



Regulation of cryptocurrencies, the experience in El Salvador



El Salvador



- It has a territorial extension of 21,041 square kilometers, with a population density of 300 inhabitants per square kilometer.
- According to Ministry of Economy projections, it has approximately 6,325,827 inhabitants.
- According to information from the Central Reserve Bank of El Salvador, 23% of the population has access to financial services (bank accounts, credit cards, loans, etc.).
- According to the World Bank, the country had a Gross Domestic Product of 24,638 million dollars in 2020.
- It borders Guatemala, Honduras, Nicaragua and the Pacific Ocean.



As of 7 September 2021, El Salvador became the first country in the world to recognise Bitcoin as legal tender.

The regulation of the use of Bitcoin is developed in different regulatory bodies issued by the Legislative, Executive and the Financial System Regulatory Body.





Key aspects

- Approved on 08 June 2021.
- Bitcoin declared legal tender in El Salvador.
- All economic actors must accept Bitcoin as a form of payment.
- The state guarantees automatic convertibility of BTC to \$.

Law  **bitcoin**





Regulation of the Law



- Approved on 27 August 2021 by the President of the Republic.
- Establishes definitions of applicable terms.
- Creates the Register of Virtual Asset Service Providers (VASPs) in accordance with FATF Recommendation 15 and its interpretative note.
- Establishes rules for the prevention of money laundering for Service Providers.
- Establishes a supervisor for virtual asset service providers. FATF R15





FATF Recommendation 15 on Virtual Assets

- Countries should ensure that virtual asset service providers are regulated for AML/CFT purposes;
- Are licensed or registered and are subject to effective monitoring systems and;
- Ensure compliance with the relevant measures required by the FATF Recommendations.

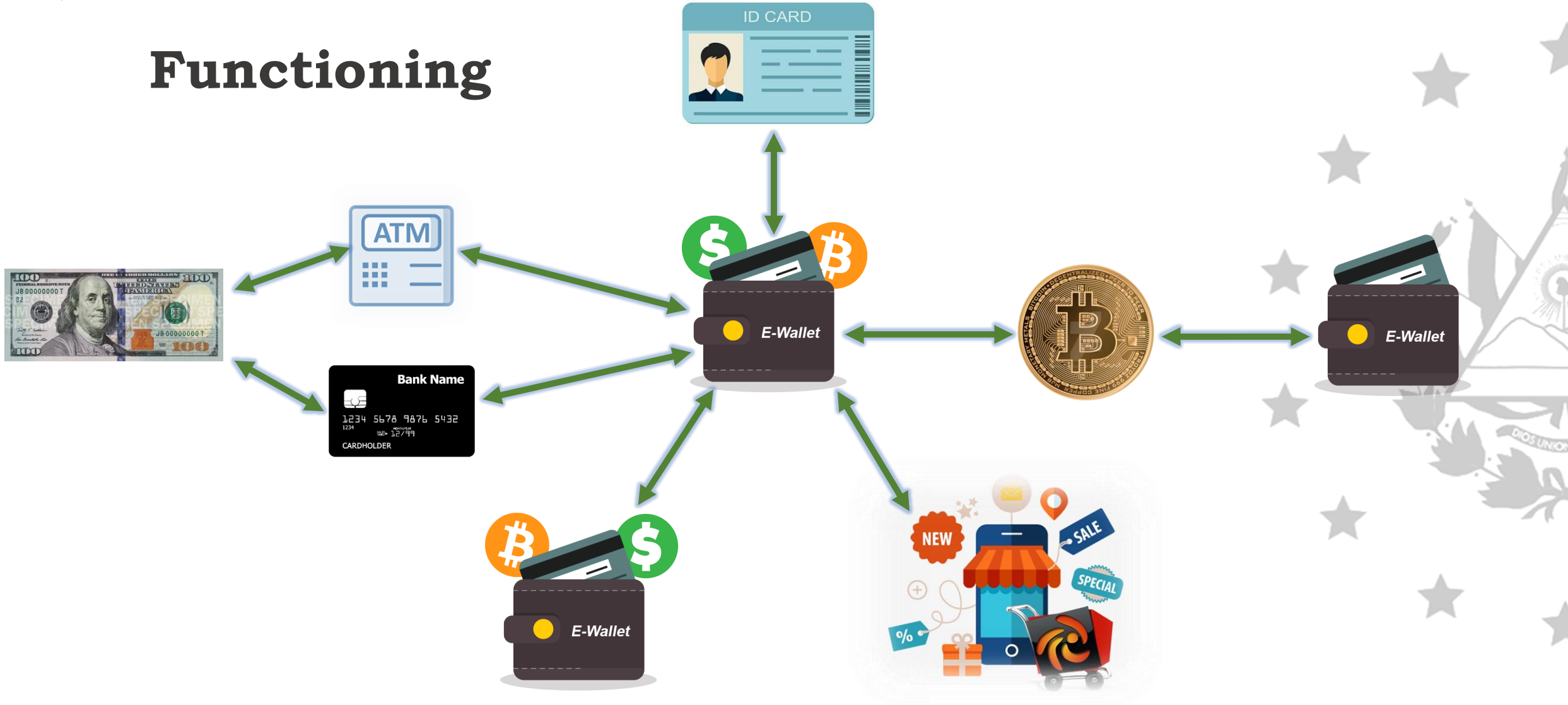
NRP-29.

- Adopted on 7 September 2021.
- Mandatory for banks and e-money providers in their contractual relations with virtual asset service providers.
- Establishes procedure for registration of suppliers. FATF Recommendation 15.
- Transaction traceability FATF Recommendation 16.
- Suspicious transaction reporting obligation FATF Recommendation 20.
- Record keeping. FATF Recommendation 11.
- Sanctions FATF Recommendation 35.





Functioning



Conclusions

- The Salvadoran legal framework has sought to comply with the FATF Recommendations related to Virtual Assets.
- The recognition of BTC as legal tender has been a state strategy to boost financial inclusion.

