LATAM FINTECH REGULATION

4th EDITION

Published by: LLOREDA · CAMACHO &CO

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A fresh look at regulations for the fintech industry in Latin America

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EDITORIAL

We are pleased to present the fourth edition of Lloreda Camacho & Co.'s "Fintech Regulation in Latin America" guide! In this new release, we continue to explore the dynamic and rapidly growing Fintech ecosystem in the region, highlighting key advancements and challenges.

In this edition, we identify four trends shaping the regulatory and technological discussions in Latin America:

1. Implementation of instant payment systems: The adoption of real-time payment systems is revolutionizing the way financial transactions are carried out, improving efficiency and financial inclusion. Countries like Brazil and Mexico are leading the way with their PIX and CoDi systems, respectively, while others like Colombia, with the development of Bre-B, are following in their footsteps.

2. Regulation of crypto-assets trading: With increasing interest in and use of cryptocurrencies, regulators are working diligently to establish legal frameworks that protect consumers and ensure the integrity of the financial system. This topic is crucial for fostering trust and safe adoption of crypto-assets across the region.

3. Development of regulatory sandboxes: These controlled environments allow Fintech companies to test their innovations within a regulated but flexible framework. Regulatory sandboxes are facilitating the experimentation and development of new financial technologies, promoting sector competitiveness and growth. In this edition, you will find the latest developments in sandboxes across different jurisdictions.

4. Implementation or modification of regulations aimed at protecting financial consumer rights: The protection of financial consumer rights is becoming a top priority in the region. New regulations aim to guarantee transparency, security, and fairness in financial transactions, strengthening consumer trust and promoting a safer and more equitable financial environment.

As with previous editions, this publication provides a detailed analysis of Fintech legislation and regulation across various Latin American countries. Each chapter is authored by leading lawyers and financial sector experts, who have contributed their knowledge and experience to offer a comprehensive and up-to-date overview of the regulatory landscape.

We deeply appreciate the collaboration of all the contributors, and we hope this guide proves to be a valuable resource for understanding and navigating the complex world of Fintech regulation in our region.

Welcome to the fourth edition of "*Fintech Regulation in Latin America*"!

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O'Farrell is one of the most experienced firms in advising corporations and financial entities in every aspect of banking and finance. With a strongly professional group, O'Farrell strikes the right note with its 'speedy and accurate advice'. The banking and finance team is well known for its specialist experience in advising local and foreign companies on debt offerings, foreign exchange and control regulations, debt restructurings, project finance and on all matters related to derivatives, shareholders disclosure obligations and regulations on marketing financial products.

1. OVERVIEW

1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

The stance of the legislator and the supervisory authorities in Argentina, especially the Argentine Central Bank (the "BCRA" for its Spanish acronym) and the Argentine Securities and Exchange Commission (the "CNV" for its Spanish acronym), has been to wait and observe how the local fintech market develops.

Thus, in April 2017, the legislator, through the Support for Entrepreneurial Capital Law No. 27,349 (the "Argentine Entrepreneurial Law"), implemented the concept of equity crowdfunding for reaching out to the general public or "crowd" seeking collaboration to finance a given project ("Crowdfunding Projects"), that was further regulated and complemented by CNV General Resolution No. 717-E/2017 in December 2017 (the "Resolution 717").

In addition, the BCRA launched a Round Table on Fintech Innovation (Mesa de innovación) to discuss developments and new technologies to be incorporated into financial sector regulation (e.g. admission of the use of cloud services and granting of licenses to digital banks). Moreover, the CNV issued the General Resolution No. 926/2022, which promotes the creation of a collaborative, open and informal space between the public and private sectors, with the purpose of promoting innovation and exchange between the CNV, its regulated entities and innovative entities that intend to operate under its regulatory scope, for this reason, the "Financial Innovation and Inclusion Hub" was created for all entities with innovative financial service projects and/or financial products that are or may be regulated by the CNV, are located in Argentina and intend to develop, exclusively or not, their activity in the country.

In addition, on November 25, 2022, the CNV published General Resolution No. 942/2022 in the Official Bulletin of the Argentine Republic, through which, in its role as the regulatory authority for "Crowdfunding Platforms," it established certain requirements that must be met to obtain authorization and registration for the duration of its validity, as well as the reporting regime that must be followed.
Furthermore, regarding blockchain technology in general, on December 7, 2022, the Secretariat for Public Innovation issued Resolution 17/2022, which created a National Blockchain Committee within this

secretariat, under the Chief of Cabinet of Ministers of the Nation, and approved the national framework for blockchain. The annex to the resolution outlines the national framework for blockchain, laying the foundations and action lines for the implementation of a National Blockchain Plan in Argentina. The framework defines blockchain as a distributed ledger technology (DLT), which is a form of digital database updated and maintained independently by each member in a large network space, without a central authority to transmit the records of each member (commonly referred to as "ledger").

On March 22, 2024, the CNV and the Financial Information Unit ("UIF") issued General Resolution No. 994/2024 and Resolution 49/2024, respectively, establishing the criteria for the creation of the Register of Virtual Asset Service Providers (PSAV), as well as the requirements for the identification and mitigation of risks related to money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. These resolutions are a consequence of the enactment of Law No. 27,739, which amended Law No. 25,246 on the Prevention of Money Laundering and Terrorist Financing, under which PSAVs were included as obligated subjects along with definitions of virtual assets and PSAVs.

It is noteworthy that the current government of President Javier Milei submitted a bill to Congress regarding fiscal, alleviative, and relevant measures, which was approved by Congress as Law No. 27,743, regulated by Decree No. 608/2024, under which a regime for the regularization of tax, customs, and social security obligations was created. Under this regime, cryptocurrencies, crypto assets, and other similar goods were included as eligible assets for tax regularization. The decision to include cryptocurrencies and crypto assets within the regularization regime for tax, customs, and social security obligations constitutes a measure of recognition of the importance of the crypto ecosystem and the negotiation, custody, and management of such assets by Argentine residents.

Additionally, another measure aimed at developing new digital assets is found in Decree No. 70/2023 and Decree No. 640/2024, which amended Law No. 9,643 regulating the issuance of warrants and deposit certificates, allowing them to be issued in any technological format that meets the requirements of nominative status and unequivocal identification of the signer, enabling their negotiation, including centralized or distributed databases, crypto assets, other forms of tokenization, or any other technology that ensures the security and ease of transactions.

At the institutional and governmental level of the fintech market, it is worth noting that the main participants of the Fintech market are grouped in the Argentine Fintech Chamber, which plays an active role in the liaison between the regulators of the Fintech market in Argentina, the BCRA and CNV, as well as with UIF" and the National Congress.

1.2. IS FINTECH REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TOWARDS FINTECH IN YOUR JURISDICTION?

As of the date hereof, there is no comprehensive, overarching fintech regulation in Argentina. However, certain specific aspects of the industry are regulated, such as equity crowdfunding, ICOs,payment services providers and recently, PSAV

Nevertheless, many fintech companies have registered and operate as settlement and clearing agents (agentes de liquidación y compensación) before the CNV. Moreover, since the adoption of Resolution No. 717, companies were created as crowdfunding platforms or turned into crowdfunding platforms (for more information about crowdfunding platforms please see answer 3 below).

Regarding payment service providers, the BCRA has established certain regulations that restrict their operations with digital assets:

In this regard, on May 4, 2023, through Communication "A" 7759, the BCRA stipulated that payment service providers offering payment accounts ("PSPCP") may not conduct or facilitate transactions with digital assets—including cryptocurrencies and those whose returns are determined based on their fluctuations—that are not authorized by a competent national regulatory authority or the BCRA. Through the press release published on its website, the BCRA established that PSPCPs not only cannot conduct transactions with digital assets themselves, but they also cannot initiate such transactions through applications or web platforms.

Additionally, on August 24, 2023, the BCRA issued Communication "A" 7825, which established that the remuneration that PSPCPs receive for balances in pesos from deposit accounts in financial entities, where their clients' funds are deposited, must be fully passed on to those clients. Thus, clients with money in payment accounts will earn a return that must be accrued periodically. According to the BCRA's press release, this communication aims to benefit those users who, by their own choice, decide not to invest the funds deposited in their virtual wallets.

Lastly, during 2024, there have been regulatory developments regarding digital assets. On March 15, 2024, Law No. 27,739 was published in the Official Bulletin of the Argentine Republic, which introduced significant changes to the Penal Code of the Nation and to Law No. 25,246 on the Prevention of Money Laundering and Terrorist Financing. Among the most relevant modifications to the Anti-Money Laundering and Counter-Terrorist Financing System (PLAFT), "virtual asset service providers" ("PSAV") were included as new obligated subjects, who must report to the UIF and comply with the informational regimes and obligations established by this law.

Furthermore, in this amendment to the Penal Code, the following definitions were introduced:

Virtual Assets: Digital representations of value that can be traded and/or transferred digitally and used for payments or investments. In no case shall legal tender in the national territory and currencies issued by other countries or jurisdictions (fiat money) be considered virtual assets.

Virtual Asset Service Providers: Any natural or legal person who, as a business, performs one (1) or more of the following activities or operations for or on behalf of another natural or legal person: i. Exchange between virtual assets and legal tender (fiat currencies); ii. Exchange between one (1) or more forms of virtual assets; iii. Transfer of virtual assets; iv. Custody and/or management of virtual assets or instruments that allow control over them; and v. Participation in and provision of financial services related to the offering of an issuer and/or sale of a virtual asset.

In this sense, and as provided by Law No. 27,739, on March 25, 2024, General Resolution No. 994/2024 of the CNV was published in the Official Bulletin of the Argentine Republic. This resolution establishes the CNV as the authority responsible for centralizing information regarding the Register of Virtual Asset Service Providers, thereby creating the register of virtual asset service providers.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS, THESCOPE AND THE PRINCIPALS PROJECTS CARRIED OUT WITHIN THE SANDBOX.

As of the date of this questionnaire, no regulatory sandboxes have been implemented in Argentina for the Fintech industry, with the exception of the creation of the "Innovation and Financial Inclusion Hub" by the CNV through the General Resolution No. 926/2022 with the goal of generating a public-private collaboration space, driven and directed by the CNV, in order to promote innovation and exchange between the CNV, its regulators and innovative entities.

The purpose of this space is to identify and analyze the elements and criteria to be considered for the development and implementation of regulatory strategies and financial supervision of innovative technologies, in order to protect investors and to promote the development of a federal, transparent, inclusive and sustainable capital market in Argentina.

Said mechanism has been in force since April 18th, 2022, but no regulations/regulatory strategies for Fintechs have yet been issued by the CNV.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN, OR ACQUIRE, FINTECH COMPANIES?

As of the date hereof, there are no specific restrictions for financial entities to invest in or acquire fintech companies.

Many of the traditional financial entities located in Argentina which own fintech companies or digital banks abroad are working on the implementation of such fintech companies and digital banks in Argentina or are looking to acquire Argentine fintechs to expand their business.

1.5. IS THERE A DISTINCTION BETWEEN A CONSUMER AND A FINANCIAL CONSUMER IN YOUR JURISDICTION?

IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS PROTECTING THE RIGHTS OF FINANCIAL CONSUMERS.

The BCRA has specific regulations for the "Protection of financial services users." In this regulation, it establishes that the concept of financial services user includes individuals and legal entities that, for their own benefit or that of their family or social group and as final recipients, utilize the services offered by the obligated subjects listed in this regulation, as well as those who are otherwise exposed to a consumer relationship with such subjects. For the purposes of enabling obligated subjects to identify financial services users, individuals and legal entities that do not acquire or utilize financial products or services offered by the obligated subjects for incorporation into their commercial activities will be considered as users, provided that the latter do not have evidence to reasonably conclude that they should be treated differently. This category also includes debtors of credits assigned by financial entities covered under the Financial Entities Law, regardless of whether they have been duly notified of the transfer of their obligation, as well as debtors of credits acquired by financial entities through assignment.

The regulation lists the following obligated subjects: (i) Financial entities; (ii) Exchange operators, for operations covered by the regulations on "Foreign Exchange and Currency"; (iii) Trustees of trusts holding credits assigned by financial entities; (iv) Non-financial companies issuing credit and/or purchase cards; (v) Other non-financial credit providers covered by the regulations on "Non-Financial Credit Providers," except for mutual associations or cooperatives regarding the financing they provide; (vi) Payment service providers offering payment accounts (PSPCP); (vii) Payment service providers performing initiation functions (PSI) and providing digital wallet services.

The regulations on "Protection of Financial Services Users" are complementary to the provisions contained in the applicable legislation and regulations regarding consumer relationships, particularly those set forth in the Civil and Commercial Code of the Nation, Law 24,240 on Consumer Defense, Law 25,065 on Credit Cards, and the regulations issued by the National Authority for the Enforcement of these laws, and, where applicable, other legislation and regulations issued by provincial authorities within their jurisdiction and competence.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE, OR WILL THERE BE, ANY PARTICULAR REQUIREMENTS FOR A CONSUMER OR AN INVESTOR TO PARTICIPATE IN LENDING CROWDFUNDING?

The concept of crowdfunding was implemented in Argentina through the Argentine Entrepreneurial Law and regulated by Resolution 717.

Pursuant to Section 24 of Law No. 27.349 (the "Argentine Entrepreneurial Law"), investors can participate in a crowdfunding project by investing in: (i) shares of a corporation (sociedad anónima or "S.A." for its Spanish acronym) or a simplified corporation (sociedad anónima simplificada or "S.A.S." for its Spanish acronym); (ii) loans convertible into shares of a S.A. or a S.A.S.; and (iii) certificates of participation in a trust.

According to Section 28 d) of the Argentine Entrepreneurial Law, loans that cannot be converted into shares of SA and SAS are excluded from financing of Crowdfunding Projects.

The CNV issued the General Resolution No. 922/2022 (the "Resolution 922"), opening a procedure for the participative elaboration of rules, among the amendments proposed in Resolution 922 are the following: (i) the broadening of the scope of the crowdfunding projects to be financed, in addition to those intended for the promotion of entrepreneurial capital; (ii) increase and/or update of the minimum equity amount of the crowdfunding platforms, maximum issuance amount and investment limits in the crowdfunding system, proposing the use of the Acquisitive Value Units ("UVA"), updated by the Reference Stabilization Coefficient ("CER"), implemented by the BCRA through the Communications A 5845 and A 6069; (iii) an increase in the percentages in which qualified and non-qualified investors may participate in each financing project; (iv) the possibility of acting as a crowdfunding platform for those entities registered as Settlement and Clearing Agents, Trading Agents and Regional Representative Entities; (v) elimination of the possibility of withdrawal, after the investment commitment has been made, with limitations; (vii) possibility for the crowdfunding platform to participate in projects published on its own site and on other platforms in order to stimulate investments; (vii) obligation of the crowdfunding platforms to publish their participations in the different projects; and (viii) prohibition for the crowdfunding platform and/or its responsible person to be trustee of crowdfunding projects that use a trust as investment vehicle, as well as the possibility of using as vehicle payment service providers regulated and authorized by the BCRA.

As the date hereof, the CNV accepted some of the proposals made in Resolution 922 within the CNV Regulations (N.T. 20213 and modifications).

2.2. IS PEER TO PEER LENDING (P2P) REGULATED IN YOUR JURISDICTION? ARE THERE, OR WILL THERE BE, ANY PARTICULAR REQUIREMENTS FOR A CONSUMER OR AN INVESTOR TO PARTICIPATE IN P2P LENDING?

In 2021, the BCRA established a registry for private credit service providers operating through digital platforms ("PSCPP"), requiring legal entities that offer, as their main or ancillary business activity, the service of connecting one or more lenders with borrowers to register. It is important to note that PSCPPs cannot be lenders or borrowers in

the management platforms.

P2P consumers and investors must comply with applicable laws and regulations related to the prevention of anti-money laundering and the financing of terrorism, such as those issued by the UIF, the CNV or the BCRA.

Moreover, when making a P2P purchase or sale, it is inevitable that the money will pass through a virtual wallet or local bank account. Digital wallets, like all traditional bank accounts, are required to provide information to the Federal Revenues Service ("AFIP") and the UIF, since the money passes through bank accounts for loans.

2.3. IS CONSUMER PROTECTION REGULATION, IF EXISTS, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? IF EXIST, DO GENERAL CONSUMER PROTECTION LAWS APPLY, OR DOES THE SPECIAL REGIME FOR FINANCIAL CONSUMER PROTECTION APPLY?

As indicated in point 1.5, the BCRA has specific regulations for the "Protection of financial services users," which can apply to lending crowdfunding or P2P lending. Notwithstanding this, these regulations are complementary to the provisions contained in the applicable legislation and regulations regarding consumer relationships, particularly those set forth in the Civil and Commercial Code of the Nation, Law 24,240 on Consumer Defense, Law 25,065 on Credit Cards, and the regulations issued by the National Authority for the Enforcement of these laws, as well as any other legislation and regulations issued by provincial authorities within their jurisdiction and competence.

Therefore, according to section 1 of the No.24,240 ("Argentine Consumer Protection Law"), as amended, if the lending crowdfunding or P2P lending are provided to the end consumer such financial services are covered by the consumer protection regulation set forth by the Argentine Consumer Protection Law.

2.4. ARE DONATION AND REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

No. There are no regulatory provisions regarding donation and reward-based crowdfunding in Argentina.

However, according to Section 28 b) and c) of the Argentine Entrepreneurial Law, donations and reward-based crowdfunding are excluded from financing Crowdfunding Projects.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS IN ORDER TO PROVIDE THIS TYPE OF SERVICE?

No. There are no regulatory provisions regarding crowdfactoring in Argentina. However, it should be noted that Section 1421 of the Argentine Civil and Commercial Code includes factoring agreements as a regulated contract.

As regards the requirements to be complied with by companies engaged in the activity of collective financing, Resolution No. 717 of the CNV provides the obligation to obtain authorization and registration by the CNV, as well as comply with the information regime that said platforms must comply with

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Through the Argentine Entrepreneurial Law and Resolution No. 717, the concept and regulation of equity crowdfunding was introduced in Argentina.

The Resolution No. 717 establishes the requirements that crowdequity platforms must meet in order to obtain authorization and registration by the CNV, as well as the information regime that these platforms must comply with.

3.2. WHAT TYPES OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Resolution No. 717 also establishes that crowdequity platforms may not perform any other activity regulated by the CNV or register themselves as CNV regulated agents and/or other subjects under CNV supervision except for acquiring capital through an initial public offering or debt issuance.

Crowdequity platforms, however, are allowed to carry out ancillary and complementary activities that are not regulated by the CNV as long as there is no conflict of interest and as long as the principles of the Argentine Entrepreneurial Law are met (transparency, objectivity, diligence and good faith).

The CNV, through Resolution 922, increased the minimum net worth that crowdfunding platforms must have, setting it at 65,300 Units of Acquisitive Value updated by the Reference Stabilization Coefficient (Law No. 25,827).

3.3. ARE THERE ANY PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR SECURITIES IN CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET?

There are certain limits regarding the amounts that investors can allocate to the acquisition of Crowdfunding instruments. Resolution 922 of the CNV establishes that these amounts may not exceed 20% of the annual gross income according to the last closed fiscal year. To subscribe to an offer on a crowdfunding platform, investors must submit a sworn declaration attesting to compliance with this limit.

Furthermore, no investor may have a participation greater than 10% in a Crowdfunding Project, or in an amount of 150,000 UVAs (approximately US$175,316 at the official US$/ARS exchange rate), whichever is less.

In case the investor is a qualified investor, pursuant to the CNV Rules, only the 25% investment limit will apply of each Collective Financing Project or Crowfunding Project. In all cases, each Crowdfunding Project must have a minimum participation of 5 investors

Regarding the existence of a secondary market, section 29 of the Argentine Entrepreneurial Law provides that the crowdequity instruments may be sold by the investor on the same platform it has acquired such instruments. In addition, section 53 of Resolution No. 717 sets forth that only cash transactions on crowdfunding instruments will be permitted in the secondary market, and no other type of transaction is allowed.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

As of the date hereof, cryptocurrencies are not specifically regulated in Argentina. However, recently, the BCRA and the CNV issued jointly statements to alert the general public about the risks inherent in the purchase and sale of digital assets, which include cryptocurrencies.

In this regard, the first BCRA and CNV alert was published on May 20, 2021, which included a reference to the fact that "cryptoassets may be defined as a digital representation of value or rights that are transferred and stored electronically using Distributed Ledger Technology (DLT) or other similar technology. While these technologies could help promote greater financial efficiency and innovation, cryptoassets are not legal tender."

By means of Communication "A" 7506, the BCRA prohibited financial entities from carrying out transactions with digital assets, including cryptoassets, since they are not regulated by a national authority and authorized by the BCRA.

On May 4, 2023, the BCRA, through Communication "A" 7759, stipulated that PSPCPs may not conduct or facilitate transactions for their clients involving digital assets—including cryptocurrencies and those whose returns are determined based on their fluctuations—that are not authorized by a competent national regulatory authority or the BCRA. Through the press release published on its website, the BCRA established that PSPCPs not only cannot conduct transactions with digital assets themselves, but they also cannot offer the initiation of such transactions through applications or web platforms.

That is to say that the BCRA, instead of specifically regulating

cryptoassets, found a diagonal to prohibit financial entities from offering digital assets, which include cryptoassets, by issuing a communication within non-ordered and specific items on the complementary services of the financial activity and permitted activities.

For example, according to subsection 4) of Article 2 of the Income Tax Law No. 27,430, as amended, cryptocurrencies are subject to the payment of taxes.

Furthermore, by means of Resolution No. 300/2014, the UIF, authority in charge of the prevention of money laundering and terrorism financing, included transactions with cryptocurrencies to their list of transactions that have to be reported by persons subject to this reporting obligation.

Notwithstanding the communications issued by the BCRA, it is noteworthy that the National Congress, through the enactment of Law No. 27,239 and the establishment of a registry for PSAVs by the CNV, provides the virtual asset market with certainty and legal security.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

The feasability of conducting an initial offering of cryptocurrencies (Initial Coin Offerings, ICO) is limited in Argentina, since in December 2017 the CNV has held that ICOs of certain virtual currencies or tokens, due to their structure or particular characteristics, should be considered as marketable securities and be subject to the public offering regime established by the CNV. Consequently, it is highly probable that an issuer should require authorization from the CNV to conduct an ICO in Argentina. This is complementary with the BCRA's prohibition to financial entities to carry out operations in cryptocurrencies.

In Argentina the holding of cryptocurrencies is allowed. As a consequence the AFIP, through its Opinion No. 2/2022 considered that "Cryptocurrencies can be characterized as a new class of financial asset, non-traditional and based on blockchain technology which is, in short, about an electronic notation that incorporates the right to a certain amount of money, which can be typified as securities, (...) they are an asset covered by the Personal Property Tax Law in accordance with the provisions of the aforementioned Article 19, paragraph j) and Article 22, paragraph h) of the Personal Property Tax Law." In other words, the holding is allowed and the controlling agency considers that it is covered by the Personal Property Tax.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

As of the date hereof, there are no particular requirements for cryptocurrency trading platforms in Argentina.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT

OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

Pursuant to BCRA Communication "A" 7506, financial institutions may not carry out or facilitate to their customers transactions with digital assets -including crypto-assets and those whose yields are determined by the variations they register- that are not authorized by a competent national regulatory authority or by the BCRA.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

As of the date hereof, ICOs are not specifically regulated in Argentina. However, in December 2017, the CNV held that certain tokens issued by way of ICO may be considered as securities depending on their structure and particular characteristics and, thus, fall under the public offer regime regulated by CNV.

As consequence of that, in order to perform and ICO in Argentina it is highly probable that issuer must request authorization by CNV

4.6. ARE CONSUMER PROTECTION LAWS APPLICABLE TO TRADING PLATFORMS? ARE CONSUMER PROTECTION LAWS APPLICABLE TO TRADING PLATFORMS? DO GENERAL CONSUMER PROTECTION LAWS APPLY, OR DOES THE SPECIAL REGIME FOR FINANCIAL CONSUMER PROTECTION APPLY, IF IT EXISTS, DO GENERAL CONSUMER PROTECTION LAWS APPLY, OR DOES THE SPECIAL REGIME FOR FINANCIAL CONSUMER PROTECTION APPLY?

A user of a trading platform operated by a legal entity registered in Argentina qualifies as a consumer under Law No. 24,240 on Consumer Defense, as they must accept the terms and conditions set by the legal entity managing the trading platform in order to operate on it. This user is equated to a final consumer who acquires or uses goods and services. In this case, the consumer protection laws stemming from Law No. 24,240 on Consumer Defense are applicable to the user of a trading platform.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

The use of distributed ledger technologies is booming in Argentina through companies that are beginning to develop digital assets registered in a distributed ledger to support the infrastructure for a commercial relationship between parties, enabling the registration and transfer of assets, so that they can meet payment or delivery obligations and, eventually, for the transfer of guarantees.

Furthermore, there is also an ongoing project with a widespread

public and private participation to develop a Federal Blockchain with the purpose of improving the rendering of public services.

As of the date hereof, the use of distributed ledger technologies is not regulated in Argentina.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

As mentioned in answer 5.1. above, distributed ledger technologies are not yet very common in Argentina and financial institutions do not yet make use of such technologies. However, the BCRA included blockchain technologies in the 2018 edition of its Financial Innovation Program, a public-private initiative aimed at developments in the fintech industry.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH?

IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Apart from the fact that there are no specific insurtech regulations in Argentina, insurance companies in Argentina are using fintech to provide their services or products.

The first appearance of insurtech was in relation to websites providing comparisons of different insurance providers and policies.
Subsequently, the possibility for customers to take out insurances online and almost instantaneously was introduced.

In 2018, the first insurance company that operates entirely via smart phone app was launched. Currently, insurance companies, especially in the case of car insurances, are starting to implement the internet of things in their insurance models.

The Superintendence of Insurance, through its Resolutions No. 733/2019 and No. 483/2022, created the Insurance Innovation Board which aims to promote innovation in the insurance activity based on the interaction of the different actors linked to the innovative use of technology applied to insurance. To date, there have been no resolutions or regulations on the creation of this mechanism.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY

REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

Taking into consideration that, as of the date hereof, there are no specific insurtech regulations in Argentina, the traditional insurance regulations set forth by the Argentine Insurance Supervisory Authority apply to the new distribution models and to insurtech intermediation.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

Please see answer 6.2. above.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS' INSTITUTIONS PROVIDING THEIR SERVICES USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

As of the date hereof, financial or capital markets' institutions are not using robo-advice in providing their services and there is no specific regulation regarding robo-advice in Argentina.

Different financial institutions have started to use robo-advisors technologies, an example was the case of OpenBank Argentina which has been operational since 2021 and obtained the corresponding banking license, as well as the case of Quiena Inversiones which received from the CNV the Global Investment Advisory Agent (AAGI) permit, which means that it can now offer local clients advice on both local and foreign assets.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

As of the date hereof, there are no particular requirements set forth by the legislator or any supervisory or regulatory authority regarding the provision of advisory services entirely or partially through robo-advisors.

Therefore, the rules and regulations of the CNV are applicable.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

The incorporation of financial entities is governed by Law No. 21,526 (the "Financial Entities Law"). Among the types of financial entities that may request authorization to operate from the BCRA are commercial

banks; investment banks; mortgage banks; finance companies; savings and loan companies for housing and other real estate; and credit unions.

The BCRA regulations regarding the creation, merger and transformation of entities ("CREFI") do not establish neobanks as a category of financial entity that may require authorization to operate from the BCRA.

However, a company may apply to the BCRA for authorization to operate as a financial entity, establishing that the operation of its business is digital. To this effect, the BCRA authorized in 2022 the first 100% digital financial entity, which does not have branches.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

The BCRA regulations regarding the creation, merger and transformation of entities ("CREFI") do not establish particular requirements for the operation of a financial entity that operates entirely through a digital platform that allows customers and users to operate electronically and digitally and without going to a physical or branch office.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

No.

9.2. AI. ARE THERE REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT THE OPERATION OF FINTECHS IN YOUR JURISDICTION, OTHER THAN THOSE RELATED TO ROBO ADVISORS?

On June 1, 2023, the Undersecretariat of Information Technologies issued Disposition No. 2/2023, which approves the Recommendations for Reliable Artificial Intelligence. Essentially, these are guidelines that address ethical issues regarding model design, not laws or regulations, to which all those responsible for promoting the development and implementation of Artificial Intelligence in their organizations should refer. Beyond the aforementioned Disposition No. 2/2023, there are no regulations related to the use of Artificial Intelligence that impact the operation of fintechs in Argentina.

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1. OVERVIEW

1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

Since 2013, with the enactment of Law No. 12,865/2013 ("Payments Act"), Fintech has been in the center of the regulatory agenda in Brazil. Fintech is currently part of the Central Bank of Brazil ("Central Bank")'s 'BC# Agenda', which is comprised of microeconomic measures divided into five spheres: (i) financial inclusion, (ii) competition, (iii) transparency, (iv) financial education, and (v) sustainability. Based on these measures, the Central Bank expects to reduce the costs of financial services rendered to end users as well as the credit facility cost for the economy as a whole. In addition to the Open Finance iniciative that is being implemented by the Governance Structure formed by representatives of different types of institutions according to the guidelines determined by the Central Bank, the most relevant regulatory innovations being developed by the Central Bank under the 'BC# Agenda' currently are (i) Drex; and (ii) the automatic and guaranteed Pix modalities:

(I) DREX

In essence, Drex will be a digitalized version of the Brazilian Real, issued by the Central Bank, developed with the purpose of providing safe crypto asset transactions and smart contracts. The exclusive financial services provided through Drex will take place on the Central Bank of Brazil's new Distributed Ledger Technology ("DLT") based platform, the "Drex Platform".

Currently, Drex is in its second test phase, which involves upgrading its privacy features and including other regulators on the platform, like the Brazilian Securities and Exchange Commission ("Comissão de Valores Mobiliários - CVM"). The Central Bank's main challenge is to conciliate the transparency inherent to blockchain/DLT platforms with the national legal standards of banking secrecy.

(II) AUTOMATIC AND GUARANTEED PIX

Pix, the Instant Payment Network launched by the Central Bank in 2020, has consolidated itself as the most used payment method in Brazil, representing roughly 41% of the Brazilian transactions, according to data made available by the Central Bank in 2023.

The Central Bank intends to upgrade the technology in the near future, adding two new functionalities: a) Automatic Pix, that will make possible to schedule payments using pix, allowing automatized

recurring payments, as those originated from subscription services; and b) Guaranteed Pix, which will allow for Pix transactions to be paid in installments, guaranteed by the financial institution responsible for the transaction processing, subject to interest, default fines and fees if the payer's account does not have enough funds when the payment is effectively debited from the account.

(III) OPEN FINANCE.

Brazil's Open Finance system is also a world-wide benchmark, given its over-arching scope (financial services, investments and insurance) and the mandatory participation of banks (although Fintech companies are not mandatory participants, a relevant portion of regulated Fintech companies has joined Open Finance). The aim of Open Finance is to promote the offering of more proper, customized financial products and services for a more accessible cost to the end user. Through the Open Finance, the users can share the data gathered by their financial institution of choice with other institutions of the financial system, allowing the competitors to offer the user, by analyzing their financial data, better credit, interest and service conditions.

This active approach from the Central Bank since the enactment of the Payments Act has led to the development of relevant local Fintech companies (including Nubank, PagSeguro, Stone, Neon, among others) with both national and international activity, as well as the attraction of global players to the Brazilian Fintech scene.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

The Fintech ecosystem in Brazil is mainly composed of the payments and credit industries. The regulatory approach is generally very favorable, with the Central Bank committed to fostering innovation and competition in the Brazilian financial services industry. Below we provide the most relevant regulations and regulatory approaches to these two sectors, as well as other relevant regulatory initiatives.

Payments. The Brazilian Payments System (Sistema de Pagamentos Brasileiro) has undergone deep changes since 2013 following the enactment of the Payments Act. In the view of the Brazilian government and of the market as a whole, the Payments Act is an important step forward to promote financial inclusion, innovation, competition and the decentralization of the payments industry in Brazil. Under the Payments Act, payment institutions are a prominent form of fintech activity (as detailed in "8. Neobanks" below).

Credit. CMN Resolution No. 5050/2022 fosters financial inclusion in Brazil by stimulating competition among financial players and leading to the reduction of interest rates in the credit industry. Such regulation created two new types of financial institutions which are subject to a lighter regulatory burden: the Direct Credit Company (Sociedade de Credito Direto - "SCD") and the Peer-to-Peer ("P2P") Lending Company (Sociedade de Emprestimo entre Pessoas - "SEP"). Alongside payment

institutions, 'credit fintechs' are a prominent form of fintech activity (as detailed in "8. Neobanks" below).

Cryptocurrency. In December 2022 the Brazilian National Congress approved Law No. 14.478/22 with the purpose of setting the initial basis for virtual assets service providers regulation in the Brazilian legal framework (please refer to Section 4.1. below). Nonetheless, such law did not set forth specific details regarding the provision of virtual assets services, but the general guidelines and principles to be followed for purposes of the regulation to be enacted by the Central Bank (please refer to Section 4.1. below).

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

The regulatory sandbox model adopted by the Central Bank and the CVM consists of opening cohorts (one-year term, subject to extension to a total two-year term) under which projects are analyzed and selected by each regulator.

Central Bank's regulatory sandbox. In the first cycle, announced in November 2021, seven projects were selected by the Central Bank, based on the project's feasibility to address one or more of the established priorities (including solutions for the foreign exchange market, solutions for Open Finance and Pix, and solutions to promote competition and/or financial inclusion in the Brazilian Financial System). Among the selected projects, there are (i) key fintechs, such as Mercado Pago and Iupi, which presented payments driven solutions regarding, respectively, top-up services in kind and transfer of funds using settlement / temporary accounts; (ii) established banks, as JPMorgan and 'Itau Unibanco, which are testing technological solutions for the execution of multi-currency payment instructions and offer of credit to customers via Pix; and (iii) the first blockchain-based digital asset trading platform in Brazil (Bolsa OTC).

CVM's regulatory sandbox. In the first cycle, announced in June 2021, four projects were selected by the CVM. Differently from the Central Bank's regulatory sandbox, the CVM's first cycle did not expressly establish priorities and received projects addressing multiple solutions. Four projects were selected, mainly focusing on fixed income trading solutions (project by VOrtx) and secondary trading in crowdequity platforms (projects by BEE4, StartMeUp and Basement).

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

Financial institutions (including banks) may acquire interest or invest in other entities, as long as (i) prior authorization from the Central Bank is granted; and (ii) there are synergies with its activities and business model. The financial institution must submit the authorization request to the Central Bank containing the required documentation under the applicable regulations (which may vary whether the transaction constitutes the purchase or investment in a non-regulated Fintech

company or in a regulated Fintech company). The need for the Central Bank's authorization has a prudential rationale, aiming to mitigate the systemic risk stemming from the strategic role performed by financial institutions in the Brazilian Financial System.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

Financial consumers benefit from the following specific rules and regulations applicable to entities rendering financial services:

(i) Customer Service and Suitability. CMN Resolution No. 4949/2021 and Central Bank Resolution No. 155/2021 establish the rules, principles and procedures that regulated entities must adopt in the relationship with their customers. Such regulations require entities to implement an institutional policy consolidating guidelines, strategic objectives and the organizational values relating to customer service, as well as that the products and services offered are suitable to the clients' profiles (i.e. their interests and objectives). Suitability standards also apply to the offering of investments, per CVM Resolution No. 30/2021.

(ii) SAC - Customer Service Channel. Federal Decree No. 11034/2022 establishes the first layer of customer service, which is mandatory for regulated entities (servico de atendimento ao consumidor - "SAC"). The Decree imposes a series of procedures, standards and guidelines referring to (i) the provision of customer service; (ii) the quality of the treatment and monitoring of demands; and (iii) the effectiveness of the services.

(iii) Ombudsman. Central Bank Resolution No. 28/2020 established the ombudsman channel for regulated entities, a special component applicable to strategic customer service and/or customer demands not resolved by the SAC (i.e. second layer).

(iv) E-Commerce Customer Service. Federal Decree No. 7962/2013 establishes specific guidelines applicable to the offering of products and services in connection with e-commerce (including financial services), applicable to regulated and non-regulated entities, including the duty to keep customers clearly and extensively informed and to provide adequate means to guarantee facilitated customer service.

If a financial consumer is characterized within the typical definition of 'consumer' (consumidor) provided by Brazilian Law, it also benefits from the rules of the Consumer Code (Codigo de Defesa do Consumidor - "CDC"). Under the CDC, a 'consumer' is the individual or company purchasing goods or services as the end user, while a 'supplier' is any entity involved in the supply chain of the goods or services purchased by the 'consumer'. Under the CDC, the 'supplier' is subject to strict liability towards the 'consumer'.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

Brazilian regulations do not distinguish lending crowdfunding from P2P lending. For more details regarding P2P lending, please refer to Section 2.2. below.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

CMN Resolution No. 5050/2022 regulates both SEPs (P2P lending companies) and SCDs (direct credit companies). SEPs are financial institutions exclusively authorized to act as intermediaries for P2P loans or financing between lenders and borrowers on a purely online setting.

The regulations set forth some specific requirements for incorporating a SEP and for a consumer or investor to participate in P2P lending, as follows:

(i) Limits. Limit to the exposure of lenders (consumers/ investors) to BRL 15,000 per debtor within the same SEP, except where such investor is considered to be a "qualified investor" under CVM regulation.

(ii) Share capital. P2P companies must have a minimum BRL 1 million share capital.

(iii) Fees. As long as provided for in contracts concluded with its clients and users, the SEP is entitled to charge fees for the intermediation of P2P transactions, provided, however, that the fee policy does not generate exposure to financial risks beyond those considered to be prudent.

(iv) Policies. SEPs shall adhere to Anti-Money Laundering (AML) and Know Your Client (KYC) policies.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

The SEP (P2P lending company), as a financial institution, is subject to the consumer protection regulations referenced under Section 1.5 above. As mentioned, the general consumer protection law is applicable to financial consumers if they are characterized as a

'consumer' under the CDC (i.e. end user of the product or service).

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

Under CVM Resolution No. 88/2022, which regulates crowdequity (please refer to Section 3.1. below), donation and reward-based crowdfunding are expressly excluded from CVM oversight. Under such regulation, compensation received by means of rewards, goods or services does not constitute a securities' public offering.

2.5. Is crowdfactoring regulated in your jurisdiction? If so, what are the requirements to be able to offer this type of service?

In principle, typical factoring is not a regulated activity in Brazil. Considering that the activity of factoring is typically limited to the acquisition of credit bonds prior to maturity, at a discounted price and without recourse rights, factoring companies are generally understood not to perform activities restricted to financial institutions (such as lending and intermediation of monies) and would not be subject to the Central Bank's supervision. Depending on the business model, however, conclusions may differ (subject to a case-by-case analysis).

Crowdfactoring would in principle be excluded from the crowdequity's scope of regulation, namely CVM Resolution No. 88/2022 (see Section 3 below).

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Under CVM Resolution No. 88/2022, companies with a maximum annual revenue of BRL 40 million may raise funds from investors by means of a public offering of securities, not subject to registration, as long as the securities are distributed exclusively by means of an electronic investment platform (namely crowdequity platforms).

Such platforms are subject to the CVM's oversight as the intermediary institutions of crowdsales and therefore are under the duty of acting as gatekeepers and shall screen potential issuers prior to the launching of a crowdsale, as well as warn potential investors regarding risks associated with their investments.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Besides being registered with the CVM and duly incorporated in Brazil as a legal entity (no specific corporate form is required, e.g. corporation or LLC), crowdequity platforms must also meet a minimum share capital of BRL 200,000 and implement procedures compatible with the adequate performance of its role as a gatekeeper, including the drafting of a code of conduct and implementing information technology systems.

Under the new regulations, platforms that achieve a volume of public offerings superior to BRL 30 million must permanently engage a compliance professional responsible for supervising internal rules, procedures and controls.

In addition, CVM Resolution No. 88/2022 determines that crowdequity platforms must prepare audited financial statements by an auditor registered with the CVM if (i) the public offering target value exceeds BRL 10 million; or (ii) the platform has a consolidated annual gross revenue superior to BRL 10 million.

Per latest data (September 2024), 82 crowdequity platforms were registered with the CVM.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

As a general rule, the investment in crowdequity platforms is limited to BRL 20,000 per investor on an annual basis, except if such investor (i) is considered to be a "qualified investor" under CVM regulations or (ii) holds total investments/has annual revenue exceeding BRL 200,000, in which case its total investment can be limited to 10% of the largest amount among total investments or annual revenue.

Crowdequity projects are limited to a maximum term of 180 days for conclusion and to a maximum amount of BRL 15 million per project. Additionally, issuers are restricted from launching a new crowdsale for a 120-day period following the conclusion of the original crowdsale.

In September and December 2021, the CVM has granted two crowdequity platform (BEE4 and StartMeUp) temporary authorizations to develop, within the regulatory sandbox, secondary markets for investments under CVM Resolution No. 88/2022. Such project aims at providing liquidity to investments in innovative businesses and fostering medium and small businesses.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

Central Bank. In recent years, the first steps have been taken to build the regulatory framework for virtual assets in Brazil. According to Law No. 14,478/2022, (i) virtual asset service providers ("VASP") may only operate in the Brazil with prior authorization; (ii) VASP is a legal entity that performs, on behalf of third parties, at least one of the following virtual asset services: exchange between virtual assets and national currency or foreign currency; exchange between one or more virtual assets; transfer of virtual assets; custody or administration of virtual assets or instruments that enable control over virtual assets; or participation in financial services and provision of services related to the offer by an issuer or sale of virtual assets; and (iii) such law does not apply to virtual assets that qualify as securities for Brazilian law purposes.

Decree No. 11,563/2023 establishes, by its turn, that the Central Bank is the authority in Brazil competent to regulate the provision of virtual asset services and regulate, authorize and supervise VASPs. At this point, the Central Bank has initiated discussions with the Brazilian market for purposes of the regulations on virtual asset service by means of public hearings, but no actual proposition or rule has been issued until now.

CVM. Unless an ICO is deemed as a public offering of securities (see Section 4.5 below), the CVM does not currently have jurisdiction over cryptocurrencies in Brazil.

Tax Authority. The Brazilian Tax Authority (Receita Federal do Brasil - "RFB") issued Normative Instruction 1888/2019, which regulates the obligation to report transactions involving digital assets. This obligation falls upon (i) the cryptocurrency exchange (i.e. trading platform) domiciled in Brazil for tax purposes; or (ii) the individual or legal entity domiciled in Brazil.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

Yes, there are no restrictions as of this time for holding or trading cryptocurrencies in the Brazilian jurisdiction. Upon the imminent regulation of the sector by the Central Bank, it is expected that there will be greater legal certainty in this market sector.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

Trading platforms will be regulated under Brazilian Law in the near future by the Central Bank to the extent they fall within the scope provided for in Law No. 14478/2022 (please refer to Section 4.1). As mentioned above, at this point, the Central Bank has initiated discussions with the Brazilian market for purposes of the regulations on virtual asset service by means of public hearings, but no actual proposition or rule has been issued until now.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

As mentioned above, there are currently no restrictions under Brazilian Law for individuals or legal entities to hold or trade with cryptocurrencies.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

ICOs are not regulated in Brazil. However, the CVM has publicly stated that it is (i) aware of the growing trend of ICOs; (ii) monitoring this type

of transaction; and (iii) based on concrete cases, seeking to understand their related benefits and risks and to issue guidance on the matter. The CVM has published Advisory Opinion No. 40/2022 (Parecer de Orientacao n° 40/2022) consolidating its understanding on the matter. In summary, the CVM's understanding is as follows:

(i) Securities rules and regulations. Whenever the digital assets distributed within the ICO may meet the legal qualification of securities (i.e. if such assets grant to its owner (a) equity, (b) pre-fixed remuneration over the invested capital, or (c) voting rights in questions related to the management of the company), the transaction is subject to specific rules and regulations, including CVM Resolution No. 161/2022, which regulates public offerings of securities in the primary and secondary markets.

(ii) Payment, utility and asset-backed tokens. The CVM has classified tokens into three different categories; while payment tokens (used to replicate currency functions) and utility tokens (used to purchase or access products or services) are not deemed securities, asset-backed tokens (which represent one or more tangible or intangible assets) may be deemed securities depending on their features, subject to a case-by-case analysis.

(iii) Risks inherent to such investments and relevant recommendations. Among the risks inherent to such investments, are risks stemming from fraud, operational and liquidity mechanisms and technological structures associated with the management of the virtual assets. The CVM recommends investors to carefully assess the features of such transactions prior to committing funds to investments.

In April and June 2023, the CVM's Superintendence of Securitization Supervision (Superintendência de Supervisão de Securitização da CVM) issued Circular Letter No. 4/2023/CVM/SSE and Circular Letter No. 6/2023/CVM/SSE, which clarified and supplemented certain understandings initially expressed in Advisory Opinion 40. The CVM stated that, although tokenization itself will not be subject to its supervision, the issuance of securities for public distribution subjects the issuers and the respective public offerings of tokens to capital market regulations (including, but not limited to, the requirement for the issuer and public offering to be registered with the CVM).

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Under the legal framework in force, the special regime of financial consumer rules would not apply, what could change with the imminent regulation of the sector by the Central Bank. The provision of services by cryptocurrency exchanges (i.e. trading platforms) to end users in Brazil would be subject to the general consumer protection rules (per the CDC) if a 'consumer' / 'supplier' relationship is characterized (see Section 1.5 above).

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

The use of distributed ledger technologies is increasing in all sectors and, generally speaking, is well perceived by the market. As of October 2024, the use of distributed ledger technologies is not regulated by any specific law other than Law No. 14478/2022.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

Some of the largest banks in Brazil are reportedly using or testing such technology. The Central Bank itself not only has a team dedicated to studying blockchain technology, but has also authorized, in the first cycle of the regulatory sandbox, the first blockchain-based digital asset trading platform in Brazil (Bolsa OTC). As mentioned in Section 1.1 above, one of the regulatory's main project for the near future is the launch of the Drex digital currency and its platform based on DLT technology. This project aims to integrate distributed ledger technology to enable safer and faster transactions and an expansion in financial inclusion, as well as creating new possibilities for consumers and companies, including functionalities as instant payments and smart contracts, among others.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Private insurance is subject to a separate regulatory setting vis-a-vis typical Fintech services. Private insurance services are regulated by the Private Insurance Authority (Superintendencia de Seguros Privados -"SUSEP"), subject to directives issued by the National Private Insurance Council (Conselho Nacional de Seguros Privados - "CNSP").

According to the latest report performed by Digital Insurance Latam, Brazil is the country with the largest insurtech ecosystem in Latin America, representing 57% of the total amount of insurtechs in Latin America.

The Brazilian insurtech ecosystem has been fostered by the establishment of a regulatory sandbox by SUSEP, as duly authorized by the CNSP, in 2020.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

The current regulatory model adopted by SUSEP is based on two main pillars: systemic health and social adequateness of the insurance activities. On the one hand, systemic health is the guarantee that, if materialized, one or more risks covered by the insurance policy will not lead to the ruin of the entire insurance system. On the other hand, social adequateness of the insurance activities consists of the protection of all players in the market, especially consumers. In line with such principles, the regulatory approach adopted by SUSEP is that of exercising strict control over the proposal of new distribution models and to seek the standardization of insurance contracts.

This is evidently a challenge for the insurtech industry, which is based primarily on technology and innovation. Since the insurance market is heavily regulated by SUSEP, insurtechs performing activities currently regulated by traditional insurance regulation are under the obligation of either obtaining SUSEP's prior authorization to operate or establishing partnerships with typical insurance companies to offer their services, although insurtechs that provide pure technology services may fall outside the scope of regulation. Apart from authorization, SUSEP may also require regulated entities to hold specific certification related to their segment of activity in the insurance market.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

As of October 2024, there is no particular insurtech regulation. Nonetheless, SUSEP has been proven active on fostering discussions within the insurtech market and the sandbox enabled testing inovation projects in the insurance field.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Use of robo-advice technology by Brazilian financial and capital markets' institutions has been increasing over the years. For instance, in 2020, Verios Investimentos, an AI-based platform that managed clients' investments and assets, was acquired by Nu Invest (formerly Easynvest), Nubank's investment arm. Nubank claims to use Verios artificial intelligence to integrate the asset management of funds. Other major platforms also utilize robo-advisors, including BTG Pactual and XP Investimentos, offering automated portfolio management and

personalized investment strategies to enhance user experience and align with client profiles.

CVM enacted CVM Resolution No. 19/2022, which replaced the former regulations, expressly bringing the use of robo-advice technology in securities investment advisory services under its direct oversight. Among such rules, the CVM expressly clarified that the use of automated systems or algorithms in connection with the rendering of securities investment advisory services (i) is subject to the same rules applicable to the services provided by individuals/humans; and (ii) does not reduce the consultant liability inherent to the guidance, recommendation and advice provided to clients.

Moreover, in 2024, ANBIMA (Brazilian Association of Financial and Capital Market Entities) published a groundbreaking guide with recommendations for companies in the sector that wish to use IA systems. The material has no equivalent in the Brazilian capital markets and reinforces ANBIMA's mission to lead this movement by supporting institutions on their digital transformation journey. The guide encourages the ethical adoption of technology, identifies trends, highlights key applications and risks, and establishes guidelines for the responsible development, acquisition, and use of AI by entities. This demonstrates the market's growing interest in supporting institutions in their digital transformation journey.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

CVM Resolution No. 19/2022 sets forth that companies providing securities investment advisory services shall keep the source code of the automated system available for the CVM's inspection.

In March 2019, the CVM's Superintendence of Securitization Supervision issued Circular Letter No. 2/2019/CVM/SIN, clarifying that offers made to investors involving standardized strategy services, facilitated by automated systems or logical and mathematical algorithms designed to identify opportunities and optimal timing for securities transactions, are considered securities analysis services. As such, these services are exclusively reserved for securities analysts accredited in accordance with CVM Resolution 20/2021.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

Yes. Neobanks are typically set up as payment institutions (e-money issuer - emissor de moeda eletronica) or as a 'credit fintech' (SCD) and together can combine both payments and credit services. As they grow, Neobanks may adopt more sophisticated regulatory structures. Currently, Neobanks (e.g. Nubank, PagSeguro, Neon Pagamentos) are growing their businesses and bridging the gap between the financial

services offered by them to the scope of financial services offered by traditional banks.

Payments. Under the Payments Act, payment institutions (instituições de pagamento), which are the legal entities that enable final users to carry out payment transactions, are generally subject to an authorization to operate and to the Central Bank's continuous oversight. Payment institutions are subject to a minimum capital requirement of BRL 2 million in order to operate as an e-money issuer. Payment institutions are also authorized to carry out other activities (issuer of post¬paid payment instruments (mainly credit cards), acquirer and payment initiation service provider - PISP). For each payment activity carried out in addition to acting as an e-money issuer, payment institutions must post an additional BRL 2 million in minimum capital (except for payment initiation services, subject to a BRL 1 million additional minimum capital). In order to accept deposits from end users, Neobanks using a payment institution structure are typically set up as an e-money issuer (emissor de moeda eletronica), potentially also covering other payment activities. According to recent data, as of April 2024, there were 120 Payment Institutions licensed to operate by the Central Bank.

Credit. 'Credit fintechs' (SCDs and SEPs) shall obtain the Central Bank's prior authorization to operate as financial institutions. They shall be incorporated as corporations (sociedade anonima) and maintain a minimum capital and net equity of BRL 1 million at all times. The minimum capital and net equity requirement may be increased depending on a case-by-case analysis to be made by the Central Bank upon receiving the authorization request. The Central Bank understands that 'credit fintechs' offer limited risk to the stability and orderly functioning of the Brazilian Financial System, considering the limited amounts that are allowed to be transacted by such institutions (vis-à-vis fully-fledged financial institutions/banks) and their simplified risk profile. As such, 'credit fintechs' benefit from proportional prudential requirements, which become more stringent as such entities grow.

Since 'credit fintechs' are authorized to carry out payment services (pre-paid services, in case of SEP, and pre-paid and post-paid services, in case of SCD), setting up a separate payment institution is typically not required, unless payment services not covered under the scope of 'credit fintechs' (post-paid, acquiring or payment initiation, as the case may be) are part of the entity's business model. For each payment activity carried out by the 'credit fintech' (namely, acting as an e-money issuer and/or as a post-paid payment instrument issuer), BRL 2 million in share capital will be added to the minimum capital requirement of the 'credit fintech' (totaling between BRL 3 million - BRL 5 million in minimum capital requirement). By April 2024, 140 Direct Credit Companies (SCDs and Peer-to-Peer Lending Companies (SEPs) had been authorized to operate by the Central Bank, of which 90% are SCDs, significantly impacting the supply of credit Brazil.

For comparison, among commercial banks, multiple banks, and credit, finance, and investment companies (financeiras), institutions authorized to grant credit, there are currently approximately 340 institutions authorized to operate by the Central Bank. This

demonstrates that since the enactment of Credit Fintech regulations, SCDs have quickly occupied a significant space in the market, fostering competition and consequently reducing the interest rates practiced in the market.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

In addition to the regulatory requirements listed in Section 8.1, Neobanks are generally subject to a similar set of regulations (including risk management and prudential regulations) applicable to traditional banks. The regulations were amended by the Central Bank, as a response to 'regulatory asymmetry' claims voiced by the incumbents, to bridge the gap between Neobanks and traditional banks. This is expected to increase regulatory compliance costs, but at the same time Neobanks will be granted more freedom to improve their offering of financial services, including the prerogative of requesting the Central Bank for a license to operate, as a payment institution, in the foreign exchange ("FX") market.

With respect to FX, a new legal framework was enacted (Law No. 14286/2021) providing more flexibility to the Central Bank in the regulation of the Brazilian FX market and the FX regulations were amended by the Central Bank with the goal of (i) modernizing the Brazilian FX regulations; (ii) providing FX market players with more flexibility in the classification of FX transactions, especially with respect to small and medium-ticket transactions; (iii) providing FX market players with greater freedom to create new products and services; and (iv) replacing the foreign investment registration requirements for a simplified provision of information to the Central Bank electronically. This is expected to foster competition in the FX market (currently a highly concentrated market) and gradually reduce the average banking spread, especially with respect to retail FX transactions, which creates a relevant opportunity for Fintech companies.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Future Outlook. The recent initiatives implemented by the Central Bank are part of a broader process of digital transformation in the Brazilian financial ecosystem towards a tokenized economy. In the upcoming years, the Central Bank expects to implement a new interoperable system that will integrate current regulatory initiatives (mainly Pix and Open Finance) with tokenized deposits, data monetization and other potential services. This integration will serve as the basis for the establishment of a Central Bank Digital Currency (CBDC), known as Drex. The focus of the regulatory 2024 agenda of the Central Bank remains on a tokenized economy, but new priorities

include cryptoassets and artificial intelligence (AI). The Central Bank is expected to further integrate these technologies with existing initiatives like Pix and Open Finance, along with tokenized deposits and data monetization.

Consumers and Merchants. Funds held in payment accounts and transacted through payment institutions and sub-acquirers (which are payment processors and settlement agents within payment networks, but not technically payment institutions) by Brazilian consumers and merchants are legally segregated from the assets of such entities, which means that they are not directly liable for the entity's debts and may not be seized or attached by creditors in Brazil, even if the entity undergoes bankruptcy or judicial reorganization proceedings. The legal protection granted by such segregation was successfully tested in 2019, thus protecting consumers' deposits, during a crisis involving a relevant Fintech company in Brazil which held its accounts with a failing bank.

Personal Asset Liability – Administrators/Officers and Controlling Shareholders. The Central Bank may, under a stress scenario, such as insolvency or threat of insolvency, place payment and financial institutions subject to its regulatory oversight into 'special regimes', i.e. out-of-court intervention, out-of-court settlement or temporary special administration regime - RAET. From the enactment of any of the 'special regimes', the assets of controlling shareholders and statutory officers (current and former, for a period of up to five years prior to the Central Bank decreeing any 'special regime') become unavailable and are liable for damages caused to customers and third parties, even if there is no fault or intent, and may, upon further investigation, be seized and held jointly and severally liable for such losses. In 2024, the focus on tightening controls around cryptoassets will add an extra layer of accountability in stress scenarios. The Central Bank will now further scrutinize these actors, ensuring financial security in emerging fintech and digital asset markets.

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Carey is the largest law firm in Chile, with over 280 professionals in its legal area. Its corporate, banking, litigation, and regulatory groups include highly specialized lawyers who cover all areas of law.

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Carey serves as an effective bridge between different legal systems. Many of the partners and senior lawyers have worked in the United States, Asia, and Europe as regular or foreign associates in major international firms or as attorneys for large companies or multilateral organizations.

1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

On February 3, 2023, Law 21.521 ("Fintech Law") came into effect, which aims to establish a general framework to encourage the provision of financial services through technological means. The law recognizes principles such as financial innovation, promotion of competition, protection of financial clients, proper safeguarding of personal data, and the preservation of financial integrity and stability, among others. In particular, the Fintech Law regulates the provision of crowdfunding services, alternative transaction systems, financial instrument brokerage, orders transmission, credit advisory, investment advisory, and the custody of financial instruments. To offer any of the aforementioned services, providers must be previously registered in the Registry of Financial Service Providers (the "Registry"), which is managed by the Financial Market Commission ("CMF"), and must request authorization from the CMF to provide such services. Additionally, the law establishes an open finance system that allows for the exchange of information between different financial service providers.

To complement the regulation of the Fintech Law, the CMF has issued General Rules ("NCG") numbers 502 and 514: the first regulates the registration, authorization, and obligations of financial service providers under the Fintech Law; NCG 514, on the other hand, aims to regulate the so-called "Open Finance System."

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

Fintech technologies are widely regulated in Chile through the Fintech Law and the NCG issued by the CMF. Under these regulations, financial service providers are required to register in the Registry and request authorization to provide financial services from this institution.

Additionally, the Open Finance System created by the Fintech Law aims to establish an environment for the exchange of financial customer information (with their express consent) between different qualified financial service providers, as defined by the law, as participants in this system. This allows Fintech developments to have direct, secure, remote, and automated access to the financial information of customers who have consented to it.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

No. Although the Ministry of Economy and the Ministry of Science and Technology have drafted discussion proposals to implement regulatory sandboxes, and there is at least one bill under discussion to create "controlled testing spaces for artificial intelligence" by State Administration bodies, none of these have been finalized so far. Nor have there been any proposals with a level of development that would suggest their imminent implementation.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

In general terms, banks operating in Chile cannot acquire other companies without authorization from the CMF and only if those companies provide services that complement banking activities. Consequently, as long as a Fintech company can be considered as complementing banking activities, banks may be allowed to acquire it.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

Yes. Law No. 20.555, which amended the Consumer Protection Law, granted financial powers to the National Consumer Service ("SERNAC"), incorporating a series of consumer rights in financial matters. Additionally, the Fintech Law introduced the concept of "financial client" into legislation, referring to consumers who are users of Fintech technologies. In this sense, the Fintech Law establishes special regulations regarding financial service clients, which is further detailed in NCG 502.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

Crowdfunding is regulated by the Fintech Law, an activity for which registration in the Registry and prior authorization from the CMF are required. The Fintech Law defines crowdfunding platforms as a "physical or virtual place through which those with investment projects or financing needs disseminate, communicate, offer, or promote those projects or needs, or their characteristics, and connect or obtain contact information of those who have available resources or the intention to participate in or meet those projects or needs, in order to facilitate the execution of the financing operation."

Outside of this regulation, raising money from the public is prohibited in Chile, except for institutions that are specifically authorized to do so, including banking entities or issuers of debit or prepaid cards.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

No. This type of loan is not specifically regulated in Chile. As long as it is done with personal funds, peer-to-peer lending is allowed, but it is subject to the general legal and regulatory norms governing money lending operations, including limitations regarding the maximum interest rates that can be charged to the borrower.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

The activities of lending crowdfunding and P2P lending may be subject to consumer protection laws if they involve a relationship between a service provider and a consumer, and if that relationship falls within the scope of application of said law, which must be analyzed on a case-by-case basis. On the other hand, there is no special consumer law regime applicable to lending crowdfunding and P2P lending activities.

The Fintech Law, for its part, reaffirms the powers of the SERNAC in protecting consumer rights, extending these powers to the matters regulated by this legislation. Likewise, it contains specific provisions aimed at protecting financial consumers, such as the obligation to establish guarantees to respond for potential damages to financial consumers or the obligation to establish policies and procedures aimed at safeguarding the information and interests of financial consumers.

Finally, although they do not fall under consumer protection norms, the activities of lending crowdfunding and P2P lending are subject to the general legal and regulatory norms governing money lending operations, including limitations on the maximum interest rates that can be charged to the borrower.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

No, donation-based or rewards-based crowdfunding is not specifically regulated in Chile.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

No. Crowdfactoring is not specifically regulated in Chile. However, under the Fintech Law, invoices are considered financial instruments, and those who intermediate them are specifically regulated. In this sense, the buying and selling of financial instruments (including invoices) on behalf of third parties can be a regulated activity when conducted in any of the following ways: by acquiring or disposing of them on one's own account, with the intent to sell or buy them to or from a third party, or by acquiring or selling such financial instruments on behalf of or for that third party.

Consequently, it can be argued that, subject to the particular analysis conducted in each case, crowdfactoring would be a regulated activity under the Fintech Law, provided that it is carried out in the aforementioned ways. Therefore, those intending to engage in this activity must comply with the requirements and conditions established therein, including registration in the Registry and obtaining authorization to provide this financial service from the CMF.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Yes. Equity crowdfunding is regulated by the Fintech Law under the notion of crowdfunding, defined as a "physical or virtual place through which those with investment projects or financing needs disseminate, communicate, offer, or promote those projects or needs, or their characteristics, and connect or obtain contact information of those who have available resources or the intention to participate in or meet those projects or needs, in order to facilitate the execution of the financing operation." This regulation is detailed in NCG 502, which establishes specific requirements applicable to those intending to engage in these activities in Chile.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Those intending to provide financial services through this type of platform must first register in the Registry and request authorization to offer financial services from the CMF. Once registered and authorized, they must comply with obligations related to periodic information

disclosure, establish structures and policies that adequately manage the risks that may affect the activities carried out by the entity, implement specific control mechanisms indicated in NCG 502, among others.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

No, in Chile, there are no specific requirements for investors or for the securities in crowdfunding projects. Additionally, as of now, there is no secondary market for these issuances.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

In Chile, there are no restrictions on holding and trading cryptocurrencies. However, they have not been characterized as "currencies," but rather as mere goods that can be acquired. Except for cryptocurrency exchanges, there are no other significant developments in Chile that allow cryptocurrency holders to acquire goods or pay for services using cryptocurrencies.

The Fintech Law defines virtual financial assets or cryptoassets as a "digital representation of units of value, goods, or services, excluding money, whether in national currency or foreign exchange, that can be transferred, stored, or exchanged digitally."

In terms of taxation, the Internal Revenue Service has defined them as "a digital or virtual asset, supported by a unique digital ledger called blockchain, unregulated, disintermediated, and not controlled by a central issuer, whose price is determined by supply and demand." The object of this definition is to make the corresponding income tax applicable to the buying and selling of cryptocurrencies.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

In Chile, there are no restrictions on holding and trading cryptocurrencies.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

The Fintech Law qualifies cryptocurrency trading as a financial instrument intermediation service (under a broad notion of financial instrument). In this sense, those providing this service must register in the Registry and request authorization to offer financial services from the CMF. In addition to the above, those providing financial instrument intermediation services must comply with public information duties,

maintain operational systems that meet certain characteristics, have guarantees, and maintain a minimum capital, among other requirements.

Furthermore, the Internal Revenue Service, the Financial Analysis Unit, and the Financial Stability Council have issued certain definitions and opinions regarding cryptocurrencies in the context of their respective authorities.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

Yes, as long as financial entities are registered in the Registry and authorized by the CMF to provide financial intermediation services for financial instruments. Additionally, banks do not need to be registered in the Registry, according to the legal and regulatory framework that governs them based on their business activities or the supplementary regulations issued by the CMF, for the provision of intermediation and custody services for financial instruments regulated by the Fintech Law.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

In Chile, there are no restrictions on an initial coin offering. However, based on the provisions of the Fintech Law and NCG 502, depending on how the service is structured, it could fall under the notion of intermediation of financial products or crowdfunding platforms. Therefore, an initial coin offering may eventually be subject to the obligations of registration in the Registry and authorization from the CMF.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Consumer protection regulations apply to trading platforms, if there is a relationship between a service provider and a consumer, and that this relationship falls within the scope of the Consumer Protection Law. The Fintech Law, in turn, reinforces the competencies of the National Consumer Service regarding the protection of financial consumer rights.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

Although there are initiatives, mainly in the private sector, that rely on the use or exploitation of the characteristics of this type of technology,

there is no specific regulation in Chile that defines and generally addresses distributed ledgers technologies.

Nonetheless, the Fintech Law introduced a series of modifications to other regulatory bodies in order to expand the existing regulation on payment methods, among others, to include digital representations based on distributed ledger technologies systems, in line with the proliferation of this technology and the cryptoassets based on it.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

Up to this date, there is no significant development in distributed ledger technologies that would suggest a timely widespread implementation by traditional financial institutions.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

In Chile, there is no regulation in this regard; however, there are insurance companies that provide their services through Fintech technologies. Insurance and reinsurance companies offering investment advisory services through technological platforms will be exempt from the registration obligation established by the Fintech Law, without prejudice to the fact that certain obligations set forth in this regulatory body may still be applicable to them.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

In Chile, there is no regulation in this regard.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

No, in Chile, there is no specific regulation applicable in this regard.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE

TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

The management of third-party funds and the provision of services using robo-advice are regulated under the Fintech Law and NCG 502. Similarly, those providing such services are subject to the supervision of the CMF. Under this regulation, financial institutions or capital market entities offering these services must ensure to the CMF that their algorithms or systems have been designed in such a way that the results are always consistent, relate to the needs of the client, and cannot be altered by human intervention.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

Those providing financial services or investment advice through robo-advisors must first register in the Registry and request authorization from the CMF to offer financial services. Furthermore, financial institutions or capital market entities providing these services must ensure to the CMF that their algorithms or systems have been designed in such a way that the results are always consistent, relate to the needs of the client, and cannot be altered by human intervention.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

Yes, the establishment of neobanks is subject to compliance with the General Banking Law, without distinction from traditional banking institutions.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

No, the General Banking Law does not differentiate in the regulatory requirements for operating as a neobank. However, some of the conditions required by the law may be waived by the CMF, considering the low risk that the new entity may pose to the financial system of the country.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Yes. The Fintech Law and NCG 502 have established specific requirements that must be met by those who intend to participate as consumers, investors, or managers of Fintech companies or providers of financial services. Such requirements depend on the qualification of the service, according to the aforementioned regulations.

9.2. IA. ARE THERE REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT THE OPERATION OF FINTECHS IN YOUR JURISDICTION, OTHER THAN THOSE RELATED TO ROBO ADVISORS?

Currently, there are no regulations regarding the use of Artificial Intelligence that can be linked to the provision of financial services. However, there is a bill in progress aimed at regulating the use of Artificial Intelligence in general terms. Therefore, such regulations could have an impact on the operations of Fintech services once they come into effect.

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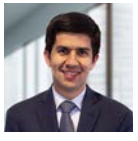

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In addition, we have extensive experience in assisting clients with the acquisition and takeover of listed companies through Public Acquisition Offers or state-owned company privatization processes. We have also been actively involved in working groups initiated by the Colombian Stock Exchange to encourage the participation of new actors in our stock market.

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1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

Colombia has seen an active development of regulations and legislation that includes new players, models, and infrastructure for the financial system. This active approach of the Colombian financial regulator has led to the analysis of innovative models that fintech companies have presented, both locally and internationally. Colombia is currently a leading country in Latin America in terms of the number of fintech developments, holding 13% of the fintech developments in the region, only behind Brazil and Mexico (Finnovista, June 20, 2024). Therefore, the legislator's approach to the Fintech industry has not only focused on the feasibility of allowing or implementing specific models in Colombia but also on promoting the implementation of those that appear to be beneficial for the financial system.

In 2023, the national government added the Crowdfunding regulation and legal framework initially exposed in 2018 and established the possibility that financial entities provide services linked with crowdfunding as 'corresponsales'. This is to enable and ease access to third-party crowdfunding projects.

Furthermore, the latest developments in the fintech sector include the regulation provided by the Colombian Central Bank (Banco de la República) issuing dispositions for the implementation of low-value immediate payment services interoperability. The referred regulation sets forth a procedure for procuring security and accessibility as principles of the financial system.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

No specific legislation or regulation treats Fintech comprehensively as an industry (as is the case in other countries). However, the financial regulator addresses fintech issues separately and is working on regulations that allow or provide a framework for its implementation. To the best of our knowledge, the financial regulator (Ministry of Finance) and the Financial Superintendence continue to make progress on fintech matters.

The Financial Superintendence team includes a working group dedicated explicitly to Fintech issues. This group has been working closely with the actors that comprise this ecosystem and the financial regulator to ensure a smooth implementation of the regulation that has been and will be issued to address Fintech issues. This working group is in charge of all matters related to the projects that are presented

to the Supervision Sandbox and those that will be presented to the Regulatory Sandbox, both managed by the Financial Superintendence. Likewise, the National Development Plan has focused on proposing a public policy in Open Finance that shall be further developed, but even now, we expect effects in the industry.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

In 2018, a Supervision Sandbox model was explicitly adopted for the Fintech industry called "La Arenera". This "Sandbox", managed by the Financial Superintendence, brought about the initial progress in this matter for our legal system, in the understanding that it allowed regulatory waivers to instructions issued by the Financial Superintendence. Among the most recent outstanding projects of the Sandbox, we find: (i) pilot project to carry out deposit and withdrawal operations of pesos on financial products of saving held by cryptocurrencies platforms: the pilot was recently finished and the regulator published a public letter confirming its previous concepts on the matter, this is, that cryptocurrencies are not an official currency, shall not be deemed as financial assets, are not regulated, and are not under the Financial Superintendence control, surveillance or inspection; nevertheless, we consider that an specific regulation could be issued soon attending the results of the project; (ii) pilot test for the emission of a DLT asset backed security and its eventual negotiation on the front market: the project was completed on August, 2022 with the DLT asset emission, identifying efficiencies on time and costs of the process; nevertheless, the regulator did not provided for an specific regulation attending the project's results; and (iii) a simplified access to an original insurance provided by software ("Insurance per mile"): even tough this was a successful and with no precedent project, an specific regulation on the matter was not provided.

Since December 2020, a Regulatory Sandbox has been performed under "controlled test space for financial innovation activities", managed by the Superintendence of Finance. In this controlled environment of tests, regulatory exemptions are granted to the participants of their projects at a higher level, since, unlike the Supervision Sandbox, the exceptions will not only be against instructions issued by the Financial Superintendence but will include exceptions to current laws or regulations that other public entities could have provided. We highlight the projects submitted on the Sandbox Challenge Colombia, an initiative of the regulator and the Iberoamerican Bank of Development (BID) proposed to promote the submission of projects in the Sandbox, including technological developments for crowdfunding and the Stocks Market that have obtained a place on the controlled environment since mid-2023.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

Colombian regulation is quite strict regarding investments made by financial entities (entities authorized to operate by the Financial Superintendence of Colombia) in other companies, including financial technology companies.

That said, on December 27, 2018, Decree 2443 of 2018 was issued, through which credit establishments, financial services companies, and capitalization companies were authorized to invest in fintech companies. This decree authorizes the aforementioned financial institutions to acquire shares in national and international companies whose sole purpose is the development and innovation of technology as long as they are related to the corporate purpose of the financial entity. As of this guide's publication day, no project driven on the regulator Sandbox had been related to this matter.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

In Colombia, there is a distinction between the definitions of consumer and financial consumer. Hence, the regulator established special regulations to protect the rights of the financial consumer, which surprisingly were issued before the statute that protects the rights of general consumers.

On the one hand, the generically considered consumer is defined as any individual or legal entity who, as a final recipient, acquires, enjoys, or uses a specific product, whatever its nature, for the satisfaction of a personal, private, family, or domestic need and when it is not linked to its economic activity. Likewise, Consumer relations are defined as those between producers and suppliers versus consumers. This type of relationship is regulated by the precepts of Law 1480 of 2011.

On the other hand, a financial consumer is defined as any client, user, or potential client of the entities supervised by the Financial Superintendence. Financial consumption relations are those derived between a financial consumer and a supervised entity, including those of the financial, insurance, and stock market systems. Financial consumption relationships are regulated by the precepts of Law 1328 of 2009.

Recently, in the Congress of the Republic of Colombia, a regulatory project was discussed. After exhausting all necessary legal debates, it was partially objected to by the President regarding financial consumer protection. This legal initiative proposed additional rights for financial consumers, suggesting that certain fees charged by Fintechs, such as the costs for using their technological services, should be considered as part of interest payments. This would aim to include these fees within the interest rate limits applicable in Colombia. Although these additional rights were not enacted due to the presidential objection, the Congress of the Republic may resume the debate. The goal would

be to adjust the proposal for the President to sanction it as the Law of the Republic.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

As stated in previous editions of this publication, our jurisdiction regulated debt crowdfunding, supported in issuing debt or equity securities, through Decree 1357 of 2018. This regulation was later modified with the issuance of Decree 1235 of 2020, which made the parameters and requirements more flexible for consumers interested in participating; recently, using the issuance of Presidential Decree 2105 of 2023, financial entities were authorized to provide services related with crowdfunding through its "Corresponsales".

Nonetheless, traditional lending crowdfunding is currently unregulated in Colombia and, therefore, would carry several limitations for platforms intending to implement this type of crowdfunding in Colombia. The most important restriction for traditional loan crowdfunding would be the possibility that crowdfunding platforms may be considered as massive and habitual collection of money from the public. This activity, expressly authorized to financial entities, cannot be carried out by entities outside the perimeter of financial regulation (only under certain exceptions and limitations). Even though some Sandbox projects have been developed regarding crowdfunding matters, they have yet to be directly linked with traditional lending. Therefore, regulation has yet to be provided on the matter.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

No. "P2P Lending" is not regulated in Colombia, and there are no particular requirements for a consumer or an investor to participate in this type of loan. However, there are many regulatory limitations for the operation of P2P platforms, which must be analyzed on a case-by-case basis. Specifically, depending on the model to be analyzed, it can be interpreted as the felony massive and habitual collection of money from the public.

As of the day this guide was published, no development on P2P matters has been approved on the regulator sandboxes, and no regulation has been provided on how to set this product allowance on the Colombian market.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

The regulation on financial consumer protection does not apply to crowdfunding loans or P2P loans. This regulation is generally intended for relations between financial entities and financial consumers. However, the general consumer protection regulation applies to other services or products not currently covered by the financial consumer, including loan crowdfunding or P2P lending.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

No, donation and/or reward crowdfunding, understood as that modality in which no return is offered to the people who contribute funds to the project (donation) or the return offered is a good or service other than a value (reward), has not a comprehensive regulation that establishes limits, or the conditions in which donation and/or reward crowdfunding could be performed.

However, Decree 1235 of 2020 and External Circular 014 of 2021 allowed authorized entities to carry out debt crowdfunding to additionally provide donation and/or reward crowdfunding services, for which they must use advertising that can identify donation and/or reward crowdfunding from other types of crowdfunding.

Several Fintechs, such as Hel and Vaki, that operate in Colombia and the region offer donation—and reward-based crowdfunding. According to Statista, Crowdfunding operations in Colombia are expected to grow yearly by 3.34%.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

No, crowdfactoring is not regulated in Colombia. Depending on the crowd factoring model, different requirements or limitations may apply. Mesfix offers the market “a modality of crowdfunding that allows corporations to sell their rights to individual investors”; even though a sole investor carries out factoring, the referred fintech company allows multiple investors and corporations to participate in this product.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Colombia´s financial regulator has issued specific regulations for crowdfunding related to equity and debt securities through Decree

1357 of 2018. This regulation was later modified with the issuance of Decree 1235 of 2020, which made the conditions of operations and participation in this type of operation more flexible, as explained in the answer to question 2.1.

With the issuance of such decrees, a new type of entity materialized whose exclusive corporate purpose is the operation of this type of crowdfunding, called Collaborative Financing Society (SOFICO). SOFICOs must be previously authorized by the Financial Superintendence to operate. Additionally, trading systems and stock exchanges were authorized to manage crowdfunding platforms.

Bloom, the first SOFICO authorized to operate in Colombia, was accepted by the Superintendence in the last trimester of 2023. According to the report of authorized entities issued by the regulator for 2023, Bloom is the only existing SOFICO in the country.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Currently, under the precepts established in Decrees 1357 and 1235 of 2020, the managers of Crowdequity platforms have specific requirements, such as establishing themselves as a Collaborative Financing Company duly authorized to operate by the Financial Superintendence, adopting operating regulations containing the information required within current regulations, as well as reporting certain information regarding Crowdequity projects, among other obligations inherent to financial entities.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

The current regulations applicable to crowdfunding establish specific particular requirements applicable to investors, as well as to projects that are financed by this means, as follows:

(i) The investor can invest a maximum amount (20% of the annual income or the investor's total assets, whichever is greater) unless they are contributors qualified as professional investors.

The investor must sign a declaration stating that the resources invested in Crowdequity projects do not exceed this limit.

(ii) A maximum amount that the financed project can raise is established, which will depend on the type of investors that participate in it:

• Fifty-eight thousand legal monthly minimum wages (approximately 18,199,372 USD) if they participate as contributors to the project and are qualified as professional investors.

• Nineteen thousand legal monthly minimum wages (Approximately 5,961,863 USD) if only investor clients participate as contributors in the project.

(iii) Supply the legally required information by the managing company of the Crowdequity platform for its link to the project.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

There is no specific regulation on cryptocurrencies in Colombia. However, the Financial Superintendence and other entities, such as the Central Bank and the Direction of National Customs and Taxes (DIAN), have issued communications that indicate their position in this regard:

(i) Financial Superintendence:

The Financial Superintendence, through External Circular 052 of 2017, established the prohibition on regulated entities' intermediation with cryptocurrencies and the allowance of their platforms for carrying out operations with cryptocurrencies.

This position has been moderated with the pilot project to carry out deposit and withdrawal operations of pesos to purchase and sell crypto assets, in which alliances made up of financial entities and trading platforms participate.

As a consequence of the completion of the pilot project, a regulatory draft was drafted based on the conclusions derived from it. This draft would have allowed non-regulated entities to offer cryptocurrency services in Colombia, provided the main terms and conditions, and set a transitory regulation for those with cryptocurrencies in the sandbox. Unfortunately, this regulation did not get into force due to the government's change of officials. The current administration decided to conduct additional pilots on the regulator sandbox for its evaluation.

The latest pilots ended on June 13th, 2024. According to the regulator, "Even though the results are useful to set a regulation on the matter, the public and the financial entities shall be warned about the risks of the transactions with such currencies and about the fact that they are not regulated nor backed by a central bank and, therefore, are not an official currency."

This statement allowed us to conclude that cryptocurrencies are still a pending regulation matter, for which the regulator could employ the latest experiences on the sandbox to provide for a regulation according to the past draft referenced herein.

(ii) Central Bank:

The monetary authority in Colombia has issued different official statements that establish that cryptocurrencies have not been recognized as a currency since they do not have the support or participation of any central bank. Furthermore, in a statement issued on September 22, 2023 (Concept SCD-000026045), the Bank stated that cryptocurrencies "are not money for legal effects, nor a currency, cash or an equivalent, are not a financial good nor any other value defined by Law 964 of 2005".

(iii) DIAN:

The Colombian tax authority defined cryptocurrencies as an intangible asset capable of being valued in money, which can lead to obtaining income, which should be considered an asset for tax purposes.

However, it is not recognized as a currency.

Recently, the tax authority stated that from a tax point of view, cryptocurrencies are immaterial goods that can be valued, make part of the taxpayer's assets, and generate income. Furthermore, cryptocurrencies shall be recognized as intangible assets for fiscal purposes.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

No legal restrictions exist for a consumer to own and/or transact cryptocurrencies in Colombia. However, the regulation only recognizes cryptocurrencies as negotiable assets with no payment power.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

Trading platforms are not subject to regulation or under the supervision of the Financial Superintendence. However, according to Colombian regulations, a platform or company for trading cryptocurrencies is not authorized to carry out activities exclusive to financial entities.

It is important to note that all trading platforms and cryptocurrency traders in Colombia, especially those operating through a multilevel activity scheme, are at risk of being classified as participating in the crime of massive and habitual fund collection.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

No, financial entities have been instructed by the Financial Superintendence to avoid conducting transactions involving cryptocurrencies, unless they are part of pilot projects approved by the regulator.

Even in such pilot projects, financial entities are only allowed to handle deposits and withdrawals in Colombian pesos. The responsibility for buying and selling crypto assets lies with the trading platforms, and the pilot projects do not permit financial institutions to invest public savings in cryptocurrencies or involve these assets in the financial system.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

ICO and other cryptocurrency transactions are not specifically regulated in Colombia. Furthermore, transactions involving cryptocurrencies have not been classified as securities under the regulations of the disintermediated market in the country.

This type of financing mechanism is quite limited, as it could be seen as a massive and habitual collection of funds from the public.

Engaging in this activity without prior authorization from the Financial Superintendence could constitute the crime of the same name as outlined in article 316 of the Colombian Criminal Code.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

The transactions conducted through trading platforms are considered electronic means for enhancing the sale of goods or services. Since trading platforms are not supervised by the Financial Superintendence, they are not covered by the Financial Consumer Statute. Therefore, the applicable regulation is the general one established in Law 1480 of 2011 – the Consumer General Statute.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

Distributed ledger technologies, which allow for the creation of a decentralized database managed by multiple participants, are not currently regulated in Colombia. However, there is an increasing interest in using this type of technology in the country. In 2021, the Ministry of Information Technology and Communications released a draft guide aimed at promoting the implementation of this technology within the public sector. Additionally, the Central Bank has been engaging with entities involved in this type of technology. While these efforts are still in the early stages and are being evaluated by the relevant entities, they indicate a positive perception of this technology. Furthermore, the national development plan (Article 89, Law 2294, 2023) requires both private and public entities to provide access to information that may facilitate easier access to financial products and services. While this regulation is still in its early stages and will be further developed, it creates a favorable environment for the advancement of distributed ledger technologies.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

In 2020, a pilot project was conducted at LaArenera to develop a method and a system for administering and exchanging collateral in OTC derivatives operations using distributed ledger technology. This represents an advancement in the use of these technologies in our financial system. However, specific regulations regarding this pilot project have not been enacted.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Colombian insurance companies are exploring using of "insurtech" technologies and their applicability to their services and products. They are focusing on compliance issues through data protection, as well as the development of improvements in risk management and the creation of different products based on particular needs to create a better consumer experience.

In 2019 and 2020, pilot projects were conducted in La Arenera to test various insurtech developments aimed at simplifying the process of connecting financial consumers with insurance companies for purchasing property insurance. These pilots played a crucial role in establishing the External Circular 027 of 2020, which regulates Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). However, as of now, specific regulations for insurtech have not been provided.

Additionally, in recent years, different applications have begun to offer within their services the possibility of purchasing insurance entirely digitally, such is the case of the applications of Rappi, Seguros Bolívar, Segurapp, among others, in which it is possible to acquire different types of insurance policies through its web portal or mobile application.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

Our jurisdiction has no distribution models or applicable regulatory requirements for insurtech intermediation since the market still needs to be completely developed.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

To date, no regulation specifically regulates insurtech technologies. However, the Basic Legal Circular issued by the Financial Superintendence, a framework regulation that groups the regulations issued by such entity to the financial sector, has a whole particular chapter dedicated to the regulation of digital correspondents (mobile applications, websites, etc...), through which entities in the insurance sector provide their services digitally.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING

THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

The use of robo-advisor technology in the financial sector and the capital market in Colombia has been increasing in recent years because many financial entities and fintech companies are developing different robo-advisor platforms.

The Colombian regulator addressed this issue by issuing Decree 661 of 2018, which regulates robo-advisor technologies. According to this decree, recommendations made through this technology can be provided as long as they meet the obligations associated with advisory activities. This means that investors are allowed to use robo-advisor technology to receive advice, make investments, and manage their investment portfolios.

In 2021, External Circular 019 of 2021 was added, which is not directly related to robo-advisors but pertains to market advisors. This regulation establishes specific responsibilities for financial entities that utilize robo-advisors as technological tools, while not absolving them of liability for the services provided.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

According to Decree 661 of 2018, when financial advice is offered through robo-advisors, clients and investors have the option to request that the recommendation be supplemented by a certified professional advisor.

Additionally, financial entities using robo-advisors must adhere to the guidelines specified in External Circular 019, 2021. These include: i) Establishing a designated area responsible for the design ii) Providing descriptions of the policies to be implemented by the design area iii) Implementing risk control strategies for the design, enhancement, usage and control iv) Establishing minimum criteria for information quality and ensuring that provided information is clear, comprehensive and reliable.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

Neobanks are fully authorized in Colombia. To establish a Neobank, entities must follow the same procedure as for incorporating a traditional bank outlined in article 53 of the Organic Statute of the

Financial System. Additionally, with the issuance of Decree 1297 of 2022 by the Ministry of Finance, neobanks and Open Finance activities in Colombia have been supported. Payment initiation activities have been explicitly permitted for Fintechs and particullary banks (both, traditional and Neobanks). Noteworthy neobanks in Colombia include Daviplata, Nu Bank, Nequi, Lulo Bank, Rappi Pay, and Ualá.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

In principle, traditional and digital banking have the same general regulatory structure. However, we must highlight the existence of External Circular Letter 029 of 2014 of the Financial Superintendence as the regulation applicable to neobanks in terms of their operation within the country. The External Circular, seeking to generate a more equitable environment between traditional banks and neobanks, established a series of additional requirements that neobanks must meet in their provision of digital services and processes; among the essential requirements, we highlight the following:

(i) Have two-factor authentication mechanisms for monetary and non-monetary operations.

(ii) For individual monetary operations or those accumulated monthly by the client that exceeds the two current legal monthly minimum wages (SMMLV), they must implement strong end-to-end encryption mechanisms for sending and receiving confidential information on the operations carried out, such as password, account number, card number, among others.

(iii) Measures must be taken to ensure the atomicity of the operations and prevent their duplication due to communication failures, such as signal quality and inter-cell transfer.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

It is possible to determine that regulators and supervisors in Colombia are making significant efforts to understand these innovations, regardless of the new regulations recently issued and the recent development of new regulatory approaches for some fintech sectors. Likewise, it is important to point out that in Colombia, different financial entities usually create new synergies with fintech companies, to operate and perform new products, especially taking advantage of the regulator Sanboxes to explore and justify pilot's viability.

9.2. AI. ARE THERE ANY REGULATIONS REGARDING THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT FINTECH OPERATIONS IN YOUR JURISDICTION (EXCLUDING ROBO ADVISORS)?

No. Despite this, Congress discussed a proposed regulation regarding the development of artificial intelligence and its potential limitations. While the draft regulation wasn't approved due to time and procedural constraints, it is likely that a new regulation project will be issued in future Congress sessions.

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1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

To date, no specific legal and regulatory framework has been issued for the Fintech industry in Costa Rica. However, there are four milestones of relevance regarding the operation of such industry in the country: a) on October 2017, the Costa Rican Central Bank ("BCCR") issued a statement warning about the risks of using cryptocurrencies and informing, among other things, that they cannot be considered as currency or foreign currency under the exchange rate regime since they are not issued by a foreign central bank; b) on May 2, 2018, the Board of Directors of the BCCR enabled the possibility of entry to the National Electronic Payments System ("SINPE") to companies providing payment services; c) on October 24, 2022, the Progressive Liberal Party filed before the Legislative Assembly a bill regulating cryptoassets called "Cryptoassets Market Law", but the bill must still fulfill several stages before it can become law; and d) on September 5, 2024, the Attorney General's Office of the Republic issued a legal criterion that determined that Fintech companies providing payment services cannot collect money from third parties in checking or savings accounts, but they can manage the transfer of funds, remittances and payments, and they cannot carry out financial intermediation without the respective prior license.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

Apart from the decisions of the BCCR, the aforementioned bill regarding cryptoassets and the pronouncement of the Attorney General's Office, the Costa Rican regulatory authorities have not formulated a position or a regulatory strategy with respect to Fintechs. It is important to point out that after the pronouncement of the Attorney General's Office, the BCCR could make changes in the internal regulations of SINPE, however, this is still under said entity's analysis.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

No regulatory sandboxes have been implemented in the country.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN, OR ACQUIRE FINTECH COMPANIES?

Regulated financial entities cannot invest directly in fintech companies. However, a fintech company may be a subsidiary (under common control) of a regulated entity as part of a regulated financial group. The inclusion of a new company in a financial group requires an authorization from the National Council of Supervision of the Financial System.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

There is no distinction in our legal system. However, at a practical level, the concept of financial consumer is used, but there are no regulations in this regard.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

Lending crowdfunding is not regulated in Costa Rica. To the extent that the activity involves financial intermediation (i.e., an intermediary taking funds from the public and lending them in its own name and for its own account), crowdfunding would not fall under the scope of financial services regulations. There is no regulation, and we are not aware of any bills or proposed regulations on lending crowdfunding or threshold requirements for consumers or investors participating in lending crowdfunding.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

There is no regulation with respect to P2P lending, although there is no legal authority that rejects it either, to the extent that the activity involves financial intermediation. This would be the case, for example, if the borrower applies the proceeds to finance other parties. We are not aware of any legislative or regulatory initiatives to establish specific requirements for consumers or investors wishing to engage in P2P lending.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

We are not aware of any precedent on this issue. However, in our opinion, in this case, existing consumer protection laws would apply in both cases. In our view, an individual who engages as a lender through a crowdfunding platform may be considered a consumer and receive protection with respect to the platform. In the case of P2P lending, the debtor may be recognized as a consumer.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

There is no regulation on donation-based crowdfunding. For rewards-based crowdfunding, the reward must not be financial in nature or correspond to an interest in a company's product or else it may be considered an "investment agreement" and local securities laws would apply.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

Crowdfactoring is not expressly regulated in Costa Rica. However, there is a factoring law, which is the Factoring Contract Framework Law number 9691 of June 3, 2019. To the extent that the activity involves financial intermediation, it would not be within the scope of financial services regulations.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Equity crowdfunding can be considered a public offering of securities and is therefore subject to local securities laws. Although there are exceptions to these regulations, there is a presumption that an offer to sell securities made through mass media, including the internet, is a public offering. The regulations provide for the possibility of making a consultation to the securities market regulator (Superintendencia General del Mercado de Valores - Sugeval) and obtaining a particular exclusion based on the characteristics of a proposed offering (e.g., the amount of investment requested from each investor). This exclusion would serve the same purpose as a "no-action letter".

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

There is no guidance on the specific requirements for the operation of a crowdequity platform in Costa Rica.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

Equity crowdfunding is not regulated in our jurisdiction so there are no requirements or secondary market.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

Cryptocurrencies do not have a specific regulation in Costa Rica. However, in October 2017, the BCCR issued a statement warning about the risks of using cryptocurrencies and informing, among other things, that they cannot be considered as currency or foreign currency under the exchange rate regime since they are not issued by a foreign central bank. BCCR added that, for this reason, they are not covered by the existing currency exchange infrastructure nor by the existing regime of free convertibility of currencies. The BCCR also indicated that cryptocurrencies cannot be considered legal tender and, therefore, are not supported by the Costa Rican State. The BCCR emphasized that it does not regulate or supervise cryptocurrencies as a means of payment and highlighted that they cannot be transacted

through the SINPE used in our country. The BCCR finally warned that anyone acquiring these digital assets, either as an investment or to be given or received as a form of payment, will do so at their own risk.

In addition, on October 24, 2022, the Progressive Liberal Party submitted to the Legislative Assembly a bill regulating cryptoassets called "Cryptoassets Market Law", but the bill must still fulfill several stages before it can become law.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

As stated above, there is no legal prohibition to hold or transfer cryptocurrencies, however, parties would do so at their own risk and without access to the currency exchange infrastructure.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

There are no such particular requirements.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

Given BCCR's position on cryptocurrencies, it is unlikely that a regulated financial entity would hold, trade or trade cryptocurrencies as intermediaries, even if there is no express prohibition.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

Although there is no public policy statement or official position on the point, it is highly unlikely that an ICO will be accepted in the country.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

We believe that consumer protection rules do apply to trading platforms. General consumer protection rules would apply as there is no special financial consumer regime.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

The use of distributed ledger technologies is not usual in our jurisdiction and there is no regulation in this regard.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

We are not aware of any financial institution in our jurisdiction using or developing applications using distributed ledger technologies.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

There is no limitation that insurance companies in our jurisdiction can offer services or products through fintech technologies. We are not aware of how fintech technologies are being integrated into insurance services or products.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

There is no current public policy position or regulations in Costa Rica with respect to technology-based distribution models or insurtech intermediation.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

Insurtech technologies are not specifically regulated in Costa Rica.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

We are not aware of any financial or capital markets that use or advertise themselves as using robo-advice technology in the provision of their services.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

The securities market regulator has not issued any guidance or made a public policy statement regarding the use of virtual advisors for the provision of financial advisory services.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

There is no regulation in this regard in Costa Rica, in addition to the general regulation on the opening of banks.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

There is no regulation in this regard in Costa Rica, in addition to the general bank opening regulation.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Costa Rica is one of the most innovative countries in Latin America according to the World Economic Forum. We have a long history of technology companies serving the financial services industry in Latin America and beyond. Many of these companies have moved into the fintech space and there are several startups developing fintech solutions. Unfortunately, despite this prolific environment, our financial regulators have yet to evaluate these developments and create a safe space for development and entrepreneurship, without the risk of running afoul of existing laws and regulations. All participants, but especially entrepreneurs and investors, must conduct a thorough regulatory risk analysis and confront every element of their technology

business model with existing regulations that are more appropriate for the analog world.

9.2. AI. ARE THERE REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT THE OPERATION OF FINTECHS IN YOUR JURISDICTION OTHER THAN THOSE RELATED TO ROBO ADVISORS?

To date there are no regulations on the use of artificial intelligence in Costa Rica. However, in 2023, two bills were presented and are currently pending in the Legislative Assembly: a) Law for the regulation of artificial intelligence in Costa Rica, which completes provisions applicable to the financial sector and b) Law for the responsible promotion of artificial intelligence in Costa Rica. Neither of the two projects has been approved yet.

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1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

Since the issuance of the Fintech Law issued in December 2022, Ecuador has had an active development of Fintech regulation and legislation. Secondary regulations have been issued for the incorporation and registration of Fintech companies for Digital Credit, Specialized Companies for Electronic Deposits and Payments, Electronic Wallets, rules related to the Prevention of Money Laundering, as well as better regulation of Payment Auxiliaries and the regulatory Sandbox for the auxiliary payment system. The main purpose of these regulations is to safeguard the legal security of financial technology companies in the country, while at the same time promoting foreign investment and ensuring users secure access to the different financial services.

In our jurisdiction, the issuance of secondary regulations is still pending for most of the legal figures created through the Fintech Law, such as Neobanks, technological services in the securities market and insurance technological services.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

The regulation issued in Ecuador seeks to play an essential role in consumer protection by establishing clear regulations, promoting transparency and ensuring that financial innovation benefits all users equitably. Collaboration between industry and regulators is fundamental to building a safe and sustainable financial environment.

Currently, Fintech companies will be regulated by the Monetary Policy and Regulation Board and the Financial Policy and Regulation Board, as appropriate; and supervised and controlled by the Central Bank of Ecuador, the Superintendency of Companies, Securities and Insurance, the Superintendency of Banks or the Superintendency of Popular and Solidarity Economy, within the scope of their competencies and in accordance with the regulations issued for this purpose.

The Fintech Law granted the Financial Policy and Regulation Board and the Monetary Policy and Regulation Board one hundred and eighty (180) days from the publication of the Law in the Official Gazette, to develop the secondary regulations that allow the application of the

provisions of the Law, as mentioned in the previous question, Only secondary regulations have been issued for the Fintech companies for Digital Credit, Specialized Companies for Electronic Deposits and Payments, Electronic Wallets, rules related to the Prevention of Money Laundering, as well as the Auxiliary of payment and the regulatory Sandbox for the auxiliary system of payments have been regulated in a better way, therefore we are still waiting for the new regulation to be issued.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

According to the provisions of the Fintech Law, regulatory sandboxes should be implemented for financial technology services as well as for securities market and insurance technology services. Unfortunately, these activities have not been regulated, however, the Monetary Regulation Board by Resolution JPRM-2023-014-M of August 7, 2023, amended by Resolution No. JPRM-2024-018-M of September 4, 2024 issued the rules to regulate the regulatory sandbox within the Auxiliary Payment System, which establishes requirements for authorization of operation and time of application, as well as establishes that the supervision, monitoring and control will be in charge of the Central Bank of Ecuador.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

No, in accordance with the provisions of the Fintech Law, private financial entities will not be able to participate in the capital of these companies.

This is a great step towards the democratization of financial services in Ecuador. However, the Law, by establishing this limitation exclusively for Private Financial Institutions, allows Institutions of the Popular and Solidarity Economy, among which are Savings and Credit Cooperatives, Savings and Credit Mutualists for Housing, if they can invest and be shareholders of FINTECH companies, which determines an inequality of market participation among the companies that are part of Ecuador's financial system.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

Yes, our jurisdiction, through the Codification of the Superintendency of Banks, regulates the protection and defense of the rights and interests of the financial consumer of the products and services provided by entities in the public and private financial sectors. Likewise,

the Organic Law on Consumer Defense is applied in a supplementary manner.

Therefore, in the case of Fintech, they must primarily comply with the provisions of the standard that regulates the protection and defense of the rights and interests of the financial consumer of the products and services provided by entities in the public and private financial sectors.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

The Organic Law on Entrepreneurship and Innovation regulates the figure of crowdfunding , its registration and corporate control will be the responsibility of the Superintendency of Companies, Securities and Insurance. The registration of crowdfunding platforms for equity investment or lending will be public and will be under the control and responsibility of the National Securities Council belonging to the Superintendency of Companies, Securities and Insurance. The registration procedure for collaborative investment fund platforms in shares or loan category will be subject to the regulations issued for this purpose by the National Securities Council.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

As mentioned in the previous question, the Organic Law on Entrepreneurship and Innovation regulates crowdfunding platforms , including collaborative lending funds, which prohibits crowdfunding platforms from granting loans, credits or any other type of financing to investors or promoters.

Currently, the Fintech Law establishes that entities providing technological auxiliary services may engage in crowdfunding or digital crowdfunding. Crowdfunding is based on own funds, loans, donations or pre-sales of goods or services.

However, we still do not have secondary regulations for its application.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES

THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

There is no specific regulation in force for consumers in this type of services, however, we have the Organic Law on Consumer Protection that regulates the relationship of any service in which one of the participating parties is a consumer of the service provided by the other. In line with what is mentioned in the Organic Law on Entrepreneurship and Innovation, it is established that in the case of equity crowdfunding, the contributor acquires shares, losing his status as user or consumer, as well as in donation crowdfunding, the regulation expressly states that the contributor is not an investor, consumer or user.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

It is regulated by art. 34 of the Organic Law on Entrepreneurship and Innovation, which establishes: "Classification of crowdfunding platforms.- Crowdfunding platforms are classified into the following categories... Donation: Category in which a contribution is made to projects, typically associated, among others, with the fields of culture, sport, the environment, public services or the achievement of social or humanitarian objectives, in which the contributor does not have the status of investor, consumer or user ."

2.5 IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

No, Crowdfactoring is not regulated in our jurisdiction. As mentioned above, the Organic Law of Entrepreneurship and Innovation regulates crowdfunding. It has established its definition, the obligation to register these platforms with the Superintendency of Companies, Securities and Insurance, determines its classification of platforms, the requirements to provide the service, lists what services can be provided, regulates commissions, lists obligations of platforms, prohibitions, describes the classification of projects, determines the characteristics of fundraising, establishes the deadlines for fundraising and regulates the transfer of funds to the project or vice versa to investors.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Equity crowdfunding is regulated in the Organic Law of Entrepreneurship and Innovation in art. 32 under the figure of "equity investment crowdfunding", which prescribes:

«Classification of crowdfunding platforms. - Collaborative fund platforms are classified into the following categories:

Investment in capital: Category in which capital is contributed to an incorporated company and, in exchange for its contribution,

the benefits generated by it are received or, failing that, the losses derived from the investment are assumed. These shares are always transferable.

It also has regulations on its requirements to operate, classification, transfer of funds, deadline, project classification, prohibitions and obligations.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Equity crowdfunding is regulated in the Organic Law of Entrepreneurship and Innovation in art. 32 under the figure of "equity investment crowdfunding", which prescribes:

«Classification of crowdfunding platforms. - Collaborative fund platforms are classified into the following categories:

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It also has regulations on its requirements to operate, classification, transfer of funds, deadline, project classification, prohibitions and obligations.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

The requirements are set out in the Organic Law on Entrepreneurship and Innovation and are:

« 1. Be a legal entity incorporated under the control and supervision of the Superintendency of Companies, Securities and Insurance of Ecuador, through platforms regulated and accredited in the country.

2. Include within its corporate purpose, acting as an intermediary through internet platforms, for people called promoters, who require capital for a specific project, with or without profit motives; with other people, called investors, interested in contributing their resources for the achievement of said projects, under certain conditions and through different categories.

3. Have a URL for the collaborative funds platform website, and the institutional email address for electronic notifications; and,

4. Have the terms and conditions of use of the crowdfunding platform and data privacy policy, which must be included on the website. »

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

There are no particular requirements applicable to investors, art. 41 of the Organic Law on Entrepreneurship and Innovation prescribes

that «[...] The maximum amount to be raised for each project on a crowdfunding platform will be the amount of one thousand (1,000) unified basic salaries (SBU) ». There is no secondary market for crowdfunding issues.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

They are not regulated. The only legal currency in our legislation is the US dollar. According to the Comprehensive Organic Criminal Code, the total or partial issuance of currency and money, not authorized by the Monetary Policy and Regulation Board, is prohibited.

Although in particular, cryptocurrencies can be acquired on platforms of foreign jurisdiction, it is prohibited to transact with them in the Ecuadorian market.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES? ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

No, due to the prohibition of circulation of unauthorized currencies, no financial institution may hold, market or exchange cryptocurrencies. Additionally, within the activities permitted by the Monetary and Financial Organic Code, it is not contemplated that a financial institution may hold cryptocurrencies.

4.4. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

No, Ecuadorian regulations do not recognize cryptocurrencies, so an Initial Coin Offering, similar to an Initial Public Offering on the stock market, is not viable in any currency other than the US dollar.

4.5. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

In Ecuador, trading platforms are not regulated; however, we could assume that if the relevant regulation is issued, the financial consumer protection rules would apply, since it would be regulated by the financial system.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

The Blockchain in our jurisdiction is mentioned in the Fourth General

Provision of the Companies Law, which prescribes:

«The shares of a public limited company or a simplified joint-stock company may be represented by tokenized certificates. Other types of companies may not represent their shares, participations or social quotas in registered titles.

For the purposes of this General Provision, a tokenized certificate will be understood as the representation of shares in electronic format that meets the following conditions:

a) That the information is organized in a blockchain or in any other data distribution network or virtual, secure and verifiable information registration and archiving technology; [...].

[...] Blockchain or chain of blocks will be understood as the virtual information recording and archiving technology that organizes data in blocks chained chronologically by an algorithmic function encrypted and confirmed by a consensus mechanism. This technology will be distributed, encrypted and verifiable in real time. Once the information is added, the blockchain records will be immutable."

There is no additional regulation that regulates the use of Blockchain in our jurisdiction.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

It is unusual in the Ecuadorian market that the only news of a bank that has adopted blockchain technology is the case of Banco Guayaquil, which used blockchain technology in its loyalty plans.

In 2020, Banco Guayaquil created a digital currency, which was based on customers' unredeemed miles. This currency could be exchanged between customers or used to redeem services (such as flights).

6.INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

The Fintech Law has defined the insurance services to be provided 100% through technological platforms such as: (i) Infrastructure for the insurance market: regulates client evaluation and risk profiles, fraud prevention, identity verification, Big Data & analytics, business intelligence, cybersecurity, and electronic contracting. (ii) Alternative transaction systems: regulates virtual platforms for the promotion and marketing of insurance; (ii) Blockchain: regulates developers of solutions for the insurance market.

However, secondary regulations do not yet exist that allow these companies to be established and to know the necessary requirements for their operation. Currently, Ecuadorian regulations recognize insurance companies as those in charge of managing and obtaining

insurance contracts, being able to use electronic platforms to conclude the contract with the end user, as well as to compare policies between different insurers.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

As we have mentioned, we still do not have secondary regulations for the operation of Insurtech companies, however, currently insurance policies can be signed electronically; However, smart contracts or other Insurtech elements have not yet been implemented. It is worth mentioning that the Organic Monetary and Financial Code establishes the entities that are part of the private insurance system, and the way to distribute their services, which can be directly through insurance agents that are part of the same companies or through companies whose purpose is the management and obtaining of insurance contracts. Any person or company that intends to create a new insurance distribution model must comply with the provisions of the standard.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

The Fintech Law, as we have mentioned, has already regulated insurance activities that may be provided directly and 100% through technology companies, however we do not yet have the secondary regulations that allow the operation and creation of these companies.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Currently, there is no known case of any financial institution or capital market that is using this technology. There is also no regulation in this regard.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

This technology is not considered within Ecuadorian legislation, the Fintech Law recognizes them by mentioning the «automated advisors»; However, until now there is no regulation in force in this regard.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

According to the Fintech Law, Neobanks are among the technological financial services that can be developed within the Ecuadorian jurisdiction. The Organic Monetary and Financial Code defines Neobanks as those financial entities dedicated to offering banking intermediation services digitally in accordance with new technological advances. They must comply with all regulations and provisions corresponding to traditional banking activity». However, there is currently no secondary regulation that allows knowing the process, requirements and needs for its constitution and operation.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

Not currently. The secondary regulations that allow us to know the requirements, processes and obligations for the constitution and operation of Neobanks have not been issued.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

A Fintech cannot have a shareholder who is a financial institution, it must be a Public Limited Company. Depending on the type of services it provides, it has a minimum capital requirement for incorporation, for example, for digital credit Fintech, its minimum capital to be established is USD 200,000.00, it cannot carry out financial intermediation and must establish provisions to cover the Possibility of non-payment of the credits granted. In the case of the SEDPES, the minimum capital is USD 500,000.00 and must maintain liquidity reserves in the Central Bank of Ecuador.

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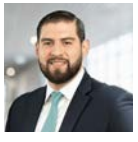

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The firm specializes in different areas of law, including (i) Mergers and Acquisitions; (ii) Financial; (iii) Contractual; (v) Corporate; (vi) Real Estate; (vii) Tax, among others.

1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

In El Salvador, we have a Financial Innovation Office, which is responsible for advising and promoting enterprises related to fintech, as well as promoting the development of the necessary regulations to create the ideal financial ecosystem for these technologies.

This is a State policy focused on exploring new markets, creating opportunities for those interested in exploiting new financial technologies can approach the Innovation Office. This policy is expected to bring an upcoming revolution in the financial market, while at the same time promising vigilance by the authorities to ensure that this market evolves in accordance with the new technologies.

Additionally, several regulations have been developed to achieve the Digital Agenda El Salvador 2020- 2030, which seeks to increase the use of Information and Communication Technologies ("ICT"). Among the most noteworthy legal developments are: Law to Facilitate Financial Inclusion, Bitcoin Law, its regulations, technical standards and guidelines, technical standards on cybersecurity, Law of Issuance of Digital Assets with their respective regulations and the Law of Electronic Signature.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

The current regulatory framework revolves around digital assets such as cryptocurrencies, with the most extensive regulatory development in the case of the Bitcoin cryptocurrency, as it was declared legal tender in 2021. However, since 2023, the growth of the digital assets market is promoted beyond cryptocurrencies, counting on tax incentives for those agents operating as issuers, suppliers, certifiers or investors in such market. The main regulations in these sectors are as follows:

- **Bitcoin**
  - o Bitcoin Law.
  - o Regulation of the Bitcoin Law.
  - o Technical Standards to Facilitate the Participation of Financial Entities in the Bitcoin Ecosystem.
  - o Guidelines for the Authorization of the Operation of the Technological Platform for Bitcoin and Dollar services.
- **Electronic money providers**
  - o Law to Facilitate Financial Inclusion.
- **Digital Assets**
  - o Digital Assets Issuance Law.
  - o Regulation of Digital Asset Service Providers.

o Regulation on Issuance of Public Offerings of Stable Currencies.
o Regulation on Registration of Public and Private Issuances.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

No, there are currently no regulations for the operation of a regulatory sandbox. However, as progress is made in the digital ecosystem, there is a possibility that one may be established.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

As fintech regulation is still under development, there are no specific regulations for the investment or acquisition of companies in these areas, with the exception of electronic money services, for which the Law to Facilitate Financial Inclusion allows banks to provide these services. Additionally, according to Salvadoran banking legislation, banks are permitted to invest in capital companies that offer financial services complementary to those provided by banks.

On the other hand, and under the supervision of the Superintendency of the Financial System, the controlling companies of financial conglomerates may invest in companies that are in operation or in the incorporation of companies.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

Salvadoran legislation does not make any distinction between consumers and financial consumers, as there are no special regulations for the protection of the rights of financial market consumers; however, the Consumer Protection Law does regulate financial service providers to guarantee the welfare of financial market consumers.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

In El Salvador there is no regulation or legislative bill to regulate this type of fintech, so no specific guidelines have been established for consumers and investors in these projects. However, as the raising of funds from the public is an essential mechanism of crowdfunding,

projects seeking to develop this business model will require prior authorization from the Superintendency of the Financial System in order to operate.

Additionally, the conditions under which investors or creditors make loans through the crowdfunding lending platform must not contravene the Law Against Usury.

Notwithstanding the aforementioned, in many legal forums the possibility of regulating this financing mechanism is being discussed.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

There is currently no regulation governing peer to peer lending and there are no bills for its regulation. Therefore, the regulations applicable to this type of lending would be the general commercial legislation and the Law Against Usury. Additionally, caution must be taken with regard to the collection of funds from the public, since only entities authorized by the Superintendency of the Financial System may engage in such activity. Likewise, if operating as a payment system, according to the Law to Facilitate Financial Inclusion, they must be authorized by the Central Reserve Bank.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Since there is no financial consumer protection regime within the regulations, consumers are referred to the general regulations of the Consumer Protection Law with its respective regulations. However, Salvadoran consumer protection legislation does regulate financial service providers to guarantee the protection of consumers in this market. Consequently, in case of any conflict or abusive practice in a lending crowdfunding or P2P lending, you can go to the Consumer Protection Office and initiate the corresponding sanctioning procedure based on the Law Against Usury and other applicable regulations.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

This type of crowdfunding is not specifically regulated in the country; however, companies that intend to develop a crowdfunding platform must have the proper authorization from the Superintendence of the Financial System to operate. Otherwise, they may incur in the crime of Illegal Collection of Funds from the Public (article 184 of the Banking Law).

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

There is no special regulation aimed at regulating crowdfactoring. On the other hand, factoring contracts in the country are innominate contracts and the only specific regulation is the one issued by the Central Reserve Bank of El Salvador called "Minimum Guidelines for the Active Operation of Factoring by Banks, Cooperative Banks and Savings and Loan Companies". In addition, since raising funds from the public is an essential mechanism, projects seeking to adopt this business model must obtain prior approval from the Superintendencia del Sistema Financiero in order to operate.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

There is no specific regulation governing equity crowdfunding, but the Securities Market Law must be applied, and in what is not regulated or is not applicable, the Commercial Code and/or the Law of Issuance of Digital Assets. Currently, equity crowdfunding platforms have not been implemented in the Salvadoran market, but as financial technologies develop, their regulation by the authorities is possible.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

In our regulatory framework there is a limitation for its operation until a special regulation for equity crowdfunding is developed. According to article 3 of the Securities Market Law, all securities that are subject to public offering, as well as their issuers, must be registered in the Public Stock Market Registry of the Superintendence of the Financial System.

However, there is another mechanism through which this activity can be developed, being this through the Law of Issuance of Digital Assets and the tokenization of the investment. Under this regulation, the public offering of digital assets must be registered before the National Commission of Digital Assets and has several fiscal incentives such as income tax exemption.

The Law for the Issuance of Digital Assets and the Regulations for the Registration of Public and Private Issuances make a distinction between qualified and non-qualified investors with a threshold of US$500,000.00 for qualified investors, who are allowed to participate in the issuance of private offerings of Digital Assets.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

As explained in the preceding questions, there is no regulation that establishes particular requirements applicable to investors or to the securities of crowdequity projects, nor has a special market been created for these issues. The types of market established by the Securities Market Law are: i) Primary: One in which issuers and buyers participate directly or through brokerage firms, in the purchase and sale of securities offered to the public for the first time and ii) Secondary: One in which securities are traded for the second or more times.

On the other hand, if these are made through the issuance of digital assets, The Law on Issuance of Digital Assets regulates the following types of market: i) Primary Market: It is a market in which issuers and acquirers participate through a centralized or decentralized platform in the trading of public offerings of digital assets, regulated or not, in the purchase and sale of such digital assets when they are offered to the public for the first time and ii) Secondary Market: It is a market in which digital assets are traded for the second or more times by acquirers or their representatives, without the intervention of issuers.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

The Bitcoin cryptocurrency is the one that has a greater and special regulation in the country with the Bitcoin Law adopted in 2021 and its respective regulations and other rules. This is a consequence of the fact that such currency has been declared as legal tender in the country, similar to the U.S. dollar.

Although there is currently no special regulation dedicated exclusively to regulate cryptocurrencies, the Digital Assets Issuance Law is the legal framework that governs them as a whole. This regulation excludes the Bitcoin cryptocurrency as it has a special regulation.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

It is allowed to trade or hold cryptocurrencies, even if they are different from Bitcoin, but the regulatory framework changes depending on whether the cryptocurrency is Bitcoin or not. Additionally, the government encourages the use of cryptocurrencies and has regulated Bitcoin service providers, including digital wallets, ATMs, exchange houses, among others, as well as issuers, suppliers, certifiers and issuance of digital assets (within which cryptocurrencies other than Bitcoin are included). The State has even developed its own mobile application to invest, transfer and exchange bitcoin to

dollars. Additionally, the government set up a trust to support bitcoin transactions and their transformation into dollars through the state platform.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

The regulation regarding this issue is focused on the Bitcoin cryptocurrency. According to the Regulation of the Bitcoin Law, Bitcoin service providers will have to register in the Bitcoin Service Providers Registry in charge of the Central Reserve Bank. Exchange houses or exchanges and payment processors or wallets must be included in such registry. For the registration, it is necessary to submit the form issued for such purpose, the articles of incorporation and the Identity Cards or passport (in case of foreigners) of the partners. Additionally, other requirements for this type of suppliers are regulated, such as: maintaining an anti-money laundering program, developing policies to avoid the deterioration of clients' assets, keeping a record of complaints, maintaining a cybersecurity program, among other requirements.

On the other hand, regarding other types of cryptocurrencies, the registration as a digital asset service provider before the National Commission of Digital Assets is required, being the main requirements: i) demonstrate the technical capacity to offer the service; ii) provide a list of the digital assets that are planned to be sold or traded; iii) demonstrate that it has a user service system; iv) payment of an annual fee to keep the registration active.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

As a consequence of the fact that Bitcoin is legal tender, it can circulate with the same ease and the same liberatory power as the dollar, so it is possible for financial entities to trade or exchange such currency. On the other hand, the regulation of the Bitcoin Law prescribes that banks may provide their financial services to Bitcoin service providers or open accounts for Bitcoin users, but they must have control and risk management policies for those customers.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

It is feasible, as long as it is made in compliance with the Law of Issuance of Digital Assets and the offering (in case it is public) is registered before the National Commission of Digital Assets. In addition, the yield generated by such issuance of cryptocurrencies will count with the tax incentives established in the aforementioned law.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

As explained in previous questions, there are no special regulations for the protection of financial consumers, so the general consumer protection regulations apply to such consumers of trading platforms.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

With the entry into force of the Bitcoin Law and the Law of Issuance of Digital Assets, distributed ledger technologies have begun to gain popularity in El Salvador, both for cryptocurrencies and different products that can take advantage of both DLT and Blockchain technologies. However, there is no specific regulation issued by State entities regarding the use of these technologies.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

Currently, SERFINSA, which is the largest payment processing network in El Salvador, is developing Blockchain technology to issue an interoperable network of digital payments through codes, which can be used by banks and facilitate the payment experience for users.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN OUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Yes it is possible, even in recent years, insurance companies have begun to implement web platforms or mobile applications to consult insurance policies, make online payments, provide a digital ID card, among others. Some of the largest companies that have implemented these technologies are ASSA and SISA. Additionally, SOSTENGO, an Insurtech company, provides services completely digitally through its

mobile application, so the entire process is carried out online.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

In El Salvador we do not have a regulation, project or policy regarding insurance distribution models through Insurtech technologies, so they are regulated under the traditional insurance regulations of the Insurance Companies Law and its respective regulations.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

There is currently no special regulation for Insurtech technologies, so the general regulations for any type of insurance company will apply.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Robo-advisor technology or automatic advisors are not currently regulated in Salvadoran legislation, nor have they been widely applied in the Salvadoran financial market.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

Currently there is no regulation on robo-advisor technology. The Office of Financial Innovation, the Central Reserve Bank and the Superintendence of the Financial System are the state entities that can promote the use of these technologies and the creation of a specific regulatory framework.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

There is no express prohibition regarding the incorporation of a Neobank, except that it must comply with the general regulations in force for its operation as a financial institution. It is important to mention that in the country there are two large projects that are

developing this market, which are N1CO and NIU, which provide services to businesses by providing payment platforms and to users with debit or credit cards or opening savings accounts. Both N1CO and NIU operate through a mobile application and it is possible to contract their services entirely online.

Legal forums are discussing the reform of the banking law and/or the creation of a legal system to regulate Neobanks.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

Since there are no special regulations governing Neobanks, there are no particular requirements beyond compliance with current legislation on the operation of the financial activity.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Currently, in El Salvador there is a great interest in encouraging innovation and implementation of information technologies, as reflected in the Digital Agenda 2020-2030 that the government has for this purpose. This digital agenda has among its objectives the creation of an ecosystem for the management of personal data and the secure exchange of information, as well as the modernization of the State.

On the other hand, the creation of the Office of Financial Innovation, at the initiative of the Central Reserve Bank and the Superintendence of the Financial System, allows fintech entrepreneurs to have a means of support and advice for the implementation of their ideas, as well as their legal implications. In addition, the Innovation Office is also in charge of proposing and encouraging the creation of a greater regulation around fintechs.

Although there is still no general regulatory framework for this market, regulations such as the Bitcoin Law, the Digital Asset Issuance Law and the Law for the Promotion of Innovation and Technology Manufacturing encourage the technological development of traditional markets by granting tax exemptions.

9.2. AI. ARE THERE REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT THE OPERATION OF FINTECHS IN YOUR JURISDICTION OTHER THAN THOSE RELATED TO ROBO ADVISORS?

El Salvador does not currently have a regulation or bill aimed at regulating the use of Artificial Intelligences in the Financial Market.

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He has advised on M&A transactions exceeding US$500 million. Likewise, he has advised startups in their
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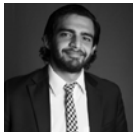

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1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

As of today, there is no regulation on financial technology in Guatemala, neither as a legislative development by the Congress of the Republic nor as regulations from the banking regulator (the Superintendency of Banks (Superintendencia de Bancos) nor by the authority in charge of the Payments System (the Guatemalan Central Bank).

Various financial services currently operate in Guatemala through mobile applications that have adapted to existing banking structures. The ecosystem of services continues to be reactive, using the absence of specific regulations to expand the range of services offered.

The primary regulation fintech companies have adhered to is the Regulation for the Provision of Mobile Financial Services number JM-120-2011, issued by the Monetary Board ("Regulation 120-2011"). This regulation focuses on the provision of existing financial and banking services through technological means, establishing the mechanisms by which banks and/or companies that are part of financial groups offer financial services through digital means, allowing the possibility of hiring a third party for service provision

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

There is no specific regulation for fintech, and to date, there has been no regulatory approach. The Banking Regulator has maintained a non-interventionist stance concerning fintech, despite the significant progress made in recent years on fintech platforms. There have also been no effective regulations or active pronouncements from the Guatemalan Central Bank. Efforts have begun to draft legislative proposals, some of which would create a legal framework for the supply and use of electronic money and the supervision of entities operating such services if approved.

The presence of fintechs in Guatemala has increased, both from a service provider and a user perspective. However, the impact of their operations has not yet been significant enough for the authorities to issue regulation or legislation, although efforts have begun. It cannot be ruled out that regulations in this area may be approved soon.

The focus of fintech operations in Guatemala has been on complying with and adapting to existing regulations on financial intermediation, securities intermediation, monetary provisions, and anti-money laundering and counter-terrorism financing provisions.

The Guatemalan market presents interesting opportunities due to

the high number of Guatemalan migrants in the United States and the volume of remittances sent from the U.S. to Guatemala. The use of foreign channels for remittance transfers and the entry of these systems into Guatemala is a relevant factor.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

The Banking Regulator (the Banking Superintendency) has created the SIB Innovation HUB, which functions as a regulatory sandbox, and the Central Bank has established the Payments Systems Unit. Additionally, the increasingly important role of the Guatemalan Fintech Association must be highlighted. It has created a forum where various stakeholders and participants in the financial ecosystem can converge and share opinions through technical roundtables and continued collaboration with industry players.

It is important to note that, to date, there is no controlled testing system like a regulatory sandbox in Guatemala.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

The Banks and Financial Groups Law (Ley de Bancos y Grupos Financieros), which regulates the organization and actions of banks in the country, does not contemplate the possibility of financial institutions acquiring or investing in fintech companies. As a result, the law establishes that any action not explicitly authorized requires prior authorization from the Banking Regulator, provided that the fintech company provides services in support of banking operations. Similarly, an independent entity may become part of a Financial Group (a structure through which various entities controlled by a bank or related to providing different services are concentrated).

The alternative implemented by the local banking sector is that the existing entities forming the financial group are the ones that operate some financial service using technology.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

There are no special consumer classifications in Guatemalan legislation. Although banks are subject to the supervision of the

Banking Regulator and not the Consumer Assistance and Protection Agency (DIACO), which is responsible for consumer protection, there is no legal classification of consumers.

There is, however, a complaints system within the Banking Regulator (the Superintendencia de Bancos – SIB), through which the authority receives claims from users. This is more an existing system in practice than a set of special rules for financial consumer protection, as it only serves to channel information that could result in penalties for violations of general provisions, not specific consumer protection.

The Congress of the Republic recently approved, in a third reading, a new Framework Law for the Defense and Protection of Users, which is pending an article-by-article approval. Within this bill, which may still be amended, there is a possibility that banks and financial entities will be subject to the supervision of the consumer and user protection authority. The recently enacted Credit Card Law in Guatemala also contemplates DIACO's supervision in case of disputes between the cardholder (credit card holder) and the issuer or an affiliated merchant.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

There is no regulation regarding lending crowdfunding in Guatemala. The law states that only banks authorized by the Banking Regulator can perform financial intermediation (raising funds from individuals to make loans to third parties). However, there is no restriction on private loans with one's own capital.

It is also relevant to consider that Guatemalan securities and commodities market regulation is restrictive regarding what can be considered a public offering, which poses risks for the implementation of such systems.

Financial intermediation in Guatemala is only allowed for duly authorized and supervised banking and financial entities. Raising funds for later placement by entities other than banks or supervised financial entities constitutes the crime of financial intermediation in Guatemala, punishable by imprisonment and substantial fines. This general provision has been a limitation in some relevant cases for the implementation of lending crowdfunding structures in Guatemala.

To date, there are no legislative initiatives in Congress regarding participation in lending crowdfunding projects. As mentioned earlier, it is also important to consider the restrictions of the securities and commodities market law concerning public offerings and mass

fundraising mechanisms. Violating these rules results in criminal liability.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

There is no regulation for P2P lending, nor are there any projects to regulate it. It is permitted to make loans between individuals, provided it is done with personal capital and does not involve raising funds from the public or financial intermediation. P2P lending would be considered a civil loan in any case.

There are P2P lending fintech projects in Guatemala that have been specially structured to mitigate risks related to financial intermediation and potential sanctions for conducting such activities without the corresponding authorization.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

The legal definition of a "provider" under Guatemalan law is broad. Whether through an individual or a legal entity, providing a service in an organized and professional manner may subject one to these regulations and the supervision of the Consumer Assistance and Protection Agency (DIACO). Since there is no special regime for the protection of financial or fintech service consumers, the general consumer protection provisions apply.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

To date, there is no regulation for donation- or rewards-based crowdfunding in Guatemala.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

There is no regulation for crowdfactoring in Guatemala. While there are regulations for factoring and discount contracts, there are no restrictions on performing these activities by multiple people, provided it is done with personal capital and does not involve raising funds from third parties or financial intermediation.

There are currently no significant crowdfactoring operations in Guatemala. The regulations regarding the transfer of title on invoices and the right to judicial and extrajudicial collection would require the existence of a creditor representing the group, so financial intermediation limitations are a concern.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Equity crowdfunding is not regulated in Guatemalan legislation. The regulation of the securities and commodities market is restrictive regarding public offerings, considering it a public offering if it reaches more than 35 people (with some exceptions). Public offerings must be registered with the Securities and Commodities Market Registry, and failure to comply with this requirement is a criminal offense punishable by imprisonment and heavy fines.

Public offering provisions in Guatemala explicitly cover the placement of securities using mass communication media. Therefore, implementing an equity crowdfunding scheme could be considered a case of "securities intermediation" or "illegal fundraising," requiring the registration of a public offering or compliance with the private offering requirements. Local authorities have extensive criteria regarding the prohibition of offering capital without fulfilling the legal requirements for registering a public offering. Therefore, an equity crowdfunding operation would have to comply with the general provisions of public offerings if offered to more than 35 people within a calendar year.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

There is no regulation for crowdequity platforms. In any case, they would be subject to public offering regulations under the Securities and Commodities Market Law, including registration, preparation of a prospectus, financial information disclosure, and other requirements and regulations.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

There is no regulation for crowdequity projects. In any case, they would be subject to the same regulation as a public offering subject to registration.

There is no secondary market for this type of issuance regulated under Guatemalan legislation.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

Guatemala does not have regulations for cryptocurrencies, nor are there any legislative initiatives in Congress to regulate them at this time. In any case, cryptocurrency would be considered a movable asset.

Although there are no official regulations, authorities have taken positions on the classification of cryptocurrencies as movable assets and their use as a means of payment. Authorities have also likened cryptocurrencies to ordinary currencies. In Guatemala, the issuance of currency is monopolized by the Central Bank, and the creation of currency is a crime, so the issuance of a local cryptocurrency may face scrutiny.

The Central Bank monitors the circulation of cryptocurrencies as payment methods in Guatemala but has not issued regulations in its role as supervisor of payment systems. Currently, intermediary companies for cryptocurrencies operate as ordinary entities without special licenses or authorizations.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

Since there is no regulation or express prohibition on this matter, individuals are free to trade and hold cryptocurrencies.

The tax implications are relevant in this context, as cryptocurrencies are considered movable assets and not currencies per se. This creates tax implications, treating cryptocurrency transactions as barter (exchange of goods) rather than a sale (goods in exchange for money). Consequently, if considered a local transaction, the tax burden in Guatemala would make the transaction more expensive.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

To date, there is no regulation. A draft law on electronic money has been prepared, but it has not yet been discussed by Congress.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

There is currently no regulation or legislative initiative to regulate these activities. Since cryptocurrencies are not considered currency or money under current criteria, they would be considered assets that are not subject to ordinary operations for banking and financial entities.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

There is no regulation on this matter. Any fundraising through public offerings would be subject to registration with the Securities and Commodities Market Registry (Registro del Mercado de Valores y Mercancías) (whether the offering is done in a stock market or outside it). Failure to comply with these requirements could lead to criminal liability.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Although there is no specific regulation for trading platforms, if a platform were established in Guatemala and provided its services regularly in Guatemala, it would be subject to the supervision of the Consumer Assistance and Protection Agency (DIACO).

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

Despite the growth of the fintech ecosystem in Guatemala, the use of distributed ledger technologies is still not common in the country. There is no regulation for these technologies, nor are there legislative efforts to regulate them.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

To our knowledge, regulated financial institutions are not developing or regularly using distributed ledger technologies.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

There is no prohibition preventing insurance companies from offering services or products through fintech technologies. However, like banks and financial groups, they have a limited scope of action, subject to the supervision of the Superintendency of Banks. Some entities, acting as independent insurance agents, do allow the acquisition of insurance products through Insurtech platforms.

In Guatemala, insurance placement, intermediation, and commercialization are regulated activities that require prior licensing and are subject to supervision. Existing entities in the insurance market have implemented Insurtech systems within their product offering and contracting channels.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

There is no specific regulation for Insurtech intermediaries that differs from traditional insurance regulations. Additionally, there is no notable alternative approach to distribution models for the Insurtech industry.

In Guatemala, there is a figure of the mass marketer of insurance. This figure is based on the commercialization of insurance through an entity with a massive public presence. The figure allows commercial entities with open establishments to market simple insurance policies with standard terms. This figure aligns with and serves as a vehicle for the authorization of an Insurtech product distribution system.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

There is no specific regulation for Insurtech technologies that differs from traditional insurance regulation. Like traditional banks, insurance and reinsurance companies are subject to supervision by the Superintendency of Banks.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Robo-advisor technologies are not widely used, and financial institutions do not commonly employ them. There is no specific regulation for these technologies, nor are there legislative efforts to regulate them at this time.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

There is no specific regulation for advisory services provided through robo-advisor technologies, nor are there legislative efforts to regulate these services.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

There is no specific regulation for the establishment of neobanks. In any case, they would be subject to the same regulations required for the establishment of a traditional bank, including approval from the Superintendency of Banks as a prerequisite for their formation as an ordinary bank.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

There are no specific regulations for the operation of neobanks. Those that operate in Guatemala are subject to the same regulations as a traditional bank, including, for example, the requirement to have at least one physical location.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

The fintech sector in Guatemala is constantly evolving and growing, making it a dynamic ecosystem. The lack of regulation presents both opportunities and risks, as well as unknown scenarios. Legislative priorities do not currently include financial laws, but competition and user protection laws, which may affect the financial ecosystem, are being considered. Therefore, advancements in this area cannot be ignored.

Additionally, the Congress is in the first year of a four-year term, so the legislative agenda may change and prioritize financial laws in future years. The banking regulator remains cautious and permissive regarding the fintech ecosystem, but this may change as user participation and the impact on the financial system grow. It cannot be ruled out that, in the absence of ordinary legislation passed by Congress, the Superintendency of Banks and the Monetary Board may opt to issue their own regulations for the fintech ecosystem, although they have not done so to date.

From a regulatory standpoint, the lack of specific tax regulations may pose risks, especially as the tax authority becomes more active and creative in taxation scenarios, striving to meet revenue targets.

9.2. ARE THERE REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT FINTECH OPERATIONS IN YOUR JURISDICTION, ASIDE FROM THOSE RELATED TO ROBO-ADVISORS?

There is currently no regulation regarding artificial intelligence in general in Guatemala. However, it is advisable for companies to adopt measures internally.

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Alta is the leading provider in Honduras of corporate legal services for domestic and international companies. Our lawyers have extensive professional experience in handling and working within the framework of corporate and commercial law, especially in the financial sector, in matters related to the acquisition of financial institutions, financing transactions, regulatory aspects, business development and especially related to the Fintech sector. Our practice has had the opportunity to accompany and advise important investors in the establishment of their Fintech business in the country, with a lot of experience in the regulatory processes before the Central Bank of Honduras (BCH) and the National Commission of Banks and Insurance (CNBS) for the registration of companies providing electronic payment services and the authorization of non-banking institutions that provide payment services using electronic money. Additionally, we are the law firm of reference in syndicated loan transactions representing international lending institutions. ALTA Honduras and several of its lawyers have been recognized by prestigious

1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

Honduras is taking the first steps towards the establishment of a regulatory framework for the Fintech industry. We are currently in a stage of introduction to the digital transformation of the financial system.

That is why our regulatory framework does not contemplate a special law applicable to the Fintech industry. However, under the existing legal framework, we can divide the regulations applicable to such industry in two ways:

1. General regulation: applicable to the general activities of the Honduran financial system and includes aspects specific to the digital transformation of said sector, as well as, the generation of conditions so that ventures around FINTECHs can be developed, allowing operations and services by digital means. In this first case we find regulations such as: The Financial System Law; the CNBS Law; the BCH Law; the Monetary Law; the Payment and Securities Settlement Systems Law; the Law on Electronic Signatures; the Special Anti-Money Laundering Law; the Regulations for the Administration of Information and Communication Technologies in Financial System Institutions; the Rules for Simplified Documentary Requirements in Active and Passive Operations in the Financial System; the Rules for the Management of Technological Risk and Continuity of Technology Operations of the institutions supervised by the CNBS; and, the Rules for the Management of Information Technology and Cybersecurity in the Institutions of the Financial System; among others.

2. Specific regulations (the most relevant): applicable to aspects specific to each business segment identified, as well as its model, dynamics and market of the product. In this second case we find the following regulations: The Regulation for Payment and Transfer Services Using Electronic Money (INDEL) and the Regulation for Services Offered by Electronic Payment Service Provider Entities (EPSPE).

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

As mentioned above, there is no specific legislation or regulation that treats fintechs as a comprehensive industry (as is the case in other countries), but the INDEL and EPSPE models have been regulated.

However, the institutional axis of regulation and supervision of financial markets in Honduras is composed of the Central Bank of

Honduras (BCH), whose objective is to ensure the maintenance of the internal and external value of the national currency, the proper functioning of the payment system and promote the stability of the country's financial system; and the National Commission of Banks and Insurance (CNBS) as the supervisory body par excellence of the traditional financial system, are helping to promote financial education and inclusion and thus the opening to the regulatory market of the different fintech developments.

Additionally, there is what is known as the Financial Innovation Roundtable (known as "MIF"), which has been created as a public-private collaboration environment, promoted and managed by the BCH and the CNBS, which favors innovation and healthy competition among the different providers of financial products and services, with the objective of creating an environment of dialogue that allows the growth of the sector.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

In Honduras sandboxes have not been implemented yet, but we do not rule out that the government is considering it as an enabling policy for the sector.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

Honduran regulation does not limit investments by financial entities (entities authorized to operate by the National Banking and Insurance Commission) in Fintech companies. In fact, the reality is that 70% of the entities currently providing payment and transfer services using electronic money are directly or indirectly owned by financial institutions. The Regulation for Payment and Transfer Services Using Electronic Money provides that financial institutions belonging to the national financial system are subject to compliance with said Regulation, in the understanding that they may provide such services.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

In Honduras the special norm that regulates consumer protection is the Consumer Protection Law, contained in Decree No. 24-2008, but it does not distinguish between the general consumer and the financial consumer.

However, it does establish a series of provisions that are specifically applicable to those providers of financial services, among these, requirements to be complied with in the contracts for financial and

credit operations, prohibitions and other essential information that must be provided by them to the consumers. These must be reviewed by fintech companies.

What is important to point out is that the CNBS as a regulatory entity has issued a series of provisions applicable to the institutions of the financial system, which must be complied with to guarantee the respect and protection of the "Financial Users", which is the name given to any person who uses the services or acquires products from a Supervised Institution. However, as can be seen, these provisions do not apply to fintech companies for the time being.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

Lending crowdfunding is not yet regulated in our jurisdiction. And as it happens in other countries, it could entail several limitations for the platforms that intend to implement a crowdfunding model in Honduras, since such platforms could be considered by the regulatory authority as a form of massive and habitual collection of resources from the public, which currently according to our legislation can only be done by the institutions of the financial system.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

P2P is not regulated in our jurisdiction either, nor are there any particular requirements for consumers or investors who wish to participate in projects through this lending mechanism.

As of the date of publication of this guide, there have been no regulatory discussions to define the origin of these products in Honduras.

However, it should be noted that the granting of loans or credits from non-financial entities is regulated by the Non-Banking Lenders regulation; under such regulation any company (Fintech or not) engaged in such activities must have its special registration with the Tax Authority.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Consumer protection regulations are generally applicable to all consumer relations established in the Honduran market for the acquisition of goods and services, without any distinction whatsoever. And as mentioned above, such regulation contains certain specific provisions applicable to Financial and Consumer Credit Operations.

In the event that crowdfunding of loans or P2P loans were to be regulated, such regulation would be applicable, subject to the approval of other specific rules for such mechanisms.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

No, donation and/or reward crowdfunding, understood as a modality that does not offer any return to the people who contribute funds to the project (donation) or the return offered is a good or service other than a value (reward), is not regulated in Honduras, so we are also facing a financing mechanism that is little used. Regulators should work to promote different financing alternatives for the growth of the Fintech ecosystem.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

In Honduras there is no specific legal framework to protect investors and guarantee transparency in crowdfunding campaigns. We are clear that in order to promote this mechanism and facilitate the freedom to provide and receive such services, it is necessary to promote the appropriate legal framework, establish requirements and provide the necessary guarantees to ensure public confidence.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

In Honduras there are still no special regulations or norms applicable to equity crowdfunding. However, it should be noted that such activity could be considered as a public offering of securities, which is subject to the provisions of our Securities Market Law.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Currently, since there is no specific regulation, we do not have a

defined list of requirements for the operation of this type of platforms. It is still a sector that needs to be worked on.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

As we have pointed out, there is no specific regulation that defines and establishes the parameters applicable to investors or to the securities of equity crowdfunding projects, nor is there anything related to secondary markets for these issues.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

There is no specific regulation on cryptocurrencies in Honduras, and the enactment of public policies to allow the circulation of cryptocurrencies in the country is still not visible. On the contrary, as seen in the answer to question 4.2 below, regulators maintain their position that cryptocurrencies represent too much significant risk due to their decentralized nature and lack of backing.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

There are no legal restrictions for a consumer or private investor to own and/or trade cryptocurrencies in Honduras; but there are restrictions for financial system institutions as detailed below.

Thus, regulators in Honduras have communicated to the general public their position regarding trading or holding cryptocurrencies:

- The CNBS of Honduras has prohibited supervised banking and financial institutions from holding, investing, brokering or operating with cryptocurrencies, cryptoassets, virtual currencies and tokens. Circular 003/2024 specifies that these institutions cannot work with virtual assets not authorized by the Central Bank of Honduras. In addition, supervised institutions are ordered to include information on the risks of cryptocurrencies in financial education programs. The measure has generated ambiguity and concern among investors, while some defend the regulation to prevent scams and crimes associated with cryptocurrencies. The CNBS highlights the risk of fraud, money laundering and terrorist financing when operating with unregulated virtual assets.
- The Central Bank of Honduras (BCH) in view of the consultations made by economic and financial agents in relation to the use of virtual currencies or assets known as cryptocurrencies and similar within the national territory, either as an investment or as a means of payment for goods or services, has communicated the following: Cryptocurrencies such as Bitcoin, Ethereum, Litecoin and similar do not have the backing

of the Central Bank of Honduras, therefore this institution does not regulate or guarantee their use, consequently, they do not enjoy the legal protection granted by the laws of the country regarding payment systems; therefore, any transaction made with this type of virtual currencies or assets, will be under the responsibility and risk of the person who performs it.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

There are no particular requirements.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

No, the CNBS as stated in numeral 4.2 above, recently officially prohibited banking and financial institutions supervised in Honduras to hold, invest, intermediate or operate with cryptocurrencies, cryptoassets, virtual currencies and tokens. Specifying that these supervised institutions cannot work with virtual assets not authorized by the BCH.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

Taking into account that there is no specific regulation on cryptocurrencies in Honduras, and the enactment of public policies that allow the circulation of cryptocurrencies in the country is still not visualized.

In view of the current financial legislation, and above all the position of both the CNBS and the BCH regarding cryptocurrencies, cryptoassets and/or virtual currencies, the ICO is certainly limited and it is highly probable that it will not be viable in the country.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Transactions made through trading platforms would be considered as an electronic means for the perfection of a consumer relationship, for this reason, we consider that the general consumer protection rules contained in the Consumer Protection Law (Decree 24-2008) are applicable.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

Distributed ledger technology (DLT), which is understood by the Central Bank of Honduras (BCH) as a means to store information through a distributed ledger, i.e., a repeated digital copy of the data available in multiple electronic locations, is not yet common in our jurisdiction, nor is there any regulation in this regard.

However, BCH itself has recognized that recent innovations in financial technology services have created new opportunities that, when the accompanying risks are properly managed, can have benefits for the entire economy. Innovations that enable new financial services include the widespread availability of cloud computing, the development of application programming interfaces (APIs), distributed ledger technology (DLT), biometrics, and more. But all of these require first and foremost the clear establishment of enabling policies, as well as digital identification systems or the expansion of communications infrastructure, which must be worked out in the first instance for the development of DLTs.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

No case of a financial institution in Honduras using or developing this type of technology has been made public, although we do not rule out the possibility that this may be the case.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

There is currently no limitation for insurance companies that have been duly authorized to operate in our country by the National Banking and Insurance Commission (CNBS) to offer services or products through Fintech technologies.

But it is important to emphasize that, being supervised institutions, they are obliged to comply with the different provisions and requirements issued by the regulatory body regarding, among others, compliance, data protection, use of computer systems, risk management, etc.

According to information provided by the CNBS, there is currently only 1 initiative to enter the insurance market through technology, which would offer, through a platform for the management and purchase of micro insurance for vehicles, health, travel, purchase of technology such as cell phones, computers with insurance for theft and extra-guarantee. We understand that this initiative has not yet been implemented.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

There are currently no regulations in Honduras regarding distribution models or regulatory requirements applicable to Insurtech intermediation.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

To date, there is no regulation that specifically regulates Insurtech technologies in our jurisdiction. However, as mentioned above, the CNBS does carry out a constant review of the technologies, computer systems, means of services, etc., used by insurance companies as supervised entities, based on the traditional regulation in force for insurance.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

We are not aware of any financial or capital market institutions offering their services through the use of robo-advisor technologies in our jurisdiction, nor are they regulated.

This type of technologies as it is known increases cybersecurity risks, such as data breaches, sabotage and data or identity theft, and currently in Honduras there are no clear public policies and strategies that assign responsibilities and levels of operational capabilities, which promote it. While it is true that the CNBS has issued cybersecurity policies and regulations applicable to financial system institutions, nothing specific about robo-advisor.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

There are no such regulatory requirements.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

There is no regulation in this regard in Honduras, we only have the general regulation applicable to the opening and operation of traditional banks. And it is these banks, through their online banking services as digital arms of established banks, possessing their corresponding banking licenses issued by the CNBS, which are currently offering additional financial services through their technological platforms.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

There is no regulation in this regard in Honduras, in addition to the general regulation applicable to the opening and operation of traditional banking.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Fintechs play a decisive role due to their complementarity and innovation contributed to the development of financial markets. However, the most important challenge they face in the Honduran financial market is to create an ecosystem in which participants from various business models can cooperate in a balanced and safe manner, including traditional banking. In addition, national regulations must be homogenized through a harmonized regulatory framework that allows the benefits of new technologies, such as cloud computing, to be reaped, while at the same time ensuring cybersecurity, financial user protection and aspects related to money laundering and terrorist financing, based on the adoption of best practices and international standards.

Likewise, fintech investors that currently have projects, or are analyzing the option of executing them in Honduras, should work to achieve the following objectives:

- Gain confidence and security: the financial user bets on this type of solutions, besides being key for investors; but there is still a need to strengthen the culture of technology use in users, since banks have

always been the traditional ones in our country.

- Break the paradigm: Fintechs should be considered as strategic allies of traditional banking and not competitors.
- Financial inclusion: to bring the financial product to those users who are outside the system. This is one of the main reasons why Fintechs are successful in the country.

9.2. ARE THERE ANY REGULATIONS REGARDING THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT FINTECH OPERATIONS IN YOUR JURISDICTION (EXCLUDING ROBO ADVISORS)?

There are no regulations related to the use of artificial intelligence in Honduras.

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Creel Abogados is a corporate and transactional law firm. Founded in 1972 by Luis J. Creel Luján and his son Luis J. Creel C., the firm has consolidated a strong specialized business law practice advising multinational corporations, financial institutions, private equity funds and Mexican companies on a broad range of matters and projects, such as mergers and acquisitions, private equity, capital markets, financings, corporate restructuring and joint ventures. The firm provides close personal services to its clients, through the partners' direct involvement and coordination of dedicated teams (always maintaining a reduced partner-associate ratio). Their lawyers are deeply experienced in domestic and international transactions and combine a high level of expertise in the relevant Mexican issues.

Creel abogados

1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

On March 9, 2018, the Law for the Regulation of Financial Technology Institutions (the "Fintech Law") was enacted. In order to harmonize the Mexican legal framework, on that same date, among others, the following laws were amended:

(i) The Securities Market Law was amended to exclude from its scope of regulation, the offering and intermediation of securities and the negotiation with securities carried out through Financial Technology Institutions. Moreover, the National Banking and Securities Commission ("CNBV") was granted the authority to issue general regulations regarding the offering of investment advisory services through automated systems.

(ii) The Law on Credit Institutions was amended for the purpose of regulating more thoroughly the use of technology by banks in the performance of their activities, as well as to provide that the activities carried out by Financial Technology Institutions are not considered as obtaining funds (through clients' deposits).

(iii) The Law for the Transparency and Organization of Financial Services and the Law for the Protection and Defense of Financial Services Users (the "CONDUSEF Law") were amended to include within their scope the supervision and surveillance of Financial Technology Institutions by the National Commission for the Protection and Defense of Financial Services Users ("CONDUSEF").

Subsequently, on September 11, 2018 the secondary regulations applicable to the fintech industry were issued, which include: (i) the General Provisions applicable to Financial Technology Institutions (the "Regulations") issued by the CNBV; (ii) the Circular 12/2018 for Electronic Payments Institutions (the "Circular") issued by Banco de México (Mexico's Central Bank); (iii) the General Regulations referred to in Article 58 of the Law for the Regulation of Financial Technology Institutions (the "Money Laundering Regulations"), issued by the Ministry of Finance and Public Credit ("SHCP"); (iv) the Regulations applicable to the Financial Technology Institutions referred to in Articles 48, second paragraph, 54, first paragraph, and 56, first and second paragraphs of the Fintech Law, issued by the SHCP and the CNBV, in order to regulate the stability and proper functioning of the internal controls of Financial Technology Institutions; and (v) the General Regulations regarding the programming interfaces of standardized computer applications referred to in the Fintech Law, issued by the CNBV, in order to establish the procedure for the authorization and registration of the fees to be charged for the use of the programming interfaces of standardized applications.

Recently, on January 24, 2024, a reform to the Fintech Law in Mexico was enacted with the aim of detailing and clarifying the administrative procedures involving Financial Technology Institutions. This reform seeks not only to streamline such processes but also to offer greater transparency and legal certainty to both sector operators and users.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

Yes. Most fintech activities, such as crowdfunding, virtual wallets and transactions carried out with cryptocurrencies, are regulated in the Fintech Law. Moreover, certain financial laws such as the Law on Credit Institutions and the Securities Market Law regulate the provision of certain financial services and the execution of transactions by financial entities using financial technology.

In Mexico, the fintech industry has specific regulations applicable to Financial Technology Institutions. Likewise, fintech activities are regulated similarly to other financial services, such as banking services and securities intermediation. The Fintech Law defines the activities and transactions that shall be reserved to Financial Technology Institutions, which shall obtain the corresponding authorization to operate; and further, it lists the activities, transactions and services that Financial Technology Institutions are allowed to carry out.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

Yes. The Fintech Law includes a chapter that governs innovative models with the purpose of allowing disruptive solutions or products for the provision of financial services to be tested in a controlled and less costly environment.

According to said law, innovative models are those used to provide a financial service using tools and technologies, in a model different from those existing in the market, to carry out activities that generally require an authorization, registration or concession from financial authorities.

Only commercial companies duly incorporated pursuant to Mexican law may operate innovative models. For purposes of operating an innovative model, a temporary and special authorization shall be obtained, which shall be granted by the financial authority in charge of the supervision and surveillance of the regulated activity intended to be carried out.

The requirements to operate an innovative model are: (i) the product or services must be tested in a controlled environment and with a limited number of clients; (ii) the innovative model must imply a benefit for the client or user different from the benefits existing in the market; and (iii) the project must be ready to begin operating immediately.

The competent authorities may establish additional requirements, through general regulations or in the authorizations they grant.

The companies that intend to operate innovative models, shall establish policies and mechanisms to prevent, identify and mitigate the risks associated with their operation, as well as the manner in which they will repair the damages that they cause to their clients.

In the authorizations to operate innovative models, specific terms and conditions shall be established in attention to the specific characteristics of the innovative model and, if necessary, certain exceptions to the provisions of Mexican financial laws may be established. This authorization may only be granted for a period of 2 years; at the end of such term, the authorized company must obtain the applicable permit, authorization, registration or concession; otherwise, it may not continue operating. In the event the innovative model ceases to operate at the end of the term established in the authorization, an exit proceeding shall be implemented, in which the manner to terminate transactions executed with clients shall be included.

The purpose of the innovative models in Mexico, established in the Fintech Law, is to promote innovation in the financial sector. These models allow for the creation of fintech solutions or products that facilitate the development of new technologies and financial services, fostering a more dynamic and adaptive ecosystem.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

Yes. Financial entities are allowed to invest in, directly or indirectly, or acquire, Financial Technology Institutions or companies that operate innovative models, prior authorization of the CNBV and, as the case may be, of the financial authority in charge of the supervision and surveillance of the financial entity (e.g., Banco de Mexico or the SHCP). It is important to consider that there are certain rules, limits and requirements applicable to financial entities investing in Financial Technology Institutions, which are established in the laws that regulate the relevant financial entities and may vary depending on the nature of the financial entities.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

Yes. In Mexico a distinction is made between consumers and financial consumers or “financial users”. The Federal Law on Consumer Protection, through the Federal Bureau of Consumer Protection (“PROFECO”), protects and promotes the rights of consumers against any form of abusive commercial practice, expressly excepting from its application financial services regulated by financial laws rendered

by institutions and organizations which supervision and surveillance is made by the CNBV, the National Commission of Insurance and Bonding and the SHCP, among others financial supervision agencies.

In accordance with the CONDUSEF Law, financial users are considered to be those who contract, use or otherwise have any right against any financial institution as a result of any transaction or service rendered.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

Yes. Lending crowdfunding is regulated in the Fintech Law. The Fintech Law nor the secondary regulations provide particular requirements applicable to investors; therefore, any person or entity, with full legal capacity, may invest in lending crowdfunding platforms.

However, the Regulations provide for certain limits to the investments that a person may carry out in a platform. The Regulations establish that one single investor may not make investment commitments in the event the result of applying the following formula:

$$\frac{New\ Investment\ Commitment}{\sum Effecive\ Investments \pm \sum Prior\ Investment\ Commitments \pm \sum New\ Investment\ Commitment} \times 100$$

exceeds the following amounts: (i) for entities, 20%; (ii) for individuals who wish to invest in debt deriving from personal loans among persons, 7.5.%; (iii) for individuals who wish to invest in debt deriving from company or business loans among persons or for real estate development, capital investments, co-ownership and/or royalties, 15%.

Notwithstanding, such limits shall not apply to "related investors" or "experienced investors". For such purpose, experienced investors are Mexican and foreign financial entities, agencies of the Federal Public Administration and persons that have made investments in crowdfunding institutions for an aggregate amount in excess of or equivalent to 550,000 Investment Units ("UDIS"; approximately US$233,891.00). On the other hand, "related investors" are such persons who are related up to the fourth kinship degree to the individual requesting the funding or are their spouse or concubine.

2.2 IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

Currently, P2P lending is not regulated in Mexico. However, P2P lending schemes may be established through Crowdfunding Institutions

(lending crowdfunding), as company or business loans or personal loans; however, it should be noted that differently to P2P lending, in this case the projects may not be funded by only one investor.

It is important to note that if an individual or entity were to request or offer funds regularly or professionally or using massive means of communication, through means different from a Financial Technology Institutions or without the authorization to operate as a bank, such person may be considered to be obtaining funds (via deposits) from the public, which under Mexican law, is deemed a criminal offense.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Notwithstanding P2P is not regulated in Mexico, lending crowdfunding is subject to the Law for the Transparency and Organization of Financial Services and to the supervision of the CONDUSEF, and therefore, the consumer protection rules that apply are those of the special regime of financial users.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

No. The Fintech Law and the Regulations do not regulate donation or reward-based crowdfunding.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

Yes. Crowdfactoring in Mexico is regulated as Lending Crowdfunding for Business Loans among Persons (individuals or entities). In this case, the investors acquire a portion of a credit right that the person or entity requesting the funding has in its favor, while the person requesting the funding is bound to the investors as joint obligor.

Same as crowdequity platforms, crowdfactoring platforms must comply with the following requirements: (i) be a commercial company duly incorporated under Mexican law; (ii) be duly authorized for such purpose by the CNBV; (iii) provide in its corporate purpose the rendering of professional and regular crowdfactoring services; (iv) have the minimum capital stock required by the CNBV, currently between 500,000 UDIs (approximately US$212,628.00) and 700,000 UDIs (approximately US$297,680.00); (v) have the necessary policies in connection with risk assessment and control, conflict of interest, prevention of fraud and money laundering, among others; and (vi) have a business plan and operation manuals related to internal control and risks management, among others.

The Regulations provide that Financial Technology Institutions must have methodologies to analyze and determine the level of risks of

their potential requesting persons. In the event the platforms offer provide crowdlending for business loan among persons for purposes of carrying out a financial factoring transaction, such methodologies must include mechanisms to: (i) carry out the risk assessment of the debtors of the credit rights, whether through credit bureaus or based on public information; (ii) in case the credit rights are documented in an invoice, verify that such invoices may be identified electronically in the Tax Administration Service of the SHCP; and (iii) verify that the credit rights have not been previously transmitted or granted as security.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Yes. The Fintech Law establishes that crowdfunding institutions may carry out equity crowdfunding, in order for investors to purchase or otherwise acquire securities representing the capital stock of entities acting as applicants.

3.2 WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Crowdequity platforms have to comply with the following requirements: (i) be a commercial company duly incorporated under Mexican law; (ii) be duly authorized, for such purpose by the CNBV; (iii) provide in its corporate purpose the rendering of professional or regular crowdequity services; (iv) have the minimum capital stock established for such purpose by the CNBV, which currently is of 500,000 UDIs (approximately US$212,628.00) and 700,000 UDIs (approximately US$297,680.00); (v) have policies regarding risk assessment and control, conflict of interest, fraud and money laundering prevention, among others; (vi) have a business plan and operation manuals related to internal control and risks management, among others; and (vii) establish schemes for the crowdequity platform and investors to share the risks associated to the projects offered in the platform.

3.3 ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

No. In Mexico there are no particular requirements applicable to investors or securities in crowdequity projects.

The Fintech Law and secondary regulations do not establish requirements applicable to investors that participate in crowdequity projects, therefore, it may be understood that any individual or entity with sufficient legal capacity may invest in crowdequity projects.

Likewise, there are no specific requirements for the securities to be offered in crowdequity platforms; however, the platforms in which

these securities are offered shall verify the legal existence, financial viability and business history or technical knowledge of the managers of the company or project, as the case may be.

Likewise, crowdequity platforms may establish specific requirements in their policies.

Currently, there is no secondary market for crowdequity projects. Pursuant to the provisions set forth in the Fintech Law, securities offered through crowdequity platforms may not be registered in the National Registry of Securities at the CNBV, and therefore, not be subject of a public offering and may only be acquired and sold through crowdequity platforms.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

Yes. The Fintech Law defines cryptocurrencies as the virtual representation of value registered electronically and used among the public as a means of payment for all kinds of legal transactions, and the transfer of which may only be carried out by electronic means. The Fintech Law also provides that Financial Technology Institutions may only operate with cryptocurrencies approved by the Banco de Mexico.

4.2 IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

Yes. In Mexico it is allowed to hold and/or transact with cryptocurrencies; however, in order to do so regularly or professionally an authorization granted by Banco de Mexico is required.

4.3 ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

Yes. In Mexico the trading platforms holding and transacting with cryptocurrencies must comply with the following requirements: (i) observe the terms and conditions established for such purpose by Banco de Mexico; (ii) be able to deliver to their clients, at any time, the cryptocurrencies they hold or their equivalent in Mexican currency; and (iii) disclose to their clients that: (a) cryptocurrencies are not legal currency and therefore, are not backed by the Federal Government or Banco de Mexico, (b) as the case may be, that the transactions carried out may not be reverted, (c) the volatile value of cryptocurrencies, and (d) the technological, cybernetic and fraud-related risks associated with cryptocurrencies.

Furthermore, the Circular provides several technical requirements which electronic payment platforms that carry out transactions with cryptocurrencies must comply with.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

Yes. In Mexico the Financial entities are allowed to hold, transact or trade as intermediaries with cryptocurrencies, as long as they have been authorized by Banco de Mexico. Credit institutions (banks) may only carry out transactions with cryptocurrencies which correspond to those internal activities so to implement the transactions and services made with their clients or on their own account. Such financial entities that operate with cryptocurrencies through the Interbank Electronic Payments System shall comply with additional technical requirements, relating to the technological infrastructure they use.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

No. ICOs are not regulated in Mexico. Therefore, it is not advisable to carry out an ICO in Mexico until the regulation is in place. In this regard, it is important to note that transacting with cryptocurrencies without the proper authorization is sanctioned with a fine of up to 150,000 Measure and Update Units (approximately US$839,458.00) and from 7 to 15 years of prison.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Yes. In Mexico, the CONDUSEF provides protection to financial consumers or users with respect to all financial entities that are regulated and supervised by financial authorities, such as the CNBV, the SHCP and Banco de Mexico. Therefore, such protection will not apply to non-financial entities o foreign financial entities (e.g., trading platforms that operate in the international foreign exchange market (Forex)), and the consumer shall be subject to the jurisdiction of the country where the transaction was carried out. Notwithstanding, the CONDUSEF issues certain alerts so that users may adopt precautionary measures and avoid being exposed to abusive practices of such trading platforms.

5. DISTRIBUTED LEDGER

5.1 IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

Even though the use of distributed ledger technologies is common in Mexico, such technology is not yet regulated in our country.

5.2 ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

We are not aware that to this date, financial institutions are using distributed ledger technologies.

6. INSURTECH

6.1 ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Insurance companies are allowed to carry out transactions and provide services, including the execution of agreements and the provision of information to its customers using technological means.

6.2 HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

Currently, insurtech is not regulated in Mexico.

6.3 IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

No. Insurtech is not regulated in Mexico.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

The Securities Market Law grants the CNBV authority to regulate the provision of investment advisory services through automated means. It is our understanding that broker-dealers, investment funds and investment advisors are using robo-advice technology; however, the CNBV has not issued the secondary regulation applicable to such technology.

7.2 ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

To this date, financial entities that provide investment advisory services use robo-advice technologies. However, the CNBV has not issued the secondary regulation applicable to the provision of investment advisory services through automated means.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

No. In Mexico no regulation exists for Neobanks. However. Financial Technology Institutions that operate with authorization from the CNBV to provide services regulated by the Fintech Law consisting in electronic payments, crowdlending, management of cryptocurrencies and financial advisory, carry out certain activities of Neobanks.

8.2 ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

No specific regulatory requirements exist in Mexico to operate as a Neobank.

9. OTHER MATTERS

9.1 ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Consumers, investors and administrators considering participating in fintech companies in Mexico, must take into account the ample offer existing today in our country, which generates a competitive market with a variety of fintech products and services, regulated by a thorough legal framework still in development, with the supervision and surveillance of financial authorities, as well as the protection of institutional agencies for the users of fintech products and services.

9.2 AI. ARE THERE ANY REGULATIONS REGARDING THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT FINTECH OPERATIONS IN YOUR JURISDICTION (EXCLUDING ROBO ADVISORS)?

There are no regulations in Mexico related to the use of Artificial Intelligence that impact the operation of Fintechs.

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Galindo, Arias & Lopez, one of the most renowned full-service law firms in Panama, prides itself on a 55-year tradition of excellence and innovation. Committed to provide legal services of the highest quality and ethical standards, the firm maintains an ever-growing, worldwide client base with business interests in Panama and the region. GALA stands out among its competitors, thanks to its expertise in complex local and cross-border transactions, throughout Panama's key business sectors: aviation, energy, telecommunications, banking, infrastructure, real estate, transportation and logistics, tourism, and commerce.

GALA Galindo Arias & López

1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

A bill aiming to create a regulatory framework for fintech in Panama was introduced to the Panamanian National Assembly in 2018 under the name Bill No. 629 of 2018 (the "Fintech Bill"), however, such bill was not enacted into law and remains without being further discussed.

In its place, in 2021, the National Assembly approved Bill No. 697 of 2021, under the title "Crypto Law: That makes the Republic of Panama compatible with the digital economy, blockchain, crypto assets and the internet" (the "Crypto Bill").

The Crypto Bill was an ambitious proposal intended to (i) promote the digitization of the government services, making its procedures compatible with blockchain and distributed ledger, (ii) give certainty to innovation in the digital economy and the use of crypto assets in Panama and (iii) establish banking interoperability principles so that traditional financial systems are compatible with new ones, in order to promote greater financial inclusion and competition between financial service providers, ultimately benefiting end users.

Nevertheless, the Crypto Bill did not prospered, as the then President of the Republic of Panama issued a partial veto, sending the Crypto Bill back to the National Assembly. Despite being "partial", the veto covered a significant portion of the Crypto Bill and ultimately resulted in the Crypto Bill being declared unenforceable by the Supreme Court of Justice.

On the other hand, in October 2022, the National Assembly approved Bill 863 that "Authorizes the use of Innovative Digital Payment Systems for the State and Establishes a Digital Wallet for Citizens", with the purpose of regulating and facilitating state payments to vendors and disbursements of funds under social assistance programs, including scholarships (the "Payment System Bill"). Unfortunately, this bill has not prospered as it has not been enacted as law of the Republic to date.

Per the status of these bills, as of the date of this writing, Panama does not have laws or regulations specifically applicable to the fintech industry. Therefore, from a regulatory standpoint, fintech businesses must currently be analyzed though the lens of general provisions of Panamanian law.

1.2 IS FINTECH REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TOWARDS FINTECH IN YOUR JURISDICTION?

As discussed in our answer to the preceding question, it is not. The Fintech Bill and the Crypto Bill, as proposed, were a fairly encompassing,

ambitious body of proposed legislation that aimed to regulate various aspects of fintech as they existed between in 2018 and 2022, and yet, none of them prospered.

Notwithstanding the above, with respect to payment method issuers and electronic money companies, it is worth noting that, even though there is no specific regulation applicable to such companies in Panama, they are subject to the anti-money laundering and counter-terrorism financing regulations applicable in Panama and, consequently, must be registered with the Superintendency of Banks of Panama and are subject to its supervision.

Save for the above, the currently available regulatory approach is, therefore, to apply existing regulations to fintech businesses, as other alternatives are not available at the moment.

1.3 HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

Although we have been privy to discussions and publications regarding sandboxes for fintech and other related initiatives, from a regulatory standpoint, Panama has not yet implemented sandboxes for the fintech industry.

The Fintech Bill did provide for the creation of a sandbox or sandboxes under the name Marco Regulatorio Especial de Apoyo a la Innovación. However, as indicated above, such bill has not yet been enacted and if it is enacted in the future, it may suffer additional amendments.

In any event, as evidenced by the existence of, and interest in, the Fintech Bill itself, there has been growing interest in fintech in Panama and certain organizations such as the Center for Innovation of Fundación Ciudad del Saber and others are supporting start-ups in fintech and other industries.

We expect to continue witnessing exciting developments on Fintech in Panama in the future.

1.4 ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN, OR ACQUIRE, FINTECH COMPANIES?

In general terms, there are no restrictions in this regard.

Save for financial institutions that are required to mitigate risks that may arise from the administration and operation of affiliate companies; and except general restrictions on investments and capital requirements, financial entities are allowed to invest in fintech companies.

1.5 IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

The Panamanian legal framework does not expressly provide for a distinction between the concepts of "consumer" and "financial consumer", however, Executive Decree 52 of April 30, 2008: "That Adopts the Unified Text of Decree Law No. 9 of April 26 February 1998, modified by Decree Law 2 of February 22, 2008", as modified to date (the "Banking Law"), does provide for the concept of "banking consumer", for the purposes of, among other things, granting certain special rights and obligations to bank customers, including the power to file claims before the Superintendency of Banks through a special procedure, as well as sets out rules to determine and define the nullity of banking contracts and provisions thereof.

Additionally, Bill 122 that "Creates the Financial Services Consumer and establishes the System for the Defense and Protection of Financial Services Consumers of the Republic of Panama", has been submitted to the National Assembly for discussion.

Said bill creates the definition of "Financial Services Consumer", and it was drafted with the objective of protecting consumers from certain practices of financial entities that are allegedly abusive.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE, OR WILL THERE BE, ANY PARTICULAR REQUIREMENTS FOR A CONSUMER OR AN INVESTOR TO PARTICIPATE IN LENDING CROWDFUNDING?

Crowdfunding is not currently expressly regulated in Panama. Therefore, without prejudice to our comments below regarding crowdequity and P2P lending, there are no additional particular regulatory requirements at this time for an investor to participate in lending crowdfunding.

2.2. IS PEER TO PEER LENDING (P2P) REGULATED IN YOUR JURISDICTION? ARE THERE, OR WILL THERE BE, ANY PARTICULAR REQUIREMENTS FOR A CONSUMER OR AN INVESTOR TO PARTICIPATE IN P2P LENDING?

Peer to peer lending, as such (i.e., in the context of fintech), is not expressly regulated in Panama. However, it is important to consider that there are limitations applicable to the regular offering of loans and credit facilities to the general public, since such activity is limited to companies that have a license issued by the Ministry of Commerce

and Industry (financial companies) or the Superintendency of Banks of Panama (banking institutions).

Moreover, the Panamanian Commercial and Civil Codes do contain provisions that apply to the terms and conditions of loans in general, however, there aren't any restrictions or regulations per se on the ability of individuals to make loans to another individual or company, in the context of fintech in Panama.

Therefore, for instance, there may be restrictions on the maximum interest rate paid on principal, because Panama has enacted provisions that apply to loans in general in this regard (as well as other relevant provisions pertaining to the underlying terms of a transaction), however, there aren't any regulatory limits on, for example, the amount of a non-regulated individual's P2P exposure or the amount of debt that may be taken on by a particular borrower, as may be the case in other jurisdictions.

Another important aspect of the lack of regulation of P2P, and of fintech in general, is that enforcement of loans upon default, depending on how the documentation is structured, could present significant challenges.

2.3. IS CONSUMER PROTECTION REGULATION APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING?

Although Panama has not yet enacted lending crowdfunding or P2P lending specific regulations, the general consumer protection rules are applicable.

In that respect, Law 45 of 2007 (the "Law 45"), in general terms, imposes certain obligations on economic agents that offer goods or services to consumers in the country.

For instance, Law 45 imposes upon service providers information and disclosure obligations aimed at ensuring that consumers are properly informed as to the goods and services that they acquire.

In addition, Law 45 provides that certain provisions in adhesion contracts (i.e., contracts that were not subject to bilateral negotiations) may be null and void if they constitute a waiver by a consumer of the provisions of Law 45.

Law 45 and the rules and regulations that develop it contain other provisions that may be relevant and that should be analyzed on a case-by-case basis.

2.4. ARE DONATION AND REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

No, they are not yet regulated in Panama.

Notwithstanding the above, on January 18, 2024, Bill No. 168 was introduced, which regulates and promotes crowdfunding in the Republic of Panama' (the "Bill 168"). This bill aims to establish a regulatory framework applicable to all individuals (including platforms)

that develop, manage, operate, or participate in crowdfunding activities.

Additionally, Bill 168 covers the different types of crowdfunding, including equity, participation, and donation-based models, as well as the regulatory requirements applicable to platforms that facilitate these activities, including minimum capital requirements. Unfortunately, Bill 168 remains in a preliminary stage and has not yet been subject to discussion.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS IN ORDER TO PROVIDE THIS TYPE OF SERVICE?

Crowdfactoring is not yet expressly regulated in Panama, although as is the case with other categories of fintech businesses, general provisions of Panamanian law do apply to crowdfactoring and specifically to factoring.

Specifically, in addition to general provisions of the Panamanian Civil and Commercial Codes that apply to factoring (which is generally structured through commercial contracts and therefore subject to Panamanian commercial law), the Superintendency of Banks of Panama issued Regulation No. 006-2016 (which builds upon the provisions of Panama's AML law, Law 23 of 2015).

Regulation No. 006-2016 specifically categorizes companies in the business of factoring as supervised entities, under the purview of the Superintendency of Banks of Panama for purposes of AML compliance. Further Regulation No. 006-2016 imposes upon such regulated entities certain due diligence obligations to mitigate the risk of money laundering through their platforms.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Crowdequity as such is not expressly regulated in Panama and, save for Bill 168 previously described, there are no other legislative initiatives under discussion in regard to this subject. However, Panama has enacted a regulatory framework for securities regulation, and through such framework it has created the National Securities Exchange Commission (now called the Capital Market Superintendency), which is charged with overseeing the Panamanian securities market.

Although such framework has yet to address crowdequity funding directly, the Capital Market Superintendency has offered some limited guidance in this regard.

As is the case in other jurisdictions, the existing framework provides that public securities offerings that are not subject to a particular exemption or safe harbour, must register with the Capital Market

Superintendency.

Through Opinion No. 01-2018, the Capital Market Superintendency adopted the position that crowdequity funding (in other words, the offering of an interest, stake or shareholding in a particular venture) constitutes a public offering of securities and is therefore subject to the general provisions of Law Decree No. 1 of 1999 (the "Securities Law"), including article 128 thereof.

As a result, in the opinion of Capital Market Superintendency, crowdequity offerings must be registered with such commission (or qualify for one of the available exemptions).

3.2. WHAT TYPES OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

As indicated above, Panama has not yet enacted specific regulations on this issue. Therefore, at present, there are no specific requirements for crowdequity platforms, without prejudice to the Securities Law considerations discussed above.

In that regard, to the extent that crowdequity is in fact deemed an offering of securities, companies interested in offering such securities to the general public must obtain a license as a certified broker, brokerage house or investment advisor, as applicable, with the Capital Market Superintendency.

Further, as previously mentioned, one of the objectives of Bill 168 is to establish the minimum requirements that entities engaged in these types of activities must meet, such as prior authorization and registration with the Capital Market Superintendency, minimum capital requirements, investment limits, among others, aimed at protecting the investing public.

3.3. ARE THERE ANY PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR SECURITIES IN CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET?

Per our response to question 3.1 above, securities in crowdequity projects may be subject to the provisions of the Panamanian securities regulation framework.

We have not seen a secondary or, for that matter, a significant primary market in crowdequity as of the date of this publication. However, the conditions are ripe for the development of such a market in the future.

4. CRYPTOCURRENCIES

4.1 ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

As indicated in Section 1.1 herein, cryptocurrencies are not expressly regulated in Panama.

The Crypto Bill proposed innovative regulation of crypto assets,

defining them as the "Fungible or non-fungible digital entry in a distributed ledger, which may or may not be a blockchain, whose ownership can be proven using cryptography and whose transfer can be done through digital signatures using cryptography" and proposed a series of rules and regulations based on this concept.

However, as previously mentioned, such legislative initiative was vetoed by the executive and subsequently declared unenforceable by the Supreme Court of Justice.

Furthermore, on April 25, 2018, the Capital Market Superintendency issued a public notice, warning the general public, inter alia, that cryptocurrencies are not currently subject to a regulatory framework in Panama and therefore are not subject to the purview or supervision of any Panamanian regulatory entities.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

Investors may transact in cryptocurrencies as such currencies are not yet regulated in Panama and, therefore there are no prohibitions in force as to their purchase or sale.

Regulation No. 4 of 2013 issued by the Capital Market Superintendency, provides, inter alia, that brokerage houses or investment advisors must obtain a specific permit to offer to and advice clients on forex transactions.

However, in addition to its public notice dated April 25, 2018, the Capital Market Superintendency issued a non-binding opinion on November 15th, 2018 (Opinion No. 07-2018), whereby it adopted the view that (i) cryptocurrencies are not deemed securities under Panamanian law and are therefore not subject to its purview and (ii) cryptocurrencies have not been recognized in Panama as "currency" and therefore, a brokerage house, license is not required under the current regulatory framework to trade cryptocurrencies.

In any event, although there are certain important movements and organizations that are promoting the use of cryptocurrencies in Panama, amongst other goals, the use of cryptocurrencies in Panama is currently not as widespread as perhaps in other jurisdictions. Nevertheless, Panama's history as a center for trade, its geographic location, lack of a central bank (the Panamanian Balboa is pegged to the US Dollar on a 1:1 basis) and its liberal economy make it an ideal location for the flourishing of cryptocurrencies and fintech in general, without prejudice to the fact that there will be hurdles (regulatory and otherwise) in the path towards such goal.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

As per the above, this activity is not currently regulated in Panama. Therefore, there are no particular requirements at this time.

In addition, we note that although not expressly regulated, there are currently several crypto ATMs in Panama.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

Similarly, because Panamanian law has yet to address this issue, there are no restrictions on holding or trading cryptocurrencies as intermediaries.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

At the moment, ICOs are not regulated in Panama. Given the view adopted by the Capital Market Superintendency through non-binding Opinion No. 07-2018, further, ICOs would not appear to be subject to the framework of Panama's Securities Law.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Except for the general investor protection rules set forth in the Securities Law and its regulations, no specific consumer protection rules applicable to trading platforms have been enacted in Panama.

Therefore, the general consumer protection provisions set forth in Law 45 of 2007 are applicable to this type of activity.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

Precisely, one of the objectives of the Crypto Bill consists of "Expanding the digitization of the State by promoting the use of distributed ledger technology and blockchain in the digitization of the identity of natural and legal persons in or from the Republic of Panama and as means to make the public service transparent".

Given the presidential veto to the Crypto Bill, the use of distributed ledger technology is not currently expressly regulated in Panama nor are we currently aware of any particular initiatives that have been implemented nor have been used in our jurisdiction.

However, we are aware of the existence of applications associated with this kind technology in Panama (for example, kyc - compliance, cryptocurrencies, logistics, etc.).

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

We are aware of certain fintech products and services currently offered in Panama. Also, we are aware that certain banking entities are opening bank accounts wherein funds from the sale of crypto assets are received.

However, we are not currently privy to or aware of any financial institutions in Panama that are specifically using distributed ledger technologies.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Although the Superintendency of Insurance and Reinsurance of Panama has issued agreements to facilitate the sale of insurance policies through electronic signature, we have not yet seen in Panama advances such as bespoke risk solutions using data analytics, sensors or other wearables, cyber breach risk management and insurance, or P2P insurance.

However, there has been some innovation in the insurance sector, as, for instance, several insurance companies in Panama have launched apps with features ranging from the ability to review insurance policy information on demand, to providing a chat platform that allows users to request vehicle assistance.

Given the wide-array of possible applications of technology in the insurance sector and considering that certain companies are taking steps towards digitizing certain processes and services, new initiatives can be expected in the near future within the insurance industry.

Notwithstanding the foregoing, the landscape in this regard, from a regulatory perspective, remains unclear.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

Although certain insurance companies are implementing new technologies to enhance their services, by and large Panamanian insurance companies are still dependent upon traditional distribution models and, accordingly, regulations have not been enacted so as to expressly include new models of distribution within the regulator's purview.

In addition, even though no specific regulatory requirements for insurtech intermediation have been adopted to date, as the insurance business in Panama is heavily regulated, companies that undertake such activities shall abide by the provisions set forth in Law 12 of 2012, which regulates insurance and reinsurances activities in Panama and outlines the minimum requirements that must be complied with by insurance companies, including capital requirements and other provisions, which could potentially present a significant hurdle for entrepreneurs seeking to innovate in certain aspects of the insurance sector.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

Except as indicated above, insurtech is not currently regulated in Panama. Therefore, any new initiative must be analyzed through the lens of the existing regulations.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS' INSTITUTIONS PROVIDING THEIR SERVICES USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Notwithstanding the fact that this certainly is an interesting area with considerable upside in the future, we are not currently aware of financial or capital market institutions providing services out of Panama using robo-advice technology. Robo-advice is not expressly regulated in Panama at this time.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

No. However, depending on the specific industry, a particular license to issue such advice may be required and/or the person responsible for such advice may be personally liable (i.e. an accountant or lawyer)

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8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

In Panama, no specific rules have been enacted to regulate Neobanks, thus, the Banking Law and its complementary regulations are applicable to this type of activity, including Regulations No. 006-2011 of December 6, 2011 (which set forth guidelines on electronic banking and risk management), and Regulations No. 006-2016 of September 27, 2016 (which set forth guidelines on the management of risks that may arise with respect to new products and new technologies), as modified to date.

Further, it should be noted that, despite the fact that there is currently no Neobank in Panama, certain banks have implemented initiatives with characteristics similar to those of one, such as, for example, digital applications promoted by local banks, with the purpose of providing fully digital banking services, thus fostering financial inclusion.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

To date, no regulatory requirements that are specifically applicable to Neobanks have been enacted, therefore, the Banking Law and its regulations thereunder are applicable to this type of activity.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS WHICH SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Fintech is growing and, in our opinion, will continue to develop in Panama. This will present investors, startups, and consumers with interesting opportunities going forward.

Like any investment, such opportunities will carry risk, including business risk and regulatory risk. The latter is accentuated by the fact that, as of the date of this writing, fintech remains unregulated in Panama and, therefore, there is a lack of clarity as to which activities are permitted under the law.

Moreover, unlike previous years, it has been recently perceived the need to adapt the Panamanian regulatory framework to emerging businesses and technologies, including payment method systems and AI systems, hence, we are optimistic that in the short-medium term the first rules regulating activities of the Fintech industry will be enacted.

In light of the foregoing, the challenge for innovators is to work with their counsel to navigate the existing legal framework to mitigate such regulatory risk for themselves and their customers, while at the same time lobbying for adequate regulation of this increasingly important industry which is sure to incrementally contribute to the country's

economy.

In addition, stakeholders must continue promoting dialogue to achieve adequate regulation of this industry, which is increasingly becoming more relevant and will surely contribute significantly to the country's economy.

9.2 AI. ARE THERE ANY REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT AFFECT THE OPERATION OF FINTECHS IN YOUR JURISDICTION, OTHER THAN THOSE RELATED TO ROBO ADVISORS?

Currently, there are no specific regulations applicable to the implementation of artificial intelligence ("AI") in Panama. However, on August 28, 2024, Bill No. 162 was introduced, which "establishes the legal framework, promotion, and development of artificial intelligence in the Republic of Panama.". This bill aims, among other things, to establish a National Artificial Intelligence Policy to promote the use of AI through the National Secretariat of Science, Technology, and Innovation (SENACYT) and the creation of the High-Level Artificial Intelligence Commission, as well as to safeguard human rights, security, and privacy of individuals during the implementation of AI. Additionally, risk levels are established for AI systems, and obligations are imposed on AI developers and service providers in Panama. Although this bill was recently introduced, we are optimistic that owing to the current relevance of AI, it will be widely discussed and result in benefits for the country, especially since this bill aims to promote the use of AI through educational programs, cooperation agreements, and other means.

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1. OVERVIEW

1.1.WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

In Paraguay, the most important legal developments in the fintech industry refer mainly to:

(i) Law No. 4868/13 "Electronic Commerce Law";

(ii) Law No. 6822 "On Trust Services for Electronic Transactions, Electronic Documents and Electronic Transferable Documents";

(iii) Resolution No. 06/2014 issued by the Central Bank of Paraguay, which establishes the Regulations for Electronic Payment Entities (EMPES) and its amendment, Resolution No. 6/20; and

(iv) Resolution No. 1/2022 issued by the Central Bank of Paraguay, which establishes the General Regulations of the Payment Systems of Paraguay (SIPAP).

Likewise, we mention that on April 11, 2024, a bill called "General Regime of the Virtual Monetary Unit, its Interaction and Integration with the National Physical Currency and Crypto Assets in the National Territory of the Republic" was presented, which is in its early stages in the Chamber of Deputies, that is, without a constitutional opinion.

On the other hand, on April 11, 2024, another bill was presented, which is called: "That Regulates the Industry and Commercialization of Virtual Assets - Cryptoassets", which is under study by a committee in the Chamber of Deputies.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

Fintech technologies are not regulated in Paraguay, except by the laws and resolutions previously mentioned.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

Yes, the Paraguayan Fintech Chamber, a non-profit entity established in November 2017, has a sandbox space. This association has supported the development of the bill that regulates the activity of virtual asset mining and dedicates its activities as an advisory body to bills that affect the Fintech universe.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

Yes, there are no legal restrictions for Paraguayan financial entities to invest in or acquire Fintech companies.

In fact, the latest developments in Fintech, especially in 100% digital bank accounts and payment methods, have been achieved thanks to the investment of private banks in Fintech developments or through alliances with Fintech companies.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

The Consumer and User Protection Law does not distinguish between consumer and financial consumer. However, the Central Bank of Paraguay, through Resolution No. 2 dated May 20, 2021, defines the Financial Consumer as "any user or client of entities that use financial products and services."

Financial consumers may go to the Financial Consumer Office, which is part of the Superintendency of Banks of the Central Bank of Paraguay, to assert their rights as consumers. Consumers (non-financial) must make their claims to the Secretariat for the Defense of Consumers and Users (SEDECO).

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

As of today, Paraguay does not have regulations concerning lending crowdfunding. In this regard, it is important to note that since it is an unregulated activity, and thus not prohibited, lending crowdfunding is a legal activity in Paraguay.

However, on October 16, 2024, a bill was introduced aiming to regulate lending crowdfunding in Paraguay. The bill is currently in its first constitutional process, awaiting consideration by the Senate.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

Currently, there are no regulations regarding peer-to-peer lending

for entities not regulated by the Central Bank of Paraguay. Regulated entities (Banks, Finance Companies, and Insurance Companies) do have regulations concerning general and specific limits.

According to the aforementioned bill, investors will have the following obligations: (i) provide funds through the means established by the platform; (ii) accept the inherent risks of crowdfunding; (iii) demonstrate the ability to withstand losses.

Regarding the requirements for promoters, they may only present investment projects with a total annual amount of up to 1,500 legal minimum wages, which would be approximately USD 538,000.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Yes, consumer protection regulations would be applicable to lending crowdfunding and peer-to-peer (P2P) lending.

If the bill is enacted, financial consumer protection rules would apply under the supervision of the Superintendency of Securities; otherwise, general consumer protection regulations would be applicable.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

As of today, donation-based or rewards-based crowdfunding is not regulated.

However, the bill provides for three types of crowdfunding: (i) reward-based crowdfunding, where investors contribute funds in exchange for a non-monetary reward; (ii) equity crowdfunding, where investors contribute funds in exchange for shares or equity in the promoter's company; and (iii) lending crowdfunding, where investors provide funds that will be reimbursed with interest by the promoter.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

In Paraguay, crowdfactoring is not regulated.

The bill that will regulate crowdfunding does not provide for the regulation of crowdfactoring.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

In Paraguay, the Securities Market Law is in force, which regulates public offerings in general and the Securities Market. However, neither the law nor the resolution of the Superintendency of Securities regulate equity crowdfunding.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

In Paraguay we do not have regulations in this regard.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

In Paraguay we do not have regulations in this regard.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

In Paraguay, we do not have any regulations in this regard. However, we must mention that the Secretariat for the Prevention of Money or Asset Laundering (SEPRELAD) issued Resolution No. 08/2022, through which it determines as Obligated Subjects in matters of prevention of money or asset laundering, legal or physical persons who carry out mining activities or their equivalent, exchange, transfer, storage and/or administration of virtual assets, or participate and provide financial services related to this.

On the other hand, as we have previously mentioned, on April 11, 2024, a bill called "General Regime of the Virtual Monetary Unit, its Interaction and Integration with the National Physical Currency and Crypto Assets in the National Territory of the Republic" was presented.
On the other hand, on April 11, 2024, another bill was presented, which is called: "That Regulates the Industry and Commercialization of Virtual Assets - Cryptoassets."
Despite these projects in the Senate, the current ruling party has presented a bill "Temporarily Prohibiting the Creation, Conservation, Storage and Marketing of Virtual Assets or Cryptoactives, Cryptocurrencies and the Installation of Cryptomining Farms in Paraguayan Territory", which is pending to be discussed in the plenary session.
On the other hand, in the Lower House, a bill has been presented that modifies the Paraguayan Penal Code in order to criminalize the theft of electrical energy in the following terms: " Cryptomining Anyone who, injuring another's right to dispose of electrical energy in a clandestine manner and with the intention of getting rich; creates, exploits, stores or markets virtual assets or cryptoassets, cryptocurrencies and for this purpose installs cryptomining farms , steals it from an installation or other device used for its transmission or storage, by means of an unauthorized driver or one not intended for the regular taking of energy from the installation or device, the penalty may be increased up to six years ". This project is pending presentation to the plenary.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

In Paraguay there are no restrictions on owning or trading cryptocurrencies.

In this regard, we mention that the Central Bank of Paraguay, in December 2021, informed the general public that cryptocurrencies are not legal tender in Paraguay, nor do they have any cancellation force.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

To date, there is no requirement for trading platforms to be able to trade or hold cryptocurrencies.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

There is no legal limitation for financial institutions to possess, transact or exchange cryptocurrencies, since it is not an activity prohibited by the Banking Law.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

There is no regulation on this matter in Paraguay.

4.6. Are consumer protection regulations applicable to trading platforms? Are general consumer protection rules applied? Or does the special regime of financial consumer rules apply if it exists?

Yes, since the relationship between the user and the trading platforms falls within the definition of a consumer relationship, the Consumer and User Protection Law is therefore applicable. The general rules on consumer protection apply and not those of the financial consumer, since for the application of the latter the provider or supplier must be a subject supervised by the Central Bank of Paraguay, and the trading platforms are not supervised entities.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

There is no regulation regarding distributed ledger in Paraguay.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

We do not have public information on whether financial institutions

are developing distributed ledger technologies.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

There are certain services or processes that insurance companies can offer through Fintech technologies, however, insurance in general must be marketed by duly authorized brokers, except in the case of microinsurance, which we will clarify later.

In general, insurance companies sign insurance contracts through digital signatures, and both the issuance of policies and renewals are carried out digitally. In this regard, there is Resolution No. 136/18 issued by the Insurance Superintendency of the Central Bank of Paraguay.

Regarding microinsurance , the Insurance Superintendency of the Central Bank of Paraguay issued resolution No. 254/2022, through which it is made possible that in the case of microinsurance , they can be obtained through self-developed or third-party distribution platforms.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

We do not have any other regulations other than Resolution No. 254/2022 on microinsurance , which has been specified previously.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

Insurtech technologies are not specifically regulated.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Yes, there are financial institutions that offer their services through the use of robo- advisor technologies, although the use of this technology is limited. There is no regulation of robo- advisor technology in Paraguay.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

There is no regulatory requirement to offer full or partial advisory services through robo- advisor technologies . However, we must mention that there is a regulation from the Central Bank of Paraguay that requires face-to-face assistance for certain services.

8.NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

There is no legal provision that regulates the constitution of Neobanks in Paraguay, likewise in the regulations that govern the constitution of traditional Banks we see no restrictions to the constitution of Neobanks .

Now, there are resolutions from the Central Bank of Paraguay that would make the creation of Neobanks materially unviable , such as, for example, customer service hours, the publication of information in bank branches, as well as the existence of an office for in-person customer service for consumer complaints.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

There is no regulatory requirement regarding neobanks .

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

In Paraguay, a National Committee for Financial Inclusion (CNIF) was created, which is the entity responsible for executing the World Bank's national strategy for financial inclusion, with the dissemination of electronic money and the use of new technologies being one of the fundamental pillars, so that there is openness regarding the creation of Fintech companies.

In this regard, we mention that according to studies prepared by the Inter-American Development Bank (IDB), the fintech ecosystem in Paraguay represents only 0.98% of the total in Latin America and the Caribbean, which represents an opportunity for investors.

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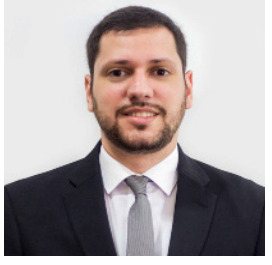

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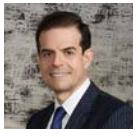

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With clients that go from emerging companies, such as fintech companies, start-ups and Insurtech, to high yield funds, financial institutions –traditional and digital– among others; our Fintech team has a track record in dealing with complex matters related to finance and technology. Among them, we highlight the advisory in different fintech subjects and/or subjects such as loans, payment methods and billing technology, financial information services, transaction, commerce and stock/securities compensation, retail and consumer banking, money transfer and payments, blockchain, electronic money, factoring and leasing solutions, banking infrastructure, wealth management, investors' safety and protection, institutional investment tools, etc.

As comprehensive legal services firm, we have a great understanding of how a highly regulated market functions, such as the financial sector. Finally, our constant interaction with authorities and main players in the market gives us the opportunity to be at the forefront of it, allowing us to offer reliable, creative, and timely solutions to our clients.

1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

The Peruvian fintech ecosystem continues to experience exponential growth, observing an annual increase of 20.9% over the last couple of years in the total number of Peruvian fintech companies; with the "Lending" (25.9%), "Investment Management" (20.2%), and "Payments and Remittances" (16.6%) verticals predominating (Finnovista. Fintech Radar Peru 2023).

The progress of the fintech sector is due to the constant adaptation of financial services to the digital environment, which aims to be continuously integrated into the Peruvian regulatory framework to reduce transaction costs and enhance the provision of these services. In this context, amendments have been approved to the General Law of the Financial and Insurance Systems and Organic Law of the Superintendency of Banking and Insurance (Law 26702) to allow the incorporation of companies authorized, supervised, and regulated by the Superintendency of Banking, Insurance, and AFP (SBS) in a fully digital form, eliminating the need for a physical office (Legislative Decree 1531 and the underlying regulation); as well as comprehensive modifications to the regulations applicable to the registry of companies and individuals that carry out financial or currency exchange operations, enabling lending companies not regulated by the SBS to provide their services through electronic platforms (Res. SBS 650-2024).

Furthermore, a modification of particular interest to fintech companies is the capability to provide immediate transfer services to their clients. The amendment to the Regulations of the Immediate Transfer Clearing Service allows for the indirect participation of payment service providers and the direct participation of electronic money issuing companies (EEDE) in the services provided by the electronic clearinghouse (CCE) (Circular BCRP 021-2024).

Finally, about the EEDE, the following modifications have been implemented: (i) the guarantee modalities to back electronic money were expanded and limits were established for certain operations based on the Peruvian minimum wage (Res. SBS 3932-2022); (ii) the obligation to interoperate with other entities participating in the services provided by the CCE was established, applicable to those EEDEs that have accessed these services as direct participants (Circular 0024-2022-BCRP); (iii) the guarantee modalities to back electronic money were again expanded (Res. SBS No. 3037-2023); and (iv) the validity of the temporary exemption from the general sales tax on the issuance of electronic money was extended until December 31, 2024 (Legislative Decree 1519).

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

Fintech technologies continue to be regulated by various Peruvian regulatory entities, such as the Central Reserve Bank (BCRP); the Superintendence of Banking, Insurance and AFP (SBS), to which the Financial Intelligence Unit (UIF-Peru) is attached; and the Superintendence of the Securities Market (SMV). These entities establish specific regulations for technological advancements in the Peruvian financial market, such as digital payment systems, financial and investment operations conducted through virtual platforms, the use of electronic money, and applicable measures for preventing money laundering and terrorist financing, among others.

It should be noted that, to date, there is no special law that regulates the fintech industry in Peru in a unified and comprehensive manner, unlike other Latin American jurisdictions that have enacted fintech laws.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

On January 23rd, 2020, with the approval of provisions for the promotion of micro, small and mid-size companies, entrepreneurship, and startup financing (Urgence Decree 013-2020), companies under the supervision of the SBS or SMV were granted the possibility to temporarily carry out operations or activities through innovative models, with exceptions to the applicable regulation under test environments controlled by said regulatory entities.

Accordingly, on August 20th, 2021, SBS Resolution 02429-2021 was published, allowing companies under the supervision and regulation of the SBS to execute these innovative activities through of "pilot trials", taking into consideration whether they: (i) would require a temporary loosening of regulatory requirements, or (ii) would develop operations or activities not foreseen by the current regulatory framework.

As this SBS sandbox only applies to companies supervised by said regulatory entity, it limits other fintech companies in the market (not authorized by the SBS to incorporate themselves as financial system's companies) from accessing these innovative financial activities' testing process.

As of today, there are still no regulations regarding the development of activities through innovative models within the framework of the securities market, under the SMV's purview, which is why this sandbox is not operational.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN, OR ACQUIRE FINTECH COMPANIES?

Peruvian financial entities can invest in or acquire companies in the fintech sector, provided they comply with the regulations established by the SBS concerning economic groups, significant ownership, and investments, as applicable.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

In accordance with the Consumer Protection and Defense Code (Law 29571), a "consumer" is defined as an individual or company that acquires, uses, or enjoys, as a final recipient, a product or service for its own benefit, or its family or social group, in a field other than a business or professional activity.

Peruvian jurisdiction has various provisions for the protection of users of financial services and/or products offered by companies in the financial system that are authorized, regulated, and supervised by the SBS, as outlined in the Complementary Law to the Consumer Protection Law Regarding Financial Services (Law 28587), the Market Conduct Management Regulation of the Financial System (Res. SBS 3274-2017), the Complaints and Requirements Management Regulation (Res. SBS 4036-2022), the Financial System Fees and Expenses Regulation (Res. SBS 03748-2021), and the Information Security and Cybersecurity Management Regulation (Res. SBS 504-2021), among others. These regulations define "user or consumer" as any person who acquires, uses or enjoys the products or services offered by "multiple operations companies", *Banco de la Nación or Banco Agropecuario*, or who could potentially use them, and who is defined as such, in accordance with the provisions of the Consumer Protection and Defense Code (Law 29571).

The purpose of these rules is to provide transparency to the information regarding financial products or services, specially concerning applicable interest rates; the answer of complaints within defined deadlines; the application of fees and expenses, among others. Consumers of credit services provided by companies not supervised by the SBS are subject to the obligations set forth in the Consumer Protection and Defense Code (Law 29571) and in Law 28587, above mentioned.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

In Peruvian jurisdiction, lending crowdfunding is regulated by the Financial Participative Funding Activity and its Manager Companies Regulation (Res. SMV 045-2021), in which it is called the "lending modality of financial participative funding".

According to this regulation, those who intend to engage in crowdfunding projects need to comply with certain requirements. Those who participate as investors must: (i) be individuals over 18 years of age, or a company or collective entity; and (ii) seek financial returns on their investment. On the other hand, funding receptors (or beneficiaries) must: (i) be individuals domiciled in Peru, or companies duly incorporated in Peru; and (ii) request financing in their name (they cannot have the purpose of financing third parties, nor, in particular, the granting of credits or loans).

Additionally, funding receptors should consider that their projects must be developed entirely in Peru, and that they will have a 90-day term for resource-gathering, subject to an additional 90-day extension if the manager company deems it so after an evaluation.

To this date, the mentioned regulation sets caps to investments: (i) by type of project –personal or business–; (ii) by type of funding receptor –individual or company–; and (iii) by type of investor –retail or institutional–. Also, it forbids manager companies from granting credits to receptors and/or investors of projects offered through the platform under their management.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

Peer-to-peer lending (P2P) is not regulated in Peru.

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Peruvian consumer protection regulations are only applicable to lending crowdfunding or P2P lending if: (i) a provider-client relationship is formed due to these activities (e.g., the relationship

between the crowdfunding platform's manager company and the lender, or between said manager company and the investor); and (ii) such relationship has effects within the Peruvian territory.

The generic obligations established on the Consumer Protection and Defense Code (Law 29571) are applicable, if the client complies with the requirements to be considered a "consumer", as this is detailed in the answer to question 1.5.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

Donation or reward-based crowdfunding is not regulated in Peruvian jurisdiction.

Financial Participative Funding Activity and its Manager Companies Regulation (Res. SMV 045-2021) explicitly excludes from its scope funding operations performed in such ways. Said operations can be performed under the provisions of the Peruvian Civil Code and tax regulations, accordingly (e.g., the trade of a future good, an anticipated trade, or even the trade of a joint venture).

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

Crowdfactoring is not regulated in Peruvian jurisdiction.

Financial Participative Financing Activity and its Manager Companies Regulation (Res. SMV 045-2021) explicitly excludes from its scope funding operations performed in such way.

3. INVESTMENTS AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

In Peruvian jurisdiction, equity crowdfunding is regulated by the Financial Participative Funding Activity and its Manager Companies Regulation (Res. SMV 045-2021), in which it is called "securities modality of financial participative funding".

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Crowdequity platforms must comply with generic and specific requirements established by the Financial Participative Funding Activity and its Manager Companies Regulation (Res. SMV 045-2021).

On a general note, all crowdfunding platforms must: (i) be runed by a manager company duly authorized by the SMV for such activity and signed on the special registry of this regulatory entity; and (ii) permanently disseminate certain minimum information pursuant to the crowdfunding modality it performs, the available funding receptors and projects, the dispute resolution mechanisms it manages, template-agreements for investments, among others established by the SMV.

Specifically, crowdequity financing platforms must limit themselves to publishing "business projects"; that is, projects directed by individuals with businesses or companies that seek to finance operations, undertakings, or business ideas, informing the minimum criteria indicated in the aforementioned regulation.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

Crowdequity projects, funding receptors and investors are subject to the terms and conditions mentioned in the answer to question 2.1, applicable to lending crowdfunding.

Securities from crowdequity projects must represent capital or debt, under the Securities Market Law (Legislative Decree 861).

In accordance with the Financial Participative Funding Activity and its Manager Companies Regulation (Res. SMV 045-2021), under no circumstance secondary negotiation shall be carried out through the crowdfunding platforms.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

Currently, cryptocurrency operations in Peru are not regulated by specific legislation; therefore, in accordance with the Civil Code, they are treated generically as incorporeal movable property.

Notwithstanding, such operations are supervised in terms of prevention of money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction (AML/CT) by the UIF-Peru, being qualified as operations with virtual assets. On July 27th, 2023, virtual asset service providers (VASP) were included in the list of subjects obliged to report to the UIF-Peru (Supreme Decree 06-2023-JUS).

Consequently, on August 1st, 2024, regulations for AML/CT applicable to VASPs were published, under the supervision of the UIF-Peru (SBS Res. 2648-2024). These regulations limit their scope to those VASPs that engage in one or more of the following activities: (i) exchange between virtual assets and fiat or legal tender currencies; (ii) exchange between one or more forms of virtual assets; (iii) transfer of virtual assets; (iv) custody and/or administration of virtual assets or instruments that allow control over them; and (v) participation and provision of financial services related to the offer and/or sale of a virtual asset.

Additionally, the Legislative Power currently has on its agenda Bill 1042-2021-CR, which proposes to establish guidelines for the operation and functioning of cryptocurrency exchange service companies through

technological platforms.

It is important to note that the BCRP has warned users that cryptocurrencies are unregulated financial assets and do not have the status of legal tender, nor are they backed by central banks.

At the beginning of 2022, the president of the BCRP stated that the entity does not intend to regulate cryptocurrencies in the near future; however, it does plan to regulate digital currencies backed by legal tender. Based on this, in April 2024, the BCRP approved the Regulation of Digital Money Innovation Pilots (Circular 11-2024-BCRP), with the aim of creating the conditions to understand and evaluate the performance of alternative models of digital money issued by the BCRP.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

Holding and/or trading cryptocurrencies is not forbidden by Peruvian laws.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

In Peru, the owners of trading platforms that trade or hold cryptocurrencies -as detailed in the answer to question 4.1- qualify as VASP and, therefore, are regulated in terms of AML/CT.

Notwithstanding this, and considering the business strategy of each particular case, companies that operate cryptocurrencies trading platforms may run the risk of engaging in financial intermediation activities, which are forbidden and sanctioned for those who do not have the required authorization issued by the SBS, if such companies receive money from third parties, and such is placed on the market, on a regular basis, in the means of credits, investments or fund allocation.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

No, Peruvian financial entities are not authorized to hold, trade, or broker cryptocurrency transactions.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

Public offerings of cryptocurrencies are not authorized in Peru.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

Please, refer to the answer to question 2.3.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

The use of distributed ledger technologies is not regulated in Peru.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

According to local media reports, foreign-owned financial institutions in Peru are currently investing in research for a potential application of distributed ledger technologies.

Between 2019 and the beginning of 2023, the Peruvian Government's Public Procurement Central registered more than 842 thousand registered documents, using blockchain technology (a type of distributed ledger technology) with the aim of providing transparency to transactions within the framework of public procurement.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

Insurtech technology is not regulated in Peru.

Notwithstanding this, the Insurance Products Commercialization Regulation (Res. SBS 1121-2017) rules the marketing of said products performed through remote systems, which includes the use of telephone, internet or other similar systems that allow insurance companies to reach their contractors and/or potential insured individuals without meeting them face-to-face, to promote, offer and/or market their products. Said regulation also considers digital marketing through social media networks and price comparison systems and establishes certain conditions and security requirements for this type of commercialization.

Additionally, Resolution SBS 4143-2019 -which regulates market conduct management in the insurance system- establishes the

possibility for insurance companies to provide the policy and coverage summary through electronic means.

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

Insurtech industry is not regulated in Peru. Please, refer to the answer to question 6.1.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

Insurtech technologies are not regulated in Peru, as there is no particular regulation for this segment.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

Financial and/or securities market institutions in Peru do not yet offer their services using robo-advice technology.

However, following the publication of Law 31814 on July 5th, 2023, the Peruvian government has sought to promote the use of artificial intelligence within the framework of the national digital transformation process, aiming to ensure its ethical, sustainable, transparent, replicable, and responsible use. It is important to note that, as of now, the regulation of this law is still pending.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

Robo-advisor technology is not regulated in Peru.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

The incorporation of Neobanks is allowed in Peruvian jurisdiction. Nevertheless, it should be noted that they are not regulated as financial system entities licensed to operate as such by the SBS.

Thus, this sort of digital services company, without an authorization from the SBS, cannot receive money from the public on a regular basis

or offer services associated with a financial entity. In view of this, a recurring market practice to allow Neobanks to offer their services is the establishment of an alliance or outsourcing agreement between a company that offers digital financial services to its users and a regulated financial system entity, duly authorized by the SBS.

The described model allows the formation of Neobanks that receive the public's resources and offer services of financial intermediation without an authorization from the SBS but backed up by an authorized financial entity.

The best-known Neobanks operating in the Peruvian market under this model include (i) Kontigo, which has partnered with approximately 20 Peruvian financial entities; (ii) Máximo, which has strengthened its presence through an alliance with Alfin Banco; and (iii) Prexpe, which -thanks to its partnership with GMoney (an electronic money issuer)- operates with a scheme similar to that of a Neobank. In addition, the financial holding Credicorp has introduced the first Challenger Bank in the Peruvian market, iO, by launching a 100% digital credit card.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

There are no specific regulatory requirements for Neobanks, which operate as "alliances" between not regulated companies and regulated financial entities, as indicated in answer 8.1. abovementioned. Nonetheless, certain limitations must be considered.

Thus, in accordance with the General Law of the Financial System and the Insurance System and the Organic Law of the SBS (Law 26702), companies that are not part of the financial system (i.e., those that are not authorized by the SBS to operate as such), cannot name themselves "banks", or adopt names that suggests such companies are regulated financial entities; nor can they offer services exclusively reserved for companies authorized by the SBS.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

Companies managing financial crowdfunding platforms that are established in Peru and duly authorized by the SMV, as well as VASPs incorporated in Peru or the branches of foreign companies operating in Peru as VASPs, are entities compelled to report to the UIF-Peru. Therefore, it is essential to consider the regulatory framework on AML/CT applicable to them to avoid the commission of these crimes or other related illicit acts.

The legal AML/CT framework is primarily made up of the following: the Law that creates the UIF–Peru (Law 27693), its Regulation (Supreme Decree 020-2017-JUS), and the Law that incorporates the UIF–Peru to the SBS (Law 29038). Additionally, entities compelled to report to

UIF-Peru are subject to the provisions issued by their supervising entities (such as the SBS, SMV, National Superintendency of Tax Administration, among others) regarding AML/CT matters, which issue sector-specific regulations.

Furthermore, as part of the development of fintech companies' activities, it is relevant to consider the Personal Data Protection Law (Law 29733), as well as its Regulation (Supreme Decree 003-2013-JUS), since these companies collect personal data from their clients, suppliers, employees, and other individuals as part of their services. Thus, they are required to ensure proper handling of such information and to provide minimum security measures to safeguard its content.

Finally, it is worth highlighting the regulation of payment systems, which is overseen by the BCRP and the SBS. The applicable regulations include (i) the Law on Payment and Settlement Systems (Law 29440), which was recently amended to create the National Payments System, covering payment systems and payment arrangements, clearing and exchange service companies, payment service providers, technology service providers, payment services, and payment instruments.; (ii) the Regulation on Credit and Debit Card (Res. SBS 6523-2013), which outlines the contractual conditions and security measures that must be complied with in the issuance and offer of these payment instruments; (iii) the Regulation of Payment Agreements with Cards (Circular 027-2022-BCRP), which establishes the obligations applicable to participating entities and implements the "Registry of Participants in the APT"; and, (iv) the Regulation on the Interoperability of Payment Services provided by Payment Providers, Agreements and Systems (Circular 0024-2022-BCRP), which, in order to improve the efficiency of the digital payments market, allows the interconnection between electronic wallets operating in the country.

9.2. IA. ARE THERE ANY REGULATIONS REGARDING THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT FINTECH OPERATIONS IN YOUR JURISDICTION (EXCLUDING ROBO ADVISORS)?

Please refer to the answer to question 7.1.

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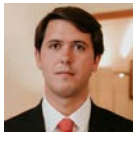

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At OLIVERA Abogados we counsel to numerous banking and financial entities in Uruguay and abroad. Our Firm is particularly acknowledged for its work in leading financial topics, having helped clients in innovative projects related to the Fintech field.

We are counsel to Uruguay's Electronic Stock Exchange (BEVSA for its initials in Spanish), we have designed its institutional and regulatory framework. We have also participated in the main issuances of securities in the country for the last 30 years, assisting issuers, trustees, agents, risk assessment companies, and institutional investors.

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1. OVERVIEW

1.1. WHAT ARE THE MOST SIGNIFICANT LEGAL DEVELOPMENTS IN THE FINANCIAL TECHNOLOGY ("FINTECH") INDUSTRY IN YOUR JURISDICTION?

In Uruguay, the main legal developments in the financial technology industry are as follows:

(a) The regulation of financial money mediation conducted through web applications or other electronic means. On November 23, 2018, the Superintendence of Financial Services (the "SFS") of the Central Bank of Uruguay (the "CBU") adopted Circular No. 2,307, which regulated platforms for loans between individuals.

b) Regulation of the crowdfunding system. The Entrepreneurship Law No. 19,820 of September 27, 2019 introduced the regulation of the collective financing system ("crowdfunding"). In this context, on December 28, 2020, the SFS of the CBU adopted Circular No. 2,377, which regulated the issuance of public offering securities through crowdfunding platforms.

c) Regulation of electronic checks. The Electronic Checks Law No. 20,038 of June 3, 2022 regulated the use of checks in electronic format and the digitalization of physical checks.

d) Regulation of virtual assets. On September 10, 2024, the Uruguayan Parliament approved the Virtual Assets Law, which incorporates among the entities of the financial system regulated and supervised by the SFS of the CBU (i) the providers of services on virtual assets among which are those defined as financial by the central banking regulation and (ii) the entities that provide services for the purchase and sale of virtual assets included in the definition adopted by the CBU for that purpose.

1.2. ARE FINTECH TECHNOLOGIES REGULATED IN YOUR JURISDICTION? WHAT IS THE REGULATORY APPROACH TO FINTECH DEVELOPMENTS IN YOUR JURISDICTION?

To date, there are isolated and segmented regulations in relation to different specific matters detailed in the answer to question 1.1. above. To these regulations should be added the Financial Inclusion Law No. 19,210 of May 9, 2014, regulated by Decree No. 263/015, which defines the concepts of electronic means of payment and electronic money, and incorporates the figure of electronic money issuing institutions. According to this law, payments made through electronic means of payment (debit cards, credit cards, electronic money instruments,

electronic funds transfers, etc.) have full cancellation effect on the obligations in compliance with which they are made.

On the other hand, although a bill on the matter has not yet been presented, it is worth noting that in August 2024 the CBU presented a document entitled "Towards an Open Finance Ecosystem in Uruguay" in which it announced that it will work on the drafting of a proposal for a law associated with Open Finance. In this line, the agency emphasized the relevance of aligning in such proposal the requirements related to the consent of financial users with the provisions of the Personal Data Protection Law No. 18.331. Thus, financial users will necessarily grant their consent to participate in Open Finance services in a free, informed, express, specific, revocable and prior manner.

1.3. HAS YOUR JURISDICTION IMPLEMENTED ONE OR VARIOUS SANDBOXES FOR THE FINTECH INDUSTRY? IF SO, PLEASE EXPLAIN THE DETAILS AND SCOPE OF THE SANDBOX.

In response to the creation of new services and business models through technological innovation in the financial sphere by traditional financial institutions, technology companies and start-ups, the CBU resolved by Board Resolution number D-286-2020 dated November 18, 2020: (i) to create an Innovation Observatory; (ii) to create the Innovation Office; and (iii) to create an Innovation Node.

Regarding the Innovation Node in particular, its objective is to periodically exchange views between the institutions of the financial system as well as related institutions, and the public sector; facilitate the execution of innovation projects and the creation of basic infrastructure for their development; facilitate the understanding of the impacts of innovation for regulatory and supervisory purposes, as well as the regulatory framework in which financial innovation is developed. The Innovation Node is made up of the members of the Innovation Observatory plus representatives of the financial and software industry, public agencies and other interested parties who may have an interest in innovation issues. In short, this Innovation Node –created by the regulator itself– does nothing more than operate as a sandbox for the Fintech industry.

To date, through its Innovation Node, the CBU has submitted reports and proposals in the following fields: Virtual Assets, Open Finance, Fraud Mitigation and Cybersecurity, New Financial Business and Digital Onboarding.

1.4. ARE FINANCIAL ENTITIES IN YOUR JURISDICTION ALLOWED TO INVEST IN OR ACQUIRE FINTECH COMPANIES?

As a general rule, there are no impediments for financial entities to invest or acquire Fintech companies, with the only exception of financial intermediation institutions that are subject to certain operating restrictions.

The Financial Intermediation Decree-Law No. 15,322 of September 17, 1982 established certain operating restrictions to financial

intermediation institutions (e.g. banks, financial intermediation cooperatives, external financial institutions) including the prohibition to invest in shares and other securities issued by private companies.

However, the Compilation of Rules for the Regulation and Control of the Financial System issued by the CBU (Section 252) provides that non-state financial intermediation institutions -with the prior authorization of the CBU- may acquire shares or portions of capital of (a) financial institutions located abroad; (b) external financial intermediation institutions; (c) pension savings fund management companies; (d) investment banks; (e) investment fund management companies; (f) companies that are acquired for the purpose of accessing services necessary to carry out the operations that the institution is authorized to perform on a regular basis. In short, to the extent that the transaction falls under any of the exceptions set forth above, financial intermediation institutions may invest in or acquire Fintech companies, subject to the prior authorization of the CBU and under the terms described.

1.5. IS THE DISTINCTION MADE BETWEEN CONSUMER AND FINANCIAL CONSUMER IN YOUR JURISDICTION? IF SO, PLEASE EXPLAIN IF THERE ARE SPECIAL REGULATIONS FOR THE PROTECTION OF FINANCIAL CONSUMER RIGHTS.

There is no legal distinction between consumers and financial consumers in Uruguay.

However, the CBU has issued specific regulations (both for the financial system and for the securities market) regarding the protection of the user of financial services, regulating (i) the good practices to which regulated institutions must adhere in the conduct of their business in relation to their clients; (ii) the adoption of a code of good practices; (iii) the adoption of a procedure for handling complaints; (iv) contracts with clients; (v) the prohibition of including abusive clauses, etc.

Finally, on August 9, 2022, the CBU's SFS informed the institutions subject to its supervision and the general public of a draft entitled "Guide of Good Practices in Financial Services Consumer Protection". Despite the fact that the figure of "financial consumer" is not expressly contemplated in our legal regulations, these Guidelines use such expression. It is a non-binding document.

2. LENDING AND FINANCING

2.1. IS LENDING CROWDFUNDING REGULATED IN YOUR JURISDICTION? ARE THERE LAWS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH LENDING CROWDFUNDING?

Lending crowdfunding was not specifically regulated under Uruguayan law, so we must refer to the general regime.

The Financial Intermediation Decree-Law No. 15,322 of September 17,

1982 reserved the activity of "financial intermediation" exclusively for financial intermediation institutions, which require the authorization of the Executive Branch of Uruguay and the authorization of the CBU in order to operate, taking into account reasons of legality, opportunity and convenience.

To the extent that lending crowdfunding essentially involves capturing financial resources from the public savings ("crowd") to be later placed among interested parties in need of liquidity ("lending"), we understand that this operational modality of crowdfunding would not be admitted in Uruguay, unless it is carried out by a financial intermediation institution.

2.2. IS PEER-TO-PEER LENDING OR P2P REGULATED IN YOUR JURISDICTION? ARE THERE RULES OR PROJECTS TO REGULATE PARTICULAR REQUIREMENTS FOR CONSUMERS OR INVESTORS WHO WANT TO PARTICIPATE IN PROJECTS THROUGH P2P LENDING?

On November 23, 2018, the SFS of the CBU adopted Circular No. 2,307 by means of which it regulated, among others, the platforms for "P2P" loans (i.e., web applications or other electronic means designed to mediate between offerers and demanders of money loans).

Pursuant to the Circular, in the mediation activity between money lenders and borrowers, the companies administering platforms for loans between individuals will limit themselves to bringing the parties together without assuming any obligation or risk. The borrowers of money loans must be residents.

It is important to keep in mind that there are limits on the loans arranged through the companies managing platforms for loans between persons. In general terms:

- **Total indebtedness limits within each platform:**

o Natural person: Indexed Units 100,000 (approx. USD 15,000).

o Legal entity: Indexed Units 1,000,000 (approx. USD 150,000).

o Individual or legal entity with mortgage guarantee: 70% of the appraised value of the property to be mortgaged.

- **Loan limits through each platform per lender:**

o Total to be lent excluding loans with mortgage guarantee: Indexed Units 100,000 (approx. USD 15,000).

o Total amount to be lent with mortgage guarantee: 70% of the appraised value of the property to be mortgaged.

o When the referred lenders have financial assets in excess of Indexed Units 4,000,000 (approx. USD 598,000), the total amount to be lent -excluding credits with mortgage guarantee- will be Indexed Units 1,000,000 (approx. USD 150,000).

2.3. ARE THE CONSUMER PROTECTION REGULATIONS, IF THEY EXIST, APPLICABLE TO LENDING CROWDFUNDING OR P2P LENDING? ARE GENERAL CONSUMER PROTECTION RULES APPLIED OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

As stated in question 1.5. above, there is no legal distinction between consumers and financial consumers in Uruguay. In addition to the application of the general consumer protection regime, Book IV of the Compilation of Rules for Regulation and Control of the Financial System is also applicable to the protection of the user of financial services, and the companies that manage platforms for loans between individuals must comply with such specific rules.

2.4. IS DONATION OR REWARD-BASED CROWDFUNDING REGULATED IN YOUR JURISDICTION?

Uruguay does not regulate this type of crowdfunding based on donations or rewards. Nonetheless, we understand that the general legal regime of donations provided for in sections 1613 and following of the Uruguayan Civil Code shall be applicable.

2.5. IS CROWDFACTORING REGULATED IN YOUR JURISDICTION? IF SO, WHAT ARE THE REQUIREMENTS TO BE ABLE TO OFFER THIS TYPE OF SERVICE?

Crowdfactoring is not specifically regulated in Uruguay.

3. INVESTMENT AND CAPITAL MARKETS

3.1. IS EQUITY CROWDFUNDING (CROWDEQUITY) REGULATED IN YOUR JURISDICTION?

Yes, equity crowdfunding is regulated in the Entrepreneurship Law No. 19,820 of September 27, 2019, whose Title II introduced the regulation of the crowdfunding system. In this context, on December 28, 2020, the SFS of the CBU adopted Circular No. 2,377, whereby the issuance of public offering securities through crowdfunding platforms was regulated.

The main change in the aforementioned regulation lies in the creation of the figure of “crowdfunding platforms” as trading markets for publicly offered securities (whether shares or negotiable obligations), open to the participation of investors and reserved to issues of reduced amounts.

The Circular regulates the process and requirements for an issuer to register in the crowdfunding platforms and also to register the security to be issued. To the extent that the offerings of securities made through the platforms will be public offerings of securities, it is necessary that the issuer of the security and the security itself are previously registered in the platform and in the CBU.

3.2. WHAT KIND OF REQUIREMENTS ARE APPLICABLE TO CROWDEQUITY PLATFORMS?

Circular No. 2,377 introduced a new license in the securities market: "crowdfunding platforms". These platforms must have as their exclusive purpose to put in contact in a professional and regular manner, through web portals or other similar means, a plurality of individuals or legal entities that offer financing (investors) with companies that request financing through the issuance of publicly offered securities (issuers).

Prior to the start of activities, the companies managing crowdfunding platforms must submit to the SFS of the CBU the information required by the regulations and constitute the collateral guarantees in favor of the CBU for the eventual obligations they may assume with such agency or with third parties in the exercise of their activity. The CBU's SFS will take into account reasons of legality, opportunity and convenience to grant the authorization (license to operate).

These entities will be subject to a strict legal regime regarding (i) legal nature (corporate type); (ii) prohibition regime for their operation; (iii) independent bank accounts; (iv) regulations, manuals and instructions; (v) transfer of shares; (vi) outsourcing; (vii) corporate governance; (viii) ML/FT prevention; (ix) financial services user protection; (x) information reporting regime to the CBU, among others.

To date there is only one crowdfunding platform management company registered with the CBU's SFS.

3.3. ARE THERE PARTICULAR REQUIREMENTS APPLICABLE TO INVESTORS OR TO THE VALUES OF CROWDEQUITY PROJECTS? IS THERE A SECONDARY MARKET FOR THESE EMISSIONS?

Circular No. 2377 referred to above introduced limits to which securities issues through crowdfunding platforms must adhere. These limits are:

• **Issuance limits:** the outstanding amounts per issuer, in the set of crowdfunding platforms, may not exceed Indexed Units 10,000,000 (approx. USD 1,500,000).

• **Investment limits applicable to small investors (*):**

o Subject to expressly provided exceptions, the investment by the same investor may not exceed Indexed Units 40,000 (approx. USD 6,000) per issue or Indexed Units 120,000 (approx. USD 18,000) in securities issued in the same crowdfunding platform.

o They may not invest in equity, debt or mixed securities with embedded derivatives.

(*) Small investors are considered to be those whose financial assets are less than 1,000,000 Indexed Units (approx. USD 150,000).

On the other hand, the CBU regulation on securities market matters expressly established that the companies managing crowdfunding platforms must provide a specific section for the secondary trading of securities registered before the platform.

4. CRYPTOCURRENCIES

4.1. ARE CRYPTOCURRENCIES REGULATED IN YOUR JURISDICTION?

Despite the fact that there is no specific regulation governing cryptocurrencies, it should be noted that:

(a) On August 12, 2021, the General Tax Directorate issued its opinion in response to Tax Consultation No. 6419. In such consultation, the tax authority concluded that (i) cryptocurrencies are not money; (ii) cryptocurrencies are not electronic money either, and (iii) that cryptocurrencies should be considered as incorporeal movable goods.

b) On October 1, 2021, the CBU issued a communiqué on virtual assets establishing, among others, (i) that they do not constitute legal tender and (ii) that the issuance and trading of these instruments are not an activity within the CBU's scope of action, and therefore are not subject to specific regulation.

c) In December 2021, the CBU issued a non-binding document called "Conceptual Framework for the Regulatory Treatment of Virtual Assets in Uruguay", which includes several definitions of virtual assets, the taxonomy of virtual assets, the figures and their functions and the CBU's regulatory proposals in relation to virtual assets. In particular, this document clarifies that the term cryptocurrency does not represent a synonym of virtual asset, but refers specifically to those cryptographic tokens that were designed with the purpose of fulfilling the functions of money and serve as a means of payment, for example, Bitcoin.

4.2. IS IT ALLOWED IN YOUR JURISDICTION TO HOLD AND/OR TRANSACT WITH CRYPTOCURRENCIES?

To date, there are no legal limitations or impediments that hinder transactions or the holding of cryptocurrencies.

4.3. ARE THERE ANY PARTICULAR REQUIREMENTS FOR TRADING PLATFORMS TO HOLD AND/OR TO TRANSACT WITH CRYPTOCURRENCIES?

To date, there are no particular requirements for trading platforms to trade or hold cryptocurrencies. In fact, there are several trading platforms in Uruguay that operate freely.

However, given the recent approval of the Virtual Assets Law, we understand that the SFS of the CBU will have the power to regulate the activity of trading platforms, establishing specific requirements for their operation and activity.

4.4. ARE FINANCIAL ENTITIES ALLOWED TO HOLD, TRANSACT OR TRADE AS INTERMEDIARIES WITH CRYPTOCURRENCIES?

To the extent that cryptocurrencies can be considered in their nature as a "security", there are no legal impediments for financial entities to hold, trade or exchange cryptocurrencies as intermediaries.

The clarification made in answer 4.3. above regarding the approval

of the Law on Virtual Assets should be borne in mind here. In this sense, it should be noted that the SFS of the CBU will have the power to regulate the holding, transaction or exchange of cryptocurrencies by financial entities acting as intermediaries.

4.5. WOULD YOUR JURISDICTION ACCEPT AN INITIAL COIN OFFERING (ICO)?

Although the CBU, in its role as regulator of the financial system and the payment system, has not issued any specific ruling on the matter so far, we understand that it is feasible to make an initial offering of cryptocurrencies, having to analyze –on a case-by-case basis– whether the requirements for the issuance of securities under the current public offering regime are applicable or not.

In this regard, it should be noted that the recent Virtual Assets Law incorporates the concept of decentralized registration book-entry securities, meaning those represented by book entries that are issued, stored, transferred and traded electronically through distributed registry technologies, which comply with the requirements established in this law and in the regulation determined by the CBU. Thus, the Virtual Assets Law includes in the definition of book-entry securities the virtual assets included in the definition of security provided by Section 13 of the Securities Market Law No. 18,627.

4.6. ARE CONSUMER PROTECTION REGULATIONS APPLICABLE TO TRADING PLATFORMS? ARE GENERAL CONSUMER PROTECTION RULES APPLIED? OR DOES THE SPECIAL REGIME OF FINANCIAL CONSUMER RULES APPLY IF IT EXISTS?

To date –and insofar as there is no specific regulation in force in this respect– the general rules on consumer protection (mainly, the Consumer Relations Law No. 17,250 of August 11, 2000 and its Regulatory Decree No. 244/000) apply to the commercial ties between trading platforms and their clients.

5. DISTRIBUTED LEDGER

5.1. IS THE USE OF DISTRIBUTED LEDGER TECHNOLOGIES USUAL IN YOUR JURISDICTION? IS IT REGULATED?

To date, the use of distributed ledger technologies is not usual in our market. There is also no specific regulation in force regarding this matter.

5.2. ARE FINANCIAL INSTITUTIONS IN YOUR JURISDICTION USING OR DEVELOPING DISTRIBUTED LEDGER TECHNOLOGIES IN ORDER TO IMPROVE AND FACILITATE THEIR CONSUMER SERVICES?

Currently, certain financial institutions are undergoing internal testing and regulatory approval processes to implement some forms of distributed ledger technologies to facilitate or improve their services to financial services consumers.

6. INSURTECH

6.1. ARE INSURANCE COMPANIES IN YOUR JURISDICTION PROVIDING SERVICES OR PRODUCTS USING FINTECH? IF SO, HOW IS FINTECH INTEGRATED INTO THE SERVICES OR PRODUCTS?

To date, there are no regulations in force that prevent insurance and reinsurance companies from offering services or products through Fintech technologies, and they must comply with the legal framework of the insurance market set forth in Law No. 19,678 and in the regulations issued by the CBU in the Compilation of Insurance and Reinsurance Standards.

When offering insurance through Fintech technologies, we understand it is relevant to consider the following aspects of the current regulations: (i) the insurance contract is perfected by the mere consent of the parties, even before the issuance of the policy and the payment of the premium (consensual contract); (ii) when the proposal is made by the insurer through an offer to the public, the contract is perfected with the acceptance of the offer by the policyholder or insured in the form established by the offeror, and (iii) the proof of the insurance contract requires written evidence principle (which may be complemented with any other evidentiary means admitted by the national legislation).

6.2. HOW DOES YOUR JURISDICTION ADDRESS NEW DISTRIBUTION MODELS? WHAT ARE THE APPLICABLE REGULATORY REQUIREMENTS FOR INSURTECH INTERMEDIATION IN YOUR JURISDICTION?

The insurance brokerage activity is not specifically regulated in our country (beyond the general brokerage regulation provided for in the Code of Commerce and the definition of broker provided for in the Travelers and Market Salesmen Law No. 14,000). The Compilation of Insurance and Reinsurance Norms issued by the CBU does not contain any rules regulating this activity either. In short, to date there are no specific regulatory requirements applicable to insurance brokerage, whether in the traditional form or through insurtech technologies.

6.3. IS INSURTECH REGULATED IN YOUR JURISDICTION? IS THERE PARTICULAR INSURTECH REGULATION (I.E. DIFFERENT FROM TRADITIONAL INSURANCE REGULATION)?

No, to date there are no particular regulations on insurtech technologies in Uruguay.

7. ROBO-ADVICE

7.1. ARE FINANCIAL OR CAPITAL MARKETS INSTITUTIONS PROVIDING THEIR SERVICE USING ROBO-ADVICE TECHNOLOGY? IS ROBO-ADVICE REGULATED IN YOUR JURISDICTION?

At present we are not aware that financial or stock market institutions are offering services through the use of robo-advisor technologies. In our country there are no specific regulations on robo-advisor tools.

7.2. ARE THERE ANY PARTICULAR REQUIREMENTS FROM THE REGULATOR IN ORDER TO PROVIDE ADVISORY SERVICES ENTIRELY OR PARTIALLY THROUGH ROBO-ADVISORS?

To date, there are no particular regulatory requirements to offer advisory services through robo-advisor technologies in Uruguay. However, it should be borne in mind that the general regime for investment advisory services and the need for a special license could be applicable.

To the extent that robo-advisor technologies are used to provide professional and regular advice to third parties on the investment, purchase or sale of securities subject to public offering, registration in the "Investment Advisors" Section of the Securities Market Registry kept by the SFS of the CBU may be required prior to the start of activities.

8. NEOBANKS

8.1. IS THE ESTABLISHMENT OF NEOBANKS AUTHORIZED IN YOUR JURISDICTION?

As of today, Uruguayan regulations do not expressly contemplate the figure of Neobanks, nor do they contain specific regulations on the procedure to be followed for their incorporation or on the way they operate.

Notwithstanding the above, it should be noted that in July 2021 the CBU's Innovation Office presented a report on Digital Onboarding, i.e., on the process by which a financial institution acquires new clients using electronic means –in substitution of the user's attendance at the institution's premises–.

In the conclusions of this report, the CBU's Innovation Office pointed out that there are no generic impediments to the implementation of remote customer acquisition procedures through electronic means. In view of this scenario, a future regulation of Neobanks in Uruguay should not be ruled out. Moreover, in the conclusions of the referred report, the importance of assets that our country already has to guarantee the security of electronic transactions is recognized, such as the legal definitions of the Electronic Document and Electronic Signature Law No. 18,600, the digital identity card and the regulated activity of trust service providers.

8.2. ARE THERE PARTICULAR REGULATORY REQUIREMENTS TO OPERATE AS A NEOBANK IN YOUR JURISDICTION?

As we mentioned in the previous response 8.1., the current regulatory framework in Uruguay does not include the concept of 'Neobanks' nor does it establish specific requirements for operating as a Neobank in Uruguay. There are also no legislative projects at this time that address the regulation of this financial phenomenon.

9. OTHER MATTERS

9.1. ARE THERE ANY OTHER MATERIAL CONSIDERATIONS THAT SHOULD BE TAKEN INTO ACCOUNT IN ORDER TO PARTICIPATE AS CONSUMERS, INVESTORS OR ADMINISTRATORS OF FINTECH COMPANIES IN YOUR JURISDICTION?

As we noted in the previous response 1.2., in August 2024, the CBU –through its sandbox 'NOVA'– published the document 'Towards an Open Finance Ecosystem in Uruguay' to maintain exchanges with the Uruguayan financial industry. This document was presented as a preliminary step toward defining a roadmap for implementing an Open Finance ecosystem in Uruguay.

The document defines Open Finance as initiatives implemented to facilitate –through automated access interfaces– the access of duly authorized participants to banking, financial, and payment data, provided that the consent of the financial users who hold the data, financial accounts, and payment accounts is obtained. It is understood that Open Finance will thus allow for new financial product options that adapt to users' needs, making their transactions more accessible, secure, and efficient, promoting financial inclusion and the development of an interoperable payment system.

Furthermore, as we mentioned in response 1.2., the CBU document emphasizes the need to introduce new regulations within the Uruguayan regulatory framework that govern the consent of financial

users to participate in Open Finance services and define the powers of the regulator in this area.

9.2. AI. ARE THERE ANY REGULATIONS RELATED TO THE USE OF ARTIFICIAL INTELLIGENCE THAT IMPACT THE OPERATION OF FINTECHS IN YOUR JURISDICTION, OTHER THAN THOSE RELATED TO ROBO-ADVISORS?

As of now, there are no regulations regarding the use of Artificial Intelligence that affect the operation of Fintechs in Uruguay. Furthermore, as we indicated in the previous response 7.1., there are also no specific regulations regarding robo-advisors in our country.

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