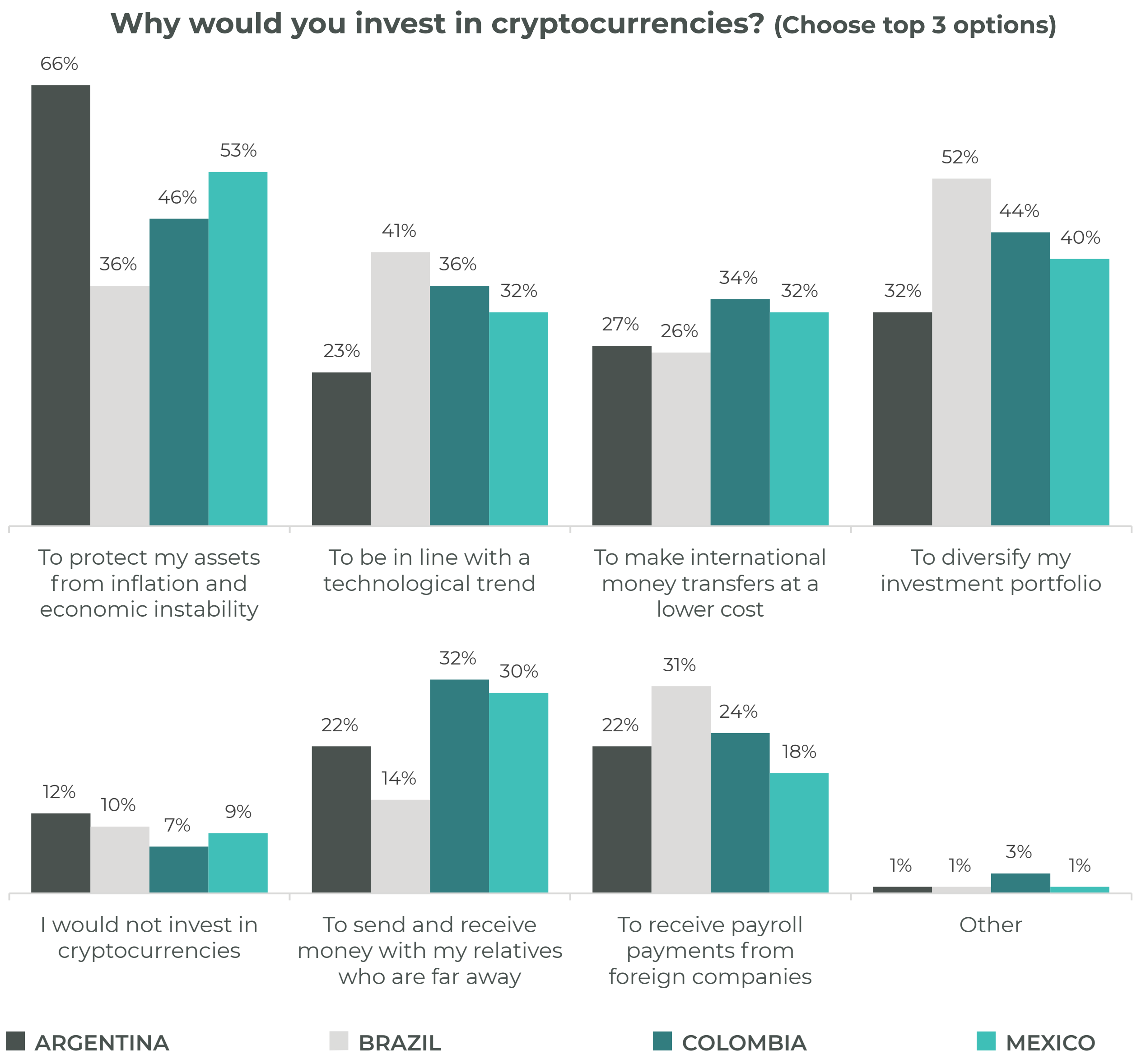
REASONS TO INVEST IN CRYPTOCURRENCIES

Of the countries surveyed, respondents from Argentina are the most concerned regarding the protection of their savings (66%), followed by Mexicans (53%) and Colombians (46%).

Brazilians are the least concerned: 36% of the respondents said they would invest in cryptocurrency to protect their assets from inflation and financial instability.

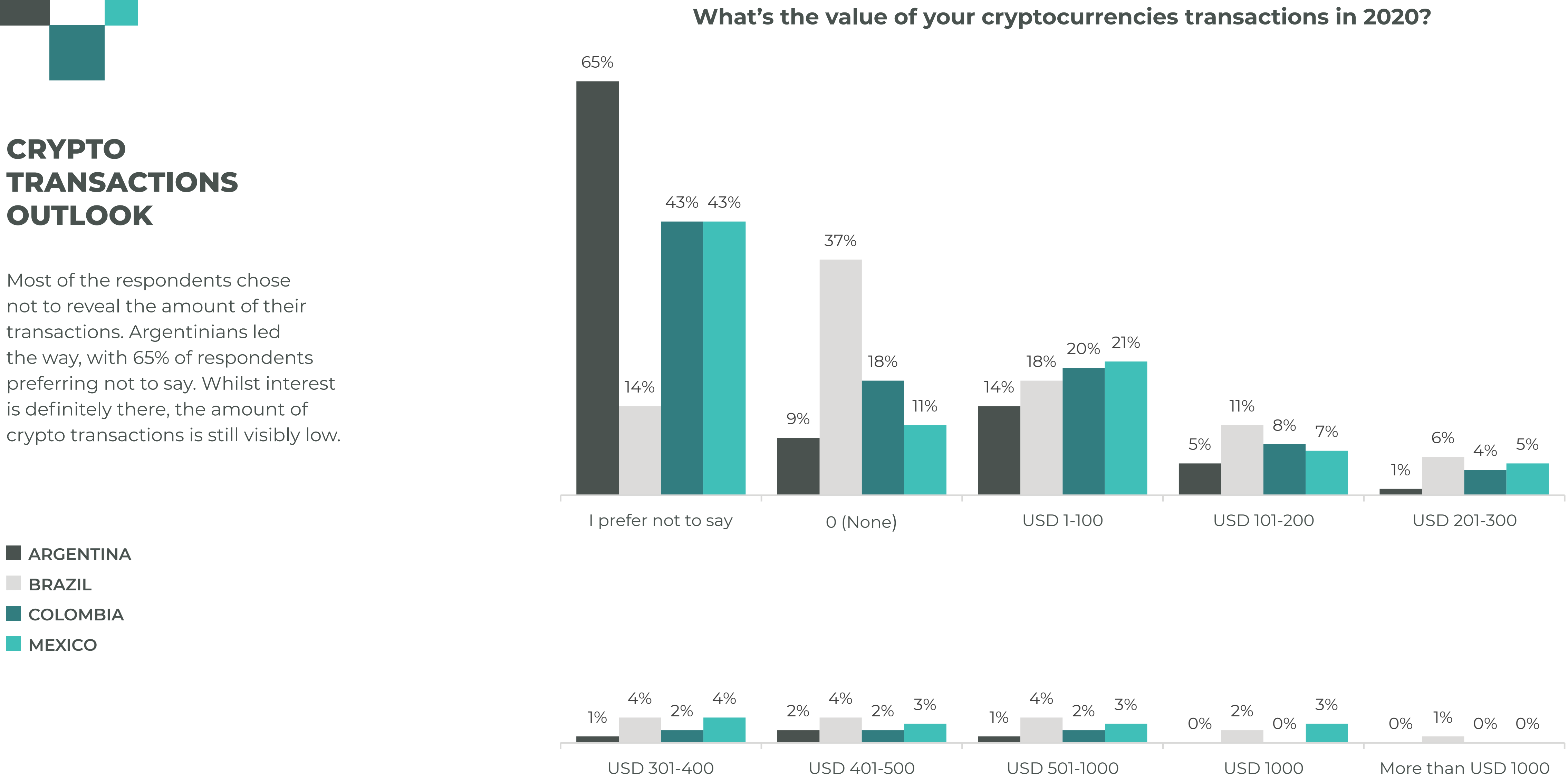
Brazilians seem to be more concerned with diversifying their investment portfolio (52%) and keeping up with a technological trend (41%).

Argentinians have good reason to be concerned and look to cryptocurrencies as a way to protect their savings: the country's inflation rate was 53.8% in 2019. Brazil (4.31%), Mexico (3.64%) and Colombia (3.8%) had lower inflation rates in 2019 - but even so, if you're losing purchase power and do not trust your local currency, why would you keep using it to store value?



CRYPTO TRANSACTIONS OUTLOOK

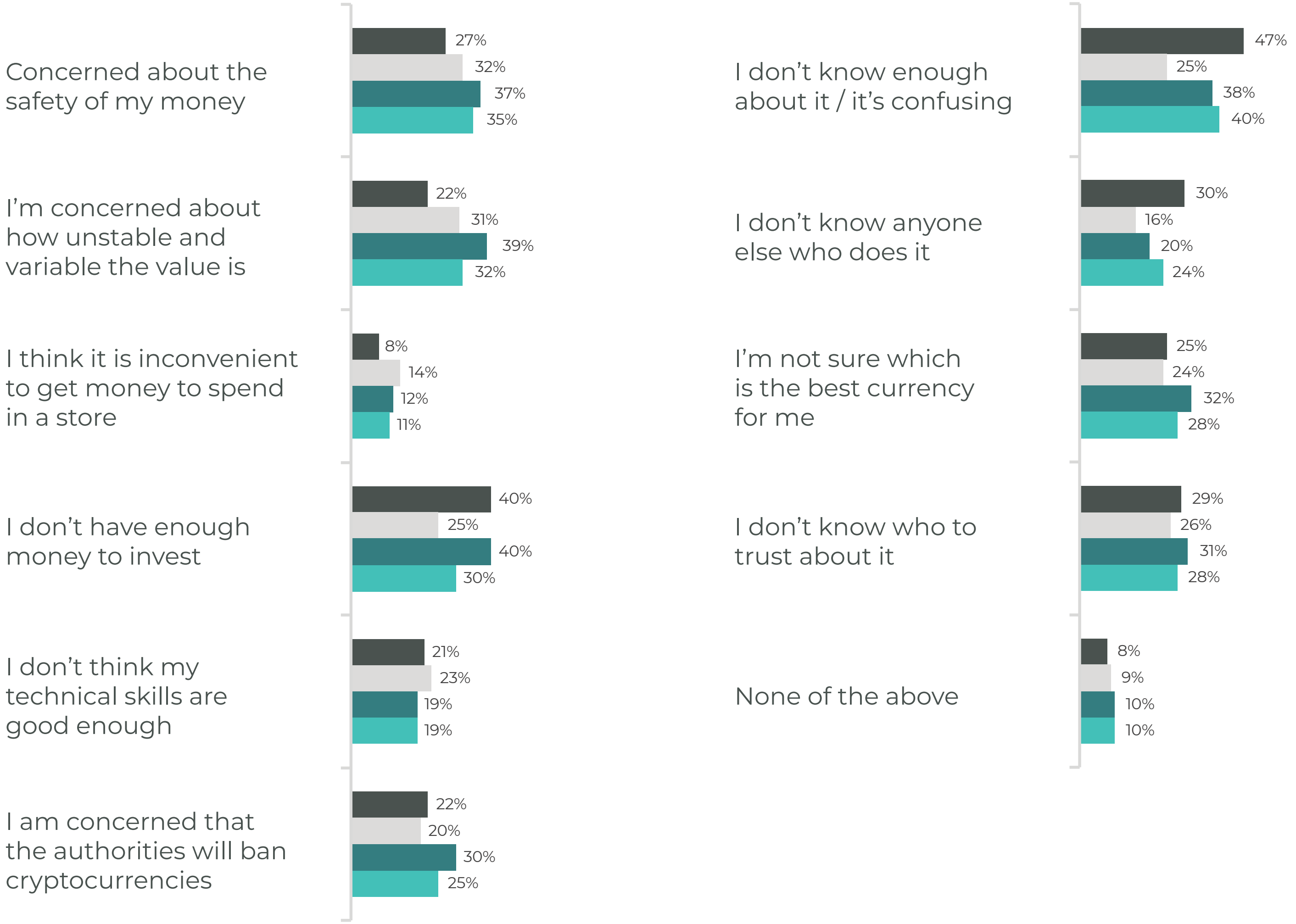
Most of the respondents chose not to reveal the amount of their transactions. Argentinians led the way, with 65% of respondents preferring not to say. Whilst interest is definitely there, the amount of crypto transactions is still visibly low.



MAIN CONCERNS TO ADOPTION

The main reasons given not to use crypto are because people don’t know enough about it or believe it’s confusing. They are concerned about the safety of their money and claim that they don’t have enough money to invest, and also worried about how unstable and variable the value of cryptocurrencies are.

What are the main reasons that you do not use cryptocurrencies now?
(Choose top 5 options)



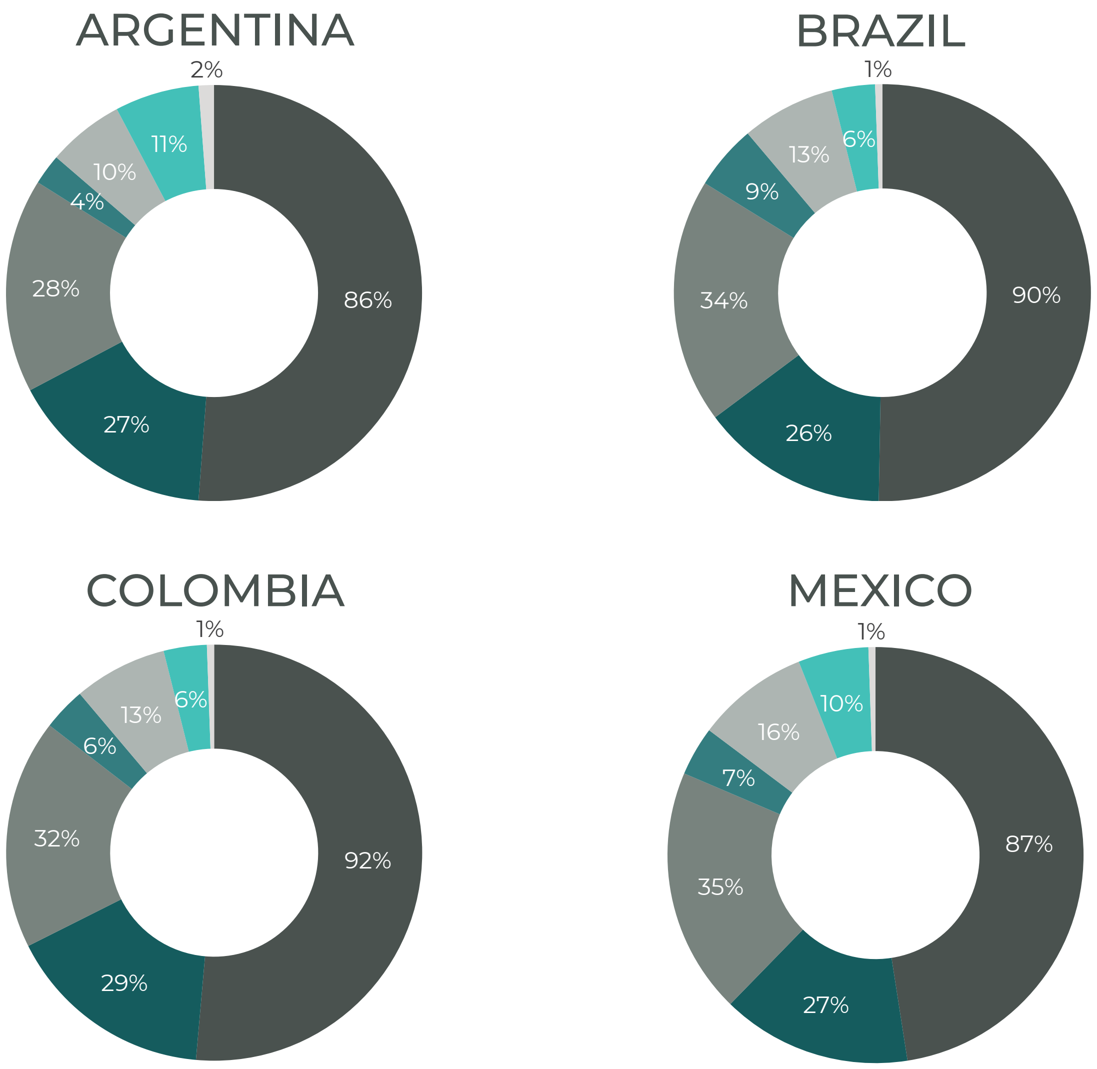
ARGENTINA
BRAZIL
COLOMBIA
MEXICO

MOST FAMILIAR CRYPTOCURRENCIES IN LATAM

In all four countries, the most recognized cryptocurrency was Bitcoin, identified by more than 85% respondents in each country. The second most well-known crypto was Litecoin, followed close behind by Ethereum.

- BITCOIN
- ETHEREUM
- LITECOIN
- EOS
- DASH
- I DON'T KNOW ANY
- OTHER

Which are the three cryptocurrencies do you know most about?

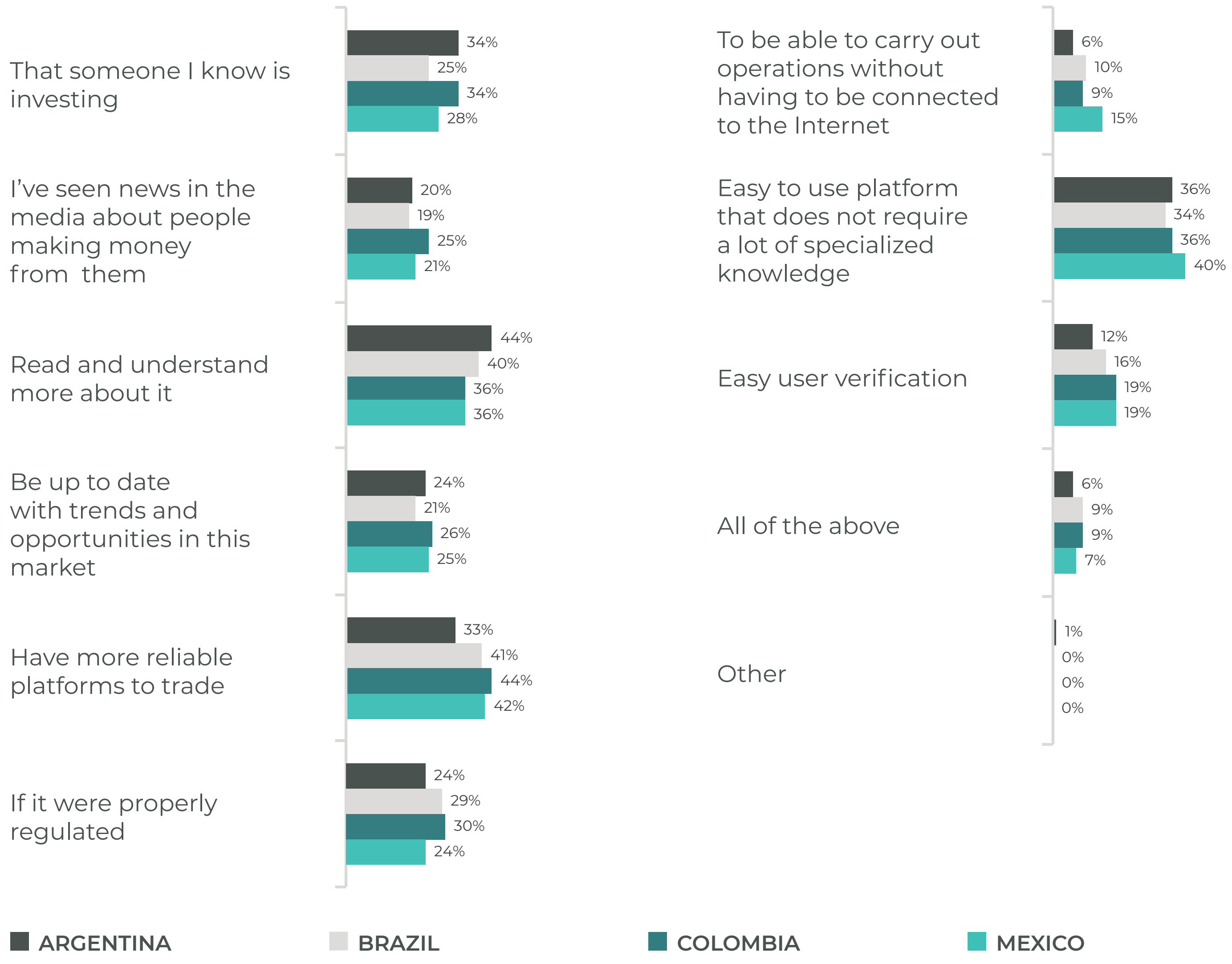


MAIN REASONS FOR ADOPTION

An average of 40% of the respondents in all countries said that their confidence would grow if they could read and understand more about blockchain and crypto, followed by having trusted platforms to trade available (39%). Another factor that would boost confidence is easy-to-use trading platforms, with friendly interfaces for non-specialists (35%). Knowing someone that is investing in crypto is also an important factor for 31% of Latin Americans surveyed.

The answers show that education and social referrals are crucial for fostering adoption, as are enhancing trust and improving user experience on platforms. Making crypto accessible through platforms with a broad community would definitely boost confidence among Latin Americans.

What would give you confidence to invest in cryptocurrencies?
(Choose top 3 options)

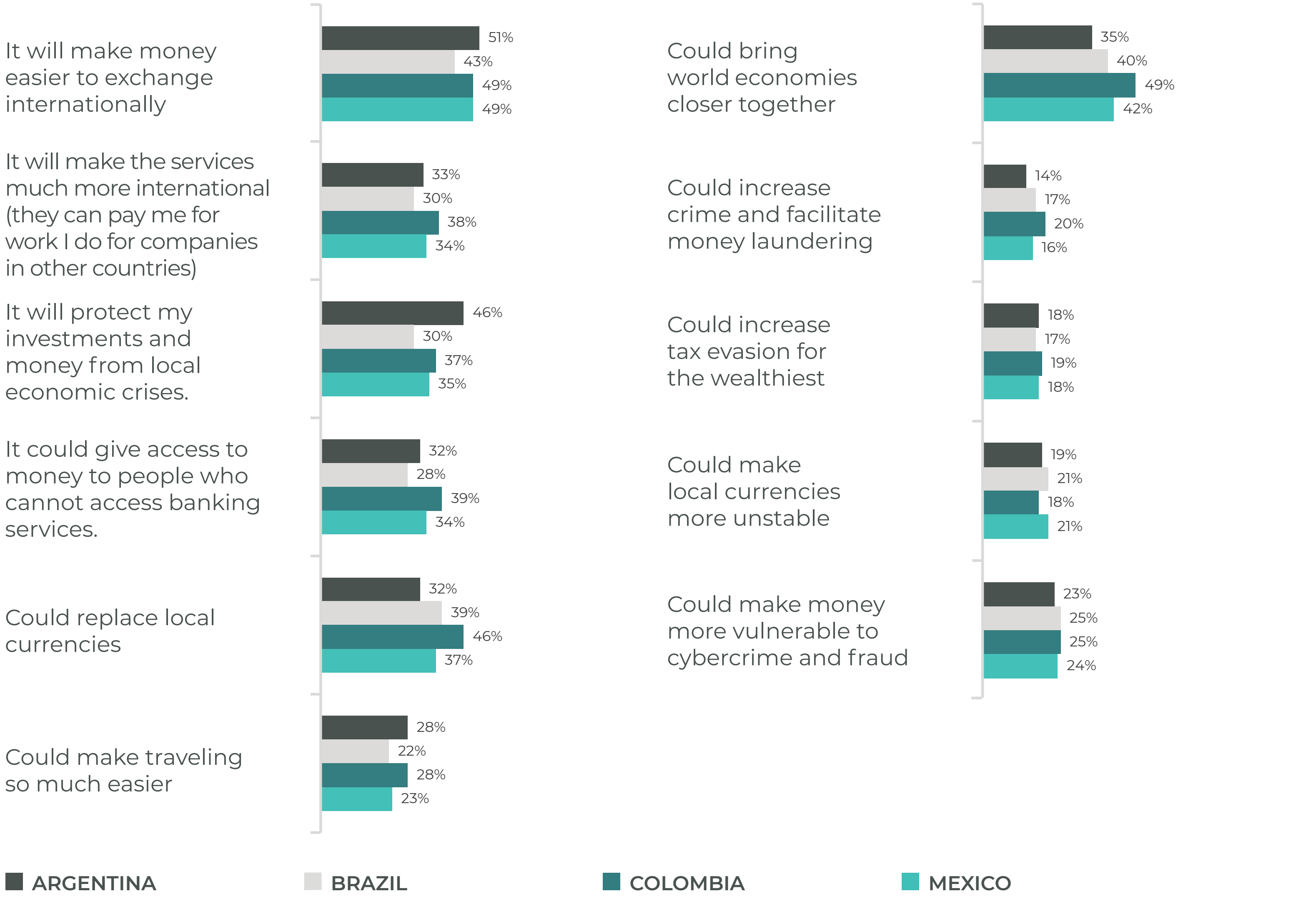


IMPACT ON THE FUTURE OF WORLD TRADE

Most respondents said, respectively, that crypto will impact world trade by making money easier to exchange internationally, bringing world economies closer together, replacing local currencies, protecting investments from economic crises, giving access for people unable to access banking services and making services much more international.

These answers show possibilities that emerge in Latin America and that are already envisioned by local communities. Since an educational effort is required to foster adoption, this environment represents great opportunities for cryptocurrencies and other blockchain applications.

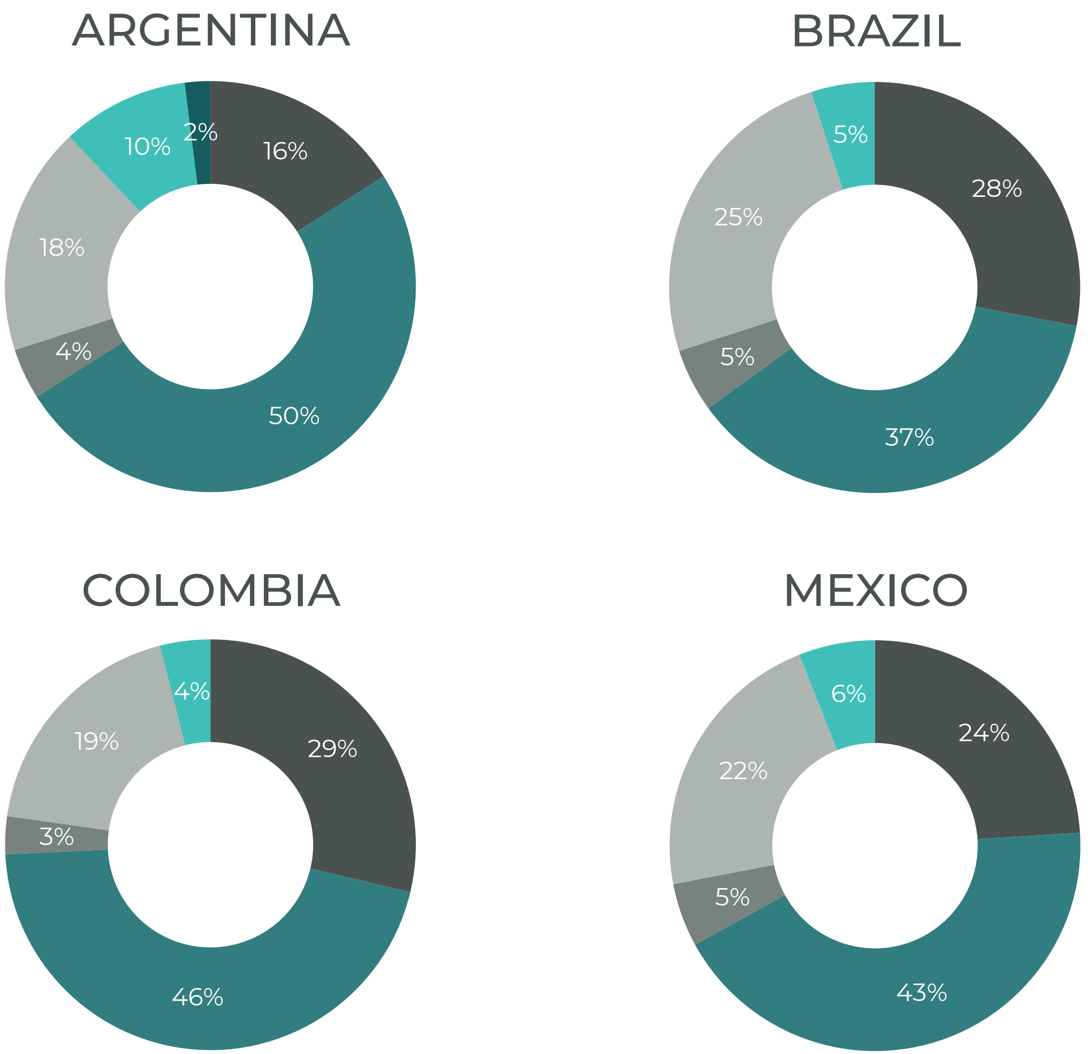
What impact do you think that cryptocurrencies will have on the future of world trade?
(Choose top 5 options)



How do you see the cryptocurrency scenario in your country?

SENTIMENTS ON THE YEARS TO COME

When asked how they see the cryptocurrency scenario in their countries, the option most respondents chose is “we are very behind in comparison to other countries”. Respondents are also hopeful about the years to come: many respondents believe that their country is progressing, and in the future cryptocurrencies will have many more users.

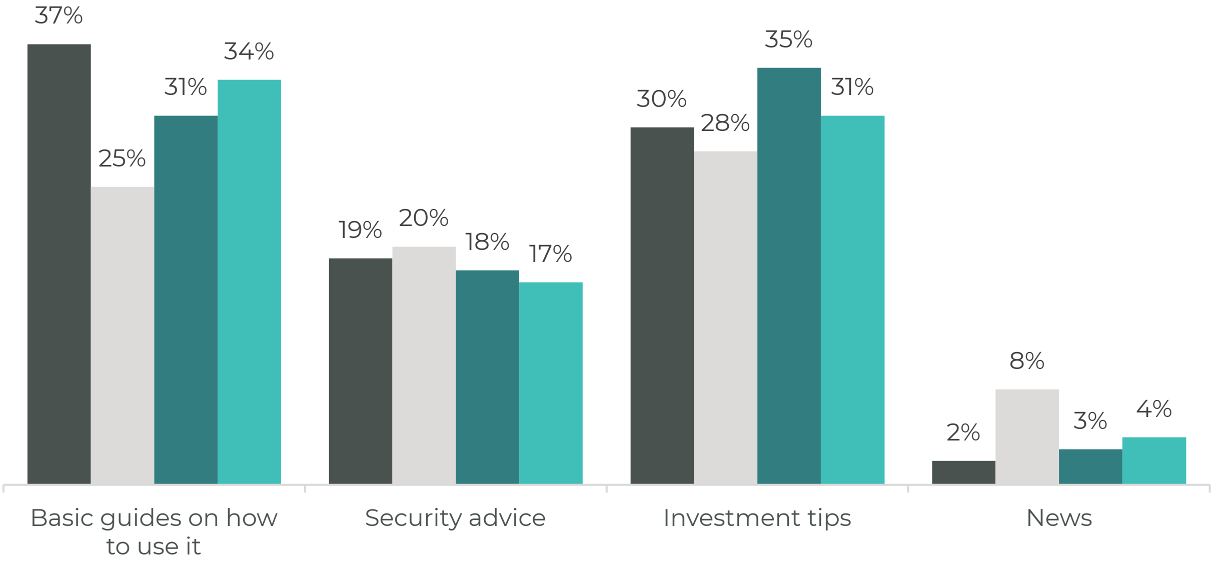


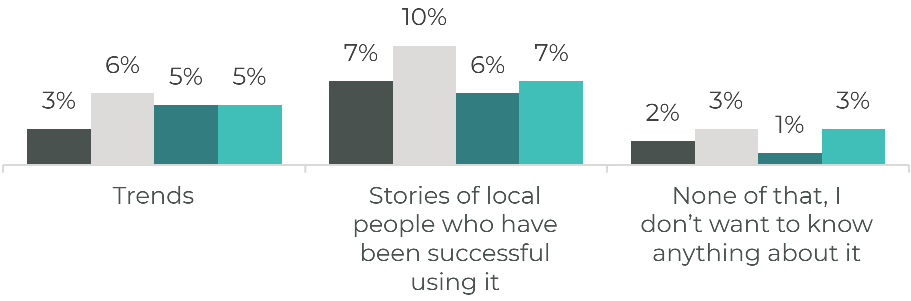
- WE ARE PROGRESSING
- WE ARE VERY BEHIND IN COMPARISON TO OTHER COUNTRIES
- IT’S A THEME THAT HAS NO FUTURE HERE
- IN A FEW YEARS WE WILL HAVE MANY MORE USERS
- NONE OF THE ABOVE
- OTHER

KNOWLEDGE IS POWER

Education is key to fostering adoption. When asked what they would like to know more about cryptocurrencies, 31% of respondents said they would like to have investment tips, followed by basic guides on how to use it (30%), and security advice (19%).

What would you like to know more about cryptocurrencies?





- ARGENTINA
- BRAZIL
- COLOMBIA
- MEXICO

GLOSSARY

_ BLOCKCHAIN
It has been described as "an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way"

_ BITCOIN ATM
A machine from which you can exchange bitcoins for FIAT money

_ CROWDFUNDING
The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.

_ CRYPTOCURRENCY
Digital asset designed to work as a medium of exchange wherein individual coin ownership records are stored in a ledger existing in a form of computerized database using strong cryptography to secure transaction records, to control the creation of additional coins, and to verify the transfer of coin ownership. It typically does not exist in physical form (like paper money) and is typically not issued by a central authority.

_ DIGITAL ASSET
A digital commodity that is scarce, electronically transferable, and intangible with a market value.

_ FIAT CURRENCY
Government-issued currency. For example: US Dollars (USD), Euros (EUR), Yuan (CNY), and Yen (JPY)

_ INITIAL COIN OFFERING (ICO)
An Initial Coin Offering (also called ICO) occurs when a new cryptocurrency sells advance tokens in exchange for upfront capital.

_ MINING
The process by which "blocks" or transactions are verified and added to a blockchain. In order to verify a block, a miner must use a computer to solve a cryptographic problem. Once the computer has solved the problem, the block is considered "mined" or verified. In the Bitcoin or Ethereum blockchain, the first computer to mine or verify the block receives bitcoin or ether, respectively.

_ P2P (PEER-TO-PEER)
Peer-to-peer (P2P) refers to interactions that happen between two parties, usually two separate individuals. A P2P network can be any number of individuals. Regarding a blockchain network, individuals are able to transact or interact with each other without relying on an intermediary or single point of failure.

_ REGULATORY SANDBOX
A regulatory sandbox is a framework set up by a regulator that allows FinTech startups and other innovators to conduct live experiments in a controlled environment under a regulator's supervision.

_ TOKEN
A Token represents an asset built on an existing blockchain (different from a coin). Tokens are designed to be unique, liquid, secure, instantly transferable, and digitally scarce.

_ WALLET
A designated storage location for digital assets (cryptocurrency) that has an address for sending and receiving funds. The wallet can be online, offline, or on a physical device.

Sherlock Communications (www.sherlockcomms.com) is a public relations and digital marketing agency that has won several awards in Latin America. Headquartered in São Paulo, the company also has offices in Lima, Bogota, Santiago, Mexico City, Buenos Aires, San José, Panama City and Guatemala City. **With a multidisciplinary and fully bilingual team**, our mission is to help companies bridge the commercial and cultural gap between Latin American and foreign markets.

The agency won and was highly recommended for more than 55 global awards in the past two years, including **Best Agency in LATAM and Best Campaign in LATAM for the PRWeek Global Awards. Sherlock Communications** was also named by The Holmes Report's Creative Index 2019 as the second most creative agency in the world and the **most creative in Latin America.**

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