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Brazil’s unlikely bid to become a global crypto hub

BY LEO SCHWARTZ

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Luiz Inácio Lula da Silva, president of Brazil

TUANE FERNANDES—BLOOMBERG/GETTY IMAGES

Proof of State is the Wednesday edition of Fortune Crypto where Leo Schwartz delivers insider insights on policy and regulation.

Daniel Walter Maeda Bernardo is not quite the Gary Gensler of Brazil, but he’s close. As the superintendent of institutional investor oversight at the Comissão de Valores Mobiliários (CVM)—the Brazilian equivalent of the Securities and Exchange Commission—Maeda is one of the leading financial regulators in the country. But that’s where the comparisons stop.

Brazil has become a pioneer of financial technology, launching a government-run payment app called [Pix](#) in late 2020 that [now accounts](#) for 27% of cash transfers and [experimenting](#) with a central bank digital currency called the “digital real.” Unlike the top U.S. financial regulators, Central Bank of Brazil and CVM have also become strong proponents of crypto.

I spent last week in Rio de Janeiro meeting with industry participants who told me that Luiz Inácio Lula da Silva, Brazil’s magnetic president known simply as Lula, was poised to sign the final decree for a long-simmering law that would establish a regulatory framework for crypto, with most oversight powers granted to the central bank.

As someone too mired in the U.S. context, it surprised me that Brazil was poised to implement comprehensive oversight with broad support. Even more shocking was the fact that the CVM was on board with the measure, with no regulatory [turf war](#) in sight. As Julia Castelo Branco Rocha, the legal head of one of Brazil’s top crypto firms, Hashdex, told me: “They understand that cryptocurrency is here to stay.”

Still skeptical of the claims, I met with the CVM’s Maeda over coffee in Manhattan yesterday, where he was attending a week of events centered around U.S.-Brazilian investment. He told me that he’s still trying to decipher the U.S. regulatory morass, with all its intersecting webs of federal and state agencies, and that he was confused by the fragmented efforts and approaches. “The crypto space is really a big opportunity for us to make things better,” he said.

Brazil’s crypto legislation, should Lula sign the final decree, as expected in June, granting oversight to the central bank, would be far from perfect. It does not address key provisions for exchanges, like the segregation of assets, nor does it settle the debate over which assets are securities. Maeda said that he expects a new bill down the line that would be more focused on the CVM. As Marcos Viriato, CEO of Rio-based crypto infrastructure firm Parfin, told me, the legislation also likely couldn’t prevent the next FTX, although he was doubtful any regulation could.

The real question is whether the legislation—and Brazil’s willing regulators—will help the country compete with other aspirational crypto hubs, from Singapore to Dubai. Viriato said Brazil will be hamstrung by the fact that the Brazilian real is not an international currency, but he expressed optimism that it could attract and nurture companies like Parfin that sell their services across the world. Hashdex, for example, has [launched](#) its crypto ETPs in Europe after first offering them in Brazil, in stark comparison to its U.S. competitor, [Grayscale](#). At the very least, Brazil is establishing itself as a crypto hotspot in a region [already turning](#) to digital assets.

With the U.S. [preparing](#) for yet another congressional hearing on digital asset legislation, Brazil’s progress is one more sign that crypto is a global story. “This market makes total sense, so let’s work together and regulate it properly,” Maeda told me. “I think at some point in the future, American regulators will also realize that.”

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