

BRAZIL – CRYPTO LAW

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Hello! I am

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New Crypto Law in Brazil

In December 2022, the National Congress approved the [Crypto Legal Framework](#) in Brazil. The new law is quite general and principle-based, providing general guidelines for the crypto market and for virtual asset service providers (VASPs).



Main Points

- **Defines "virtual assets"** as digital representations of value that can be traded or transferred electronically and used for payments or investment purposes, excluding national or foreign currency, electronic currency (those issued by electronic currency issuers), loyalty program points, and other assets regulated by law.
- **Defines "virtual asset service provider" (VASP)** as a legal entity that executes, on behalf of third parties, the exchange between virtual assets and national or foreign currency, the exchange between one or more virtual assets, the custody or administration of virtual assets or instruments that enable control over virtual assets, or participation in financial services or the provision of services related to the offer for sale of virtual assets.
- **Determines that virtual asset service providers can only** operate with prior authorization from a regulator to be indicated by the Executive (most likely the Central Bank).
- **Provision of these services must be governed by:** a) free competition and initiative; b) governance; c) information security and personal data protection; d) consumer protection; e) protection of popular savings; f) soundness of operations; and g) AML and ATF, aligned with international standards.
- **Empowers the regulator to regulate more details regarding these services**, such as authorization for M&A operations involving these companies, conditions for exercising certain statutory and contractual positions, supervising the providers, determining the cases in which transactions will be subject to exchange rules, among others.

Main Points

- **Determines that companies** may provide digital asset services exclusively or in combination with other services, in accordance with regulations to be issued by the regulator.
- **Determines a minimum period of 6 months** for companies to adapt to the infralegal normative to be issued by the future regulator.
- **Includes virtual asset service providers as obligated parties for AML purposes**, subjecting them to Law 9.613 of 1998. In other words, VASPs will have to comply with all AML obligations required of obligated parties operating in vulnerable sectors for money laundering. The law also determines the creation of a National Register of Politically Exposed Persons (CNPEP), so VASPs will have to use this CNPEP in their KYC procedures, registration, monitoring, reporting, and other AML prudential practices.
- **Stiffens penalties** and creates types of crimes related to virtual assets and requires virtual asset service providers to retain records of operations.
- **Takes effect 180 days after publication.**
- The requirement for segregation between the assets of the virtual asset service provider and the assets of the clients was excluded from the final version of the law.

THANK
 **YOU.**