

The future of cryptocurrencies and fintech in Panama

Nowadays, different draft laws are being discussed that could lead to the beginning of the regulation of cryptocurrencies and other digital financial services in our country.

We live in a time when business and technology go hand in hand more than ever. Every day new entrepreneurs and creators offer new tools to facilitate business and create further value, from applications to the development of a series of cryptocurrencies.

Thus, we see how some terms such as “fintech”, abbreviation of “financial technology”, become relevant, in which our current times are perfectly combined in a single term, that is, the digital economy.

We also see how, at this juncture, countries like El Salvador have already adopted the cryptocurrency bitcoin within their economy as a means of payment of mandatory acceptance, something that perhaps for some implies - without adequate regulation - greater risks for businesses and customers. We also see how there is no consensus at the international level of how cryptocurrencies should be understood and therefore how they should be regulated, if at all, (either as an asset, as a security, or simply not categorize them until there is an international consensus).



Panama towards a digital economy

There are currently three draft projects of law that aspire to include cryptocurrencies in our dollarized economy (either directly or through incentivizing cryptocurrency mining), among other issues.

One of them seeks to recognize currencies such as bitcoin and dodgecoin as legal tender. It should be noted that in Panama there is no currency of forced use, by Constitutional mandate. Therefore, Panama could decide tomorrow that it recognizes bitcoin or another cryptocurrency as legal tender, as well as it could do so with the Euro or the Renminbi.

Additionally, the other thing that this project does is similar to El Salvador, is that it forces all economic agents to accept cryptocurrencies as forms of payment.

In this sense, for instance, in El Salvador you can go to a Starbucks or a store and pay in bitcoin, which for store owners could be a problem due to exchange risk, technological facilities, among others.

THERE IS A STRONG INTERNATIONAL CURRENT THAT INDICATES THAT BITCOIN BEYOND A PAYMENT MECHANISM

for the purchase of a coffee, for instance, should be seen as a mechanism or asset to conserve and grow in value (taking for granted that the value of assets like bitcoin, which are finite, will always grow).

This is very different from another draft law that indicates that following the norms of general contractual freedom, parties can agree to contract in bitcoins, another cryptocurrency or another way, but it does not oblige the seller or service provider to accept cryptocurrencies as a form of payment. We consider that this is a better regulatory principle since in Panama the principle of contractual freedom has always been recognized between the parties unless it is contrary to the law.

What we should know

Currently there are three draft bills in the National Assembly:

1. One who seeks to recognize certain crypto assets as legal currencies.
2. One that seeks to encourage mining in Panama for crypto assets by providing certain tax incentives.
3. And a third, which seeks to make Panama compatible with the digital economy, blockchain, crypto assets and the internet. In other words, what is sought is for Panama to modernize its economy, and that, among other objectives, it can become a hub for fintech, which requires regulation and clarity from the regulatory entities.

The biggest challenge we face is that cryptocurrencies and fintech are outside the current regulatory structure in Panama (as in many other countries). So, although the Superintendency of the Securities Market has ruled on some issues with respect to cryptocurrencies and crowdfunding, among others, there is no comprehensive regulation or an alignment of criteria between regulators, governmental agencies, etc., that allows the entrepreneur or investor to know, clearly, the rules to be followed.

In order to modernize the Panamanian legal financial system, it must be recognized that both Fintech tools and digital cryptocurrencies, although some consider that they are still a niche, are a reality and the future. Not only in Panama, but in many countries.

It is necessary for Panama to have cutting edge legislation, ideally based on best practices in other countries that have advanced on these topics, for the modernization of financial sector, digital economies and cryptocurrencies

Panama is a country of services. To give a new twist to the Panamanian financial system, we see it with optimism, and as an opportunity for Panama to become a Latin American fintech hub, taking advantage of the acceleration of capital entering this industry and particularly so in Latin America. Panama already has several fintech companies that are very promising, among them we can highlight: Cuanto, Fortesza, Adelantos, Paguelo Fácil, Zinli, among others.

Cities like Miami, for example, have with much success embarked on a path to become a hub for entities in these sectors. This can be replicated in our country, taking into consideration that we have the Hub of the Americas, which provides significant connectivity with the US, Latin America and Europe, a favorable climate, talented human capacity, competitive salaries, good telecommunications, compared to the region, among others. What is required is to create a clear, agile and modern regulatory framework that encourages the use of new technologies and the creation of new products, while also safeguarding the consumer.

What the IMF says

The International Monetary Fund (IMF) has stated that it is important to take into account the scope of use of this type of tools and has raised the need to adopt a global regulatory framework to maintain financial stability, something that would include clear requirements for the exposure that financial entities can have in cryptoassets.

The IMF cautions that the global regulatory framework must provide a level playing field across the spectrum of activities and risks.

"Our analysis suggests that cryptoassets are no longer on the fringes of the financial system. Given their volatility and relatively high valuations, their increased co-movement could soon pose risks to financial stability, especially in countries with widespread crypto adoption. It is therefore time to adopt a comprehensive and coordinated global regulatory framework to guide national regulation and supervision and mitigate financial stability risks arising from the crypto ecosystem," the IMF stresses.

Visit: www.focusalcogal.com