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BLOCKCHAIN LATAM REPORT 2022

KEY REGULATION AND ECOSYSTEM UPDATES IN LATIN AMERICA

SHERLOCK COMMUNICATIONS

INTRODUCTION

Blockchain adoption in Latin America is growing fast. Along with more users, the ecosystem is also growing dynamically and attracting worldwide resources to keep growing.

After all, Latin Americans historically don't trust their institutions. Many countries have a combination of high inflation rates and an unbanked population. Along with that, we've got many migrants that left LATAM to look for opportunities in other nations - and this means that we've got many use cases for crypto.

Bitcoin, stablecoins and other cryptos as storage of value against inflation, banking the unbanked, remittances with much lower fees, DeFi applications that would charge much less interest for a loan, play 2 earn games that can make young guys from favelas transform their lives by playing games and learning about web3. You name it, the use cases are happening and gaining traction.

The past two years of COVID 19 pandemic accelerated the LATAM digitalization of the economy, onboarding many people into financial systems, especially into the crypto economy.

El Salvador is leading the way by making Bitcoin legal tender, issuing Bitcoin backed bonds and creating friendly regulations for web3 builders. Panama, Costa Rica, Brazil, Paraguay and other countries are also discussing friendly regulations towards crypto.

Along with that, the 2021 bull run has filled the blockchain/web3 sector with plenty of funds to invest in Latin America. We've improved user experience, we've got plenty of resources to invest in education and now we've got tools like NFTs and play-2-earn that can actually bring people from "zero to crypto" in a fun way. There are over 250 million unbanked adults in Latin America. This is a huge opportunity for leapfrogging the regular financial system. Many organizations are aiming to include Latin America's unbanked population using web3 applications.

Financial tools are accessible to every smartphone user, but the challenge that concerns is still about adoption: how to educate communities, help them in the onboarding process, and build communities around these organizations?

Financial inclusion also means broadening trust. As the unbanked population enters the financial system, they expand their choices and possibilities: sending and receiving remittances easily, using complementary currencies to purchase daily goods, accessing DeFi credit, accessing UBI platforms, and many other services associated with decentralized finance.

Blockchain gaming and NFTs are already including thousands of Latin Americans into the web3 ecosystem. Being paid for creating art 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.

We foresee that DAOs will start to play a relevant role in 2022. We still don't have all the toolkits ready and with good UX, but sooner or later they'll be adopted. Imagine the possibilities of coordinating people and helping overcome the weak institutions that we have in Latam. And by the way, Panama is willing to regulate DAOs in their Bill.

For the first time since we started this research, we're seeing large scale use cases. 2021 was the year with a huge influx of users into web3 applications and also venture capital, growing 10x from 2020. It's great to see the Latin American ecosystem evolving and maturing. There's still a long way to go, with many challenges ahead. Education, developing new talent to work in a fast growing community and how to govern DAOs are amongst them..

This research highlights key aspects from the blockchain ecosystem in 20 Latin American countries, including Brazil, Argentina, Venezuela, Colombia Mexico and Puerto Rico. Its aim is to provide useful insights for organizations that are aiming to enter the region. We hope you enjoy it.

Luiz Eduardo Abreu Hadad

Lead Researcher: Luiz Eduardo Abreu Hadad
Junior Researcher: Flavia Macedo

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Luiz Eduardo Abreu Hadad

ARGENTINA

Regulation:

Everything indicates that Argentina will increase regulations and taxes on the crypto industry. The government needs to raise more money to meet its internal and external obligations after the agreement reached with the IMF (International Monetary Fund). The country will have to adopt a program of fiscal, monetary, and financial adjustments to increase its income until 2025.

The current external debt exceeds $40 billion, inflation rate hit 50.9% in 2021 and in February 2022 the Central Bank of Argentina raised interest rates to 42.5%.

In July 2021, Argentinian national deputy for the Mendoza province, José Luis Ramón introduced a bill allowing workers to get paid in cryptocurrencies. The reason to propose the bill is to strengthen the autonomy and conserve purchasing power of workers - since the Argentinian Peso has been very devalued over the years. The Argentinian Parliament is currently working on crypto regulations, and a national crypto law is under construction, led by Ignacio Torres, the youngest member of the Argentinean Parliament.

There are currently three taxes in Argentina, two of them were created in 2021.

Income tax:

Cryptocurrencies are taxed like any other intangible asset. The income derived from the sale of digital currencies is taxed at 15%. This used to be the only tax for cryptocurrencies.

Provincial taxes:

Regulations passed in provinces like Cordoba, to tax gross income at a rate of 4 - 6.5%. Also, individuals or businesses who receive payments in cryptocurrencies “in exchange for goods or services” will be subject to a rate of 0.25%.

Other provinces such as Tucumán, Entre Ríos and Catamarca, began to charge additional taxes on the gross income generated by trading cryptocurrencies.

Check tax:

In November 2021 the Argentinian government updated its “check tax” rules, and included crypto exchanges on it. That means crypto sales and purchases are subject to the tax of up to 0.6% on banking debits and credits.

Photo: nathana reboucas/Unsplash

Ecosystem:

Even with a higher amount of regulation and taxes, cryptocurrency adoption has been booming in Argentina. Around 1.3 million people, or 2.94% of the population own cryptocurrency.

The economic downturn, high inflation, deflating currency and shortage of US dollars to invest are a number of factors fuelling Argentinean crypto adoption.

Cheap energy rates and cool climate are incentivizing mining operations in the country. Canadian company Bitfarms announced a 210 Megawatts Mining Data Center.

Inflation rates at 50% per year are driving adoption on crypto exchanges such as Ripio, who raised a $50 million series B investment round and also on crypto cards that offer cashbacks in bitcoin, such as Lemon Cash - who's planning to distribute 3 millions crypto-cards in 2022.

Mercado Libre, an Argentinian ecommerce company, disclosed a $7.8 million bitcoin purchase to the company's treasury in 2021, following a trend set by American companies such as Microstrategy and Tesla. The company also invested in two exchanges 2TM, the parent company of Mercado Bitcoin - Brazil's biggest exchange, and also Paxos, a Peer 2 Peer trading platform and blockchain infrastructure provider who has a strategic partnership with MercadoPago.

A survey commissioned from Toluna by Sherlock Communications in 2021 asked Argentinians why they would consider investing in cryptocurrencies. We found that **66% of respondents** *were* most concerned with protecting their savings. This reflects recent inflation rates in the country: 50.9 in 2021, 36.1% in 2020 and 53.8% in 2019, the highest in 28 years.

Major Soccer Clubs from Argentina are joining the blockchain ecosystem. River Plate signed a contract with NFT gaming platform Sorare and Boca Juniors is considering launching their club NFTs. This would mean different revenue sources for the soccer clubs and a great incentive for adoption driven by the Argentineans passion for soccer - which is quite big.

Argentina ranks 10th on the 2021 Global Crypto Adoption Index by Chainalysis

Key Players:

Mercado Libre, Bitfarms, Moneda Par, Lemon Cash, RSK, Ripio, Sensei Node, Attix Labs,, Sorare, Socios.com, 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 - Sensei node Chief Architect, EOS Argentina Cofounder and leader in Argentina's Blockchain Ecosystem**

BOLIVIA

Regulation:

At the beginning of 2022, the Central Bank of Bolivia issued a statement to reiterate its position against cryptocurrencies. The ban was formally ratified and Resolution No. 144/2020, which prohibits the use, marketing, and trading of crypto assets in the national payment system was highlighted. According to their Constitution, the Resolution N044/2014, and "in order to avoid risks, fraud and deception to the population in general" the Bolivian government strengthens the prohibition on cryptocurrencies.

Ecosystem:

Although financial institutions are prohibited from using cryptocurrencies, individuals are free from the scope of the Central Bank of Bolivia as a regulatory body, which allows them to make transactions at their own risk. At the Blockchain Summit Latam in September 2021 Luis Rivas, president of the Bolivian Bitcoin Community mentioned that there have even been attempts to criminalize "illegal coin trafficking", and he regrets the strong restriction and lack of economic freedom in his country. However, 2,200 members of the Bolivian Bitcoin Community group indicate individual interests in purchasing cryptocurrency even though it cannot be used locally as a means of payment.

Besides crypto assets, blockchain technology has been deployed by some initiatives at Bolivian ground. LAC PropertyChain is a regional initiative sponsored by the Inter-American Development Bank (IADB) with the end goal of using blockchain to streamline the land registry process by making it more secure, more efficient, and exponentially faster than legacy systems. It has been piloted in Bolivia, Peru, and Paraguay, with the goal of extending the test to other parts of South America. The project is connected to the IADB's LACChain, which seeks to accelerate the adoption of blockchain in Latin America and the Caribbean.

Despite the regulatory setback, Bolivian's crypto ecosystem is significant. It ranks 52nd in the Chainalysis' 2021 Global Crypto Adoption Index. Its cryptocurrency market received $5 billion during 2020 and 2021. And from the 157 analyzed countries, Bolivia ranked as 52nd country in terms of cryptocurrency adoption. The country has 215,461 crypto owners, 1.85% of the population, as reported by Triple A.

Key Players:

Bolivian Mind Blockchain, Blockchain Bolivia, Bolivian Bitcoin Community, LACChain

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BRAZIL

Regulation:

A bill to regulate crypto operations in Brazil is under debate in Congress. The PL 3825/19 attempts to create rules on crypto day-to-day usage in financial transactions and as investment assets. The proposal also creates tax incentives for the crypto mining industry, if the organization uses renewable energy and offset its carbon emissions.

This bill seeks to define virtual assets and virtual asset service providers and increase investor protection by increasing regulation. Unfortunately, making Bitcoin legal tender isn't in the Congress agenda. The government is more focused on developing its Central Bank Digital Currency (CBDC), the digital Real.

The Brazilian Securities and Exchange Commission (CVM) published its instruction 626, adopting a 3 year regulatory sandbox. This means that from june 2020, blockchain projects can work closely with the CVM without fear of regulatory reprisals. This instruction helped the blockchain ecosystem to flourish in Brazil.

Taxation:

In Brazil, cryptocurrency holders have to declare it on their income tax if the value exceeds 5,000 BRL.

Capital gain taxes are applied on crypto sales if they exceed the threshold of 35,000 BRL in a single month. The tax rate will depend on the amount. Gains up to 5 million BRL are taxed at a rate of 15%, any amount of gain between 5 million BRL and 10 million BRL is taxed at 17.5%, between 10 million BRL and 30 million BRL at 20%, and profits above 30 million BRL incur a 22.5% tax. Assets received in or from Brazil as a gift or inheritance are subject to inheritance tax. The rate varies with location from 2% to 8%.

Ecosystem:

Crypto adoption in Brazil is growing fast. And Brazil From 2 million people in 2021 to around 10 million in 2022. It's estimated that 4.9% of Brazil's population own cryptocurrencies, and these numbers continue to thrive as crypto finally wins acceptance from the general public and distance itself from police pages.

Crypto-related ETFs debuted in 2021, initially linked to Bitcoin and Ethereum. They became a huge success because investors could enter into crypto markets in a simple, secure and regulated way.

The first Crypto ETF, HASH 11, launched by Hashdex, ranks as the second-most purchased futures on the Brazilian stock exchange with more than 130.000 investors. In total, Brazilians invested BRL 5.629 billions in crypto related investment products approved by CVM.

There are other ETFs listed on the Brazilian Stock Exchange, with options that range from carbon neutral bitcoin to DeFi, and soon others will follow.

Mercado Bitcoin's investment rounds are also helping drive adoption in Brazil. 2TM, the parent company of Brazil's leading exchange, announced a $200MM investment round in June, and a $50MM Series B round extension in November. The Series B round valued the 2TM group at $2,1 billion. Mercado Bitcoin currently has 3.2 million users, and lot's of this funding money should go towards onboarding more users, creating new products and expanding the business throughout Latin America (Argentina, Chile, Colombia and Mexico are "main priorities").

Mercado Livre invested in 2TM, Mercado Bitcoin's holding company, and has already enabled Brazilian residents to buy, sell and hold major cryptocurrencies like BTC and Ether (ETH) through its subsidiary Mercado Pago, a major payments firm in Brazil.

Brazilian builders are using blockchain to cause positive impact, and the projects are gaining traction: Celo, a mobile-first blockchain launched the cREAL stablecoin and is supporting impact projects like Blockforce, Cambiatus and Moss through its ecosystem grants. The carbon credit platform has earmarked more than BRL 100 million to the Amazon rainforest conservation.

Moeda Seeds, an impact focused DeFi platform, reached 100.000 active users in 5 years of operations. Organizations like Bayz and Play4Change are building guilds and promoting financial inclusion and social transformation to thousands of brazilians through play-to-earn games, like Axie Infinity.

Several blockchain initiatives are gaining traction in the public sector. We can mention PIER, from the Brazilian Central Bank and bCONECT, a network for customs developed by Brazil's IRS (Receita Federal). Also, the Brazilian Government decided to use blockchain to timestamp official documents and to issue digital diplomas for all public education.

Rio de Janeiro will host the first Ethereum Rio conference, from March 11th until 20th. The event will be a convergence of builders, creators and thinkers. Held at Museu do Amanhã, it should become an annual event. Eduardo Paes, Rio's Mayor, will participate in it. He already said that Rio should become crypto friendly. The city plans to accept Bitcoin in municipal taxes, to invest a part of its treasury in crypto and to launch Rio Crypto, the city's own cryptocurrency.

Sports are getting into crypto. Soccer clubs like Flamengo, Cruzeiro and others are issuing their own fan tokens. Superstars like Neymar bought Bored Apes NFTs, and the most popular sport in Brazil is joining the web3 revolution.

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. According to the 2021 Chainalysis Global Crypto Adoption Index, Brazil ranks 14th in the world and is the largest market in Latin America by transaction volume, having received under $91 billion worth of cryptocurrency between July 2020 and June 2021.

> "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 - Block4 Cofounder, Edmund Hillary Foundation Fellow**

Key players:

Mercado Bitcoin, Mercado Pago, Foxbit, OriginalMy, Moeda Seeds , Blockforce, Block4, EOS Rio, Hashdex, BLP Crypto, Stratum Blockchain, MOSS, one percent, QR Capital, Banco Maré, Blockchain Academy, Zro Bank, BitCapital, FlowBTC, Play4Change

COLOMBIA

Regulation:

Due to the high adoption rates, 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.

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

Ecosystem:

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.

Tropykus is a Colombian based DeFi platform that has a focus on the Latin American market.

In 2020, 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 harbors around1.5 million Venezuelan refugees, and many of them use crypto assets to send money to relatives living abroad, avoiding high remittance fees.

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

Photo: ricardo-gomez-angel /Unsplash

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.

Colombia ranks 11th on the on the 2021 Global Crypto Adoption Index by Chainalysis

Key players:

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

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. Salary payments up to the minimum wage must be paid in fiat and everything above that can be paid using cryptocurrency.

In November 2021 the taxation authorities in Costa Rica developed a proposal to tax crypto assets. Their proposal is to charge 13% VAT on the purchase of crypto assets, in addition to 15% capital gains. This proposal shouldn't pass because it would disincentivize the blockchain ecosystem in Costa Rica and suffocate innovation.

Ecosystem:

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.

The Pura Vida country 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. There's also a Bitcoin Jungle community in Dominical Beach, an experiment of crypto enthusiasts inspired by the successful Bitcoin Beach from El Zonte in El Salvador. There, more than 60% of comerciants accept crypto, and the community is pretty active on meetups and educational efforts. 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 2,700 members and keeps growing, together with their economic resilience. Cambiatus was nominated at the Blockchain 4 Humanity Shaper's award in 2021 and amongst the 3 finalists on the 2021 Top Tier Impact Awards.

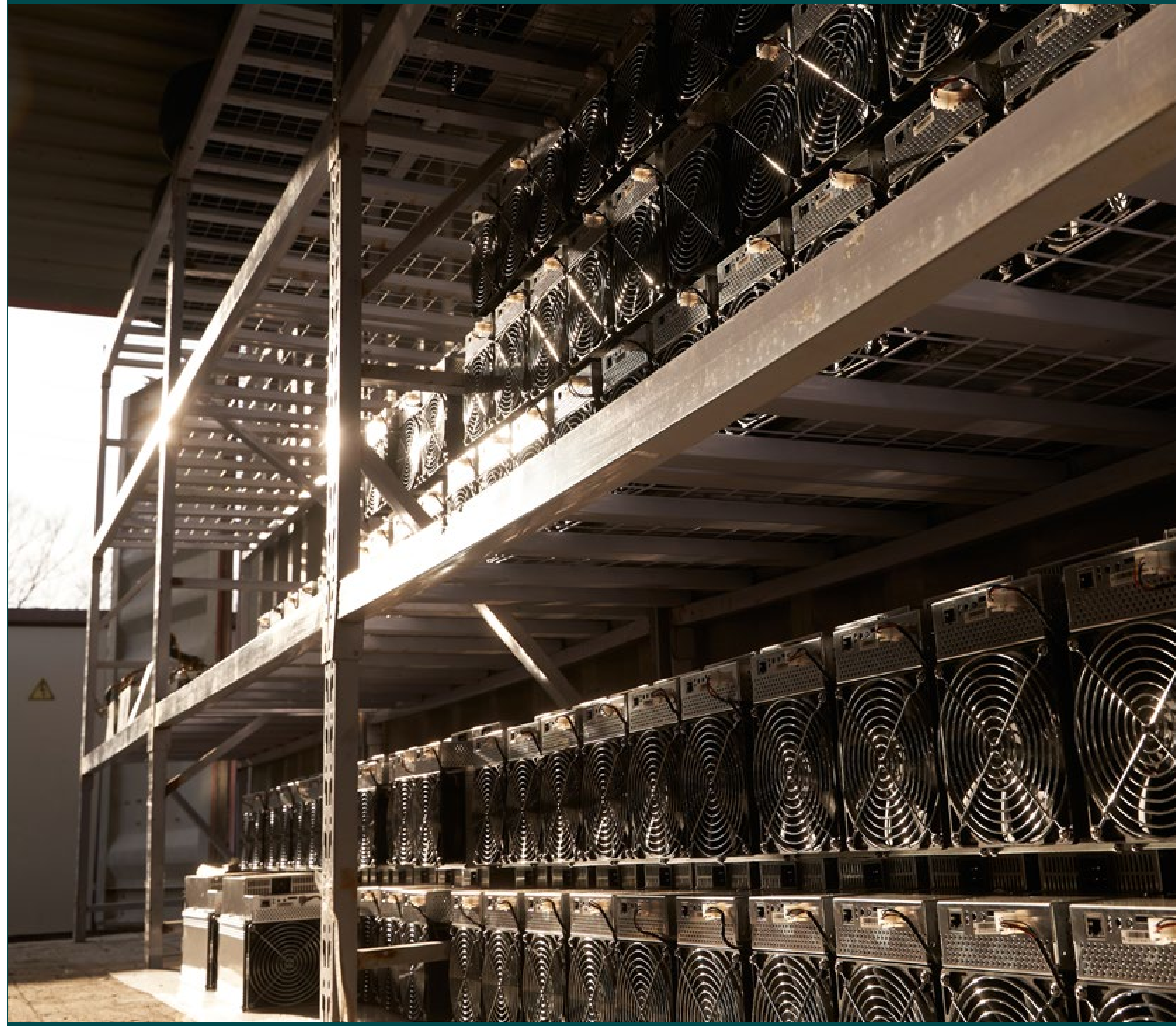
Moreover, Costa Rica has stable and reliable internet connection and one of the largest renewable energy outputs in the world. 98% of its energy is renewable, making it one of the "greenest" on Earth, and an attractive location for mining projects.

Early this year, an Hydroelectric energy plant was forced to reinvent itself after 30 years, because the government stopped buying electricity due to a surplus power supply. They invested $500,000 to venture into hosting digital mining computers, and so far it has been a success. One client said it is almost half the price than mining cryptocurrencies at his house.

Costa rica ranks 75th on the 2021 Global Crypto Adoption Index by Chainalysis.

- **Key Players:**

Blockchain Costa Rica, EOS Costa Rica, Cambiatus, Genesis Blockchain Technologies, Data Center CR, LACC Chain



Costa Rica has stable and reliable internet connection and one of the largest renewable energy outputs in the world. 98% of its energy is renewable, making it one of the "greenest" on Earth, and an attractive location for mining projects.

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.

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. Chile ranks 47th on the 2021 Global Crypto Adoption Index by Chainalysis

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.

CUBA

Regulation:

In August 2021, the Central Bank of Cuba issued Resolution 215 to "authorize the use of certain virtual assets in commercial transactions, and grant a license to virtual asset service providers for operations related to financial, foreign exchange and collection or payment activities." Cryptocurrencies are now officially recognized and regulated by the government, meaning its citizens are free to use them, make money transfers, and even get paid for their work in crypto.

The country took such a step to bypass the sanctions imposed by the United States Government under former President Donald Trump, which began making it difficult for the island nation to receive US Dollars it needs for international trade. The tightening regulations by the US on money transfers between Cuba and the United States included the closure of all 400-plus Western Union offices in the country.

Due to these US sanctions, ordinary Cubans found themselves cut off from the global financial system, thus to partake in online commerce, particularly with another country, cryptocurrencies became a great alternative. Therefore, Cuba now aims to use crypto for remittance and international trade as they make long-distance transactions quick and affordable.

Ecosystem:

Even before Resolution 215 cryptocurrencies were already widely used in Cuba, often via gift cards for online purchases, indicating crypto adoption in Cuba has been a bottom-up phenomenon.

Data from Bitrefill for June 2021 shows that four times as many people buy Cuban digital products (such as Cubacel phone top-ups) using cryptocurrencies as buy similar US products, on a population-adjusted basis. From buying means of transport and electronics, to paying a bar bill and subscribing to streaming platforms, the purchasing power of cryptocurrency in Cuba is constantly growing.

Erich García Cruz, one of the main Cuban crypto influencers, who leads the BitRemesas and QvaPay projects, estimates that there is a large crypto community, of approximately 200,000 people in Cuba. During the COVID-19 crisis, Cruz and other entrepreneurs started a campaign to receive donations to support the health treatment of citizens of Matanzas, the most affected province, and the number of remittances through cryptocurrencies was higher than internal fiat donations. The Miami-based consulting firm, The Havana Consulting Group, estimated that some $2.3 billion (€1.9 billion) arrived in Cuba in remittances in 2020.

Crypto received in Cuba is often exchanged to fiat then used in the MLC stores — Spanish acronym for freely convertible currency — where products can only be purchased with foreign currency. In 2020, the number of MLC stores has multiplied in the country and concentrated the majority of food and basic goods. As most Cubans do not receive their salaries in dollars or euros they could not access MLC stores, causing uneasiness and riots. Since "it's pretty trivial to sell Bitcoin for MLC in peer-to-peer marketplaces in Cuba", cryptocurrencies made MLC stores more accessible.

The access and use of cryptocurrencies have generated collaborative learning networks and spaces, which have made it possible to transcend the use as a passive investment and move towards the diversification of sources of income. Additionally, Cuba has become a growing hotspot for crypto art with several projects in the NFT community. Launched in December, CryptoCuban Social Club is a project created by the renowned Cuban photographer Gabriel Bianchin where he has curated digital portrait photographs of 1,492 Cuban people. The NFT buyers will have access to a community and each photographed person will receive training and a crypto wallet with a share of 20% of the project's sales, gaining access to the "cryptoworld". The NFT market also inspired the creation of ETH Cuba, a 100+ community on Telegram aimed at providing information on the cryptoart sector, the cryptocurrency Ethereum (ETH), and the entire digital framework that it accompanies.

The crypto ecosystem in Cuba is rapidly growing with extensive use cases and political outcomes. The problematic monetary regulations in the country provide a convenient scenario for cryptocurrencies trade and experimentation. As of 2019, six million Cubans had a mobile cellular subscription. That's the floor of the number of people who could utilize and benefit from digital currencies.

However, the 2021 Global Crypto Adoption Index displayed Cuba at a low ranking position as 135th country and a cryptocurrency market of over $1 billion.

Key Players:

Fusyona, Qbita.org, BitRemesas.com, Fonmoney, QvaPay, CryptoCuban Social Club, ETH Cuba

Photo: jessica-knowlden/Unsplash

Cryptocurrencies are now officially recognized and regulated by the government, meaning its citizens are free to use them, make money transfers, and even get paid for their work in crypto

DOMINICAN REPUBLIC

Photo: nantonov/iStock

Regulation:

In late September 2021, the Dominican Central Bank issued a statement on cryptocurrencies and virtual currencies emphasizing that crypto assets do not have the support “or the authorization of the Monetary Board for their issuance and use as a means of payment to carry out transactions of any kind; meaning that they do not have legal tender or liberating force of public or private obligations throughout the national territory.”

In order to consecrate the Dominican Peso as the national monetary unit and warn the population, the statement also repeated the 2017 release text, which indicated that “the regulated institutions of the national financial system are not authorized to use or carry out operations with them (crypto assets) within the Payment System of the Dominican Republic. [...] and if it is directly or indirectly involved in the commercialization or use of any nature of these virtual assets, it could be sanctioned under the provisions of the Monetary and Financial Law, in terms of participation in prohibited operations. Any person who acquires this type of virtual asset, either by way of investment or with the interest of using it as a means of payment, as well as anyone who accepts them as a form of payment in commercial transactions, will do so at their sole risk.”

Ecosystem:

The Dominican Republic is the largest free economy in the Caribbean. According to Deel’s report on tech and remote hiring trends, the country had the greatest growth in freelancer hiring in 2021 (245%), with a 128% gain in employee salaries. The report also highlighted that people in Latin America are increasingly taking part of their paychecks in crypto, being 52% of the withdrawals from this region. Although the Dominican Republic was not in the top 3 countries with crypto paycheck withdrawals, it indicates a potential market.

Despite the regulatory gray zone, where cryptocurrencies are not supported by the government but citizens can still use it at their own risk, the crypto market is rising strongly in the country and its defenders advocate for regulations and standards that allow its use in stores and digital platforms. According to Coin ATM Radar and Coinmap, there are 13 bitcoin ATMs and 7 businesses accepting cryptocurrency in the Dominican territory; most of them are concentrated in touristic spots.

Giuliano Simó, CEO of BitcoinRD, shared that the company has 10 ATMs to buy and sell Bitcoin throughout the country and more than 50 thousand people use its services. Jairo González, CEO of the financial group Harvest Trading Cap, quickly entered the stock market and became the first Dominican to create a cryptocurrency. Harvest Coin is the official cryptocurrency of Harvest Trading Cap and will be used to support the company's services. It has +400 members in its telegram community. Further, González claims that 8 out of 10 young Dominicans are interested in investing in cryptocurrencies but the population lacks information about it so one of Harvest's projects is an Academy aimed at providing financial education on cryptocurrencies.

Even if the Dominican Republic is not considered one of the greatest countries on blockchain adoption, it shows strong potential for technological growth and crypto operation. A varying range of sectors from energy to tax systems could benefit from blockchain advantages. Taking as an example the remittance economy that moved $8 billion to the Dominican Republic in 2020, we can point out some innovative ventures trying to optimize such payment processes. Like the successful pilot on the LACChain Blockchain Network concluded in 2021 by the Inter-American Development Bank and Citi Innovation Labs, in which a cross-border payment was made from Washington D.C. to a recipient in the Dominican Republic.

Additionally, the country got the 51st position on the 2021 Global Crypto Adoption Index ranking, with a cryptocurrency market of $9 billion and nearly $100 million of value received by P2P platforms. And according to Coin Dance during the past 6 months, the weekly Localbitcoins volume ranged from 5 to 10 million Dominican Pesos.

- **Key Players:**

BitcoinRD, BitRD, Harvest Trading Cap, LACChain

Even if the Dominican Republic is not considered one of the greatest countries on blockchain adoption, it shows strong potential for technological growth and crypto operation

ECUADOR

Regulation:

To this date, crypto assets are still banned by the government as means of payment as reminded lastly by these 2018 statements on cryptocurrencies and Bitcoin.

The Central Bank of Ecuador is preparing cryptocurrency-related regulations for 2022 as announced by Guillermo Avellan, manager of the Central Bank in an interview on January 31st. The key message is that It's not their intent to turn cryptocurrencies into legal tender, as happened in El Salvador. For 22 years the dollar has been the only legal tender in the country and for Avellan the dollarization has been successful, as to the cryptocurrencies he declared that "given their high volatility, it is very difficult to consider them as legal tender."

However, Avellan recognized its importance as an investment asset and indicated that the regulations will be aimed at clarifying the use of cryptocurrencies in Ecuador and preventing possible illegal use of crypto assets, such as money laundering.

With regards to Dinero Electrónico, the mobile payment system developed by the Central Bank to allow USD transfers and increase financial inclusion, the program was discontinued in 2018 due to several reasons, including commercial bank opposition, low adoption, and public criticism.

Ecosystem:

Despite the governmental warnings and ban on the use of cryptocurrencies, its market is significant, especially as an investment option. According to Kruger Corporation's database, Ecuador moves bitcoins for the equivalent of about USD 400 million a year. Ernesto Kruger, CEO and founding partner of the Ecuadorian technology company also declares that some businesses accept bitcoin as means of payment.

Following the example of Bitcoin Beach, in El Salvador, a community of 40 families in a rural area of Ecuador adopted bitcoin as their local currency. Their savings fund is now in BTC and a tourism program with bitcoin has already started.

And the worldwide NFT boom led to the first physical NFT exhibition in Latin America hosted at the International University of Ecuador (UIDE) in Quito. The gallery was open from Nov. 24 until Dec. 23 and displayed around 40 works by four Ecuadorian artists and 15 foreigners, arts valued at $160 million in total. At the opening, Vice-Chancellor Nicolás Fernández announced that the UIDE will be the first university in Latin America to accept the Cardano cryptocurrency for tuition payments and donations. Furthermore, blockchain technology is being applied by several Ecuadorian projects and businesses. It has helped increase the shrimp exports by 25.5%; it can now be legally used for corporate record-keeping purposes; it allowed the creation of a token that seeks democratization of wealth through financing community projects; it was used on a pilot targeted at delivering crypto vouchers to women at risk of gender-based violence who are in need of health services; and it was employed to tokenize a company's shares.

Financial inclusion is a declared issue of Ecuador as described by Guillermo Avellan, manager of the Central Bank "50% of the population does not have access to an account in a financial institution." However, 8 out of 10 people have a smartphone, indicating the potential scenario for the rise of fintechs and cryptocurrencies. Fintechs managed more than $5 million dollars and thirty thousand transactions in 2019, and according to the 2021 Global Crypto Adoption Index, the total value received by the cryptocurrency market in Ecuador was approximately $8 billion, and nearly $100 million was received by P2P platforms. At the ranking, it was the 6th country in Latin America with the greatest crypto adoption and scored an overall index ranking of 35.

Key Players:

Criptoasesores, Libertex, Kruger Corporation

EL SALVADOR

Regulation:

Over the last year El Salvador became Latin America's friendlier blockchain ecosystem. The government passed a Bitcoin Law, becoming the first country in the world to officially adopt the Bitcoin Standard. The legislation took effect on September 7th 2021, declaring Bitcoin 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 is accepted as a means of paying taxes, while salaries and pensions will continue to be paid in US Dollars. No capital gains are applied to Bitcoin, due to its legal tender status.

There are still 52 Bitcoin reforms "in the oven", and we can expect the country to continue leading the Latin American ecosystem in regulatory terms.

Ecosystem:

Adoption 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". 3 weeks after its launch, Chivo wallet reached 2.1 million users, around 30% of El Salvador's population and more than any bank operating in the country.

Rolling out a product like this in a whole country is quite challenging. Many issues were reported, like missing funds, failed transfers, blocked accounts and identity theft. The NGO Cristosal Human Rights received around 1,200 complaints, the majority of them having to do with user's credentials being used by someone else without their consent to make or use Chivo accounts. To solve these issues,software developer AlphaPoint was hired to work on Chivo and improve it .

Onboarding a whole nation has technical, cultural, educational and even foreign policy challenges. The IMF urged El Salvador to drop Bitcoin as legal tender and better regulate the digital wallet, but the president Nayib Bukulele responded on twitter with a funny The Simpsons meme, making fun of the recommendations.

El Salvador's credit rating was downgraded to junk (CCC) status by Fitch, mentioning that "the adoption of Bitcoin as legal tender has added uncertainty about the potential for an IMF program that would unlock financing for 2022-2023". They also mention that El Salvador added Bitcoin to their foreign reserves (around 1,801 BTC) and the uncertainty

Photo: mauricio-cuellar/Unsplash

around the "capacity of issuing Bitcoin backed bonds through new distribution channels".

Bitcoin backed bonds are an innovation in the public sector, in which El Sal is leading the way. Inspired by Michael Saylor's Microstrategy, the so called "Volcano Bonds" are planned to be issued this year, with a BTC booster coupon rate of 6.5% and 10 years duration. $500 million will be used for buying BTC and $500 million will be invested in Bitcoin mining.

The success of this bond is tied to the Bitcoin price performance over the next decade. Informal commitments towards Volcano Bonds have crossed $500 million. The launch could happen between March 15th and 20th, but a precise date is still unsure. Timing became a key aspect to launch, due to the uncertainty added to the cryptocurrency market after Russia's invasion of Ukraine.

If the Volcano Bonds are successful, they can set the stage for other countries with a similar profile to El Salvador to raise money in a different way. It is a mix of initiatives that go from building a friendly regulatory framework for crypto, accessing capital markets and developing a public policy to incentivize web3 development (such as investing in Bitcoin and incentivizing Bitcoin mining with clean energy sources).

Many companies are investing in El Salvador as a result of friendly regulations: Strike started operating in the country, crypto trading platform Paxful has opened "La Casa del Bitcoin," a bitcoin educational center in El Salvador to enable free learning opportunities related to BTC and boost adoption.

Bitso and BitGo are helping with the Chivo Wallet while Algorand and Koibanx are developing the government's blockchain infrastructure.

Tourism is an area that has been experiencing growth after the Bitcoin law. The country is seeing a 30% uptick in tourism since it officially adopted bitcoin as legal tender. Crypto conferences are choosing El Salvador as a destination: Labitconf happened there last year and the World Blockchain Festival is happening in April.

The local government is creating a friendly ecosystem for Bitcoin mining and Crypto companies to come to the country and develop a blockchain innovation hub. A program to attract Crypto Entrepreneurs is also on the making, and with $100,000 investment one could become a country's permanent resident, paying no capital gains.

The president Nayib Bukulele, who is conducting the crypto revolution in El Salvador, has 85% of public approval. These developments are very promising, and close attention should be paid to what is happening in El Salvador since it is already reverberating across other Latin American countries, like Brazil, Paraguay, Panama and even Cuba.

El Salvador ranks 100th in the 2021 Global Crypto Adoption Index.

Key Players:

El Salvadoran government, Chivo Wallet, Bitcoin Beach, Strike, Blockstream, AlphaPoint, Paxful, Algorand, Bisto, BitGo, Koibanx

> "Cryptocurrency will help in the long term; the possibility of not relying on banks for transactions or saving money is great. For a small country with a small economy like El Salvador, financial entities might offer more competitive services or fees to stand out. Also, having a decentralized currency like Bitcoin might give more power to entrepreneurs and local businesses to grow without much hassle. Still, everything will depend on the level of knowledge/education people have about crypto and finances, but it's interesting at what level we can grow as a country in the future."
>
> **Diego Cerritos, a 25-year-old marketing specialist from San Salvador, interview for Dailycoin.com**

GUATEMALA

Regulation:

There are no laws or regulatory guidelines for the case of cryptocurrencies in Guatemala. In a virtual forum held on July 8, 2021, Erick Vargas, Superintendent of Banks, recalled that cryptocurrencies are not supported by the State of Guatemala, as they are not legal tender in the country, nor are they considered currencies. Later in September 2021, a week after El Salvador implemented the Bitcoin Law, José Alfredo Blanco, the vice president of the Central Bank of Guatemala announced during an economic forum the plan to launch a national cryptocurrency and issue a local digital currency that would be called iQuetzal. He also added that the committee to work on the central bank digital currency (CBDC) was formed only six months before the announcement and it could take a long time to complete the investigation phase of a CBDC study.

Adoption:

The majority of businesses that accept Bitcoin as a payment method are in Guatemala City, and they are mostly hotel chains. Antigua Guatemala also provides Bitcoin trading options, which opens up prospects for the tourism industry. For instance, the first bitcoin ATM in the country run by GeneralBytes was located at a Hostel in Antigua Guatemala. Private institutions, such as Francisco Marroqun University, have entered the Bitcoin market and have been accepting Bitcoin donations since 2013. Similarly, according to Coinmap, there are 15 registered businesses that accept cryptocurrency as a form of payment.

Recently, in the western highlands of Guatemala, Dr. Patrick Melder founded Lago Bitcoin (Bitcoin Lake), an initiative that aims to emulate the Bitcoin Beach experience from El Salvador. Melder claims that Bitcoin is the perfect tool to alleviate poverty, create green energy, foster financial literacy, and bring hope to the communities surrounding Lake Atitlán. Bitcoin Lake's pilot is an educational center where to start the circular economy young people can be paid in sats (the smallest unit of bitcoin) to perform some tasks, like cleaning of Lake Atitlán. They are also considering using human waste as a renewable energy source for bitcoin mining.

Ecosystem:

Some Guatemalan institutions are investing in blockchain education and technology. In 2021, the Central American Association of Cryptocurrency Users, together with Guatemalan exchange COINCAEX, organized the Virtual Meet-Up: "Bitcoin: the greatest event in history", where it brought together international exhibitors such as Íñigo Molero (EthicHub) and Rodolfo Andrágnes (LaBitconf)

Photo: DEZALB/Pixabay

to share about the impact of Bitcoin in the world and the Latin American region. Also, IBEX, another Guatemalan exchange, has promised to run a bitcoin and Lightning Network node in the area. Some other project running in Guatemala is Novi, Facebook's digital wallet launched October 2021, which focuses on remittance between the U.S. and Guatemala. The pilot received criticism from lawmakers and now the digital wallet is being redirected to NFTs.

With regards to the 2021 Global Crypto Adoption Index, Guatemala ranked 83 within all countries analyzed with more than $10 million in value received by P2P platforms.

Key Players:

Blockchain Developers Guatemala, EOS Meso, Asociación Centroamericana de Usuarios de Criptomonedas, Coincaex, IBEX

HAITI

Regulation:

Currently, there are no cryptocurrency-specific regulations or legislation in place in Haiti. The last announcement was made in 2018 by the Bank of the Republic of Haiti (BRH) stating that cryptocurrencies are not legal tender in the country. It also recognizes the importance of technological innovations for economic growth and invites players to be cautious about the related risks.

Ecosystem:

Back in 2019, the BRH announced its plan to create a central bank digital currency (CBDC), with the aim to improve the domestic payments system and promote financial inclusion in Haiti as only 32% of Haitians are banked, yet 64% have mobile telephones and the remittance economy takes over 30% of country's GDP. Public contests were held to choose the currency name and logo, and Bitkòb was the winning name for the digital Goud.

Competing with the CBDC and with the claim to fight corruption, the opposing Haitian politician Jean-Charles Moïse announced in May 2021, the launch of another cryptocurrency, the BitGoud. The project was carried out in conjunction with commercial banks from Venezuela, Panama, and China and targets middle-class business entrepreneurs.

A third Haitian cryptocurrency venture is Konbitcoin. It was created by Haitian developers and officially launched on November 30, 2021, with the main goal of promoting, in Haiti, agriculture as well as blockchain education. To this end, a fee of 14% is levied on each transaction in order to subsidize projects relating to education, agriculture, and livestock.

The devastating 7.1 magnitude earthquake that struck Haiti in August 2021 mobilized the crypto community and Binance organized a campaign to raise donations in cryptocurrency, to sum up with the $50,000 in Bitcoin (BTC) donated by Binance Charity. Blockchain is also supporting humanitarian aid through the partnership of NGO Hope for Haiti, Celo, and Emerging Impact, in which they are using cUSD stablecoin to provide cash-based assistance for 150 mothers in its community nutrition program.

According to Triple A report on crypto adoption, in Haiti, there are 107,752 crypto owners, 0.94% of the

Photo: heather-suggitt/Unsplash

population. Which turns Haiti into a country with more users in the Caribbean. As for the 2021 Global Crypto Adoption Index, it received about $500 million last year at the crypto market and was the 120th country on the adoption index.

Key Players:
Plastic Bank, AgriLedger, Haiti Blockchain Alliance, Cryptocurrency for Haiti, Celo

HONDURAS

Regulation:

Honduras, like many other Central American countries, has no specific legislation or regulation regarding cryptocurrencies. A regulatory document issued in March 2021 by the Central Bank clarifies that according to the Security Market Law some tokens and cryptocurrencies could be considered a security under Honduran law, depending on the characteristics of the particular token. Still, the last Central Bank's statement disclaims the institution from all responsibility for issues based on cryptocurrencies, since it does not regulate it.

More recently, the Honduras central bank president Wilfredo Cerrato announced that the institution is also studying the possibility of issuing a CDBC. Two months before, the executive president of the Central American Bank for Economic Integration declared their availability to provide technical assistance in the use of cryptocurrencies to the Government of Honduras.

Ecosystem:

The first cryptocurrency ATM opened in Honduras on August 2021 as proponents hoped to boost demand after the neighbor El Salvador became the first government to recognize bitcoin as legal tender. The second ATM was installed in December 2021, with a third on its way. The fact that Hondurans living abroad sent $5.7 billion in remittances in 2020, accounting for over 20% of the country's GDP, and that many software developers in Honduras are already paid in cryptocurrencies also supported the initiative. Juan Mayén, the entrepreneur behind La Bitconera, Honduran first crypto ATMs is also the founder of BUIDL Honduras, a crypto-focused community made up of hundreds of Hondurans on Discord.

From different perspectives, blockchain technology is being used to support agricultural development in Honduras. The tech giant International Business Machines (IBM) joined efforts with Heifer International and provided access to IBM's private blockchain Food Trust network to connect coffee and cocoa farmers to buyers and allow the information on their supply chains to be verified. Another project supporting Honduran farmers is the P2P financing platform EthicHub, which allows crowdfunding to small producers through xDai stablecoin.

Located on the island of Roátan, Próspera is the Honduras' Employment and Economic Development Zone (ZEDE) specialized in technology, entrepreneurship, and business services. Próspera's corporate authority announced in April 2021 that the special economy zone signed a resolution

Photo: Michelle Raponi /Pixabay

approving cryptocurrency as means of payment. The governance platform and charter city developer also allow investors to acquire fractional ownership of real estate in Próspera with a security token.

Triple A report claims there are 101,815 crypto owners In Honduras, 1.03% of the population. The 2021 Global Crypto Adoption Index marks Honduras as the 58th country on the crypto adoption index. And 11 businesses are registered in Coinmap.

Key Players:

GrainChain, TetraTech, Blockchain en Honduras, BUIDL Honduras, Próspera

MEXICO


Photo: david-carballar/Unsplash

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.

Mexico's ministry of Finance issued a comuniqué stating a ban on the use of cryptocurrencies in the country's financial system. He said cryptocurrencies aren't legal tender assets and aren't treated as currencies within the country's current regulatory framework. Those bans are not expected to be lifted in the short term. In addition, the document said financial institutions in Mexico aren't authorized to deal with virtual assets "in order to maintain a healthy distance between there and the financial system". Financial Institutions that conduct or offer operations with virtual assets without an authorization will be in violation of regulations and subject to applicable sanctions.

The statement came after Mexican Billionaire and Bitcoin Bull Ricardo Salinas stated that he's working to make one of his companies, Banco Azteca, the first bank to accept Bitcoin in Mexico.

There are crypto enthusiasts in the Mexican Congress: Senator Kempis Martinez said that "adopting Bitcoin as a Legal Currency is an opportunity for national growth", after visiting El Salvador.

Mexican legislators and tax authorities have remained silent on the tax treatment of cryptocurrencies. There is no tax rule in Mexico that makes reference to cryptocurrencies of any kind.

There are interpretations that apply general tax provisions, and make taxation rates applicable on income tax, from 30 to 35%, 16% VAT on every transfer within mexican territory (but 0% if the buyer is outside of Mexico) and 10% capital gains

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.

Bitso became Latin America's first crypto unicorn putting the company's valuation at U$ 2.2 billion in May 2021. The Mexican exchange used the funds to expand its presence in Argentina, Colombia, Brazil and El Salvador. Number's show it's been working: they currently have 4 million users and are working to build innovative features for the Mexican community.

From enabling the first crypto-funded transfer of a female soccer player to incorporating stablecoin Circle for Cross-Border payments, Bitso is at the forefront of crypto innovation in Mexico.

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.

The MExican company delt.ai announced that it raised U$25 million in debt through TrueFi, a DeFi lending platform designed by TrustToken. The entire financing was through cryptocurrencies

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 44th in the world in Chainalysis' Global Crypto Adoption Index 2021.

Key Players:

The Volabit and Bitso exchanges, with the latter boasting 4 million users. Delt.ai, Banco Azteca, 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.

Photo: alesia-kozik/Pexels

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

NICARAGUA

Regulation:

The National Assembly of Nicaragua approved on May 2021 some reforms and additions to the Law n°, 977/2018 (Law Against Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction) in which Article 32 provides the “Regulation of remittance services and purchase and sale and/or currency exchange” and includes directives on fintechs, cryptocurrencies, and any other virtual currency.

Ecosystem:

For blockchain and cryptocurrency adoption to rise in Nicaragua firstly financial inclusion issues must be addressed. According to a 2016 Financial Inclusion Survey conducted by the Central Bank of Nicaragua (BCN), just 12.4% of the country’s adult population had a bank account. When the average number for other countries in Latin America was 51%. Additionally, only 1.40% of people in urban areas and 0.40% of people in rural regions used mobile devices to conduct financial transactions. Even though those numbers might have risen it demonstrates the country’s obstacles concerning its neighbors. Regarding its potentiality, Nicaragua is facing a growing trend with respect to the remittance economy, in which $2,146.9 million were received in remittances, registering 16% growth to the flow received in 2020 (US$ 1,851.4 million). The country also faces political sanctions due to its dictatorial governorship, which jeopardizes Nicaraguans’ ability to receive salaries from abroad, who already suffer from high taxes from traditional banks. The financial isolation and the lack of remittance alternatives can make cryptocurrencies’ adoption highly attractive.

The interest in the cryptocurrency topic can be seen in the public Facebook group Criptomonedas Nicaragua, which has 17,900 members. Also, the Nicaraguan University Network of Banda Ancha (RedRUNBA) is part of the Latin American Cooperation of Advanced Networks (RedCLARA), that have established an agreement for the development of a blockchain ecosystem in Latin America, allowing blockchain to benefit the academic and scientific community of the country.

There are 13 businesses accepting cryptocurrency in Nicaragua according to Coinmap. As for Triple A report it shows 1.11% (73,594) of the population of Nicaragua are crypto owners. Over $500 million were received by the crypto market in 2021 as shown by Global Crypto Adoption Index, and Nicaragua was the 110th country the crypto adoption overall index.

Key Players:

Criptomonedas Nicaragua, Binance, Kraken, CEX.io


Photo: Joel Carillet /iStock

According to a 2016 Financial Inclusion Survey conducted by the Central Bank of Nicaragua (BCN), just 12.4% of the country’s adult population had a bank account

PANAMA

Regulation:

In Panama, currently there is no guidance on what crypto activity is legal and what is not, resulting in a “gray area”.

However, Panamanian pro-crypto Congressman Gabriel Silva proposed a bill to regulate digital assets. The bill recognizes Bitcoin as a new alternative for global payment, and businesses would accept it at their own discretion. They had the participation from the Panamanian crypto community and considered guidelines from international organizations, such as the Financial Action Task Force.

The bill subjects cryptocurrencies to the capital gains regime, and will also regulate DAOs in the country. This would also allow the Central American country to strengthen its burgeoning crypto space whilst also welcoming numerous crypto firms into its territory hoping to make Panama a choice jurisdiction for many organizations willing to issue tokens.

Ecosystem:

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. 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. Panama ranks 84th on the Global Crypto Adoption Index.

Key Players:

PTY Bitcoin Academy, Panama Crypto, Eth Panama

PARAGUAY

■ **Regulation:**

As with most countries, there is no regulatory oversight of cryptocurrencies in Paraguay. However, there's a bill approved in the senate, and now it will be considered by their deputy's chamber. We can expect these regulations to be approved this year (2022).

Although Carlos Reajala drafted a bill in which Paraguay would make Bitcoin legal tender, the spirit of the current legislation is to regulate the industry, define virtual assets service providers, cryptocurrency mining and tokens. It is expected that they require a license to mine crypto.

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.

■ **Ecosystem:**

The UsefulTulips website shows that Bitcoins trading volume in Paraguay is very low. Businesses are starting to accept crypto, such as the Grupo Cinco, who describes themselves as Paraguay's largest entertainment company. University in Paraguay is also accepting Bitcoin as payments for tuition.

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 meters, 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.

Paraguay ranks 122nd in the Global Crypto Adoption Index.

■ **Key Players:**

Cripex, Gobit SA, Casa Bitcoin, Signatura.co., Grupo Cinco, University in Paraguay

The Commons Foundation has launched a project in Paraguay called the Golden Goose, to build the biggest crypto mining center in the world

PERU

Regulation:

The Congress of Peru will debate on the draft law "Ley marco de comercialización de criptoactivos" (Core law of crypto assets commercialization) presented December, 2021 by the Peruvian legislator, José Elías Ávalos. The bill grants bitcoin a status of "asset with accounting value", and outlines certain criteria and guidelines for the operation and functioning of crypto exchanges. It also highlights that investors are primarily responsible for their actions when using digital assets. In addition, it proposes the creation of a public registry of crypto service providers and a tacit and mandatory commitment to report "suspicious operations" to the Financial Intelligence Unit. Unlike El Salvador, cryptocurrencies would not be considered legal tender.

The plan of the Central Reserve Bank of Peru (BCR) to launch its own digital currency seems to be on its final steps as Julio Velarde, the president of BCR, announced in February 2022 that the CBDC white paper will be finished in over a month.

Ecosystem:

Peru is facing a crypto boom. According to Chainalysis, Peru is country 22 out of 154 countries in the Crypto Adoption Index, and the fourth country in Latin America with over $10 billion of total value received and $100 million received by P2P platforms. There are more than 80 Peruvian businesses registered on Coinmap. The Triple A report estimates that over 1.2 million people, 3.7% of Peru's population, own cryptocurrencies, and in 2020 the country recorded an 18.3% increase in Blockchain crypto wallet usage.

Further, based on the statistics for the first half of 2021 published by the exchange Buda.com, it revealed that the volume traded on the platform for the prior 6 months grew by 613%, reaching a figure of $42 million. And the city of Lima concentrated 64.7% of all operations, with a total of $ 27.5 million.
The enthusiasm for cryptocurrencies also appeared at research realized by Buenbit, the Argentinian exchange that adopted Peru as its second market, in which the result revealed that 60% of banked Peruvians showed interest in buying cryptocurrencies, while 20% said they had already bought cryptocurrencies at some point.

Due to the cryptocurrency market growth, fintechs and financial companies are targeting the Peruvian


Photo: eduardo-garcia/Unsplash

The Triple A report estimates that over 1.2 million people, 3.7% of Peru's population, own cryptocurrencies market. The Banco de Credito del Peru (BCP) - the largest in the country - announced its plan to include crypto products within its ecosystem. Tribal Credit and VIsa are planning to expand credit and financing options for small and medium-sized businesses in Latin America, enabling them to utilize cryptocurrencies and blockchain technology to accept payments and transfer funds, and Peru is one of their initial focus.

While ‘Agente BTC’, a local exchange, announced the launch of 12,000 physical points of sale in April 2022 with the goal to make crypto transactions easier for some end users.

The firm Fluyez launched the Cripto Bank of Peru platform, which works with more than 60 cryptocurrencies and has more than 5,000 verified users, with plans to register $ 150,000 as a quarterly transaction volume in its first year of operations. Moreover, Anclap introduced a stablecoin 100% pegged to Peru’s national currency.

The high interest in cryptocurrencies also attracted malicious people as the country is the leader in Latin America in the number of victims of cryptojacking. However, the technological innovation of blockchain is also being deployed by environmental and social initiatives. Integra and Minespider are implementing a project to allow responsible gold tracking and reduced environmental footprint for mining operations. The Conservation NFTs campaign seeks to increase the budget for effective control and surveillance of Peru’s protected areas. Wood Tracking Protocol tracks illegal logging in the Peruvian Amazon. And Firulaix provides a civil registration to all animals, facilitating the adoption, location of lost animals, pedigree traceability, and pet-lover trades. The Inter-American Development Bank (IDB) realized a pilot in Peru where water and sanitation microfinance was used to promote financial inclusion. And +Algodão project organized a pilot project in Peru with a 5,200 families cooperative to track cotton production, information, and transactions, and bring transparency to the textile industry.

There are governmental incentives to foster technological development too. The Ministry of Production of Peru declared, on September 2021 a $1,600,000 fund for medium and small businesses to implement blockchain and other types of technologies, in order to increase their production.

- **Key Players:**

Agente BTC, Buda.com, Buenbit, Cripto Bank of Peru, Binance, Kraken

Photo: peter-livesey/unsplash

The Ministry of Production of Peru declared, on September 2021 a $1,600,000 fund for medium and small businesses to implement blockchain and other types of technologies, in order to increase their production

PUERTO RICO

Regulation:

Puerto Rico is an unincorporated US territory, though it is under the same federal law it has an independent tax system. Since November 2021, the Puertorican House of Representatives is analyzing Resolution 527, which brings a series of legislative proposals for the use of blockchain and crypto assets. Besides the acceptance of cryptocurrencies as means of payment, it also mentions benefits for the government storage system; possible cryptocurrencies donations to municipalities; how Blockchain can provide trust and transparency to electoral processes; among other possible uses of the technology. Jesús Manuel Ortíz González, president of the Government Commission, stressed that "as there is still no certainty in the federal government, the state government is quite timid in handling cryptocurrencies, but this is a technology that is here to stay".

The Department of the Treasury published a newly proposed reform to the Sales and Use Tax (IVU) including NFTs in the specific digital products group. The governmental intent to tax NFTs sales was questioned by tech experts, who raised the debate on how this technology would be supervised by the government when it is not possible to know if the person making the purchase resides in Puerto Rico.

Ecosystem:

Due to legal and financial incentives, a wave of wealthy crypto investors moved to Puerto Rico in the last two years, turning the island into a tax haven and crypto paradise. Until October a record number of 1,349 applications for resident investors were received in 2021. Brock Pierce, chairman of Bitcoin Foundation, is one of the main cryptomagnates leading the "Puerto Crypto or Puertopia" movement.

After Hurricane Maria in 2017, more than 140,000 residents abandoned the island, causing real estate prices to collapse. According to a census, the island's population decreased by 11.8% from 2010 to 2020. To attract foreign investors the Puerto Rican government repacked the law now known as "Act 60", which allows investors who have not lived in

Puerto Rico for at least 10 years to qualify for the tax breaks. Also, to become a bonafide resident and pay 0% tax on capital gains and dividends you must own a house there. Even though most Act 60 beneficiaries make expenditures on luxury buildings the real estate prices experienced a stratospheric rise even in rural areas, with a 24% increase in home prices across the island.

The financial incentives worked well and now the new residents of Puerto Rico are facing criticism and some protestants even call them "crypto colonizers". This tension is taking most of the news and is relatively understandable considering 43% of Puerto Rico's population lives in poverty and that the cost of living increased by 7% between 2020 and 2021. On top of that locals are not benefiting from the same tax breaks and are finding it hard to afford the real estate prices.

One of the positive aspects of having a critical mass of crypto experts is the heated educational scene. The one-day summit "Metaverso, focused on NFTS and San Juan's weekly CryptoCurious events debuted by the Puerto Rico Blockchain Trade Association draw steady crowds.

An interesting case relates to the FV Bank, a digital bank based in Puerto Rico, which has announced the opening of an unusual account that allows users to hold digital assets alongside fiat currencies and convert cryptocurrencies to US dollars or other traditional currencies. Users will be able to borrow against cryptocurrency assets and access credit lines on their Visa credit cards.

According to Coin ATM Radar, there are 40 ATMs in Puerto Rico. Coinmap marks 34 businesses accepting crypto. Triple A report estimates 35,851 crypto owners in Puerto Rico, 1.25% of the population. And the Global Crypto Adoption Index shows the island at position 119 on the overall index, with over $10 billion received by the crypto market in 2021 and over $1 million received by P2P platforms.

- **Key Players:**

Unicorn.vc, Raincoat Project, Coqui Cash, FIO Protocol, Puerto Rico Blockchain Trade Association

Due to legal and financial incentives, a wave of wealthy crypto investors moved to Puerto Rico in the last two years, turning the island into a tax haven and crypto paradise

URUGUAY

Regulation:

In a recent interview Diego Labat the president of the Central Bank of Uruguay mentioned the next steps in the regulation of digital assets, which includes sending the bill to Parliament, and argued that cryptocurrencies will not be regulated soon since it still does not have relevant circulation in the country's economy for the institution to regulate them.

The bill was presented in October 2021 by ruling party senator Juan Sartori and included a regulatory framework for crypto exchanges and miners. It states that the complying crypto assets will be recognized as valid means of payment and accepted by law, also applicable in any legal transaction. If it becomes law, three licenses would be issued, one allowing companies to trade, another allowing its storage, and a third to issue crypto assets with financial characteristics.

In the same month, the Central Bank of Uruguay issued a statement to provide information and recommendations to citizens about its relation to the development of "virtual assets". It recognized cryptocurrencies' potential for the development and efficiency of the financial system and also highlighted potential risks and the need for a specific regulation to mitigate them.

Later in December 2021, it issued a more comprehensive document, the 'Conceptual framework for the regulatory treatment of virtual assets in Uruguay'. The document provided a conceptual framework for the understanding and categorization of different instruments and their operations. And it represents a great contribution to the analysis of a regulatory approach for crypto assets in the country.

On the exchange of real estate for cryptocurrency, the General Tax Directorate (DGI) issued binding consultation in which it expressed that this transaction should be categorized as an asset exchange and not a sale, with intangible assets (crypto) being exchanged for a tangible real estate asset.

Ecosystem:

InBierto company installed in January 2022 the first crypto ATM in Punta del Este and it was a huge success, with more than 1,000 transactions carried out just a few hours after its opening and more than 10,000 throughout the month.

The enterprise announced the installation of another three ATMs in different cities of Uruguay and plans to expand to other countries of the region as they received up to 120 requests to install this technology.

The ATM network is called U-Teller, and they were manufactured on Uruguayan soil by the companies InBierto and Urubit. Both corporations have their own cryptocurrency available for withdrawal in the ATMs, Ferret Token (FRT) and Urubit (URUB), respectively.

The Uruguayan cryptocurrency Ferret had all the 500 million coins allowed by the smart contract already issued and had a growth of 1,200%.

After this success businessmen were inspired to consider Uruguay as a possible Crypto hub in Latin America and they held the forum "Crypto in Uruguay: What are we up to?" to address the potential of cryptocurrencies growth in the country.

According to Maximiliano Hinz, the Director of operations of Binance for Latin America, there are more than 250 companies that accept payments with cryptocurrencies in Uruguay. Coinmap shows only over 30 businesses with a greater distribution of those in the coastlines.

Triple A report estimates 50,119 crypto owners, 1.44% of the Uruguayan population. The 2021 Global Crypto Adoption Index marks Uruguay at 105th country on the overall index, with almost $5 billion received by the crypto market and over $10 million received by P2P platforms.

Some other blockchain initiatives are taking place in Uruguay. Ñeripeso is a non-speculative Uruguayan virtual currency based on trust. Until October 2021, the exchange community had more than 5,000 users.

An alliance between entrepreneurs of Uruguay and Argentina resulted in the creation of the first cryptocurrency dedicated to the sport of polo, the Chukker Polo Token intent to allow transactions between fans of the sport. And the Electricity Agency of the Uruguayan State announced that from January 2022 it will issue clean energy certificates for companies to demonstrate they use electricity from renewable sources for the production of goods and services. The information will be registered in the Energy Web Chain, the blockchain proposed by the Energy Web Foundation (EWF).

- **Key Players:**

BlockBear, InBierto, Urubit, Binance, Ñeripeso


Photo: MiguelMC /iStock

InBierto company installed in January 2022 the first crypto ATM in Punta del Este and it was a huge success, with more than 1,000 transactions carried out just a few hours after its opening

VENEZUELA

Photo: iStock

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.

Ecosystem:

Venezuela is a hot market for user adoption by necessity. Due to the hyperinflation rates in the country, it occasionally has the second-highest Bitcoin trading volume in the world on localbitcoins. Adoption is grassroots and tend to happen on a peer-to-peer basis.

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.

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**

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”

_ WEB3
Internet owned by builders and users, orchestrated with tokens

_ 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.**

For more information please send an email to contact@sherlockcomms.com

Managing Partner Patrick O'Neill | **Research Manager** Justin Axel-Berg | **Content Curation and Writer** Luiz Hadad and Flavia Macedo
Creative Design Producer Rosy MacQueen | **Creative Design Assistant** Érica Duarte