Regulatory policies to foster cryptocurrency/blockchain related innovation and investments in Emerging Economies

Emerging economies: how to become a crypto/blockchain hub and benefit from a future US$ 3 trillion Market

Regulatory policies to foster cryptocurrency/blockchain innovation and investments in Emerging Economies

- Executive Summary
- 1. Introduction
- 2. Cryptocurrencies and Blockchain
- 3. Lessons from the experiences of other nations
- 3.1 Two American stories: Wyoming welcomes crypto businesses while NY State discourages it
- 3.2 Two European success stories
- 3.3 Two Asian stories and what happens when you try to ban crypto
- 4. The market potential
- 5. Policy Recommendations

Executive Summary

The estimated business value-add of blockchain to the world economy will grow to slightly more than US$ 176 billion by 2025, and then it will exceed US$ 3.1 trillion by 2030.
Countries which want to attract a portion of this massive business investment flow and create a whole lot of beneficial synergies from the use of cryptocurrencies and blockchain based technologies need to embrace such technologies without fear by implementing progressive legislation.
So far the international experience has been characterized by progressive countries (such as Switzerland, Liechtenstein, Malta or Singapore) which have fully embraced crypto and blockchain and have benefited from a substantial inflow of business. US states like Wyoming and New York have been at odds. And their policies have been judged without appeal from businesses which "voted with their feet", creating a massive inflow of crypto related business into progressive Wyoming while leaving the regressive NY state (especially medium to small sized and startups which could not afford the NY state burdensome licensing regulations).
Then there are the extreme cases of outright bans like that of China and India. By definition one is not a democracy (China) and the other one is not exactly known to be among the most progressive and liberal nations of the world (India).
As we will see, policies that clearly and accurately define cryptocurrency in law and place the appropriate rules on distinct applications, yield regulatory clarity and therefore make space for innovation and growth. At the other extreme, policies that poorly define technologies and applications while placing onerous restrictions on broad classes of activities will stifle growth and innovation.
There is a gigantic opportunity to position the country as a leader in the world of cryptocurrency/blockchain technologies and as the region´s hub of excellence.
Here are some general policy recommendations:
1. Avoid restrictions on innovative technologies and applications.
2. Avoid government investment or endorsement of any particular technology or application.

Specific regulations to be considered are:
(i) regulations dealing with the recognition and the legal status of digitally tokenized assets (such as stablecoins and tokenized securities).
(ii) implement an agile crypto bank charter to regulate mainly the issue and the custody of crypto assets. Encourage banks to plug and play into the Bitcoin blockchain to build a new banking infrastructure.
(iii) incentivize the establishment of crypto exchanges with an agile licensing process.
(iv) review and if needed reform money transmission laws to exempt non-custodial services and applications.
(v) encourage the use of bitcoin to pay for administrative fees and taxes and ensure free and full convertibility between cryptocurrencies and the local fiat currency. Business adoption is also important, specially for expensive items such as for instance paying for real estate investments. All this will bring sound money reserves into the government modern digital coffers. Favour bitcoinization rather than geopolitically dangerous dollarization of the economy.
(vi) grant incentives to attract both crypto capital/investors and talented human capital. Tax incentives are very important. Money flows where it is treated better. But also human capital relocates where business opportunities and living standards are better or at least where better prospects are offered. Programs such as the residency and citizenship for investment are very important. A Bitcoin E-residency program, similar to Estonia´s digital residency program is a smart option.
(vii) possibly channel bitcoin capital invested in the country into a bitcoin fund held by the central bank to finance infrastructure and development projects in the country (think about bitcoin mining using residual and renewable energy sources). This will encourage the local central bank to allocate a portion of its reserves to bitcoin.
These easy steps can position the country as a leader in the cryptocurrency/blockchain industry. In the country there is appetite for growth and technological development. All that is left to do is to ensure that its policies allow the investors/entrepreneurs attracted to this wonderful country to reach their objectives as frictionless as possible.

1. Introduction

This country can and should become a leader in the advancement of cryptocurrency and blockchain technologies in the region. In one short decade, Bitcoin (the most widely used cryptocurrency and blockchain protocol) has grown from a little-known computer science project of dedicated cypherpunks to a professional financial industry boasting a currency market capitalization which has reached US$ 1 trillion in February 2021, thereby attracting institutional investors and listed corporations such as MassMutual, Grayscale, Tudor Investments, Paypal and Tesla which converted billions of their treasury reserves from dollars into bitcoin. Bitcoin technological innovation has allowed direct peer-to-peer payments online for the first time while solving two long-standing obstacles in computer science that had prevented distributed data verification, i.e. digital scarcity and consensus. In other words, this technology has offered an alternative to many traditional financial institutions operated by centrally trusted third parties. For these reasons, regulations that were drafted to constrain or oversee centralized financial institutions fit awkwardly if applied to cryptocurrency firms and blockchain based innovations that operate in a decentralized manner. Legislators willing to encourage innovation and investment in their country have plenty of business opportunities to harvest if they review and rationalize regulations to more appropriately take account of these technological advances. There are great examples of small, liberal, agile and technology savvy countries which have already successfully done that, such as Switzerland, Liechtenstein, Malta and Singapore for example. In the region, we are in an especially fortuitous position to be a leader in blockchain/cryptocurrency policy. The country has a young population with a relatively high unemployment rate which can be trained and converted relatively rapidly into a tech skilled and creative labor force. As the nation looks to diversify the economy away from hospitality and agriculture, technology is the best candidate and within it cryptocurrencies and blockchain are the compelling option. The taxation incentives for foreign investors, the residency program, the political stability and democratic government, together with the progressive regulatory systems, are all important and attractive features for both businesses and individuals who may consider relocating from more hostile environments in the region. Cryptocurrency is also especially important to the Latin American population as a potential vehicle for remittances or savings from countries with monetary problems. Making the country into the crypto/blockchain hub of the region can bring an enormous flow of crypto capitals into the country which is already considered as a safe heaven in the region. And the country´s beaches and natural beauty further entice the potential for investment.

This paper will briefly explain what cryptocurrency and blockchains are. We will briefly look into the experience of other countries in Asia, America and Europe. Finally, we will suggest some practical steps that legislators can take to position the country among the world leaders in cryptocurrency/blockchain policy and industry.

2. Cryptocurrencies and blockchain

Let´s start with some terms. A blockchain is a decentralized ledger of all transactions across a peer-to-peer network. Using this technology, participants can confirm transactions without a need for a central clearing authority. Potential applications can include fund transfers, settling trades, voting, and many other. Blockchain is the technology that enables the existence of cryptocurrencies (among other things). Bitcoin[i] is the name of the most adopted cryptocurrency, the one for which blockchain technology was invented.

A cryptocurrency is a medium of exchange, such as the US dollar or the €uro, but it is digital and uses encryption techniques to control the creation of monetary units and to verify the transfer of funds peer to peer without a central clearing party, without intermediation.

The World Economic Forum[ii] defines blockchain technology as follows: Blockchain or distributed ledger technology (DLT) is a technological protocol that enables data to be exchanged directly between different contracting parties within a network without the need for intermediaries. The network participants interact with encrypted identities. Each transaction is then added to an immutable transaction chain and distributed to all network nodes. As a result, blockchain offers potential for bringing about radical change in a wide range of industries, business models and operating processes such as payment settlement, accounting or the use of customer and loyalty cards. The two technological pillars of blockchains are the asymmetrical cryptography and distributed IT architecture, which make it possible to create a secure environment that establishes a new basis for trust and allows for new ways of exchanging data, new types of transactions and new forms of contracts.

[i] Satoshi Nakamoto, “Bitcoin: A Peer-to-Peer Electronic Cash System,” (October 21, 2008) https://bitcoin.org/

[ii] https://www.weforum.org/whitepapers/blockchain-beyond-the-hype

3. Lessons from the experiences of other nations

Countries which want to attract business investments and create a whole lot of beneficial synergies from the use of cryptocurrencies and blockchain based technologies need to embrace such technologies without fear by implementing progressive legislation. So far the international experience has been characterized by progressive countries (such as Switzerland, Liechtenstein, Malta or Singapore) which have fully embraced crypto and blockchain and have benefited from a substantial inflow of business. US states like Wyoming and New York have been at odds. And their policies have been judged without appeal from businesses which "voted with their feet", creating a massive inflow of crypto related business into progressive Wyoming while leaving regressive NY state (especially medium to small sized and startups which could not afford the NY state burdensome licensing regulations).

Then there are the extreme cases of outright bans like that of China and India. By definition one is not a democracy (China) and the other one is not exactly known to be among the most progressive and liberal nations of the world (India).

As we will see, policies that clearly and accurately define cryptocurrency in law and place the appropriate rules on distinct applications, yield regulatory clarity and therefore make space for innovation and growth. At the other extreme, policies that poorly define technologies and applications while placing onerous restrictions on broad classes of activities will stifle growth and innovation.

3.1 Two American stories: Wyoming welcomes crypto businesses while NY State discourages it

Wyoming may become the home to the greatest number of cryptocurrency businesses in the USA. Indeed the state has enacted one of the world's most ambitious and comprehensive pro-innovation cryptocurrency regulatory reforms with the express purpose of attracting investment and entrepreneurs. The result: a state once associated with wide open plains and cowboys has now attracted dozens of crypto startups. Wyoming was not always crypto-friendly. Five years ago, Wyomingites could not legally open an account on Coinbase, the largest cryptocurrency exchange. Today, Wyoming is home to the world's first Bitcoin native bank[i]. Wyoming's success in cryptocurrency reform comes in large part thanks to the Wyoming Blockchain Coalition, a lobbying group that helped to shape and promote the state's new regulatory system.

Wyoming laws:

(i) recognize the property rights for individual owners of digital assets allow

(ii) a fintech sandbox and authorize a new type of state-chartered depository institution to provide basic banking services to businesses, and

(iii) authorize the first true 'qualified custodian' for digital assets which is a bank.

Wyoming's unofficial nickname as the "Delaware of cryptocurrency businesses" is apt. Both brand new startups and billion-dollar crypto projects have relocated to Wyoming in response to the state's innovation-friendly reforms. The Cowboy State's deregulatory posture provides a strong case study in how smart reforms can attract growth and innovators.

If Wyoming is an example of excellence, New York's approach to cryptocurrency is a case study in what not to do. Rather than welcoming a promising new industry, the New York State Department of Financial Services (NYDFS) created a very burdensome license for cryptocurrency businesses with which few could ever hope to comply. After months of consultations with technologists and entrepreneurs within the cryptocurrency community, the final regulations put forward by NYDFS, called the "BitLicense,"[ii] were vague, onerous, and expensive. Worse yet, cryptocurrency-focused money transmitters are treated even harsher than their traditional currency equivalents. Finally, the law lacks a fintech sandbox that can encourage new upstarts to innovate without regulatory barriers. This effectively killed new upstarts in New York, as one executive estimated that the total cost of compliance with the BitLicense exceeded US$ 100,000. It is not surprising that New York has only awarded 25 BitLicenses since the process was first formalized in 2015. A complete and utter failure. Nor is it surprising that the advent of the NY BitLicense heralded a flood of cryptocurrency firms fleeing the state's harsh regulations. Not only has the BitLicense been an innovation-killer, it has generated concerns about regulatory capture. Economists use this term to refer to situations where a regulatory body or process is "captured" by some private interests to serve those ends rather than consumer welfare. In the case of the BitLicense, the burdensome regulations effectively keep out competition and consolidate the market positions of the few big enough to afford the costs of the BitLicense.

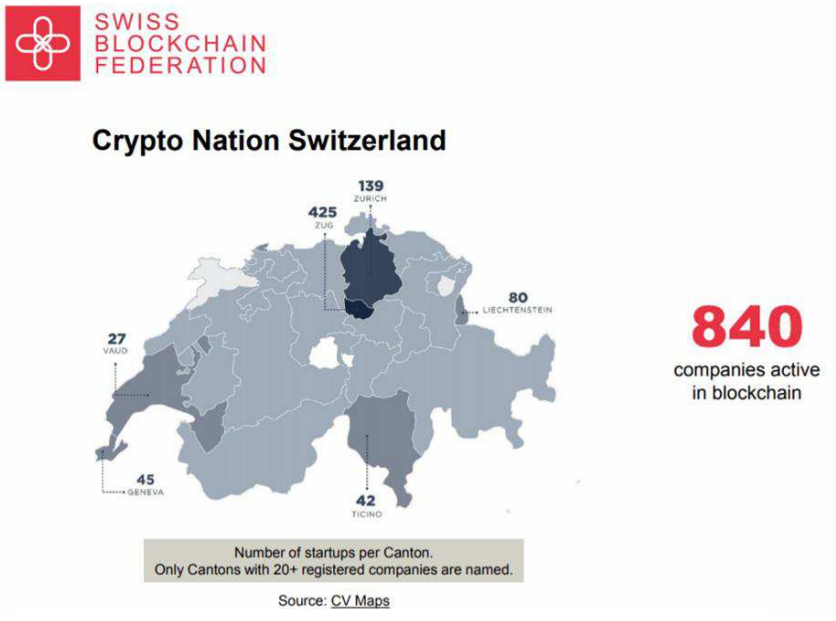
[i] https://avantibank.com/

[ii] https://www.dfs.ny.gov/apps_and_licensing/virtual_currency_businesses/bitlicense_faqs

3.2 Two European success stories

Despite the EU has adopted a progressive stance on cryptocurrencies and blockchains, in practice very little has been done yet to coordinate the regulations across countries and avoid jurisdiction shopping by crypto businesses. While a new regulation called MiCAR (Market in Crypto Assets) is expected to come into force in 2022/23 to bring harmonization between the 27 member countries, some small countries at the fringes of the EU, but within the EEA (Europen Economic Area), have been agile and smart enough to get a head start that will be difficult to close by bigger and more powerful countries such as Germany and France. Switzerland and Liechtenstein for instance got a critical first mover advantage. Both countries have developed a whole set of regulations to make crypto businesses very welcome and brought clarity into key issues such as the tokenization of assets. In that topic Liechtenstein has been a pioneer with the Liechtenstein Blockchain Act[i] and its Token Container model.
Regulatory frameworks in Switzerland and Liechtenstein are among the world's most innovative & business-friendly. Both jurisdictions allow for blockchain projects to flourish, aiming to increase legal certainty, remove barriers to entry for crypto/blockchain businesses, and reduce the risk of abuse. Switzerland has developed a comprehensive legal framework for crypto/blockchain businesses, achieved by adapting existing laws in a pragmatic, flexible, and principles-based way instead of introducing a technology-specific law.
Undoubtedly, the economic benefits accumulated by the two countries in just a few years have been enormous and are discussed in two reports from the Swiss Blockchain Association[ii] and Crypto Valley Top 50[iii]:
- 760 crypto companies are active in Switzerland and 80 in tiny Liechtenstein
- 5 Unicorn startup companies with market valuation exceeding US$ 1 billion each
- US$ 25 billion total market cap of the crypto sector
- 4.400 people employed
- first two global crypto banks - SEBA Bank AG and Sygnum Bank AG
- extremely positive cascading effects on sectors such as banks, venture capital, lawyers and accountants, universities.

[i] https://www.naegele.law/files/Downloads/bua_054_2019_tvtg.pdf
[ii] http://blockchainfederation.ch/wp-content/uploads/2020/02/Crypto-Nation-Switzerland.pdf
[iii] https://blockchainleadership.org/wp-content/uploads/2019/05/The-Blockchain-Industry-in-Switzerland-Liechtenstein.pdf



3.3 Two Asian stories and what happens when you try to ban crypto

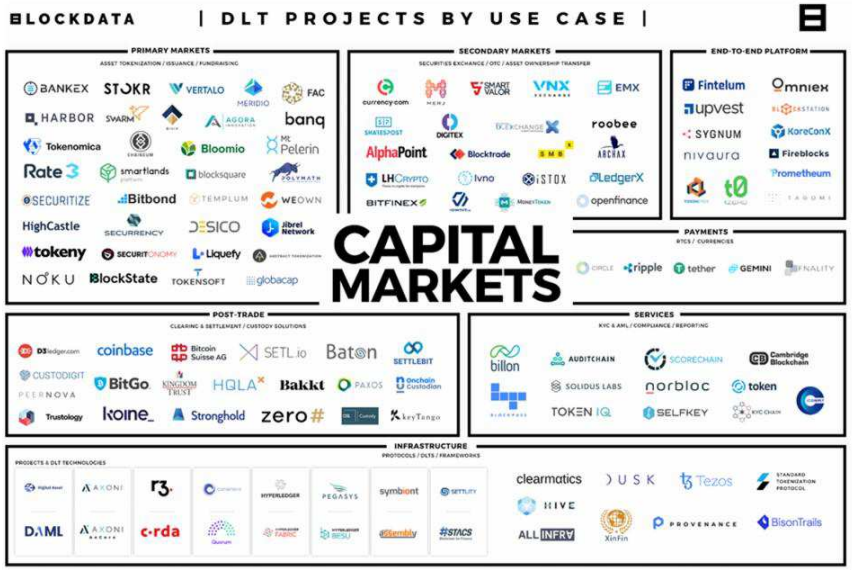
If one looks at the list of countries which have taken an adversarial stand against the crypto sector and have to some extent banned it or strictly regulated it, they certainly do not qualify as leading economies of the world nor they are examples of democratic governments. In addition to Morocco, Bolivia, Venezuela, Iran and Bangladesh also China, India and Nigeria have taken a hard stand against crypto innovation. China´s move against cryptocurrencies coincided with the political crack down on Hong Kong which prompted as an immediate result the exodus of businesses into neighbouring country Singapore, which has rather a progressive stance on crypto/blockchain related matters. So large was the outflow of funds from Hong Kong into Singapore that Singapore is now seen as the new leading hub for trading crypto securities[i] also according to mainstream financial media Bloomberg[ii].

It should be noted that crypto/blockchain businesses are highly flexible and mobile and constantly searching for the best jurisdictions in which to do business. Binance[iii] for instance, the world´s largest crypto-exchange, has moved its head offices three times in the last few years when faced with adversary regulatory conditions at home. Ahead of China´s ban on cryptocurrencies Binance moved from Shanghai to Japan and when Japan implemented stricter regulations for crypto they settled in Malta (EU). Binance today has over 2.000 employees, 12 offices worldwide and a market cap of over US$ 44 billion. A loss for China and a big gain for tiny Malta.

India´s move against crypto/blockchain sector[iv] is too recent to ascertain the damages that this will bring to its economy. However local prominent businessman Balaji S. Srinivasan[v] has summarized what India stand to lose as follows:

- loss of a strategic tool for the country´s financial independence. Bitcoin and cryptocurrencies in general mean substantial freedom from the geopolitical influences of the US dollar and independence from its financial infrastructure. Basically it prevents financial deplatforming and the weaponization for geopolitical reasons of the US$ dollar and its financial architecture.
- loss of crypto capital investments. Estimates vary, but if and when Bitcoin hits the 6 figures value (US$ 100.000) one estimates that 25-50% of the world's billionaires will come from the cryptocurrency sector. This does not count the multi-millionaires. As such, if a country bans cryptocurrency, it repels a share of the trillion dollars crypto-capitals from coming to that country in the first place. In addition, a crypto ban would *itself* cause traditional capital flight via available crypto stablecoins and other cryptocurrencies.
- crypto would strengthen national currency and national monetary policy not weaken it. Another issue sometimes raised is that decentralized cryptocurrencies may hamper the local government's monetary policy. Yet the smart use of Bitcoin will actually *strengthen* local government monetary policy. Begin by noting that monetary policy doesn't happen in a vacuum. Why does the Central Bank of India hold 600+ tons of physical gold? Because in an economic crisis, the rupee may need to be gold-backed. Well, by analogy, a digital rupee may need to be *digital gold-backed* with Bitcoin.
- technological development. The crypto sector is the financial internet and giving up on such industry today is the equivalent of committing an economical suicide.

[i] https://asia.nikkei.com/Spotlight/Market-Spotlight/Singapore-emerges-as-Asia-s-digital-securities-trading-hub
[ii] https://www.bloomberg.com/news/articles/2019-11-07/singapore-shanghai-threaten-hong-kong-status-as-asia-finance-hub
[iii] https://www.binance.com/en
[iv] https://www.coindesk.com/india-proposed-bill-cryptocurrency-ban
[v] https://balajis.com/why-india-should-buy-bitcoin/



We believe that the above informations are key for any government to understand what a nation stand to lose or to gain by simply implementing the wrong or the right regulatory framework for the crypto/blockchain sector. Ultimately, a country shall choose to be either among the smart one´s who can compete for attracting business or kiss this business opportunity goodbye once and for all. Again, the time to act is now and we believe that there is a huge potential to replicate the success stories of Switzerland, Liechtenstein, Malta, Singapore and Wyoming and avoid the pitfalls of less progressive or slow reacting countries. After all the timeframe to reap a strategic first mover advantage in the South American region might be short lived if also other countries decide to step in decisively. Other candidates in the region are considering their options. But we believe that this country is much better placed than its competitors to achieve a prominent position as the South American crypto/blockchain hub vis a vis international crypto investors.

4. The Market Potential

The increasing proliferation of Blockchain technology in various industries is pushing governments and companies worldwide to focus and invest in Blockchain technology. The global blockchain market was valued at US$ 1.57 billion in 2018 and is expected to reach US$ 162.84 billion by 2027[i] with a CAGR growth rate of 68.1% in the forecast period from 2019 to 2027.

Gartner's new business value forecast methodology[ii] quantifies the value of technology innovation rather than the dollars spent on it. The business value-add of blockchain will grow to slightly more than US$ 176 billion by 2025, and then it will exceed US$ 3.1 trillion by 2030.

Only by looking at the market cap growth rates of the two main cryptocurrencies (i.e bitcoin and ethereum) and the related businesses and investments in the DeFi sector[iii] (Decentralized Finance), these forecast seems now quite conservative. Only the DeFi sector has grown from US$ 10 billion in October 2020 to over US$ 40 billion in February 2021, basically doubling every month the amount of cryptocurrencies invested for developing innovative crypto payment applications and other technologies which are key to the emerging sector of decentralized finance.

[i] https://www.researchandmarkets.com/reports/4787409/blockchain-market-to-2027-global-analysis-and#rela0-4039780

[ii] https://www.gartner.com/en/documents/3627117/forecast-blockchain-business-value-worldwide-2017-2030

[iii] https://defipulse.com/

Please note that DeFi applications are built by developers working in a decentralized manner and with very little territorial bonds with any specific country. This crowd of developers and therefore their projects in the DeFi sector can be easily attracted into any country which implements the right friendly policy measures which we have highlighted in the following chapter “Policy Recommendations". You can call these professionals "Crypto Nomads", a wealthy and growing crowd which a country like Estonia has been successfully attracting with its digital E-residency program.

The only thing that still separates the vast majority of world countries from the possibility of tapping into this large potential of economic growth - according to 56% of the business respondents to this 2020 Deloitte Global Blockchain Survey[i] - is the national regulatory barriers. This data alone is self explaining.

As far as cryptocurrencies are concerned then, here's some qualitative commentary from prominent people and institutions to supplement the above quantitative data.

Elon Musk: The world's richest man has said that Bitcoin is "inevitable" and changed his Twitter bio to simply "#Bitcoin".

The IMF: Cryptocurrency could "completely change the way we sell, buy, save, invest, and pay our bills" and "could be the next step in the evolution of money."

The World Bank: "Cryptocurrencies and blockchain protocols are part of a tidal wave of new technologies that is changing the way production and commerce are organized."

Larry Summers, Former US Treasury Secretary: "Bitcoin is here to stay" and the "financial industry will adopt the technology underpinning bitcoin."

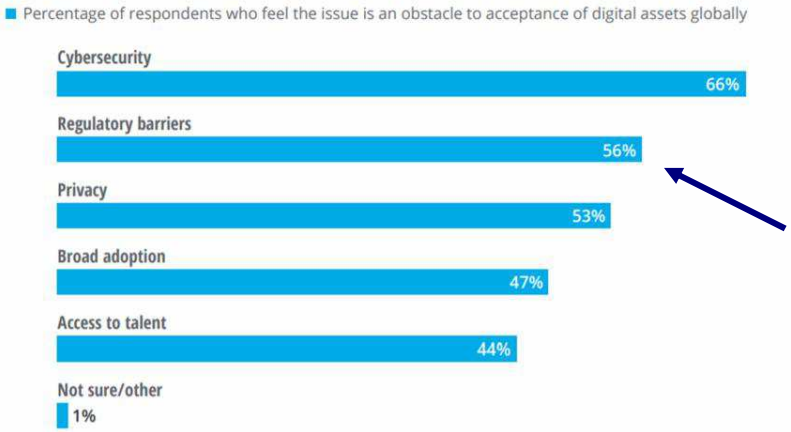
[i] https://www2.deloitte.com/content/dam/insights/us/articles/6608_2020-global-blockchain-survey/DI_CIR%202020%20global%20blockchain%20survey.pdf

FIGURE A10

Obstacles to acceptance of digital assets

Most respondents cited cybersecurity as the biggest obstacle to the global acceptance of digital assets, markedly more than any other choice.

Q. What do you see as the biggest obstacles to the acceptance of digital assets globally?

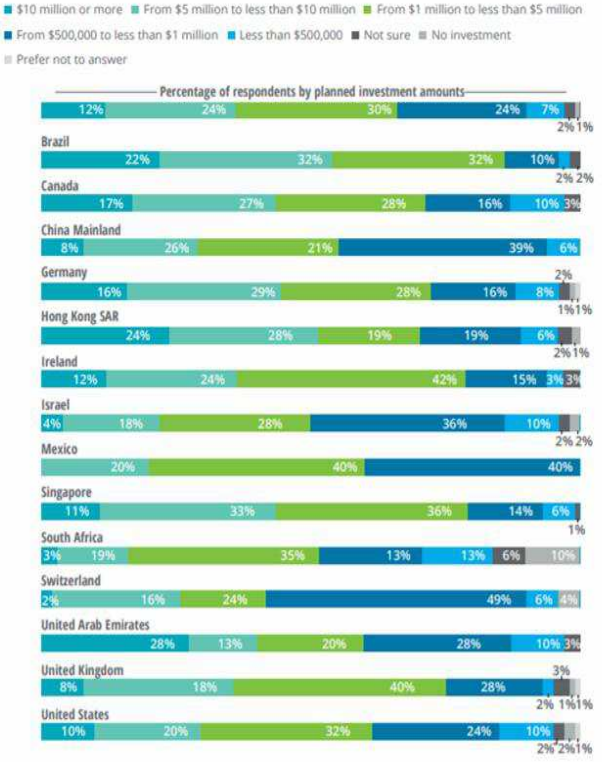


Notes: N=1,488. Percentages equal more than 100% because respondents were allowed to submit more than one answer.
Source: Deloitte's 2020 Global Blockchain Survey.

Approximate blockchain investment that organizations will make in the next 12 months

Blockchain investment plans are strong, with some 36% planning at least $5 million in spending over the next 12 months.

Q. Again, thinking specifically of blockchain technology, what is the level of investment that your organization or project is expected to make in the next 12 months?



5. Policy Recommendations

This country has a great opportunity to position itself as a leader in the world of cryptocurrency/blockchain technologies and as the region´s hub of excellence.

Here are some general policy recommendations and future avenues of research for the road ahead:

1. Avoid restrictions on innovative technologies and applications: In general, the country should embrace a posture of “permissionless innovation” when it comes to emerging technologies. Rather than inadvertently stifling new industries with precautionary regulations, the state should instead allow space for tinkerers to experiment under the watch of the relevant agency. Innovation is hard to create but trivially easy to kill.

2. Avoid government investment or endorsement of any particular technology or application: Just as governments should not target specific technologies or applications negatively, neither should they do the reverse. Subsidizing or propping up preferred use cases distorts market signals. Technologies that appear promising today may not end up being the market winner. If the state were to privilege what would otherwise be a technological loser, we would risk getting stuck in an inferior standard. Furthermore, the state should approach government adoption of blockchain technologies very cautiously. Legislators should keep in mind that these are new and still developing technologies. Private businesses can experiment in ways that state governments cannot, for both constitutional reasons and to protect the public interest. The legislature should first focus on reforms that will unlock cryptocurrency’s full potential within the state. Once these technologies are more tested and vetted, the state will have a better idea of which are safe enough for government use.

Table 1. Blockchain and its applications across industries

Industry	Blockchain-based applications
Financial services	• International payments in a faster, cheaper, and more secure way with lower counterparty risk[17] • Registry for better Know Your Customer (KYC) checks and compliance[18] • Trade finance blockchain platform to improve and accelerate the financing of international trade
Health care	• Ability to share clinical trial launches and enrollments in real time to better match patients and prevent double enrollments • Smart contracts to connect different parties—such as providers, insurers, vendors, and auditors—and automate transactions[19]
Public sector	• Registry to manage the digital identity of people and the ownership and transaction information on different assets such as real property and vehicles to increase efficiency and reduce fraud[20] • Enhanced security and transparency of voting in public election[21]
Energy and resources	• Smart contracts for more efficient and faster execution of energy trades and payments[22] • Managing and recording oil and gas transactions and connecting suppliers, shippers, contractors, and authorities via blockchain to improve supply chain processes[23]
Technology, media, and telecom	• Storing cryptographic hash of original music, linked to digital identities of owners, and using smart contracts to facilitate compensation for music[24] • Supporting data storage and interaction among a large number of IoT devices in a cryptographic format to help mitigate security concerns[25]
Consumer and industrial products	• Better management of loyalty points programs in retail and travel and hospitality[26] • Streamlining the vehicle buying and leasing process with less documentation and automated payments[27] • Enhanced supply chain management, especially traceability across products from its inception at manufacturer to usage by end customer[28]

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Specifically then, the following is a list of the main regulatory developments which have been either taken by successful countries worldwide or which should be taken to foster development of the crypto/blockchain industry:

(i) regulations dealing with the recognition and the legal status of digitally tokenized assets (such as stablecoins and tokenized securities).
The regulatory framework implemented by Liechtenstein, Switzerland and US State of Wyoming are good examples.

(ii) implement an agile crypto bank charter to regulate mainly the issue and the custody of crypto assets, like the one implemented in Wyoming for the SPDIs[ii] (Special Purpose Dep. Institutions). Encourage banks to plug and play into the Bitcoin blockchain to build a new banking infrastructure.

(iii) incentivize the establishment of crypto exchanges with an agile licensing process.

(iv) review and if needed reform money transmission laws to exempt non-custodial services and applications. Clearly distinguishing between custodial and non-custodial applications of cryptocurrency and exempting the latter not only would be consistent with analog institutions, it would better position the country as a hub of cryptocurrency activity.

(v) encourage the use of bitcoin to pay for administrative fees and taxes and ensure free and full convertibility between cryptocurrencies and the local fiat currency. Business adoption is also important, specially for expensive items such as paying for real estate investments and expensive cars (see Tesla´s recent move). All this will bring sound money reserves into the government modern digital coffers. Favour bitcoinization to stop the geopolitically dangerous dollarization of the economy.

(vi) grant incentives to attract both crypto capital/investors and talented human capital. Tax incentives are very important. Money flows where it is treated better. But also human capital relocates where business opportunities and living standards are better or at least where better prospects are offered. Programs such as the residency and citizenship for investment are very important. A new Bitcoin E-residency program, similar to Estonia´s E-residency program[iii] is also a smart option.

(vii) possibly channel bitcoin capital invested in the country into a bitcoin fund held by the central bank to finance infrastructure and development projects in the country (think about bitcoin mining using residual and renewable energy sources). This might encourage the local central bank to allocate a portion of its reserves to bitcoin.

These steps can position the country as a leader in the cryptocurrency/blockchain industry. The country has the appetite for growth and technological development. All that is left to do is to ensure that its policies allow the investors/entrepreneurs attracted to this wonderful country to reach their objectives as frictionless as possible.

[ii] http://wyomingbankingdivision.wyo.gov/home/areas-of-regulation/laws-and-regulation/special-purpose-depository-institution
[iii] https://e-resident.gov.ee/

About

Andrea Bianconi is an international business lawyer with over two decades experience, a scholar of economics, monetary history and geopolitics, a believer in the future of Bitcoin and blockchain based technologies, a consultant to the sector. Founder and CFO of the Luxembourg based www.thinkblocktank.org, a member of the untitled-inc and an active contributor to the Berlin blockchainhub.net, and the German Blockchain Bundesverband Bundesblock .
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