CRYPTOCURRENCIES IN LATIN AMERICA

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In Latin America, there has been an increase in the use and knowledge of new digital currencies. For this reason, this analysis will address two points of the subject: the role of Latin American countries in this new market; and the reason why these countries have opted for these tools and not others. For OBELA, this is an essential issue because they have generated a way out of some problems within the foreign exchange market of certain countries in the region.

Cryptocurrencies are financial instruments based on cryptography. In other words, the techniques used to encrypt and decrypt information using mathematical algorithms make it possible to exchange messages only read by the people addressed. It provides a secure payment system service, with the feature of direct peer-to-peer exchange. It works with software that connects a computer with other users, like social networks. Another feature of cryptocurrencies is their open-source nature that allows users to regulate the system rather than an institution.

Globally, the use of cryptocurrencies is on the rise, and Latin America has joined the trend. On average, between 2017 and 2020, it has occupied 6% of the volume of bitcoins globally; and the percentage has risen in 2021. In March 2020, it had a 15.8% share, while the US participated with 6% of the global total due mainly to the passage of the Stable Act, banning the use of stablecoins except those issued by federal banks, and creating a solid anchor in the upward trend of cryptocurrencies in the United States. Stablecoins are tokens (tokens) associated with the value of a fiat currency (such as the dollar or the euro), tangible assets such as gold or real estate, or another cryptocurrency. There are also 'starcoins' not associated with any other currency but controlled by algorithms to maintain a stable price.

According to coin.dance, for April 2021, the Latin American countries with the highest volume of cryptocurrencies are Colombia, with 45% of bitcoin volume in the region; followed by Peru with 13%; Chile with 12%; Mexico with 11%; and Brazil with 11%. As bitcoin is an instrument that depends on expectations about its demand and acceptance in the market, it is currently one of the most volatile instruments.

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There is a constant movement of bitcoins in Latin America when comparing the average with the current data. In this sense, volatility creates a problem when analysing this market without a commonly agreed explanation. It is worth mentioning that the data to obtain the countries' average was from 2013 to April 2021.

Latin America has a growing acceptance due to the accessibility of this type of system, as they are anonymous and do not require regulatory institutions. The economic crises that South Americans face even more now in the COVID era generate an incentive within their population to choose other reserve currency options to those commonly offered by the foreign exchange market. Remittances equally feed this market. A further motivation for using cryptocurrencies comes from not paying exchange commissions, so the recipient's cash income increases.

Colombia is the country with the second-highest volume of bitcoins and the largest network of cryptocurrency ATMs. It currently has 60 Coin ATM Radar, which allows the direct exchange of a currency, be it physical or from a bank account or any cryptocurrency. Given that it is a country with solid illegal activity, it lends itself to the use of these. The anonymity of the bitcoin system has a problem given entering the system erases any trace of origin, and no user data can be obtained, except for the exchange made within the network.

Mexico, meanwhile, has been a pioneer in regulating the use of cryptocurrencies and the operations of digital currency exchange houses, with its Fintech Law (2018). Jorge Schaar, leader of Capital Advisory Services, indicates unfavorable areas in an interview, but it also generates a breakthrough within the market. The negative is that Mexico is one of the Latin American countries with the lowest volume of operations and exchange houses. On the positive side, it has the most regulated and controlled cryptocurrency market, having less risk of illicit applications than other countries in the region.

With this scenario, to conclude, there are different ways of looking at the causes of the increase in the use and acceptance of cryptocurrencies in Latin America: accessibility due to their anonymity; the security they generate among citizens due to the economic crises in their countries; and the
incentives they provide to evade regulatory institutions; not paying commissions. There are two possible points of view: the favourable one is that it is a more efficient means of international exchange, due to its speed and cost. The unfavourable one is that drug traffickers can use it to launder illicit money due to its anonymity.