



SCHOOL OF
PROFESSIONAL
STUDIES

CASE STUDY: EXPLAINER – CRYPTO IN LATIN AMERICA

MS DSP 485 - Data Governance, Ethics & Law

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Reference

Harrison, Chase, and Jon Orbach. 2022. "Explainer: Crypto in Latin America." AS/COA. May 13, 2022 <https://www.as-coa.org/articles/explainer-crypto-latin-america>

Data

In "Explainer: Crypto in Latin America.", the authors utilize data comes from various reports and observations about cryptocurrency use in Latin American countries, including Argentina, Brazil, El Salvador, and others. The authors clearly explain how cryptocurrencies have been adopted in these regions and provide relevant statistics to support their claims. For example, they cite a 1,370% increase in cryptocurrency use between 2019 and 2021. The data and analysis presented are adequate for understanding the rapid growth and challenges of crypto adoption in Latin America, though more detailed breakdowns by country or demographic might enhance the analysis.

Relevance to Data Governance

This case study highlights several key issues that fit within a data governance framework, particularly in management and legal domains. The rapid adoption of cryptocurrency in Latin America raises significant data governance concerns, particularly in management, legal, and ethical domains. The decentralized nature of cryptocurrencies, which rely on blockchain technology, challenges traditional governance frameworks, making it difficult for authorities to monitor and regulate transactions effectively. This decentralization poses risks such as increased potential for money laundering, fraud, and financial instability. Countries like Argentina and Brazil are developing regulatory frameworks to address these issues, focusing on safeguarding users' data and financial assets while mitigating criminal activities. The case study highlights the need for comprehensive governance strategies that balance innovation with the protection of public interest and legal compliance.

Relevant Legislation

The case study highlights several legislative efforts across Latin America aimed at regulating the rapidly expanding cryptocurrency market. In Brazil, a significant step has been taken with the Brazilian Senate passing a bill that governs virtual assets, including cryptocurrencies like Bitcoin. This bill, which is still in the process of becoming law, sets out

definitions for virtual assets and establishes guidelines for their day-to-day usage. It mandates that providers must implement safeguards to protect clients' funds and personal data, and it imposes penalties for fraud, which amounted to \$503 million in 2021. The bill also addresses the need for further regulation, delegating the responsibility of supervising and proposing additional measures to the Brazilian executive branch. This legislative action is critical in a country where the value of the crypto market reached \$27.6 billion as of April 2022.

In contrast, El Salvador has taken a more radical approach by making Bitcoin legal tender. This move, driven by President Nayib Bukele, was intended to position the country as a pioneer in digital finance. However, the legislation has faced significant criticism from international organizations like the IMF, which warned about the instability of Bitcoin's value and its potential for facilitating financial crimes. The reality of Bitcoin's adoption in El Salvador has been challenging, with significant financial losses and low uptake among businesses and citizens. Despite these issues, El Salvador's bold legislative move underscores the diverse approaches Latin American countries are taking towards cryptocurrency regulation. While Brazil focuses on creating a structured and protective legal environment, El Salvador's experiment highlights both the potential and the risks of integrating cryptocurrency into a national economy.

Data Governance Solution

The takeaway from this case study is that while cryptocurrency offers exciting possibilities for financial innovation in Latin America, it also poses significant challenges that require robust governance solutions. The authors suggest that regulation is necessary to prevent misuse and ensure the safe adoption of digital assets. However, existing solutions may not be adequate, especially given the volatility and risks associated with crypto. Countries should implement comprehensive regulatory frameworks that define the legal status of digital assets, enforce data protection standards, and ensure transaction transparency. Specialized regulatory bodies could oversee these markets, providing more focused and effective enforcement. Additionally, public education campaigns are essential to raise awareness about the risks and responsibilities associated with cryptocurrency use, ensuring that both consumers and businesses are better equipped to navigate this evolving financial landscape.