BLOCKCHAIN LATAM REPORT 2021

UPDATES ON REGULATION, ADOPTION AND ECOSYSTEM FROM KEY LATIN AMERICAN COUNTRIES

Image: peshkov / iStock

SHERLOCK COMMUNICATIONS

INTRODUCTION

This research highlights key aspects of the blockchain ecosystem in Latin American countries, including Argentina, Brazil, Colombia, Costa Rica, Chile, El Salvador, Mexico and Venezuela. Its aim is to provide useful insights for organizations that are looking to enter the region.

Latin America has experienced a wave of blockchain adoption over the past few years, accelerated by the COVID-19 pandemic. Cryptocurrencies, a major part of the blockchain ecosystem, led the growth in LATAM as local residents realized that they could shift money from their own diminished local currencies to a safer, more valuable haven such as Bitcoin and other cryptos.

El Salvador became the first country in the world to adopt the Bitcoin Standard as legal tender, opening up a wide range of possibilities and making it a very interesting case to watch. The move is intended to increase financial inclusion and tourism, reduce fees paid on remittances and create opportunities for crypto entrepreneurs to develop businesses in the country. El Salvador is undoubtedly leading the way, and promoting the most blockchain- and crypto-friendly ecosystem on the continent.

As regulation matures worldwide, institutional investors and publicly traded companies now have the financial instruments to enter the crypto market. Bitcoin and Ethereum prices hit all-time highs in April and May 2021, and the cryptocurrency market cap exceeded 2 trillion dollars for the first time in history.

Cryptocurrency ETFs issued in Brazil let people invest in crypto in a regulated way, allowing more conservative investors to experiment with crypto. The three regulatory sandboxes in LATAM are Brazil, Mexico and Colombia - countries that are open to experimenting and innovating with blockchain and crypto.

And naturally, as prices hit all-time highs, a broader part of the Latin American population wants to surf this wave and participate in the crypto markets. Education and user experience are still major obstacles to mass adoption, but when savings are on the line, embracing new technologies becomes much more attractive.

A survey commissioned by Sherlock Communications from Toluna 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”.

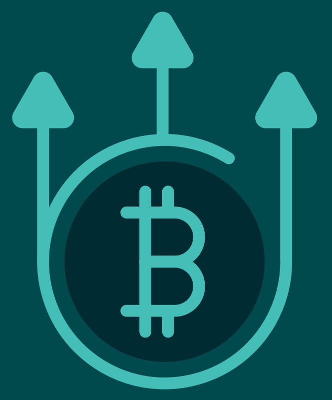
As the report shows, exchanges in Argentina, Brazil, Colombia, Mexico and Chile have experienced huge growth. As they onboard more clients, more people become interested in learning, using and investing in blockchain and crypto, resulting in a broader user base for the technology.

Blockchain applications are starting to gain traction and make an impact: complementary currencies are used in Brazil and Costa Rica to help communities achieve their collective goals. Colombia and Chile are undertaking projects which use blockchain to enhance public sector transparency. Venezuelans are using cryptocurrencies to lower the cost of their remittances, and NGOs are receiving humanitarian aid in the form of stablecoins. De-Fi services are growing fast, promoting financial inclusion throughout the entire region.

Blockchain is known as the trust protocol. Latin Americans typically experience higher prices or currency devaluation due to a societal lack of trust. It is great to see how the ecosystem has matured since December 2020, and we expect this trend to continue.

The LATAM ecosystem holds opportunities where simple blockchain applications can add significant value, like money remittances. Once the wider population begins to experiment with new ways of exchanging value which are properly regulated and user-friendly, then trust should eventually be redefined, leading to multiple opportunities for promoting wellbeing among Latin Americans.

Photo: anna nekrashevich/Pexels. Icon: Freepik



As prices hit all-time highs, a broader part of the Latin American population wants to surf this wave and participate in the crypto markets.

ARGENTINA

Regulation:

The Argentinian government has so far decided to only regulate taxation, as well as the prevention of money laundering and the financing of terrorism. It's still unclear how the legal framework will work for blockchain projects. The Argentinian Parliament is currently working on crypto regulations, and a national crypto law is expected to come into effect in 2021. Recent talks about the law point to the following possible guidelines:

The creation of a new legal economic activity category named "Compraventa de Criptomonedas" (Buy/Sale of Cryptocurrency) as a means of standardising the legal obligations of industry players.

Banks interested in offering custody and financial services such as the lending of crypto assets may have to withhold a percentage of those assets as a reserve on their balance sheet

New regulations are also being discussed on the provincial level, such as in Cordoba, which is expected to tax gross income at a rate of 4 - 6.5%.

Taxation:

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

Adoption:

Cryptocurrency adoption has been brisk in Argentina. 20 cryptocurrency exchanges legally operate in the country, allowing people to use their Argentine peso fiat to acquire digital assets. Ripio, one of the largest crypto exchanges operating in Argentina, ended 2020 with 1 million users, up from 400 thousand users at the beginning of the year.

Mercado Libre, an Argentinian ecommerce company, disclosed a $7.8 million bitcoin purchase to the national Treasury on May 5th, following a trend set by American companies such as Microstrategy and Tesla.

In July 2020, Athena Bitcoin installed the first dollar-compatible Bitcoin ATM in Argentina.

According to a poll published by Statista, 14.4% of respondents in Argentina either owned or used cryptocurrencies in 2020. A survey commissioned

Photo: Aleksandr_Vorobev/iStock

from Toluna by Sherlock Communications which asked Argentinians why they would consider investing in cryptocurrencies found that **66% of respondents** *were* most concerned with protecting their savings. This reflects recent inflation rates in the country: 36.1% in 2020 and 53.8% in 2019, the highest in 28 years.

Argentina ranks 28th on the Global Cryptocurrency Adoption Index produced by Chainalysis.

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. Foreign exchanges such as Binance, Coinbase and Houbi operate in the country.

The country's economic history of currency debasement has prompted Argentinians to seek out stronger currencies in which to store their wealth. Last September, the central bank limited the amount of U.S. dollars that citizens are allowed to purchase to $200 a month, with a 35% tax. Crypto assets became an even more appealing option for storing wealth as a result, especially Bitcoin, Ethereum and USD-pegged stablecoins such as dai (DAI), USD coin (USDC), and tether (USDT).

In the investment sphere, two major transactions were completed recently by Argentinian players. Kaszek Ventures, the largest Argentinian VC firm, and QED Investors led an investment round of U$ 62 million in Bitso, a Mexico-based crypto exchange that expanded its operations to Argentina in 2020. And Ripio acquired BitcoinTrade, the second largest crypto exchange in Brazil.

San Martín de los Andes - a city with more than 600 merchants who accept digital assets as a form of payment - is known as the Crypto Valley of LATAM by locals. The Crypto Valley community has a direct relationship with the city's Chamber of Commerce, and the support of the local Ministry of Tourism.

Some government initiatives also warrant consideration. The Catamarca province is looking into tokenizing its mineral production, to raise funds for the district through crypto sales representing a portion of future mining outputs. The plan states that any individual or company would be able to buy a token.

Key players:

Bitso, RSK, Ripio, Attix Labs, Wayniloans and EOS Argentina, which is a member of Latam Link, a voluntary regional alliance led by Latin American organizations.

Icon: Freepik

"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

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 that blockchain projects can work closely with the CVM without fear of regulatory reprisals.

Taxation:

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

Adoption:

Brazil has approximately 1.4 million registered crypto users. In the first quarter of 2021, Bitcoin reached a new all-time high in the country, trading above R$300.000,00. This was due to a combination of two factors: Bitcoin exceeding the USD 60,000 mark, and the devaluation of the Brazilian Real.

Hashdex launched the first crypto ETF in LATAM to track the Nasdaq Crypto Index (NCI). The fund was distributed by Itaú and BTG, raising over R$ 1 billion on its first issuance, with 80% of the total value spread among 61.5k individual investors, becoming the third-largest listed ETF in B3, Brazil's leading exchange. Shortly after the success of the ETF's distribution, Hashdex raised U$ 26 million from investors including Softbank, Coinbase Ventures and Valor Capital.

Shortly after the successful ETF distribution amongst its client base, Itaú announced that it is considering raising a fund to invest in companies working on blockchain solutions.

Mercado Bitcoin,one of the most adopted exchanges in Brazil, announced a $200MM investment round, led by Softbank. It was the biggest Series B round in Latin America, valuing the group 2TM, the exchange's holding company, at $2,1 billion. The organization is the 8th most valuable unicorn in the region.

Several government blockchain initiatives are gaining traction, such as e-Notariado, which was launched in December 2020 and has digitally authenticated more than 150,000 documents through its private blockchain since then. The digital documents authenticated by e-Notariado can be

Photo: FG Trade /iStock

sent by messaging platforms or email, maintaining the same legal value as the original physical document.

Elsewhere, BTG Pactual created a Security Token Offering named ReitBZ, which enables global retail investors to access the Brazilian Real Estate market, in partnership with Gemini Trust Company. The first dividends were distributed recently.

Moss - a carbon credit token listed on Mercado Bitcoin - has earmarked more than U$ 10 million to Amazon rainforest conservation in the last year alone, and Moeda Seeds was one of the 6 fintechs selected for Mastercard's acceleration program, Start Path.

According to the Global Consumer Survey published by Statista in February 2021, 12.5% of respondents in Brazil admitted to owning or using digital assets. Brazil is ranked 13th in the world in Chainalysis' Global Crypto Adoption Index 2020.

Ecosystem:

Brazil has a thriving 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.

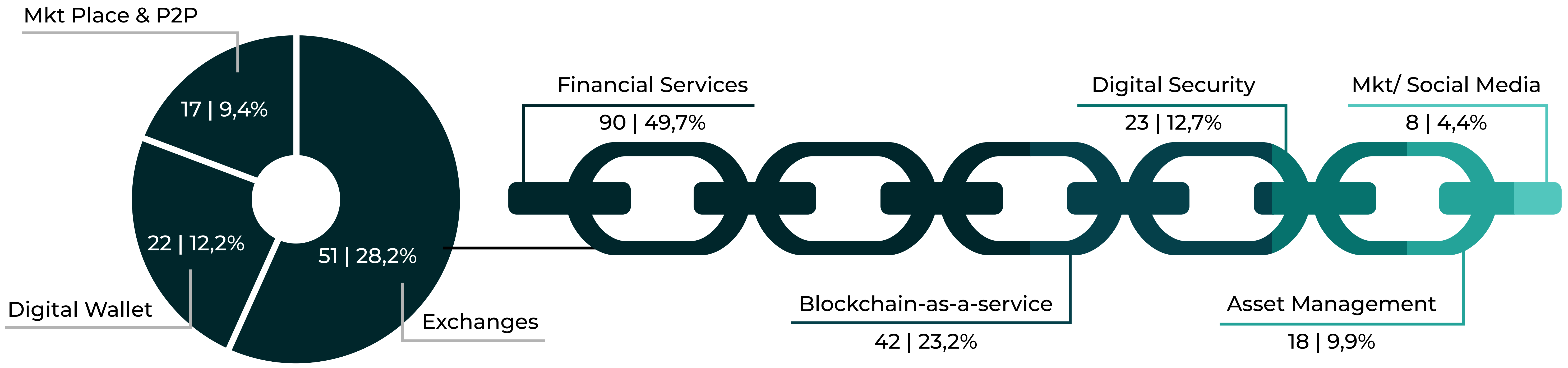
According to a report by Distrito Fintech, there are more than 180 blockchain-related startups currently active in Brazil. Around half of these are in the financial services industry, followed by 23% in the blockchain-as-a-service (BAAS) category. The remaining players are divided between digital security, asset management and marketing/social media. 80% of these startups were founded in the last 5 years.

Key players:

Mercado Bitcoin, Foxbit, OriginalMy, Moeda Seeds , Blockforce, EOS Rio, Hashdex, BLP Crypto, Stratum Blockchain, QR Capital, Banco Maré, Blockchain Academy, Zro Bank, BitCapital, Intelipost, Plataforma Verde, Novadax, Rhizom. Exchanges like Binance have operations in Brazil.

"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 the Latin American scenario closely."

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



COLOMBIA

Regulation:

Colombia changed its stance towards blockchain recently, approving a regulatory sandbox and publishing Ministry of Technology guidelines for the public sector to adopt blockchain and DLT.

Several exchanges such as Bitso, Buda.com, Binance, Gemini, Panda, Bitpoint, Obsidiam and Banexcoin passed the analytical phase, and will work with associated banks in the regulatory sandbox.

Taxation:

Colombia's Ministry of Finance states that if cryptocurrency earnings come from a professional or business activity, they should be declared and taxed accordingly.

Adoption:

Friendlier regulations should boost adoption, since Colombia represents a burgeoning market in the development of crypto-related products, and is one of the regional leaders in its adoption.

Colombia has more bitcoin ATMs in operation than any other Latin American country - 60 in total according to the CoinATMRadar website.

And over 15% of Colombians said they've used or owned cryptocurrencies in the 2020 Statista Global Consumer Survey.

Colombia is also ranked secondin LATAM and ninthin the world in Chainalysis' Global Crypto Adoption Index 2020.

Last year, the Buda.com exchange saw $31.1 million in traded volume in Colombia. In the first three months of 2021 alone, the exchange registered close to $40 million traded on the platform. Buda.com is also about to launch an index identifying the adoption of cryptocurrencies in Colombia, taking into account the transaction volume in the exchange and comparing it to the Colombian financial market.

The informal crypto market is also booming, with individuals able to buy assets such as Bitcoin at prices as low as 6-8% below market price using group chats on social media, on a peer-to-peer basis. Colombia also harbours around1.5 million Venezuelan refugees, and many of them use crypto assets to send money to relatives living abroad, avoiding high remittance fees.

Ecosystem:

The Bank of the Colombian Republic recently formalized an agreement with software company R3 to enhance partnership opportunities. Colombia's


Photo: frank-meriño/Pexels

Ministry of Technology is currently trialling two projects, in partnership with ViveLab.

The World Economic Forum and the Colombian Government are working on a proof-of-concept to increase transparency in the process of bidding for high-value contracts to provide public goods and services.

Key players:

Buda.com Colombia, Panda Exchange, RSK, ViveLab Bogotá, Cajero.co, IntiColombia, Paxful, Binance, Bitso, Gemini, Obsidiam.com, Banexcoin

COSTA RICA

Regulation:

In Costa Rica cryptocurrencies are not regulated by the Central Bank, but they are legal and acknowledged as a legitimate means of payment. A government statement issued in 2017 illustrates state agencies' total detachment towards the responsibility and administration of cryptocurrency operations, advising citizens to use 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 a part of their salaries in cryptocurrencies.

Adoption:

Cryptocurrencies have been widely adopted in Costa Rica, and many businesses accept them as a 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.

Costa Rica is also the home country of Cambiatus, a blockchain-based platform for creating complementary currencies. A thriving community from Monte Verde uses the platform to promote green awareness and reward volunteering efforts, boosting the local economy following the negative effects of the pandemic on tourism, the region's main economic activity. Launched in December 2020, the Verdes community currently has more than 2,000 members and keeps growing, together with their economic resilience.

Costa Rica is ranked 79th in the world in Chainalysis' Global Crypto Adoption Index 2020.

Ecosystem:

Costa Rica has embraced blockchain technology and cryptocurrencies extremely quickly, and has a lively ecosystem as a result. The country has become a crypto hub due to high demand among businesses to incorporate the technology 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.
The latter recently won the Beyond Blockchain hackathon, with its lifebank project, and recently launched gGoods, a NFT marketplace that helps NGOs with fundraising. Nimiq is another Costa Rica-based project, whose goal is to make cryptocurrencies easy to use for everyone without compromising decentralization.
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, Nimiq

Icon: Freepik

> "The Costa Rican blockchain ecosystem is in early stages, with local efforts towards connecting people and a couple of international projects using the country as a hub. I'm proud that Cambiatus is one of the only projects with members and almost 2000 users in Costa Rica and 3000 users in Brazil, being developed by a Costa Rican-Brazilian team."
>
> **Karla Córdoba , co founder of Cambiatus**

THE VIEW FROM COSTA RICA

While cryptocurrencies are legal in Costa Rica, the nation does not recognise them as official tender, unlike in neighbouring El Salvador. Sherlock Communications conducted an exclusive survey in August 2021 to find out what Costa Ricans think of regional development, and whether they wish to follow the example set by their neighbours.

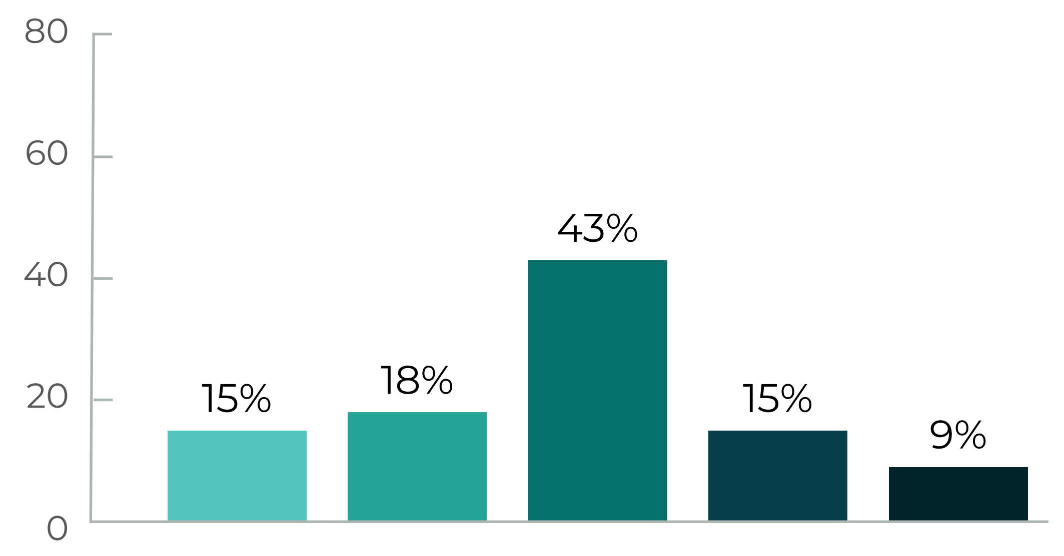
There was slightly more support than dissent in Costa Rica for the move made by neighbouring El Salvador, although more than half of the people surveyed (52%) did not have an opinion on the matter. One in four respondents (25%) thought that the move by the El Salvadoran government to acknowledge Bitcoin as official tender was a good idea in general, while marginally fewer people (23%) disagreed.

However, the margins widened when we asked people in Costa Rica if they felt that their own government should follow suit. One in three people did not support the idea; 43% were ambivalent; and 24% believed this would be a good move for the Costa Rican government. This question elicited comparatively stronger responses -15% 'strongly disagreed' with the idea of Costa Rica recognising Bitcoin as an official currency like El Salvador, compared to 9% who 'strongly agreed' that this was a good idea.

Similarly to the findings from the exclusive survey in El Salvador, many people in Costa Rica are ambivalent when it comes to peer to peer digital money systems, and national communication campaigns are likely to have an interesting impact going forwards.

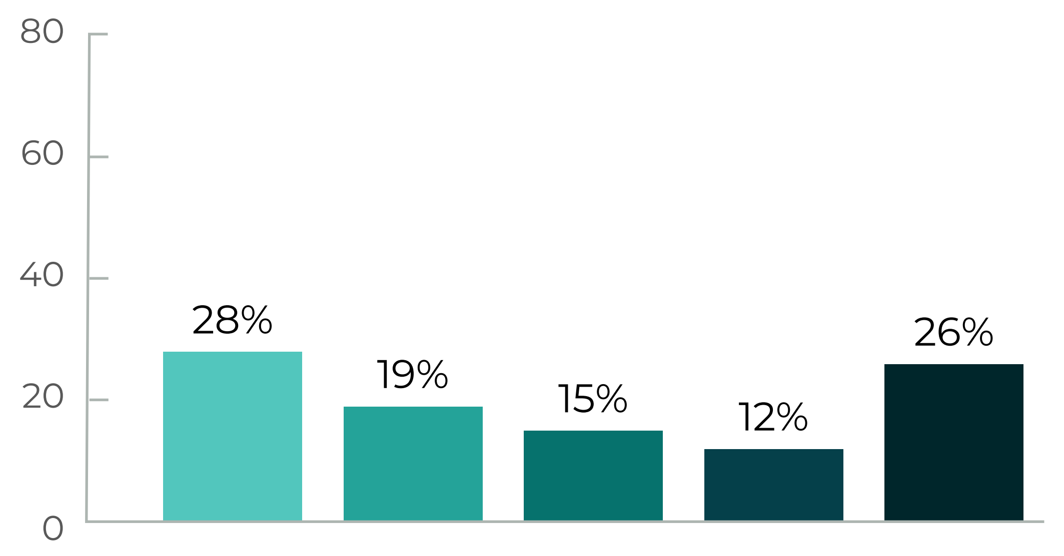
One in three Costa Ricans (28%) felt that their nation was lagging behind compared to other countries around the world, although 18% felt that the country was headed in the right direction. 12% of respondents stated that cryptocurrencies have no real future in Costa Rica, compared to 15% who felt that many more Costa Ricans will invest in peer to peer digital money systems in years to come.

Do you think Costa Rica should do the same as El Salvador and recognize Bitcoin as the official currency?



- I strongly disagree
- I disagree
- I do not agree nor disagree
- I agree
- I totally agree

How do you see the cryptocurrency scenario in Costa Rica?



- We are behind compared to other countries
- We are progressing
- In a few years we will have many more users
- It's a subject that has no future here
- None of the above

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. As it stands, 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 bill 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. In 2019 the judiciary system ruled that the decision violated the principle of free competition, and ruled in favour of the exchanges. However, in January 2020, the Chilean Supreme Court decided that banks have the right to close accounts of cryptocurrency exchanges, because they aren't regulated by Chilean law and could be associated with money laundering. Shortly after, the Chilebit exchange had its bank account closed.

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 income tax norms . 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:

The cryptocurrency market data platform CoinDance shows that Chile's crypto market has developed exponentially since 2017 and, during the Covid-19 pandemic, the volume of cryptocurrencies in Chilean Pesos has increased even more. A recent Global Consumer Survey published by Statista in February 2021 shows that 11.7% of respondents in Chile admitted to owning or using digital assets.

Chilean residents appear to be turning to crypto to safeguard their savings against the depreciation of the Chilean peso. CoinDance shows that Bitcoin P2P trading volume in Chile reached a new record of about 800 million Chilean pesos in early January 2021.

Moreover, even though cryptocurrencies are not regulated in Chile, three bitcoin ATMs are operational in Santiago, allowing users to directly withdraw

Photo: FG Trade /iStock

Chilean pesos. There are currently at least 21 exchanges that can be used to buy cryptocurrencies from Chile, and 49 merchants which accept payments using Bitcoin, according to Coinmap. Chile is ranked 34th in the world in Chainalysis' Global Crypto Adoption Index 2020.

Photo: wirestock/Freepik

Ecosystem:

Vibrant ecosystem. Chile is one of the most open economies in Latin America, and more and more Chilean people and companies are interested in blockchain and cryptocurrencies. The country hosted 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. Chile's 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 a project related to the Chilean salmon supply chain.

Icon: Andrei Yushchenko /Noun Project

Chile is one of the most open economies in Latin America, and more and more Chilean people and companies are interested in blockchain and cryptocurrencies

EL SALVADOR

Regulation:

Over the last few months El Salvador has shot to the forefront of the Latin American blockchain ecosystem. The new government passed the Bitcoin Law, becoming the first country in the world to officially adopt the Bitcoin Standard. The legislation, effective from September 7th 2021, declares Bitcoin to be legal tender. Any individual or organization will be able to make transactions in Bitcoin or US Dollars, although accepting Bitcoin will be optional for all. Bitcoin will be accepted as a means of paying taxes, while salaries and pensions will continue to be paid in US Dollars. No capital gains will be applied to Bitcoin, due to its status as legal tender.

Adoption:

Adoption has already changed radically as a result of the Bitcoin Law. The El Salvadoran government released its own digital wallet, named Chivo, which is a slang term meaning “cool”. The population will be incentivized to sign up, and will receive $30 dollars for registering. The government is also setting up a $150 million dollar fund to back Bitcoin transactions in the country, making it easier for individuals and organizations to accept Bitcoin and exchange it for US Dollars at low costs, using the lightning network.

In a country where around 70% of the population lack access to the financial system of bank accounts and credit/debit cards, and overseas remittances account for 20% of the GDP, it will be interesting to see how the adoption of Bitcoin and cryptocurrencies unfolds.

Ecosystem:

The El Salvadoran ecosystem began with the Bitcoin Beach experiment, in which a village of around 3,000 habitants adopted Bitcoins as fiat currency. An anonymous millionaire donated an enormous amount of Bitcoins to the village of El Zonte, with the goal of not only helping the village but also educating the population about cryptocurrencies and creating a sustainable Bitcoin ecosystem. The initial purpose was 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 Bitcoin as a means of payment, and this initiative ended up inspiring what is now happening in the entire country.

Photo: bilgehan yilmaz /iStock

Photo: iStock

Strike announced that they will build an innovation center in El Salvador, and the local government is creating a conducive ecosystem for Bitcoin mining and Crypto companies to come to the country and develop a blockchain innovation hub.

Following the recent news about Tesla not accepting Bitcoin because of the high CO2 emissions from their mining facilities, and the Chinese government shutting down mining operations, the El Salvadoran president instructed the president of La Geo SV (the state-owned geothermal electric company) to set up a plan using renewable, clean energy to welcome Bitcoin miners to the country.

These developments are very promising, and close attention should be paid to what is happening in El Salvador since it is likely to reverberate across other Latin American countries.

- **Key Players:**

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

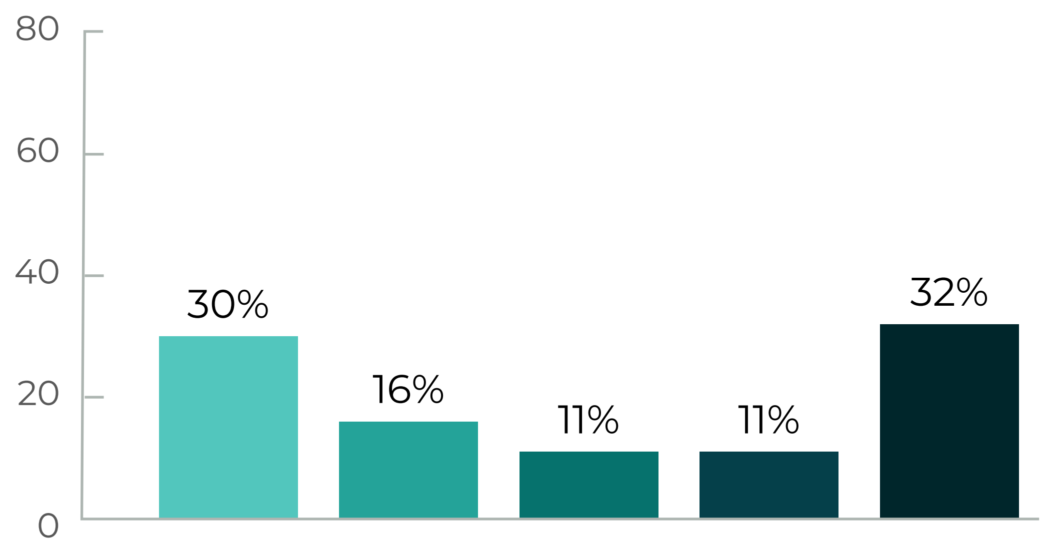
> "Making bitcoin legal tender is a quantum leap that can help countries like El Salvador shift from a largely cash economy to an innovative, inclusive, and transparent digital economy where your bank account is your phone. This is especially significant in El Salvador, where about 70% of people do not have bank accounts or credit cards. In addition, remittances account for more than 20% of El Salvador's GDP, and incumbent services can charge 10% or more in fees for international transfers that take days to arrive and must be collected from a physical location. That amounts to hundreds of millions of dollars a year that people can save or spend with local businesses in their communities – illustrating the powerful use cases and addressable market opportunities that come from scaling Bitcoin and the Lightning Network for everyday uses."
>
> **President Nayib Bukele, announcing El Salvador's intention to designate bitcoin as legal tender in a video broadcast at the Bitcoin 2021 Conference.**

EXCLUSIVE OPINIONS FROM EL SALVADOR - THE FIRST COUNTRY WITH BITCOIN AS OFFICIAL CURRENCY

In June 2021, El Salvador passed the Bitcoin Law, making the Central American country the first nation in the world to adopt cryptocurrency as official tender. The legislation, effective from September 7th 2021, made bitcoin an official currency in the small country which received nearly $6 billion dollars in remittances in 2019 (20% of its GDP, one of the highest ratios in the world). Officials explained that Bitcoin use would be optional, and those who did not wish to use it would have the choice to receive an instant dollar value for payments received in the cryptocurrency.

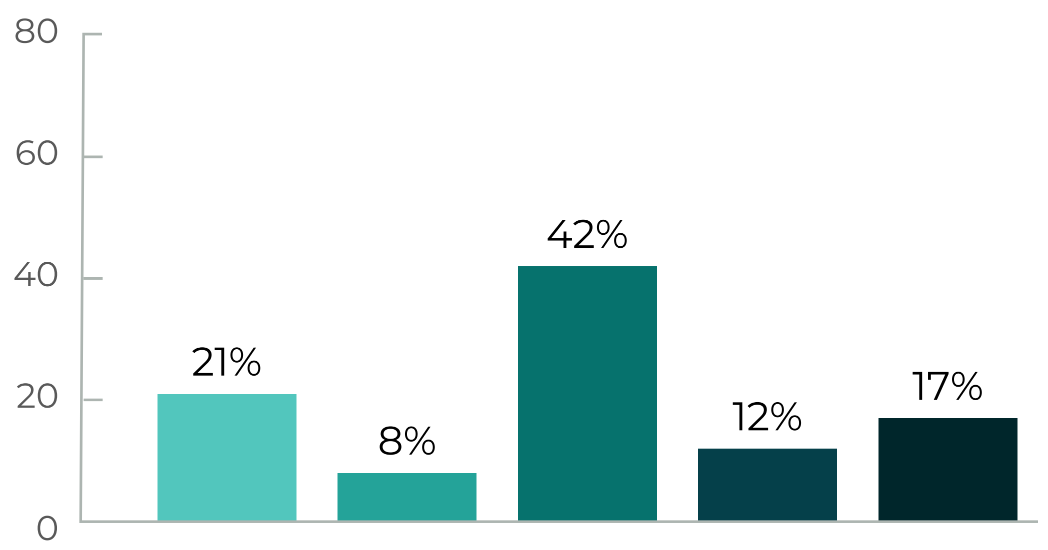
In an exclusive Google survey conducted in the fortnight before Bitcoin became legal tender in El Salvador, Sherlock Communications asked residents what they thought of the move.

How do you see the cryptocurrency scenario in El Salvador?



- It's a subject that has no future here
- We are behind compared to other countries
- In a few years we will have many more users
- We are progressing
- None of the above

El Salvador became the first country to recognize Bitcoin as its official currency. Do you think it's a good idea in general?



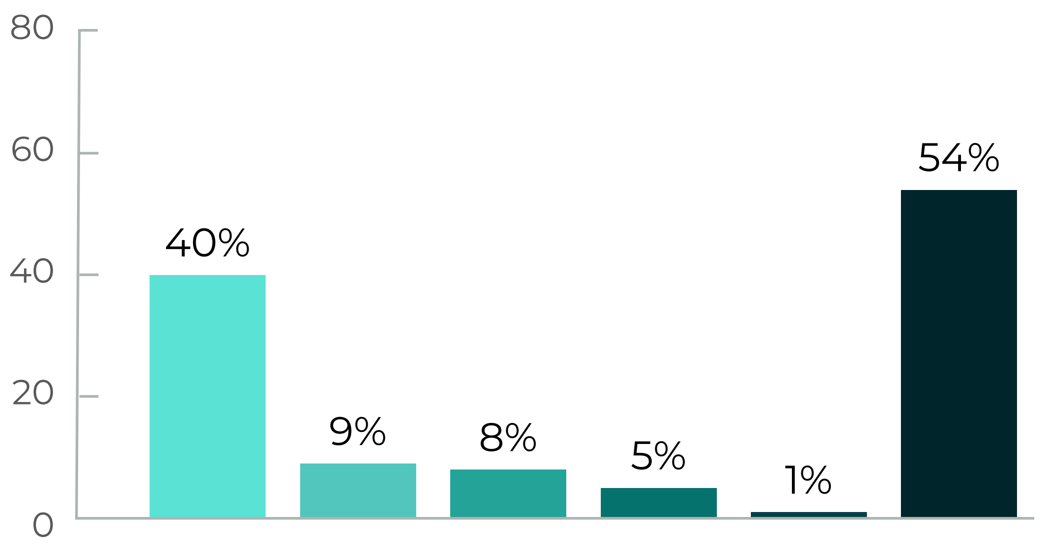
- I strongly disagree
- I disagree
- I do not agree nor disagree
- I agree
- I totally agree

Photo: pvproductions/Freepik

Three out of ten people felt that cryptocurrencies did not have a future in the country, while a further 16% stated that El Salvador was lagging behind in terms of peer-to-peer blockchain currency systems. 11% of respondents believed that there will be many more users of digital coins in the coming years, while a further 11% felt that progress is being made.

Notably, opinions were divided regarding their government's decision to acknowledge Bitcoin as official tender, with three in ten respondents disagreeing with the move; one in five 'strongly disagreed', while three in ten said they agreed with the move, and 17% 'strongly agreed'. Interestingly, 42% said they 'neither agreed or disagreed'. Despite Bitcoin being on the cusp of becoming official tender, four in ten people had no opinion on the matter, raising questions around awareness among the population about the new currency's impact on their lives.

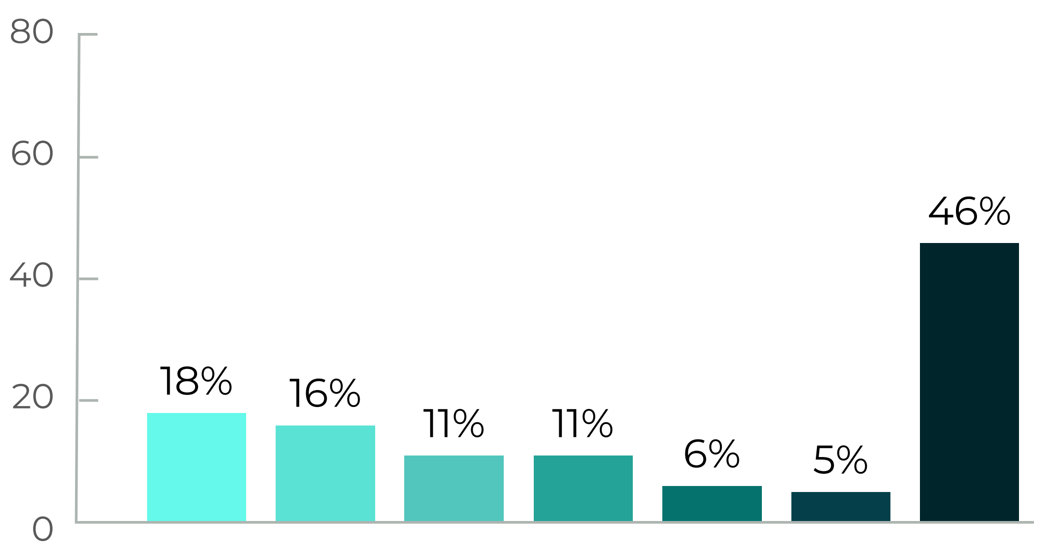
Which cryptocurrencies do you know best?



- Bitcoin
- Ethereum
- Litecoin
- Dogecoin
- EOS
- None of the above

This lack of awareness was further highlighted when El Salvadorians were asked about which digital currencies they recognised, from a list that included Bitcoin, Ethereum, Litecoin, Dogecoin and EOS. Over half of respondents surveyed (54%) said they had not heard of any of them. Despite the fact that Bitcoin was set to become an official national currency, only four in ten had heard of it - although it was the most well-known digital currency overall, with 9% having heard of Ethereum, and 8% recognising Litecoin.

What would make you confident to invest in cryptocurrencies?



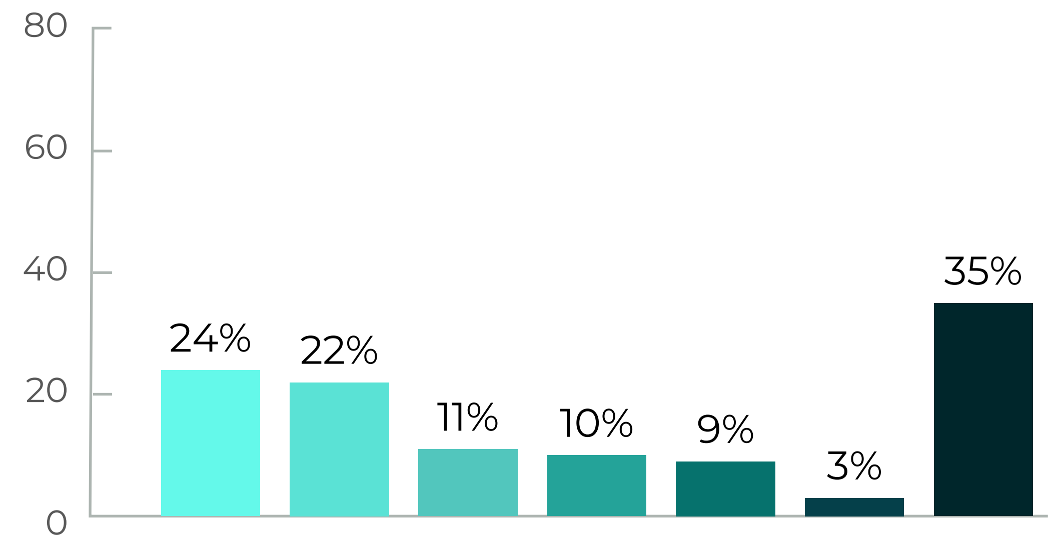
- If it were properly regulated
- Have more reliable and easy-to-use platforms
- Keeping up to date with market trends
- See news about people who make money from it
- Meet someone who is investing
- High usage
- None of the above

We asked people in El Salvador what would help to build trust in cryptocurrency investment. 18% pointed to appropriate regulation; while 16% said that digital currency platforms need to be more trustworthy and easier to use. 11% said they would like to read reports of real life success stories before getting involved. Nearly half of the sample audience (46%) stated that none of the reasons listed would inspire confidence in such an investment.

Local economic crises would make 35% of El Salvadorians less likely to trust cryptocurrencies, and 28% said fiscal downturns would make them 'much less interested' in such an investment. Meanwhile, 24% held the opposite opinion, and said that poor economic performance would increase their interest in crypto investments. As with other questions, a significant level of ambivalence was noted, with 41% saying that an economic downturn would 'make no difference' to their interest levels, or that they 'do not know' either way.

Photo: JMRAFFI/Wikipedia

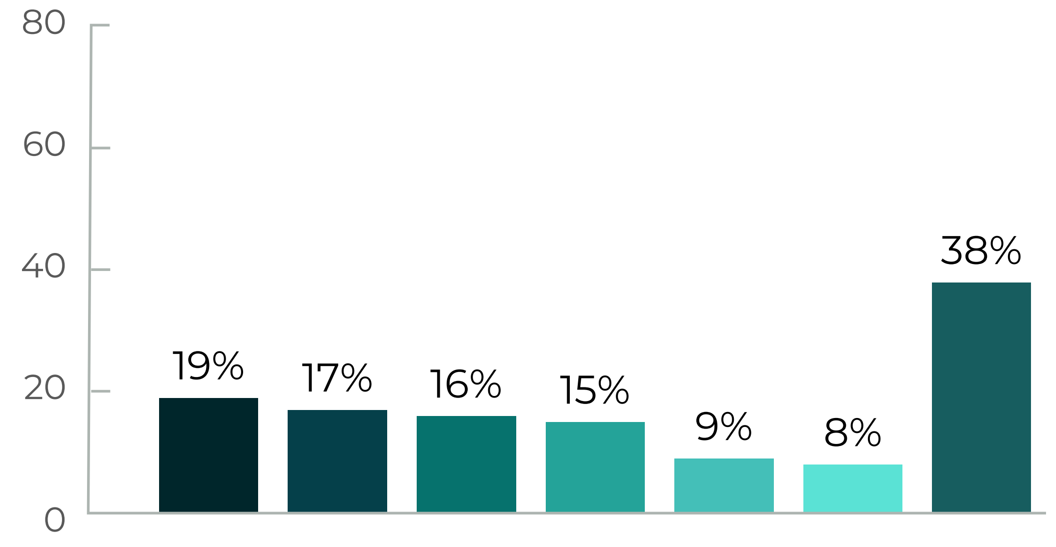
What are the main reasons you don't use cryptocurrencies now?



- Concern about how unstable and variable the value is
- I don't have enough money to invest
- It's hard to get money
- I don't know anyone who does this
- Concern for the safety of my money
- I'm worried that the authorities ban cryptocurrencies
- None of the above

This ambivalence was partially explained by one in four people telling us that they were worried about the instability of cryptocurrency values, suggesting that some may adopt a 'wait and see' approach as their nation takes this bold new step. For many, general cash flow issues explained the lack of interest in investing in cryptocurrencies, with one in five (21%) reporting that they did not have the money to invest, and a further 11% saying it was 'difficult to get money'. One in ten said they didn't know anyone that currently invests in digital money systems, while 9% said they had concerns about the security of their investment. A small proportion (3%) stated that they were concerned about cryptocurrencies being banned in the future.

What impact do you think cryptocurrencies will have on the future of world trade?



- This will facilitate the international exchange of money
- Increase crime/money washing
- Can replace local currencies
- Money will be more vulnerable to cybercrime
- It will give access to money to people who don't have bank accounts
- It will protect my money from the economic crisis
- None of the above

As residents in the first nation to adopt Bitcoin as official tender, we asked El Salvadorians what impact they thought cryptocurrencies would have on global trade, allowing respondents to choose up to three responses from a set list. One in five (19%) thought that they would make international money transfers easier, and 9% said they would provide greater fiscal access for people without bank accounts; while 8% reported that cryptocurrencies would protect their savings from a financial crash. 16% of respondents believed that cryptocurrency would eventually replace local currencies, although no value judgement was assigned to this assertion, so it's unclear whether this was viewed as a positive development. 17% of El Salvadorians expressed concern that money laundering could become much easier under such currency systems, while a further 15% were worried about an increase in cybercrime.

Such high levels of ambivalence towards cryptocurrency are surprising in a country which is breaking new ground in its approach to digital coin systems. These results suggest that improved communication may be required if El Salvador is to fully embrace cryptocurrencies on a national level.

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 as a legitimate means of payment and transactions. A regulatory sandbox is in place for innovative projects.

Taxation:

Cryptocurrency isn't taxed in Mexico. Mexican authorities plan to tax it, but 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.

Remittances are among the main use cases of crypto in Mexico. Bitso alone currently processes over U$ 1 billion in remittance, around 2.5% of all remittances going into Mexico.

On the corporate side, a PWC partner mentioned in an interview with El Economista that many Mexican companies are seeking to convert part of their balance sheet into Bitcoin, following the lead of North American companies such as Microstrategy, Tesla and Square.

Ricardo Salinas Pliego, Mexico's second richest man, revealed in an interview in December 2020 that he first bought Bitcoin back in 2013, and that it was the best investment he ever made. He added that around 10% of his liquid portfolio is held in Bitcoin.

According to the Global Consumer Survey published by Statista in February 2021, 9.7% of respondents in Mexico admitted to owning or using digital assets. Mexico is ranked 39th in the world in Chainalysis' Global Crypto Adoption Index 2020.

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.

Photo: adamkaz/iStock

Bitso became the first Latin America's first crypto unicorn after raising U$ 250 million from investors such as Tiger Global and the hedge fund giant Coatue, putting the company's valuation at U$ 2.2 billion in May 2021. The local exchange also raised U$ 62 million from Kaszek Ventures and QED Investors in December 2020.

Key Players:

The Volabit and Bitso exchanges, with the latter boasting 1 million users. Investment firms Exponent Capital, Lvna Capital and GBM, ConsenSys Academy and BIVA, the second stock exchange in Mexico - all founding partners of the Mexican Blockchain Association.

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.

Several Venezuelan merchants have accepted several cryptocurrencies as a form of payment since before 2020, but this list grew considerably last year. Many players in the hotel industry, famous restaurant chains such as Pizza Hut, and Traki, the largest department store in the country, have announced that they accept Bitcoin, Litecoin, Dash and other cryptocurrencies as a way of paying for their products or services. Furthermore, the Cryptobuyer exchange, in partnership with the Mega Soft payment processor, is now offering more than 20,000 merchants access to the Cryptobuyer Pay solution so they can accept cryptocurrency payments. The company estimates that around 3% of all transactions in the country took place on the platform in 2020, up from 0.5% in 2019.

As crypto adoption increases, it is primarily the elite and members of the upper middle class who can afford to dabble in cryptocurrencies. Internet connections in many parts of the country are often too poor to allow access to coin trading.

In 2020, a partnership between Cryptobuyer and AnibalCripto group launched the country's first Bitcoin node connected to the Blockstream satellite network. A spokesperson for the partnership responsible for the node hailed this as the first step to completing Bitcoin transactions without the need for a local internet connection.

As for the government, at the end of 2020 8 million public workers were paid half their wages in Petro. This led to an increased adoption of the official coin,

Photo: FG Trade /iStock

with gas station operators reporting 15% of all fuel payments made in Petro. Citizens can now pay their taxes using Petro as well.

Venezuela is ranked 1st in LATAM and 3th in the world in Chainalysis' Global Crypto Adoption Index 2020.

Ecosystem:

The real movers and shakers in the national ecosystem currently operate from abroad - working with Venezuela but based elsewhere.

The country is home to many different communities working on major projects such as BTC, BCH, DASH, EOS, ETH, LTC, and local exchanges like Surbitcoin.

Venezuela is recognized by the University of Cambridge as the Latin American country which contributes most to the Bitcoin hashrate, meaning that there is a certain amount of computing power generated in the country.

The Venezuelan Army opened the "Center for the Production of Digital Assets of the Bolivarian Military Army of Venezuela" which, according to public announcements, is composed of multiple proof-of-work mining teams generating "unblockable" financial income, as a way to avoid international financial sanctions.

Around 5 million Venezuelans - almost 20% of the population - have fled the country in an attempt to escape the current political regime. Many of these expats use crypto assets as an affordable means to send money home.

Juan Guaidó, President of the National Asamblea, recognized as President of Venezuela by a score of countries and one of the main opponents of the current regime, has established the use of the USDC stablecoin to evade the blocks imposed by the administration of Nicolás Maduro and to send humanitarian aid to Venezuelans. The funds used by Guaidó come from confiscations carried out by US authorities against bank accounts held by Venezuelan state companies and several Maduro state officials in the United States, meaning that this humanitarian aid represents the first public funds in the world that have been converted to stablecoins.

In addition, non-profit organizations such as Bitcoin Venezuela are using crypto as a way to receive international funding for humanitarian aid. The NGO feeds around 2,000 people a day thanks to Bitcoin donations.

Key players:

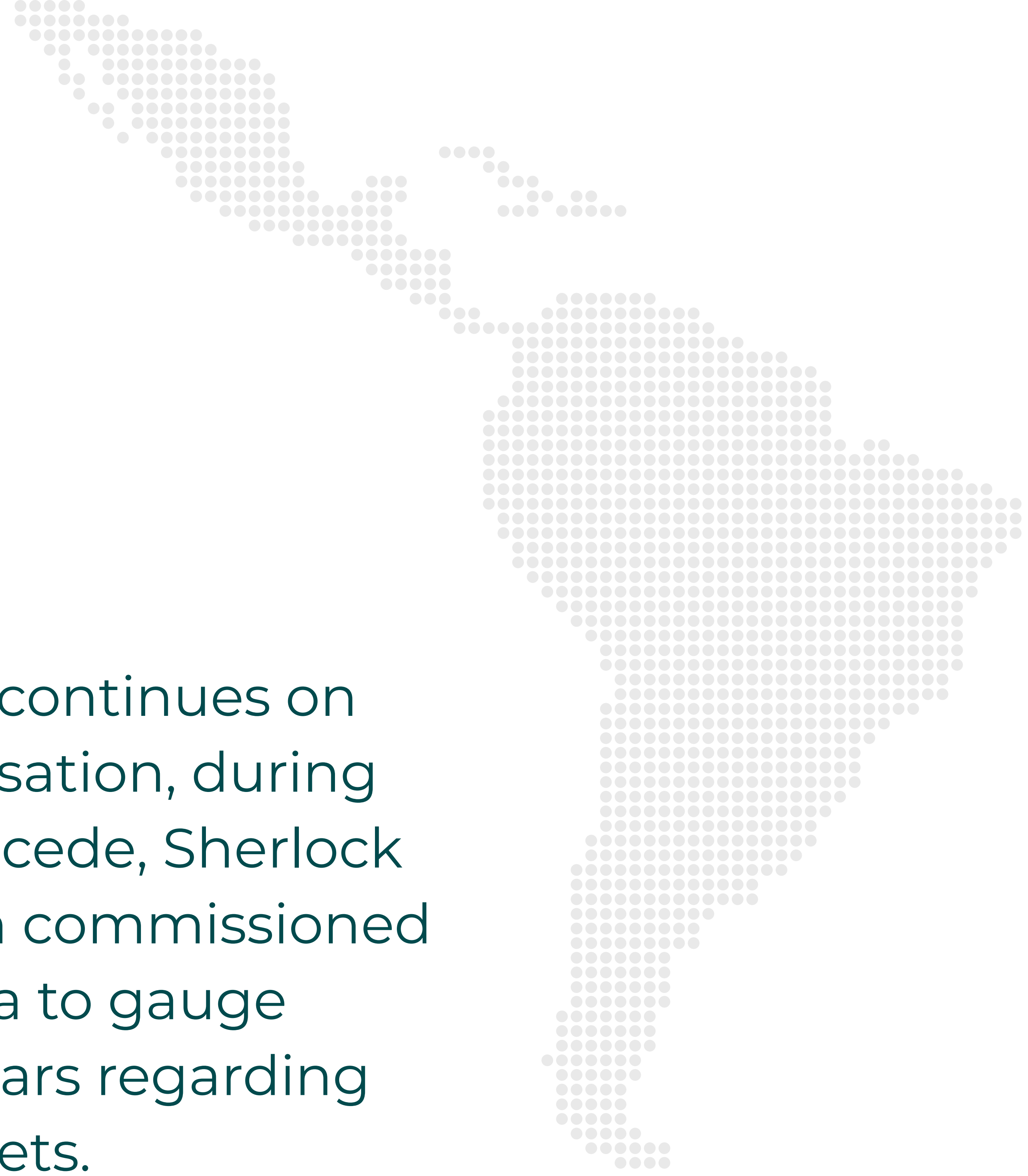
Amberes and CrytoLago - government backed exchanges, Cryptobuyer, Dash, AnibaCripto group, and Locha Mesh. Binance - foreign exchange

Icon: Freepik

> "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**

EXCLUSIVE RESEARCH

THE EVOLUTION OF CRYPTOCURRENCY IN LATIN AMERICA



As daily life in Latin America continues on a path towards intense digitisation, during a pandemic that is slow to recede, Sherlock Communications once again commissioned a survey across Latin America to gauge opinions, ideas, hopes and fears regarding cryptocurrency in local markets.

In 2020, the Toluna research platform contacted 2,200 people in four Latin America markets (Argentina, Colombia, Brazil, and Mexico). A year later, a similar study was conducted, but this time the people of Chile were consulted too, and the overall sample from five Latin American countries included more than 2,700 people. 15% of the people consulted were aged 55+, while respondents aged between 18 - 34, and 35 - 54 made up 42% of the sample respectively.

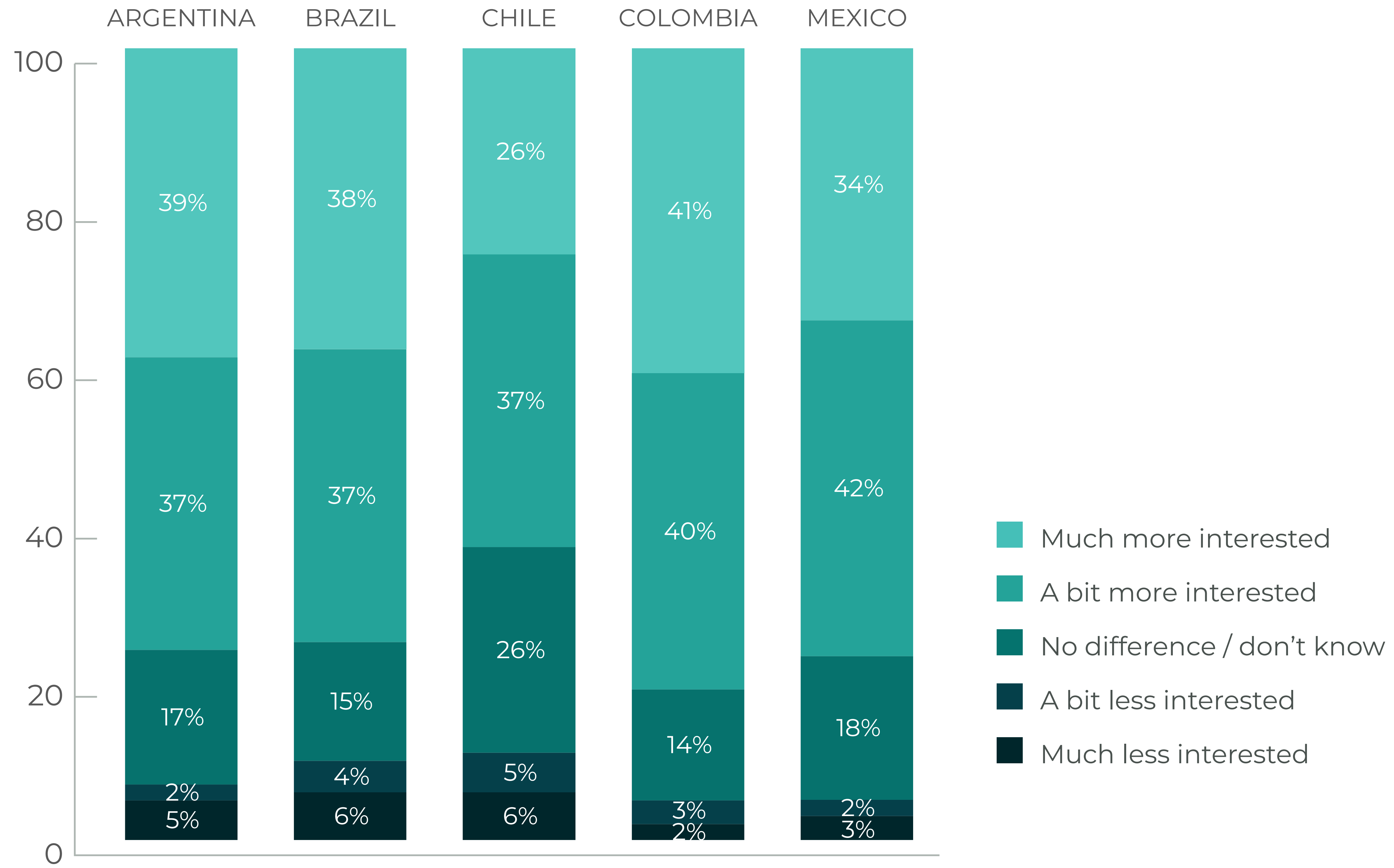
The results provide an interesting overview of how some opinions have evolved over the course of a year, while others remain unchanged. Latin Americans are sending a resounding message - they can see clear advantages to cryptotrade, but they want to know more, and feel that they fully understand systems which are not unnecessarily complicated to use.

CRISIS AS A CRYPTO CATALYST

Are Latin Americans more likely to be interested in cryptocurrencies due to ongoing economic crises in the region? Across the five countries we surveyed, three out of four people agreed that economic downturns were likely to affect their interest in digital currencies. Of these, half said they would be a “bit more interested”, and the other half would be a “lot more interested”, based on local financial crises. Chileans were the least likely to have their interest in cryptocurrency piqued, with only 63% saying poor local economic activity would prompt this interest. However, it is worth noting that 26% of Chileans said economic factors would “make no difference / don’t know”, which may suggest either indifference to cryptocurrencies in Chile, or a lack of knowledge.

Similar to the 2020 findings, Colombians were the most obviously impacted by their economy, with 81% citing it as a driver for interest in peer-to-peer blockchain currencies (82% of Colombians said the same last year). Notably, the number of Colombians who said they would be a “lot more interested” in cryptocurrency due to economic crises jumped by 30% between 2020 and 2021 (from 31% to 41%).

Are you more likely to be interested in cryptocurrency because of the economic crisis?



The number of Argentinians who confirmed that their economy would have an impact on their interest in digital currencies grew by 7% year-on-year. While 71% said this was the case in 2020, 76% said so this year, split fairly evenly between those who would be a “bit more interested”, and “a lot more interested”.

In Brazil, fewer people said economic trends in their nation favourably impact their interest in digital currencies, with 75% saying this was the case in 2021, compared to 79% last year.

WHY LATIN AMERICANS INVEST IN CRYPTO

Diversification of investment portfolios is the number one reason Latin Americans invest in cryptocurrencies. When asked to select the top three reasons for investment, 44% of the overall regional sample gave this response, an increase over last year's results. In Argentina, 39% cited this reason (a 22% growth since 2020, when 32% said the same), and in Mexico portfolio diversification was a leading factor for 45% of the population (a 13% growth since 2020, when 40% gave this reason). In Brazil, 55% cited this rationale, along with 47% in Colombia, and 37% in Chile.

"To protect my assets from inflation and financial instability", the primary reason cited for investment in digital currencies in 2020, slipped to second place for Latin Americans in 2021, with 12% fewer people citing this as a motivating factor. In 2020, this reason was cited by 50% of respondents, compared to 44% in 2021.

Photo: wayhomestudio/Freepik

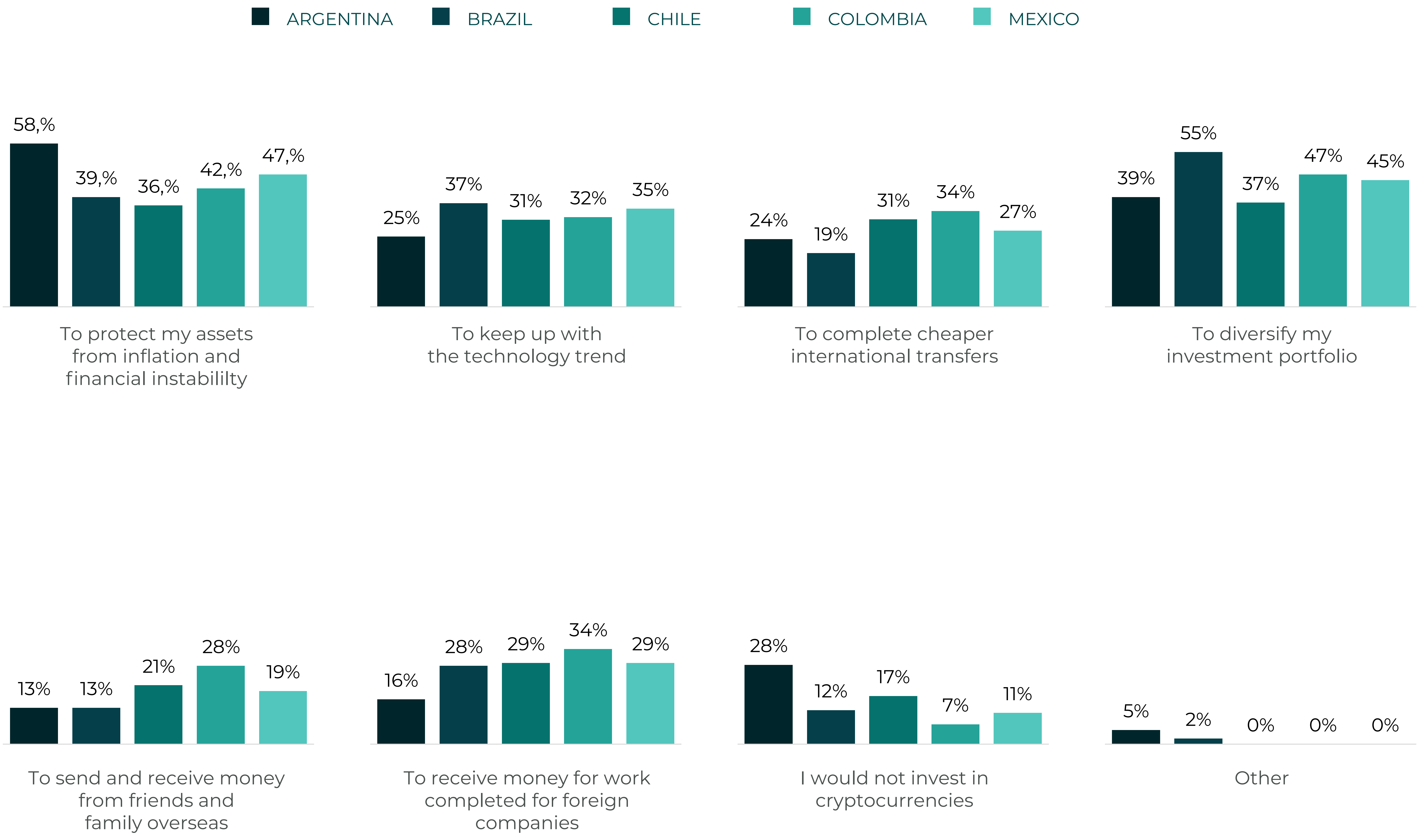
Protection of assets from economic crises was of greatest concern to Brazilians, and 9% more cited this reason in 2021 than in the previous year. The proportion of Argentinians stating this as a factor dropped by 12% year on year, from 66% to 58%. In Mexico there was a corresponding drop of 11%, from 53% to 47%; and a similar trend was noted in Colombia, with a 10% drop from 46% to 42%. In Chile, 36% cited a desire to protect assets as a driver for investment in cryptocurrency.

Remittances to and from family and friends overseas was cited as a reason to invest in digital money systems by one in five Latin Americans, and while this did not emerge regionally as one of the top reasons, it became significantly more important for both Colombians and Mexicans than in 2020. In Colombia, 303% more people cited this as a primary reason for investment (in 2020, this reason was identified by just 7% of Colombians, while this year, 28% cited it as a motivator). In Mexico, one in five listed this as a reason to invest in crypto, compared to just 9% last year - a growth of 121% over 12 months.

Rejection of cryptocurrencies became more commonplace in Argentina this year. In 2020, 12% stated that they would not invest in digital money systems, while this year the proportion had grown to 28% of the population, representing a 133% growth in rejection rates. This was not reflected in neighbouring countries, where rejections rates dropped. While three out of ten Brazilians said they would not make such an investment in 2020, a year later only 12% said the same. In Colombia, one in four were not interested in this type of investment last year, while only 7% now express such indifference. Meanwhile, 17% of Chileans said they are not interested which, based on earlier findings in this exclusive study, may point to lack of knowledge, although this cannot be stated categorically without further investigation.

One third of Latin Americans see the validity of cryptocurrency investment as a means of keeping up with technological trends, a stat which remains unchanged since 2020.

Why would you invest in cryptocurrencies? (3 reasons)



LATIN AMERICAN CRYPTO RESISTANCE

Lack of cash and a lack of knowledge were the two top reasons cited by people across the region when asked why they might be reluctant to invest in cryptocurrencies. Across the five countries combined, 34% listed these as their major obstacle for investment.

Interestingly, a lack of knowledge was the main reason Latin Americans steered clear of cryptocurrencies last year too, so it would seem that not much has changed in the meantime, and work is required to make the sector more inclusive.

However, a country-by-country analysis shows that both Argentinians and Brazilians feel a lot less in the dark than they did a year ago. Last year, 47% of people in Argentina cited a lack of understanding as a main reason for not investing, while a year later only 34% said the same (a 28% drop year-on-year). In Brazil, 25% cited a lack of knowledge as an obstacle in 2021, compared to 35% in 2020.

The numbers didn't vary much in Colombia, with a lack of knowledge cited by 38% last year, and by 37% in 2021. In Mexico, 40% gave this rationale for shying away from crypto investment in 2020, and this remained unchanged in 2021. 34% of Chileans cited this reason in the 2021 survey.

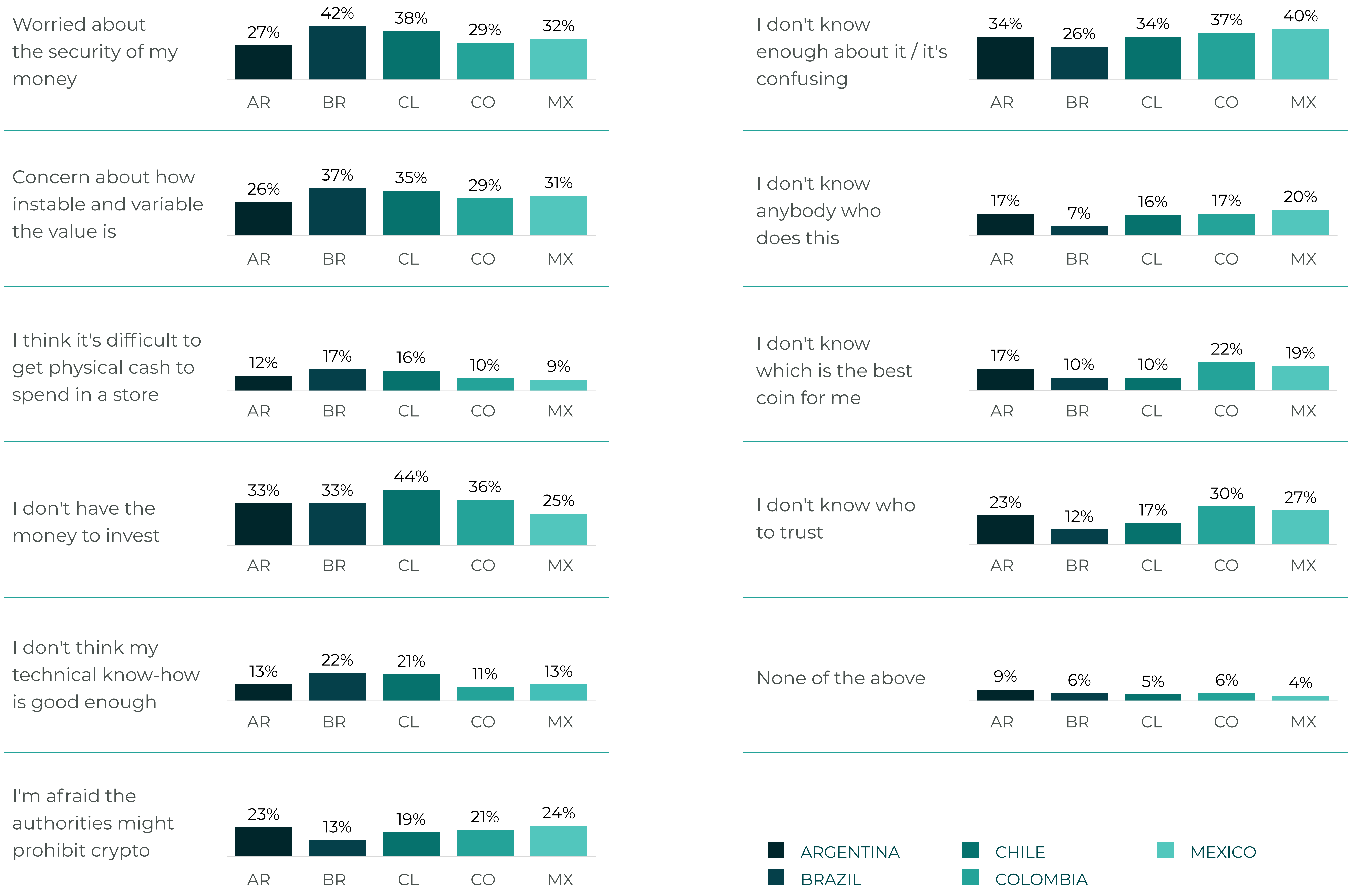
Photo: koto_feja /iStock

Worries about the perceived instability and variability in the value of crypto-coins was a concern for 30% of respondents across the region, while one in five said they don't know who to trust when it comes to such investments. Interestingly, while 26% of Braziilians listed this as a top concern in 2020, only 12% did so this year, indicating greater confidence and trust. Similarly, only 17% in Chile cited this as a concern, compared to 30% in Colombia, and 27% in Mexico.

Another important concern for Latin Americans is the fear that local governments may ban such currencies - a reason listed by 20% across the region - although this fear seems to be receding regionally, and demonstrably so in both Brazil and Colombia. In Brazil, 36% fewer people cited this as a main worry of theirs when investing in digital finances (in 2020, the reason was cited by 20% of respondents, compared to just 13% this year). Three out of ten Colombians expressed concern about governmental bans last year, while only two out of ten cited the same concerns a year later.

Uncertainty over the selection of the most suitable coin for one's needs was cited as a concern for 15% of respondents - 44% fewer than last year, when this was cited as a worry for 27% of people across the region. Confidence in the variety of coins and consumer's ability to select the right option grew by 58% in Brazil; by 33% in Mexico; by 32% in Argentina; and by 31% in Colombia. Meanwhile, Chileans are quietly confident in this regard, with only one in ten respondents listing it as one of their top concerns.

What are the three main reasons you do not use cryto now? (3 reasons)



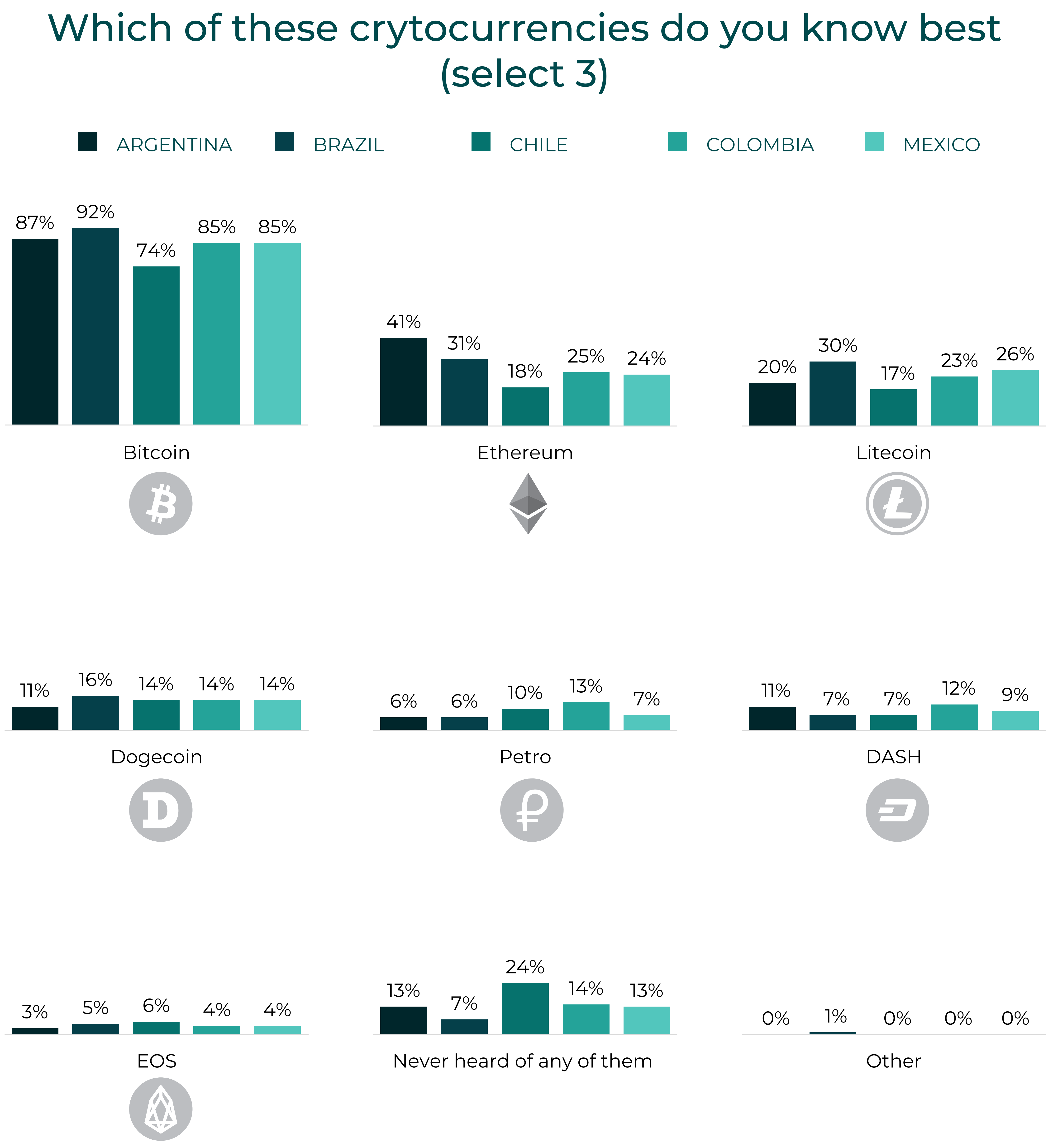
BEST KNOWN CRYPTOCURRENCIES IN LATIN AMERICA

When respondents were asked to identify which cryptocurrencies they knew, Bitcoin emerged as by far the most recognisable brand, cited by 85% in the region. Recognition of Bitcoin was highest in Brazil (92%) and lowest in Chile (74%).

Ethereum and Litecoin were the next best known in the region. While recognition of Ethereum remained steady at 27% since 2020, the same could not be said for Litecoin, which was listed by fewer people in 2021 than last year (23%, down from 32% in 2020).

Regionally, 14% said they were familiar with Dogecoin, while an additional 14% affirmed that they had never heard of any of the currencies listed (Dogecoin, Petro, Bitcoin, Ethereum, Litecoin. EOS, Dash).

The scope of the question did not specify the level of knowledge of these coins, so resopndent's level of awareness beyond initial brand recognition cannot be analysed.



BUILDING TRUST IN DIGITAL CURRENCIES

According to the exclusive survey results analysed by Sherlock Communications, the best way to increase Latin Americans' trust in cryptocurrencies is to make literature on the subject more widely available. 44% in the region cited this as a means to build confidence in 2021, compared to 39% in 2020. In Argentina, 48% identified this as a way to build trust, along with 46% of Colombians; 45% in Brazil; 41% in Mexico; and 41% in Chile.

Regionally, 38% said they would have more confidence to invest in digital currencies if they could access an easy-to-use platform that did not require specialist knowledge (36% in the region said the same in 2020). In Mexico, 40% cited this as a means of building confidence in such investments; along with 38% in Colombia and Argentina; 37% in Chile; and 36% in Brazil.

Similarly, having "more reliable platforms" was a top reason identified by 37% in the region, slightly less than the 39% that cited it last year. In both Brazil and Colombia, 39% of survey respondents identified this as a primary means of growing consumer trust in 2021; as did 37% in Mexico; 36% in Chile; and 34% in Argentina.

Photo: jopwell/Pexels

29% of Latin Americans said they want to see proper regulation of cryptocurrency markets, up from 26% last year. This was of greatest concern in Mexico, where 34% cited this factor in 2021, compared to 24% in 2020. In Colombia, 32% did the same; as did 28% in Chile; 27% in Brazil, and 24% of Argentinians.

Almost one in five respondents (18%) in Latin America said they would be more favourable towards cryptocurrencies if they saw more media reports showcasing positive case studies and success stories, a little less than 21% twelve months ago. While 21% in Mexico cited this as a motivator in 2020, a year later only 15% said the same. Meanwhile, in Colombia 22% wanted to see more positive media reports in 2021, down from 25% in 2020. In Brazil, 19% said they wanted to see more success stories, as did 17% in both Argentina and Chile.

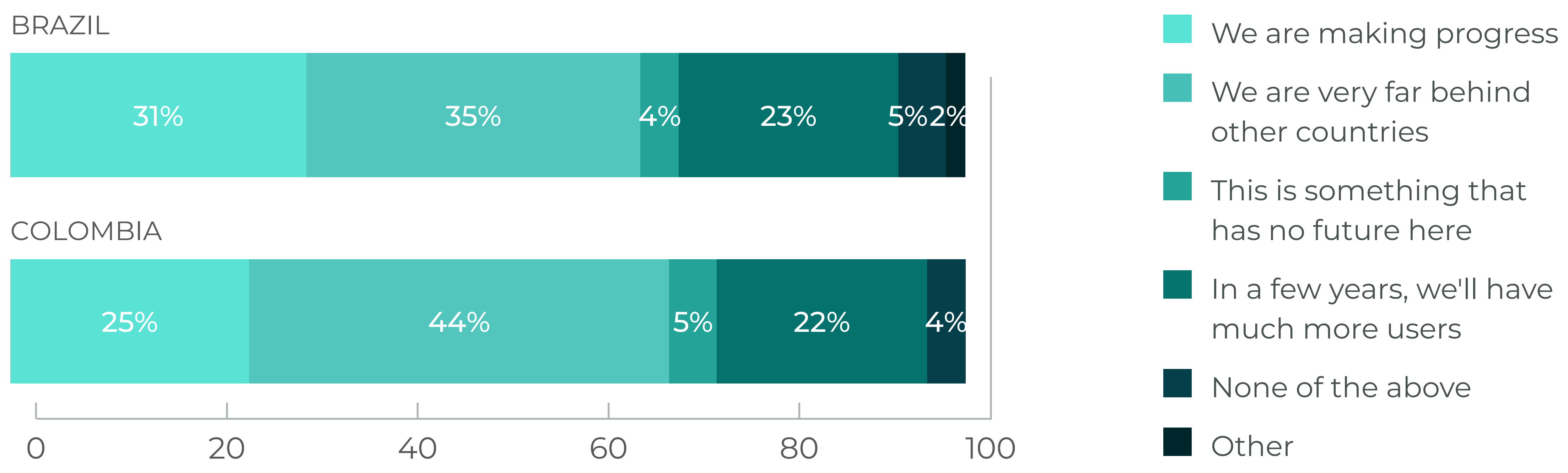
What would make you more confident to invest in cryptocurrencies? (select 3)

HOW DO BRAZILIANS AND COLOMBIANS VIEW THE PROGRESS OF CRYPTOCURRENCIES IN THEIR HOME COUNTRIES?

Respondents in Brazil and Colombia were asked to give their opinion on the progress of digital currencies in their respective countries. In Brazil, 31% felt that progress was being made, an 11% increase on the 28% of Brazilians who held this opinion last year. However, 35% felt that Brazil was still lagging behind other countries. One in four Brazilians felt that there will be a lot more users of cryptocurrency in their home nation in the coming years, while only 4% felt that there is no future for these markets in Brazil.

In 2020, 29% of Colombians felt that their country was making progress with regard to the advent of digital monetary systems; one year later, 25% held the same view. However, 44% were of the opinion that Colombia is considerably far behind other countries in this area. 22% of Colombian people believe that there will be far more users of online money systems in a few years time, compared to 19% last year. Meanwhile, a small number (4%) stated that there is no future for cryptocurrency in Colombia.

What is your view of the cryptocurrency scenario in your country?



THE IMPACT OF CRYPTOCURRENCIES ON GLOBAL TRADE

According to Latin Americans, the primary impact of developing cryptocurrency markets will be to make international money exchanges easier. This was also the case in last year's survey, although it is interesting to note that while 48% in the region cited this as one of the top three impacts in 2020, only 34% held this view a year later. In Argentina, 33% fewer people held this view in 2021 (34% of all respondents, down from 51% in 2020); while the percentage of Mexican respondents with this opinion dropped by 32%, from 49% in 2020 to 33% in 2021. In Brazil, 31% believed digital currencies will facilitate international money exchanges, 28% fewer than the 43% of respondents who shared this view last year.

The view that digital economies will facilitate the internationalisation of local businesses, allowing services to be offered and paid for trans-nationally, was cited by 23% of respondents in the region, down from 34% in 2020.

Colombians retained the highest level of optimism in this regard, with 42% citing it as a likely impact on global trade, albeit somewhat lower than 49% who held this view in 2020. In Chile, 32% viewed this as a likely knock-on effect.

Across the region, 29% feel that cryptocurrencies might eventually replace local currencies, considerably less than 39% who shared the same view a year ago.

Icon: Freepik

The view that digital economies will facilitate the internationalisation of local businesses, allowing services to be offered and paid for trans-nationally, was cited by 23% of respondents in the region, down from 34% in 2020.

Meanwhile, 16% reported that they thought such digitised monetary systems could destabilise local currencies, an opinion shared regionally by 19% of respondents in 2020.

17% in Latin America believe that cryptocurrencies could facilitate tax evasion by the super rich - the same percentage as last year. This was the view of 21% of respondents in Chile, 18% in Mexico and Argentina, and 16% in Colombia. Interestingly, while 17% in Brazil viewed this as a risk in 2020, only 12% held the same opinion a year later.

Latin Americans were less concerned about the risks of cybercrime and fraud related to cryptocurrencies in 2021 than they were a year ago. In 2020, 24% in the region cited this as a likely repercussion, but a year later it was only cited by 20% of respondents. In Brazil, 27% fewer people listed this as a concern than had a year previously (25% in 2020; 18% in 2021). Similarly, in Argentina 17% listed this as a likely outcome in 2021, as compared to 23% last year, a 26% drop. In Colombia, one in four respondents shared this concern last year, compared to just 19% in 2021, a 24% drop. One in five Chileans held the same view. Mexico was the only country in which opinion did not change year on year - one in four continue to see cybercrime as a potential risk.

What impact do you think crypto will have on the future of global trade (select 3)

- ARGENTINA
- BRAZIL
- CHILE
- COLOMBIA
- MEXICO

	AR	BR	CL	CO	MX
It will make it easier to exchange money internationally	34%	31%	32%	42%	33%
It will make services much more international (I can be paid for work that I complete for companies in other countries)	25%	21%	25%	25%	20%
It will protect my money and investments from local economic crises	23%	22%	18%	17%	20%
It can give access to money for people that do not have bank accounts	22%	16%	21%	26%	26%
It can substitute local currencies	29%	30%	27%	33%	28%
It can make travelling must easier	15%	13%	17%	15%	13%
It can bring world economies closer	24%	32%	24%	35%	26%
It can increase criminailty and money laundering	13%	13%	12%	13%	15%
It can increase tax evasion among the super rich	18%	12%	21%	16%	18%
It can destabilise local currencies	16%	17%	15%	17%	17%
It can make money more vulnerable to cyber-crime and fraud	17%	18%	21%	19%	24%
I don't know	13%	7%	15%	3%	7%

ADOPTING BITCOIN AS AN OFFICIAL CURRENCY

Citing the example of El Salvador, the first country to recognise Bitcoin as an official currency, survey respondents were asked to share their opinion. Half of Latin Americans agreed that this was a good idea overall, and 43% said they thought that their country should follow suit.

A certain level of ambivalence was noted, with 37% in the region neither agreeing or disagreeing that it was a good idea overall, together with 34% who did not state whether or not they thought their own country should follow suit. But it was interesting to note that only 5% strongly disagreed that El Salvador's initiative had been a good idea overall, while 16% strongly agreed. Meanwhile, only 9% in the region strongly disagreed with the idea of their own country taking similar action, while 17% strongly agreed.

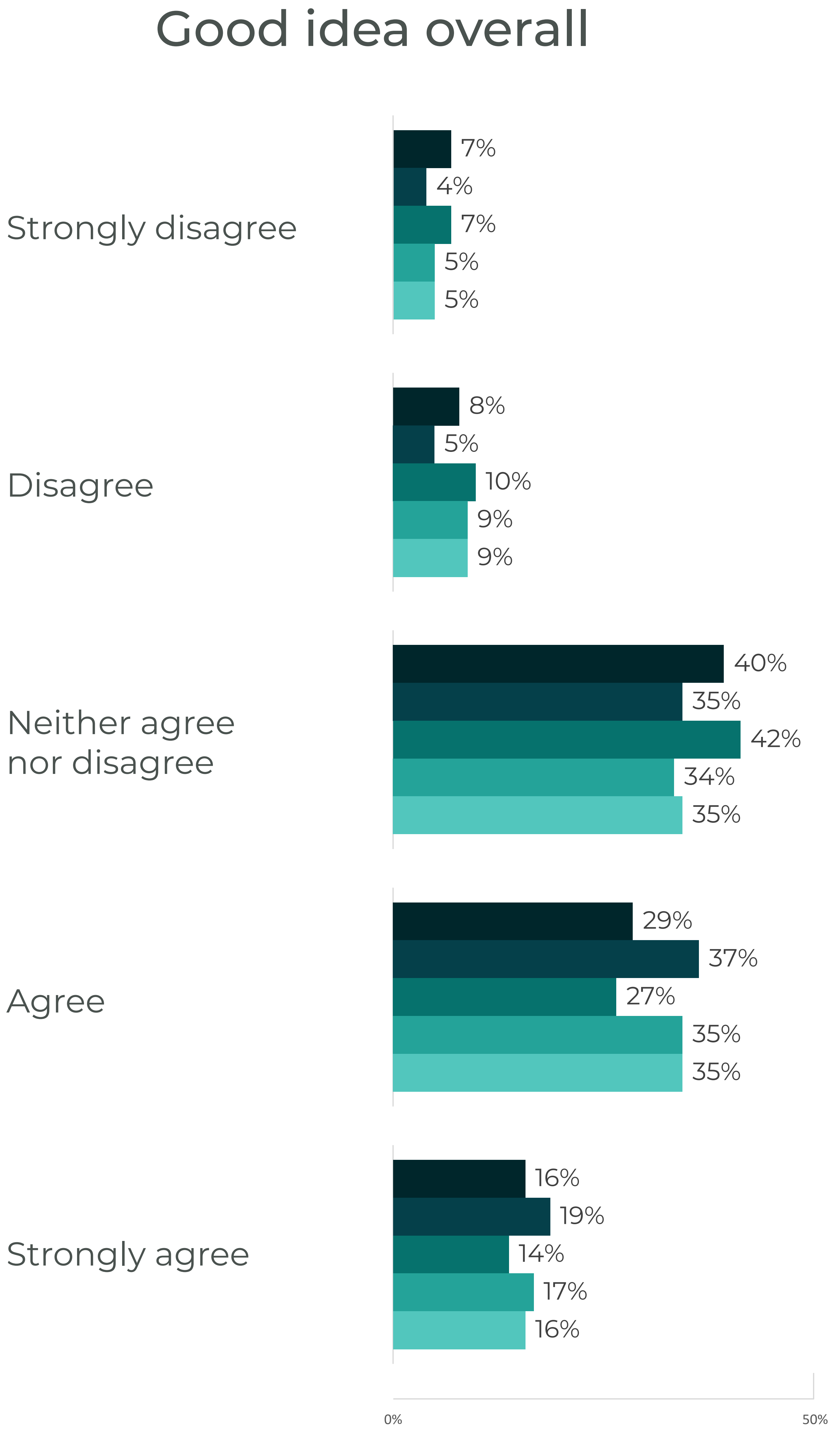
Photo: Miloslav Hamřík/Pixabay

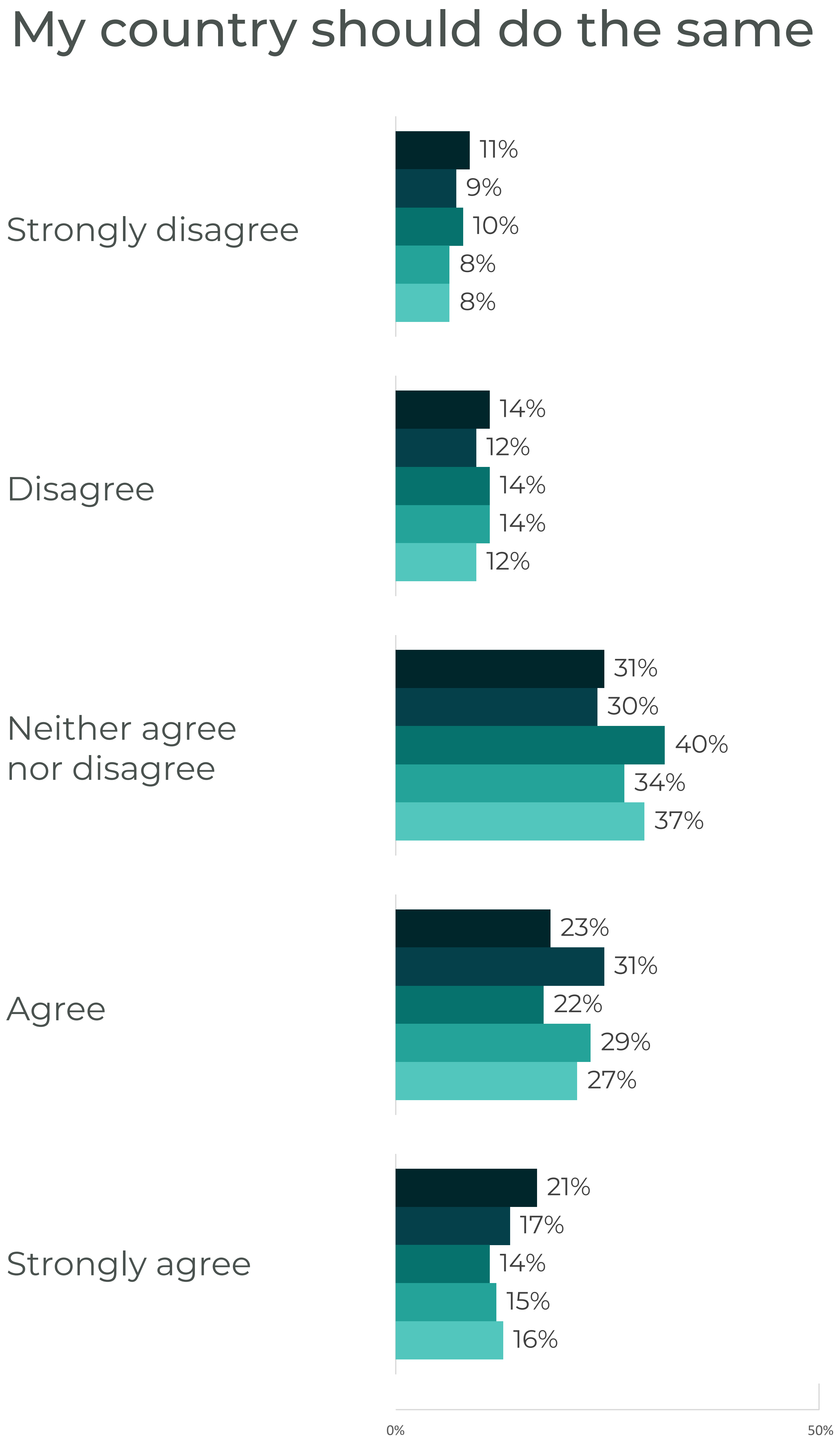
Brazilians were the biggest supporters of crypto-recognition in the region, with 56% supporting El Salvador's approach, and 48% saying they want Brazil to adopt it too. In Colombia, 52% said they agreed with EL Salvador, as did 51% in Mexico; and 45% in Argentina. Support was lower in Chile, with only 41% agreeing that it's a good idea.

In Argentina and Colombia, 44% agreed that such cryptocurrency recognition was needed in their home country; and in Argentina, 21% strongly agreed. In Mexico, 43% wanted their government to follow suit, while Chile erred on the side of caution with just 36% of respondents sharing this view.

El Salvador is the first country to accept bitcoin as official currency. What do you think of this?

- ARGENTINA
- BRAZIL
- CHILE
- 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 advanced 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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