FROM BARRIERS TO BRIDGES:

How Blockchain and Stablecoins Can Reshape Cross-Border Payments in Latin America

Bitso Business

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Foreword from Bitso Business

In today's increasingly interconnected world, where international trade drives economic growth, the ability to transfer money across borders is crucial. However, many businesses encounter inefficiencies, inadequate infrastructure, and unnecessary costs due to fragmented and incompatible banking systems around the world that make global payments an expensive, slow, and inefficient process.

The core issue stems from outdated correspondent banking systems, which were not built for the demands of the modern, fast-paced global economy. These systems introduce delays and fees due to the multiple intermediaries involved in completing transactions. Additionally, businesses often need to "pre-fund" accounts in foreign currencies, tying up capital in costly ways, while also facing regulatory hurdles when operating in different markets.

By combining Bitso's 10 years of expertise in transforming finance across Latin America with a best-in-class set of offerings for businesses across the world, Bitso Business has developed the capabilities to disrupt money movement across borders in four key areas: technology, ramps, liquidity, and regulation. Based on this expertise and working closely with our thousands of clients globally, we've partnered with PCMI to develop this whitepaper. Our research identifies the main barriers companies face with cross-border payments and analyzes how blockchain technology and stablecoins are emerging as an alternative to move money in a faster, cost-efficient, and transparent way.

We hope it helps you to get a clear perspective and overcome skepticism regarding the full potential of blockchain for your business. As stablecoins' advantages become more widely acknowledged across different industries, we expect to experience a substantial increase in its application in cross-border payments, transforming how 21st-century companies move money and expand their business across the globe.

About Payments and Commerce Market Intelligence (PCMI)

PCMI is a market intelligence consultancy focused on the global payments industry. PCMI's founders have over four decades of market intelligence experience and have completed over 400 research engagements for the payments industry. PCMI carries out bespoke market intelligence studies customized to our clients' strategy needs, including market sizing, opportunity benchmarking, market entry, customer insights, and more.

PCMI was born in 2022 out of AMI, the leading market intelligence firm for Latin America, which has over 30 years of experience providing strategic insights and data to the leading corporations in the region. With payments and commerce transcending borders, AMI evolved into PCMI to support its clients across the globe, and now it covers more than 50 global markets. In Latin America and beyond, our mission remains the same: to be more committed to our clients' success than any consultancy on Earth.

CHAPTER 1

Introduction: blockchain and stablecoins' promise for B2B cross-border payments in Latin America

Businesses have long recognized that optimizing payments leads to better customer experiences, improved conversion rates, lower costs, and a stronger cash flow, making payments a crucial area for a competitive advantage. When applied to cross-border payments, the potential for growth is even greater because these benefits can be scaled significantly. Furthermore, cross-border payments play a critical role in fostering economic growth by facilitating international trade and finance.

The global cross-border payments sector is projected to grow by 53% and reach a market size of US$292 trillion by 2030.[1] While wholesale transactions remain predominant, the combined consumer and B2B cross-border payments market, valued at US$44 trillion, is projected to expand by 47% to US$65 trillion by 2030 (see Figure 1 on p. 6), with B2B payments alone expected to increase by 43% to reach US$53 trillion in the same year.[2] Globally, the total volume of low-value cross-border payments (under US$100,000) amounted to

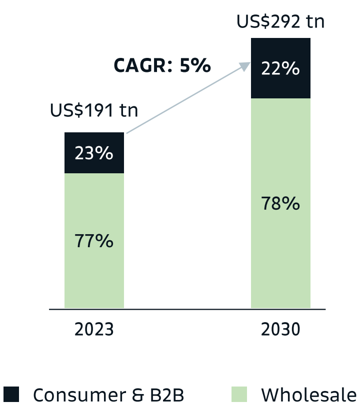
The combined consumer and B2B cross-border payments market, valued at US$44 trillion, is projected to expand by 47% to US$65 trillion by 2030.

US$12 trillion in 2022. Although these transactions made up just 8% of the total global payments volume, they contributed 33% of the industry's revenues due to their higher profit margins.[3]

Cross-border payments have traditionally been slower and more expensive than domestic ones, but rising demand for instant payments is driving change. The higher margins in this space make it ripe for innovation. While banks still process 75% of the transactions in the cross-border market, non-banks and fintechs have built strong "front-end" propositions and "back-end" rails to better serve consumers and businesses, with their share expected to reach 37% by 2028.[4]

FIGURE 1: THE GLOBAL CROSS-BORDER MARKET

Cross-border payments global market size

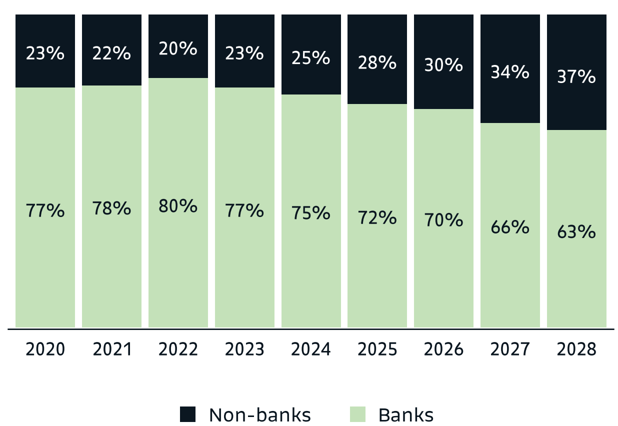


Consumer & B2B

2023	2030
US$44 tn	US$65 tn

Category	Growth 2023-2030
B2B eCommerce	120%
Large enterprise	15%
SMBs	10%
B2C	83%
C2B	82%
C2C	89%
Wholesale	54%

Cross-border payment process share: banks vs. non-banks



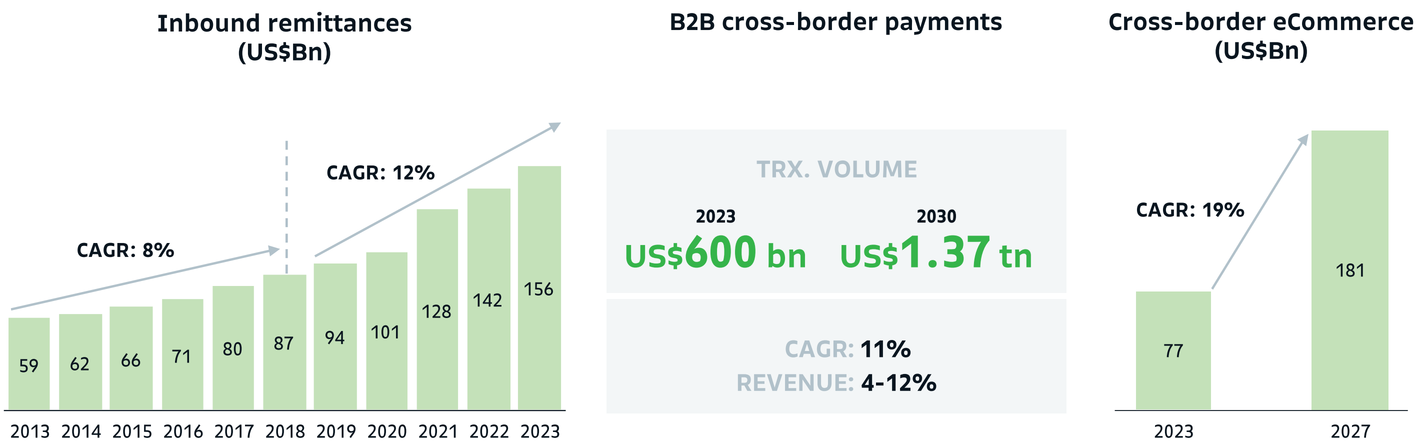
Source: PCMI, based on market size data from FXC Intelligence and Flagship.

In Latin America and the Caribbean (LAC) the opportunity for growth is immense. In 2023, remittance flows to the region hit US$156 billion (see Figure 2 below), more than doubling in the last decade and showing a 25-fold increase over the past 30 years.[5] These flows have been growing at an annual rate of 10% since 2014, compared to the global average of 4%, and are projected to grow at a CAGR of 9% through 2026.[6] The region accounts for 17% of the global remittances market, despite making up just 5% of the world's population. This is due to significant growth in inbound remittance corridors, with an average annual increase of 12% over the past five years. In 2018, Latin America received US$87 billion in remittances, which grew to US$156 billion by 2023. Mexico was the largest recipient, capturing 41% of this total. It's the world's second-largest remittance corridor.

Latin America's B2B cross-border payments market is growing rapidly as well, with expectations for even faster expansion in the coming years. Current revenue estimates for this market range from US$25 billion to US$133 billion,[7] with a projected CAGR of 11% between 2023 and 2030. At this rate, Latin America's B2B cross-border market, currently valued at US$600 billion in transaction volume, could reach approximately US$1.37 trillion by 2030. The region's digital market is also on track for dramatic growth: Latin America is also one of the fastest-growing eCommerce markets globally. Cross-border retail eCommerce in the region is expected to grow with an impressive CAGR of 19% between 2023 and 2027. By then, cross-border sales are projected to reach US$181 billion, making up 17% of the total eCommerce sales in the region.[8]

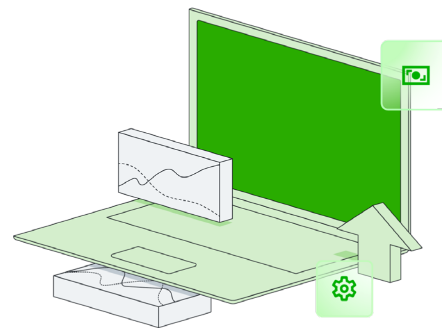
Latin America's B2B cross-border market, currently valued at US$600 billion in transaction volume, could reach approximately US$1.37 trillion by 2030.

FIGURE 2: LAC CROSS-BORDER MARKET SIZE



Source: PCMI, based on market size data from FXC Intelligence.

Despite the remarkable growth, businesses and users face substantial challenges in fully realizing the potential of cross-border payments.[9] The process is far more complex than local payments, often involving longer settlement times that can stretch for days—or even weeks in the case of B2B transactions. Historically, institutions relied on a network of correspondent banks (powered by the SWIFT network since the 1970s). But this network has shrunk in recent years due to increased costs (fees typically range from 1.5% to 2.9% and remittance costs occasionally exceed 6%[10]), as well as lack of transparency and slow processing times. In fact, considering the average cost to send remittances worldwide, the most expensive region for both fees and remittances is Latin America and the Caribbean.[11]



Several friction points and challenges are currently hindering the cross-border payment experience worldwide and in Latin America and the Caribbean.

1. **Liquidity Issues**
   Nostro/Vostro pre-funding locks up over US$10 trillion globally in dormant capital, with approximately US$11.6 billion in working capital, including US$2.8 billion in Latin America remaining inaccessible at any given time. This restricts funds that could otherwise support business growth and operational flexibility.[12]

2. **FX Problems**
   Settlement delays of 2–5 days (depending on the currency) expose smaller businesses to fluctuating exchange rates, leading to additional costs and less favorable rates for customers.

3. **Local Currency Pay-Ins and Payouts**
   Paying suppliers, employees, or remittance receivers in local currencies incurs extra conversion fees and operational friction, particularly in developing markets where partnerships are needed for payouts.

4. **Security and Transparency**
   Multiple intermediaries lead to a lack of transparency, making tracking difficult, while also increasing security risks and vulnerabilities to fraud.

5. **Complex and Fragmented Regulation**
   Each country and region have distinct regulations, requiring local licenses and adding compliance costs; regulatory divergence and complexity stifle innovation.

6. **Legacy Systems**
   Differing terminology among banking intermediaries increases the complexity and cost of managing transactions, making small transactions particularly costly.

Consequently, processing delays hinder fund availability and customer satisfaction, while reliance on intermediaries creates a fragmented transaction chain, reducing transparency, increasing costs, and leading to inconsistent experiences. In this context, Latin America's governments seem to be prioritizing the development of domestic real-time payment infrastructures. Examples include SPEI and CoDi in Mexico, Pix in Brazil, PSE in Colombia, and Transferencias 3.0 in Argentina. However, these systems remain incompatible with global banking networks, limiting their potential for cross-border use.

Yet, new market initiatives and technologies are creating smarter solutions. Blockchain technology and stablecoins have emerged as promising alternatives, offering the potential to eliminate intermediaries that add costs and delays. Stablecoins meet the global demand for a stable currency in places where access to traditional dollars is limited. Like fiat dollars, stablecoins are designed to maintain their value. However, unlike fiat currencies, they can be sent instantly via blockchain, operate 24/7/365, require only an internet connection, and are easily bought and sold.

Blockchain technology and stablecoins have emerged as promising alternatives, offering the potential to eliminate intermediaries that add costs and delays.

Stablecoins activity has grown despite crypto market cyclicality, highlighting their adoption beyond trading, reaching a market cap of US$168 billion as of October 2024 and facilitating trillions in transactions each year. In fact, when Ripple announced in April 2024 that it would be launching a stablecoin, it cited projections that the stablecoin market could grow to US$2.8 trillion by 2028.[13]

According to Coinmetrics,[14] total settlement volumes reached almost US$7 trillion in 2023. Following Visa's Onchain Analytics Dashboard,[15] isolating payments usage,[16] US$4.9 trillion in stablecoin payments were settled in the 12 months leading up to November 2024, and volumes have grown 10-fold since June 2020. Active stablecoin addresses have also surged, growing 15-fold between July 2020 and November 2024, reaching 191 million unique addresses.

Stablecoins have adopted many of the roles traditionally held by money, including payments. In some regions, stablecoins function as a digital form of cash, while in others, they power financial markets and services. We've also seen governments and regulators formally recognize stablecoins as a regulated financial asset, with Europe as the first major market to roll out a comprehensive, cross-jurisdictional regulatory regime for digital assets, including stablecoins.

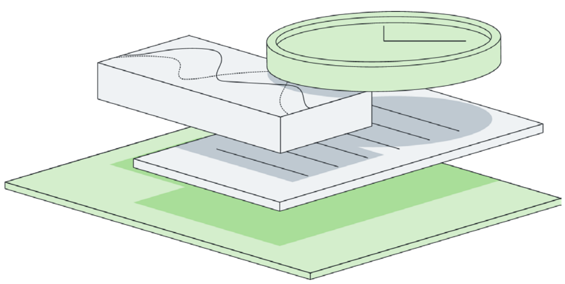


FIGURE 3: GLOBAL STABLECOINS MARKET SIZE & METRICS

Stablecoins key metrics
(Average, 12 months ending in Oct. 2024)

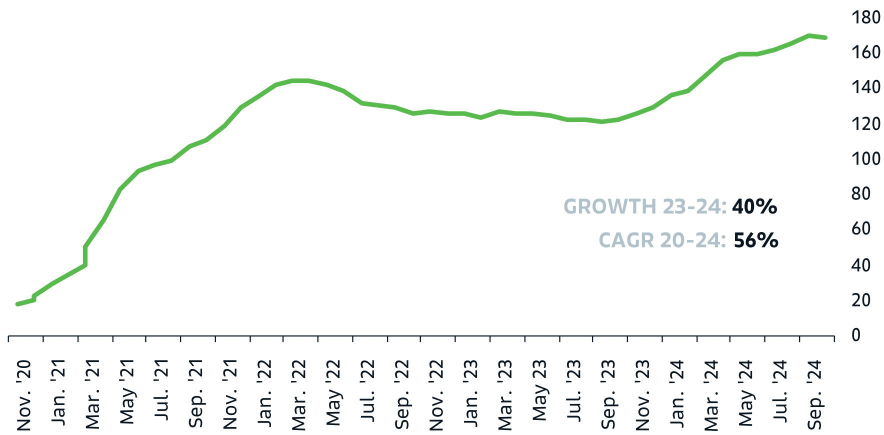
Supply
$150 bn

Transaction Volume
$21.7 tn

Adjusted Transaction Volume
$4.9 tn

TOTAL ACTIVE UNIQUE ADDRESSES (MILLION)
191

Average stablecoin supply, volumes (US$Bn)



Source: PCMI, based on market size data from Visa Onchain Analytics Dashboard.

Today, blockchain technology and stablecoins are rapidly emerging as preferred methods for global value transfer. This digital currency combines the accessibility, speed, and transparency of blockchain with the stability of major fiat currencies. Global businesses like Visa, Mastercard, Worldpay, J.P. Morgan, Citi, DBS Bank, SAP, and PayPal, among many others, are now adopting stablecoins as an alternative method of payment and settlement. Industry analysts have called them the next frontier in cross-border payments.

Blockchain-based solutions and stablecoins for cross-border payments will transform the financial landscape by providing a faster, decentralized, immutable, and transparent method for transactions. This will pave the way for a new era of global money movement, where trust, security, and efficiency are paramount.

In this paper, we will explore how blockchain-based solutions can address long-standing pain points associated with traditional cross-border transactions, particularly in the Latin American market.

Objective, scope, and methodology

In this report, Bitso Business aims to highlight the opportunities within the cross-border payments industry, focusing on how blockchain-based solutions can solve historical pain points.

To achieve this, Bitso Business collaborated with PCMI, a global payments market intelligence firm, to conduct research in Latin America with a focus on four key countries: Mexico, Brazil, Argentina, and Colombia.

The research, conducted between August and September 2024, involved analyzing public data sources and conducting 16 in-depth interviews. This included interviews with 10 companies, mainly money transmitters and PSPs, as well as consultations with six regulatory experts and law firms. Additionally, Bitso Business contributed strategic insights to the report.

COMPANIES INTERVIEWED

mercado pago · Liverpool · Félix · PAYSEND

Global66 · intermex INTERNATIONAL MONEY EXPRESS · kamiPay · Ebury Bank

Walmart Save money. Live better. · AstroPay · CRYPTOMARKET · BECCAR VARELA

MARVAL MARVAL O'FARRELL MAIRAL · ALBANESI TECH LEGAL CONSULTING · CRIOLLO VENTURES · CEROLINI & FERRARI

CHAPTER 2

Decoding the complexities and challenges of traditional cross-border payments

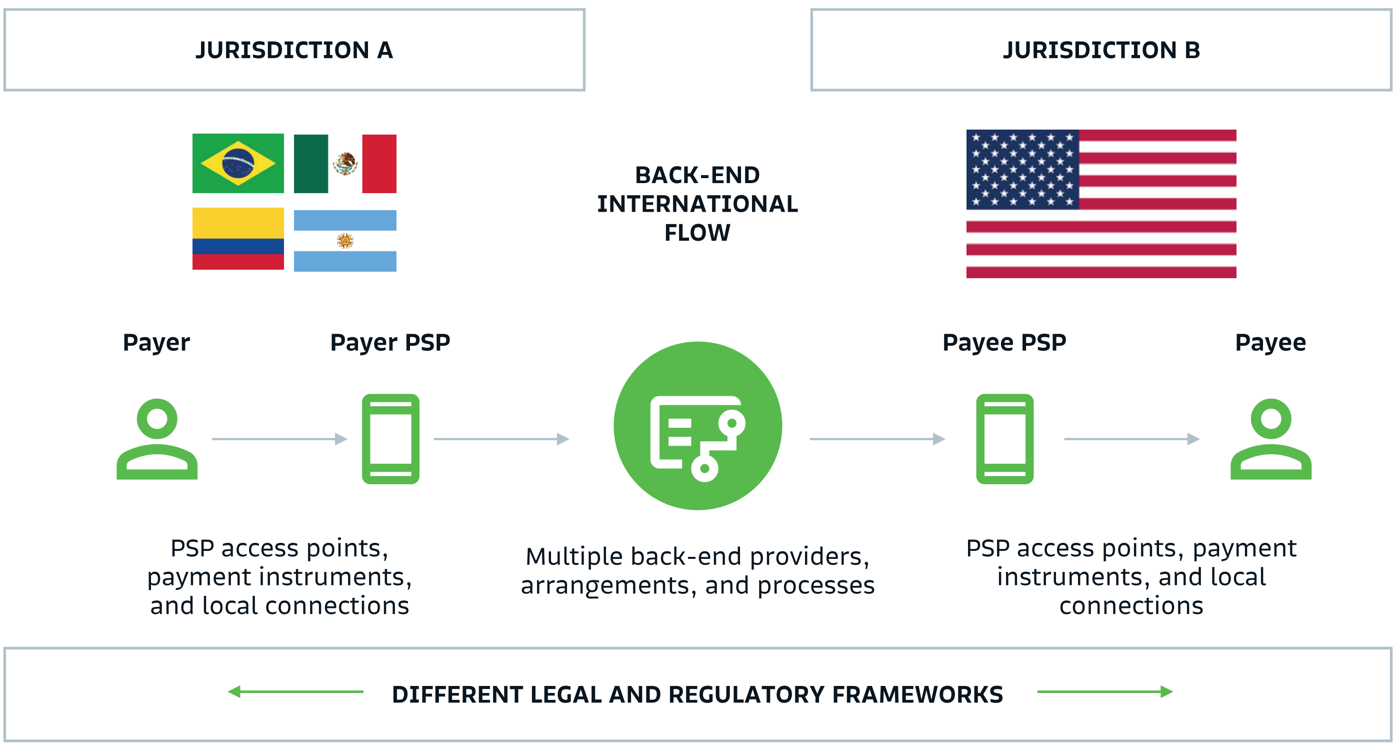
Understanding the cross-border payments ecosystem

As noted, the cross-border payments market is highly complex, involving multiple parties, diverse use cases, and intricate underlying arrangements. The payer and payee in a cross-border transaction (or sender and receiver in a person-to-person remittance) operate in different jurisdictions, requiring intermediaries across these regions. Numerous actors, processes, and systems must align to facilitate seamless cross-border payments.

Typically, payers and payees engage with customer-facing Payment Service Providers (PSPs) to initiate or receive payments. They agree on the payment instrument and the payer initiates the transaction through the PSP's service channel. The payee then completes the process using their own PSP's service channel and payment instrument.[17]

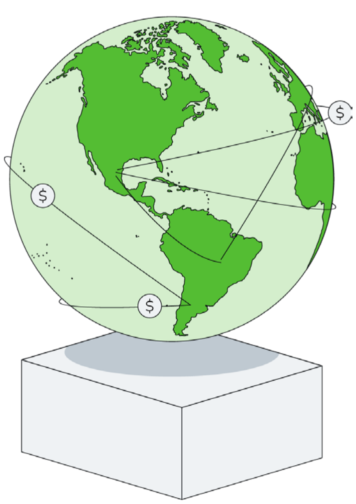
PSPs for cross-border payments can be divided into two main categories: bank and non-bank PSPs. Non-bank PSPs include conventional and online Money Transfer Operators (MTOs), post offices, and mobile network operators.

FIGURE 4: GENERAL OVERVIEW OF CROSS-BORDER PAYMENTS ACTORS



Source: PCMI

The diversity of local payment methods across LatAm results in a fragmented payment landscape for users and merchants. Integrating these varied systems into platforms is complex and resource-intensive, requiring tailored solutions for each market, along with significant development efforts and expertise.



It's important to note that not all PSPs have direct access to domestic instant payment system (IPS) infrastructures.[18] This access allows PSPs to initiate payments, both domestically and cross-border, without requiring the payer to pre-fund or hold an account with the PSP. When integrating payment methods across Latin America, each country presents unique challenges.

For instance, Mexico frequently uses OXXO and SPEI (and CoDi), Brazil prefers Pix and *boleto bancário*, Colombia relies on PSE, and Argentina uses Transferencias 3.0. The diversity of local payment methods across LatAm results in a fragmented payment landscape for users and merchants. Integrating these varied systems into platforms is complex and resource-intensive, requiring tailored solutions for each market, along with significant development efforts and expertise.

Cross-border payments are inherently more complex than domestic transactions. By understanding the traditional cross-border payments flow, we can better understand the potential of blockchain and stablecoins to streamline transactions, reduce friction, and improve overall efficiency.

How money moves internationally: the rise of correspondent banking

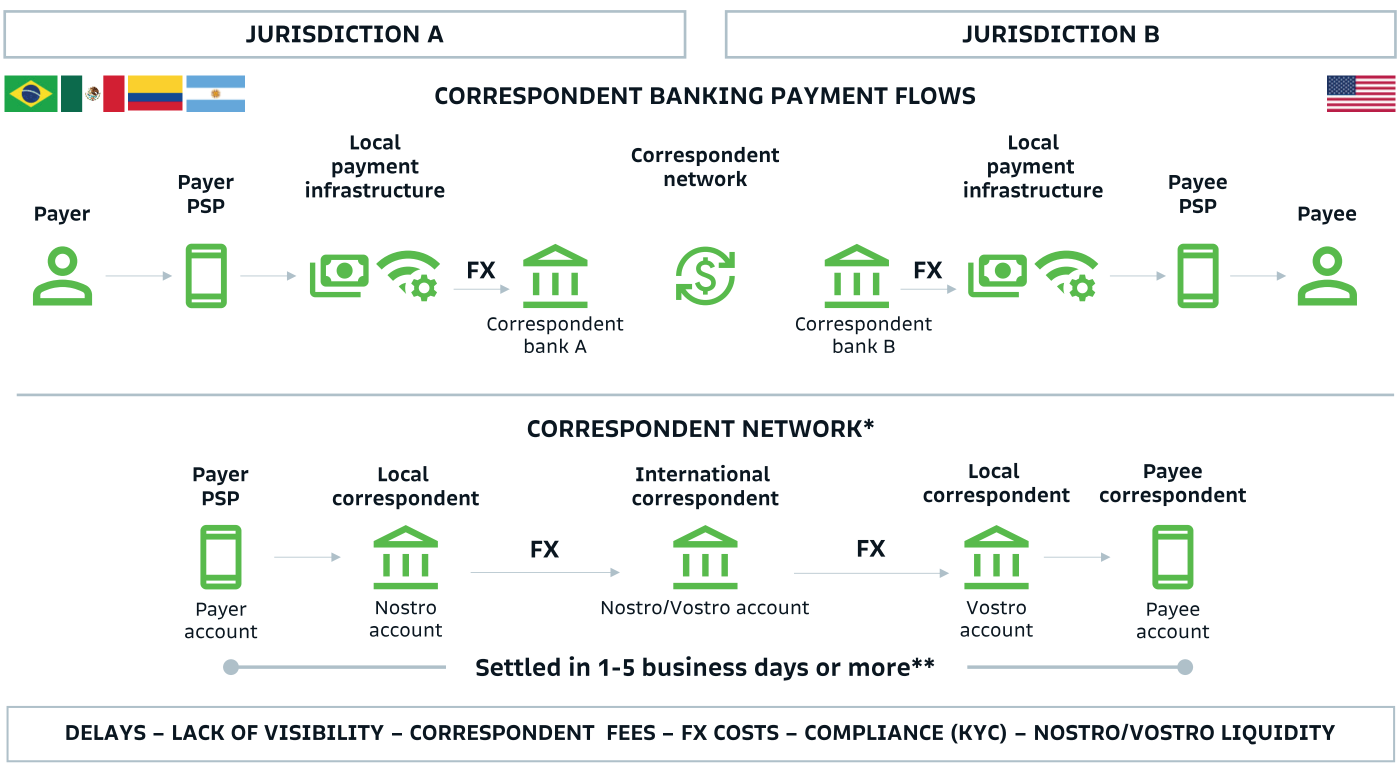
In cross-border transactions, international banks facilitate payments by providing accounts for their foreign counterparts, allowing them conduct transactions in foreign currencies without moving funds directly across borders. Instead, accounts are credited in one jurisdiction and debited in the other.

The traditional payment process involves two main stages: clearing and settlement. In the clearing stage, the payer's bank verifies the transaction to ensure compliance with anti-money laundering and fraud regulations. Once cleared, payment instructions are sent through a network of intermediary banks to the recipient's bank, which also conducts its own verification. The second stage, settlement, represents the actual transfer of funds to the payee.[19]

It’s important to note that when making a transfer between two jurisdictions, international banks provide accounts for foreign counterparts and have their own accounts with *their* foreign counterparts, which enable banks to make payments in foreign currency. The funds are not sent across borders; instead, accounts are credited in one jurisdiction and debited the corresponding amount in the other.

However, not every bank has a direct relationship, so sometimes they need to transact via an intermediary, a “correspondent” bank. This is a bank which provides accounts for each country’s bank if they do not have a direct relationship with each other. This is known as a correspondent banking network and it is an essential component of the global payment system for cross-border transactions, and still the most used worldwide (see Figure 5 below).

FIGURE 5: CORRESPONDENT BANKING MODEL FOR CROSS-BORDER PAYMENTS



*Note: In some cases, transactions may pass through multiple correspondent banks and intermediary countries. Additionally, if the PSP has a correspondent banking relationship in the foreign jurisdiction, the transaction may bypass the domestic payment infrastructure.
** Direct transactions between banks with an established relationship: 1–3 business days. Transactions involving one intermediary: 3–5 business days. Transactions with multiple intermediaries: 5–10 business days or more.

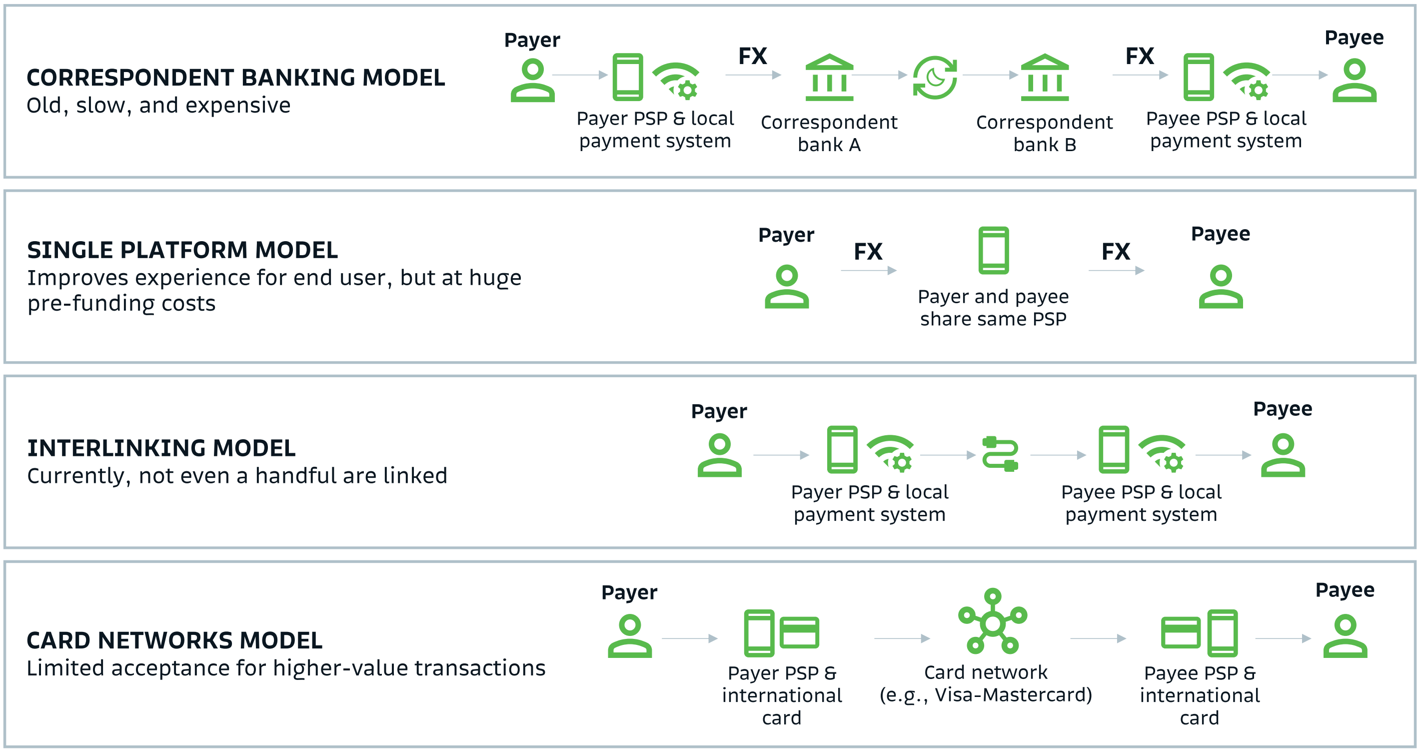
Source: PCMI

Traditional cross-border payment systems (e.g., SWIFT) are often linked to these lengthy delays. Reciprocal correspondent banking relationships may involve the use of Nostro and Vostro accounts to settle foreign exchange transactions. This entire process can be time-consuming, often taking 1 to 5 days, and sometimes up to 10 or more business days, particularly when multiple intermediary banks are involved.

Alternative models for cross-border payments, such as the closed-loop model,[20] payment cards supported by networks,[21] and the Interlinking model,[22] exist, but correspondent banking remains the dominant method (see Figure 6 below). Each cross-border transaction often involves multiple correspondent banks, leading to increased complexity, costs, and processing times[23]—especially with less common currency pairs that require additional banks, resulting in more fees and delays.

Traditional cross-border payment systems (e.g., SWIFT) are often linked to these lengthy delays and reciprocal correspondent banking relationships. This entire process can often take 1 to 5 days.

FIGURE 6: COMMON APPROACHES/RAILS IN CROSS-BORDER PAYMENTS



Source: PCMI

High costs, delays, lack of visibility, and the liquidity trap

The traditional cross-border payments models face multiple inefficiencies, driving up costs and delays. Fees for B2B cross-border payments can range from 1.5% to 2.9%,[24] and in the case of remittances, the average cost can, in some cases exceed, 6%.[25] The demands for speed, currency availability, and global reach underscore the core issues within these systems. Payment delays arise as traditional infrastructures only process transactions on business days, despite cross-border transactions needing continuous operation.

A fundamental pain point is the liquidity trap caused by the pre-funding of Nostro/Vostro accounts, which presents a major opportunity cost for businesses. Financial institutions must maintain liquidity for cross-border transfers by pre-funding these accounts, but this locks up significant capital that could otherwise be used for more productive activities. Estimates suggest that globally, US$10 trillion sits dormant in pre-funded accounts, with more accurate figures indicating that US$11.6 billion in working capital, including US$2.8 billion in Latin America, is tied up at any given time. This idle capital represents a substantial economic loss for businesses, as it remains inaccessible for growth.[26]

> "Traditional systems struggle with availability. While cross-border payments are sent daily, traditional systems operate on business days, creating delays."
>
> **Claudia Garavini**, Head of Business Development & Strategy
>
> Félix

> "We always need to park liquidity, especially for weekend or overnight transactions, which implies costs. [These are] funds that could otherwise support business growth and operational flexibility."
>
> **Vinicius Vieira**, Head of Sales & Account Management
>
> Ebury Bank

Currency exchange rates are another significant pain point; they may be unfavorable for customers due to delays of two or three days due to settlement through wholesale FX markets. During this period, exchange-rate fluctuations can increase costs for both businesses and consumers—smaller companies feel these effects most keenly as they typically lack access to favorable rates.

Pay-ins and payouts in local currencies represent another obstacle, especially in developing markets. Businesses often face friction when trying to pay employees or suppliers in local currencies, leading to further currency conversion fees for recipients. International providers aim to have direct connections to avoid complexities, so key partnerships are essential.

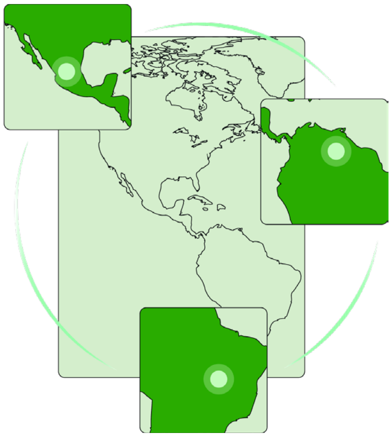
Language barriers and outdated legacy systems contribute to high operational costs. For instance, managing different banking terminologies across intermediaries complicates the process, especially for small-value transactions, adding time and expense. This issue makes small-value transactions especially expensive and adds complexity to the payment process.

The dependence on intermediaries and local infrastructure exacerbates these inefficiencies, reducing transparency and control over transactions. This fragmented system often leads to inconsistent customer experiences and compromises security.

Moreover, all interviewees emphasized the impact of regulatory challenges. Cross-border payments must navigate a complex web of regulations, as each country has its own set of rules. This regulatory fragmentation often means companies need local licenses to operate in different regions, creating legal hurdles and increasing the cost and complexity of compliance. Additionally, regulators' concerns about new models and differing regulations can slow down payment processes and hinder innovation.

> "Even when our model aims for direct connections, we must sometimes rely on partners for pay-in and payout ramps. The role of those partners is essential for offering a seamless experience."
>
> **Jairo Riveros and Beatriz Bravo**, Managing Director of the Americas & Global Chief Strategy Officer, and Head of LAC
>
> PAYSEND

> "Beyond the high costs of the transfers themselves, we face significant expenses in maintaining and managing the banking languages used by each intermediary we work with. Every bank names things differently."
>
> **José Antonio Diego and Isaac Garcia,** Director and Treasury Coordinator
>
> Liverpool



On the next page, Figure 7 summarizes the key pain points identified during our interviews with top professionals from money transmitters and PSPs, as well as regulatory experts and law firms. These major pain points result in high costs, slow processing times, and a lack of transparency in cross-border payments.

FIGURE 7. MAIN PAIN POINTS IN CURRENT CROSS-BORDER PAYMENTS

Liquidity Issues
Prefunding requirements tie up capital in multiple countries, creating delays and increasing the costs of processing cross-border transactions and dormant capital.

FX Problems
Unfavorable currency exchange rates and settlement delays cause unpredictable costs for businesses and consumers, especially for small-volume transactions.

Pay-Ins and Payouts
Enabling local currency pay-ins and payouts remains challenging, especially in developing markets, often forcing recipients to incur currency conversion fees.

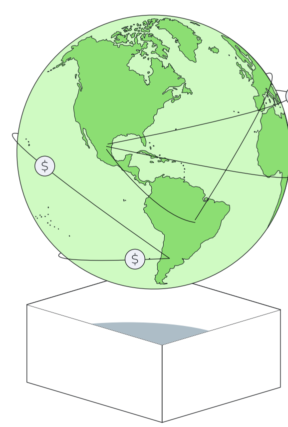
Security and Transparency
Cross-border transactions often lack transparency, making tracking difficult, while multiple intermediaries increase security risks and vulnerabilities to fraud.

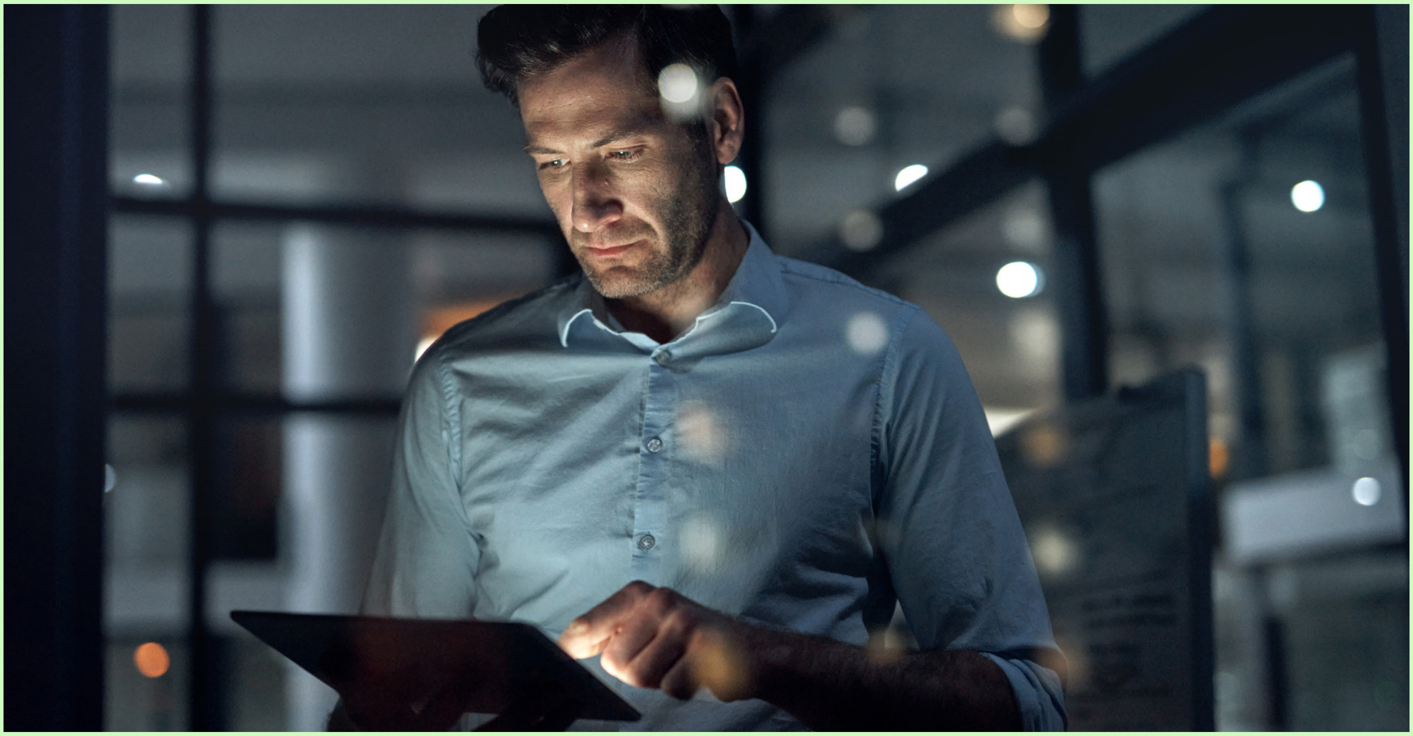
Complex Regulation
Complex, fragmented regulatory environments across countries increase compliance costs and slow down payment processes, hindering innovation in cross-border payments.

Legacy Systems
Cross-border transactions are burdened with high fees due to intermediary banks, currency conversion charges, and outdated systems, making small-value transfers expensive.

Source: PCMI analysis

This raises critical questions: How can stablecoins and blockchain solutions transform the landscape? As we will see, stablecoins utilize blockchain technology, enabling near-instantaneous transactions that significantly reduce the payment float time—the duration between debiting the payer's account and crediting the payee's account.





CHAPTER 3

Blockchain opportunities in cross-border payments: the role of regulation

Digital trends: blockchain and stablecoins for cross-border payments

As observed, traditional cross-border payments are plagued by intermediaries and infrastructure inefficiencies. However, a wave of digital innovations is transforming this landscape.

For instance, global digital wallets are evolving beyond domestic use to facilitate cross-border payments, making money transfers more accessible and affordable, particularly for underserved populations. Innovations such as GooglePay's integration with Western Union and Wise—as well as services like Global66, Mercado

Pago, and Félix Pago—are simplifying remittances. Real-time payment networks are also expanding across borders, with systems like India's UPI and Brazil's Pix driving faster account-to-account transfers and international interoperability.

Push-to-card solutions, utilized by Paysend and other major money transfer operators, further enhance global payment speed by leveraging the vast card-issuer ecosystem.

However, blockchain technology is leading the way by removing intermediaries, cutting costs, and increasing transaction speed. More than 130 countries are exploring Central Bank Digital Currencies (CBDCs) as a means to enhance cross-border payments, with Brazil's DREX pilot and the Sand Dollar in the Bahamas showcasing their potential. At the same time, companies like Bitso, Ripple, and Circle are leveraging blockchain-based technology and stablecoins to transform cross-border transactions and other financial services, bringing greater transparency and efficiency.

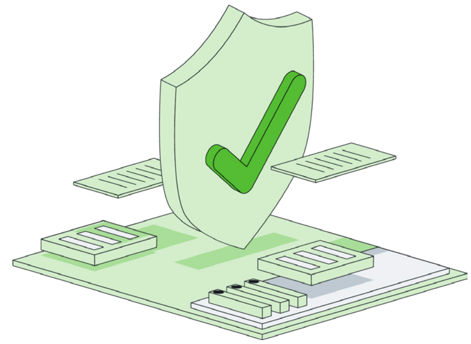
Blockchain technology is leading the way by removing intermediaries, cutting costs, and increasing transaction speed.

Today, blockchain technology and stablecoins are rapidly emerging as preferred methods for global value transfer. Major players like Visa[27] are leading this shift, becoming the first significant payment network to settle transactions with stablecoins while actively investing in Web3 initiatives.[28] By September 2024, Worldpay had processed over US$1.3 billion in payments using stablecoins, reflecting a 30% growth from under US$1 billion in 2023.[29] Citi also launched Citi Token Services for Cash, a cross-border liquidity platform built using a private blockchain owned and operated by the bank, which will add to its wider transaction banking offerings. It's another reflection of incumbent banks' interest in the digital currency movement, following J.P. Morgan's Onyx solution and an increased interest in stablecoins. Onyx, a blockchain platform led by J.P. Morgan, has processed over US$1 trillion in notional transactions by May 2024, managing US$2 billion in transactions daily.[30] In 2024, DBS Bank also introduced DBS Token Services, offering treasury tokens, conditional payments, and programmable rewards.[31]

Blockchain technology and stablecoins are rapidly emerging as preferred methods for global value transfer, with major players like Visa, Mastercard, J.P. Morgan, PayPal, Worldpay, Citi, and others investing in the technology.

Stablecoins act as a truly global currency, instantly connecting buyers and sellers worldwide, and they have become the world's "digital dollars" (since the majority are pegged to the US dollar). Their market cap reached US$165 billion in mid-2024,[32] and annually, they facilitate trillions of dollars in transactions. Governments and regulators are increasingly recognizing stablecoins as financial assets. Europe[33] was the first major market to introduce a comprehensive regulatory framework for digital assets, including stablecoins.

Stablecoins were designed to provide stability and predictability for cryptocurrencies. They address a significant drawback of digital currencies like bitcoin: high volatility. For businesses, stablecoins offer a new way to move money globally at internet speed. They can protect balance sheets from currency devaluation, avoid unfavorable pricing in commercial contracts, and support financial planning. For individuals, stablecoins provide a hedge against inflation and increase purchasing power. Residents in countries with volatile currencies often turn to stablecoins to preserve their savings.



While they still make up a small fraction of the global financial system, stablecoins are rapidly becoming a popular way to transfer value globally, with major players investing in the technology. Stablecoin settlements have experienced robust growth amidst fluctuating crypto markets. Total settlement volumes reached nearly US$7 trillion in 2023, with Tether's USDT accounting for roughly two-thirds.[34] Stablecoin payments still totaled US$4.7 trillion in the twelve months leading up to October 2024, representing a tenfold increase in volume since 2020.[35] This underscores the growing popularity of stablecoins as a global payment method.

Blockchain advantages and regulatory uncertainty

Industry experts interviewed by our research team unanimously agree that blockchain brings substantial benefits to cross-border payments. They highlighted cost savings as a primary advantage, as blockchain enables more affordable transactions. Experts also emphasized efficiency, pointing to accelerated processes, reduced oversight needs, and the benefit of 24/7 availability. Additionally, they underscored blockchain's ability to simplify and secure transactions through tokenization, emphasizing its speed, security, traceability, and low costs.

> "The primary advantage of blockchain is cost savings."
>
> **Fausto Cota and Agustín Pérez Ballesty**, Remittances Business Manager and Product Owner
>
> mercado pago

Beyond operational improvements, blockchain offers specific advantages over traditional cross-border systems. It has the potential to transform customer identification and compliance processes, streamlining KYC, AML, and CTF procedures. This results in a more integrated and secure system for cross-border payments. It also simplifies post-transaction activities like reconciliation, reporting, and contract enforcement through smart contracts.

However, one of the most significant benefits is the simplification of settlement and reconciliation processes. Blockchain allows for simultaneous settlement and reconciliation between banks, streamlining the complex procedures typically required in correspondent banking. In FX clearing and settlement, blockchain enables faster currency conversions and supports payment-versus-payment systems, mitigating risks associated with longer settlement cycles.

Consequently, blockchain technology and stablecoins can enable near-instantaneous settlement, bypassing the need to pre-fund accounts that make up correspondent banking corridors. This kind of efficient underlying payment system may dramatically reduce the need for the excess buffers in pre-funded accounts.

The efficiency gains provided by blockchain are substantial. It accelerates end-to-end processing, reduces costs by eliminating intermediaries, and enables faster and more transparent reconciliation. Blockchain also addresses credit and liquidity management challenges by enabling effective liquidity planning and allocation. Automated contract tools like smart contracts further simplify processes and reduce operational and security risks.

> "The main advantage of blockchain is its speed, with transactions that are secure, traceable, and low-cost."
>
> **Rodrigo Lama**, Chief Business Officer
>
> Global66

> "Until it's 100% regulated, many participants are hesitant."
>
> **Marc Sacal,** CEO
>
> AstroPay

Despite advancements, regulatory challenges remain a critical barrier to broader blockchain adoption, especially in B2B money movement. The lack of regulatory clarity is a primary concern, making many participants hesitant to fully embrace blockchain solutions until comprehensive regulations are in place. This hesitation is compounded by the fact that regulation often lags behind technology, fostering a risk-averse environment that hampers both service quality and innovation. The uncertainty extends to clients who are enthusiastic about blockchain but reluctant to engage without clearer regulatory guidance, with many opting to avoid involvement in such an ambiguous landscape.

> **Blockchain technology and stablecoins can enable near instantaneous settlement, bypassing the need to pre-fund accounts that make up correspondent banking corridors.**

Through expert insights, it becomes evident that regulatory inconsistencies across jurisdictions pose substantial obstacles to the widespread implementation of blockchain. These findings set the stage for a closer look at the regulatory landscape and its implications for the future of blockchain in cross-border payments.

> "Regulation is always the slowest part. The complexity makes everyone more risk-averse, worsening service and innovation."
>
> **Mario Fernández Olavarrieta,** Squad Leader Remittances
>
> Walmart
> Save money. Live better.

CHAPTER 4

The potential of blockchain and stablecoins, and the regulatory landscape for cross-border payments in Latin America

Regulatory landscape: insights from Argentina, Brazil, Colombia, and Mexico

As the cross-border payment industry evolves, navigating the regulatory landscape emerges as a significant hurdle. For companies operating in the cross-border payment space in Latin America, including remittance companies and PSPs processing payments for foreign merchants, the regulatory environment is shaped by a mix of local and international regulations. Reforms around privacy, anti-money laundering (AML), combating the financing of terrorism (CFT), and consumer protection have been pivotal in driving change, while licensing requirements and efforts to tackle fraud and scams have further influenced the landscape.

FIGURE 8. KEY REGULATORY ASPECTS FOR CROSS-BORDER PAYMENT FIRMS

Licensing Requirements
Cross-border payment firms must obtain specific licenses, often involving registration with central banks or financial regulatory authorities, and demonstrate financial health and compliance.

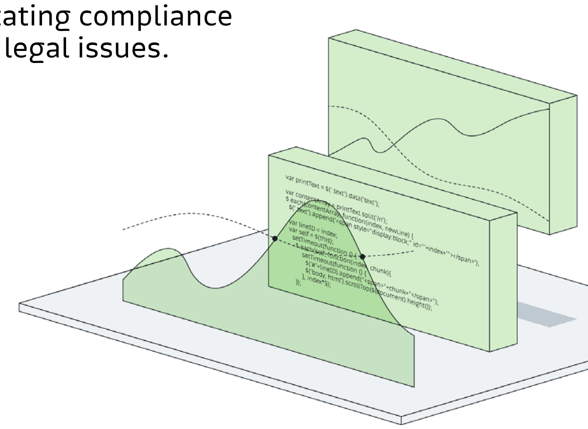
Know Your Customer
Firms must adhere to stringent AML and CFT regulations, implementing KYC processes, transaction monitoring, and reporting mechanisms to meet both local and international standards.

Consumer Protection
Regulations often include provisions about transparency in fees, exchange rates, and transaction times to protect consumers, necessitating compliance to avoid legal issues.

Taxation
Cross-border payment firms must comply with tax regulations, including VAT/GST, income tax, and withholding tax, while also managing double taxation treaties to minimize liabilities.

Currency Controls
Strict currency exchange controls in many Latin American countries require careful navigation to avoid penalties, impacting the liquidity and efficiency of cross-border transactions.

Source: PCMI analysis



On the other hand, the demand for digital asset adoption highlights the potential efficiencies of blockchain and stablecoins for customers. In fact, Argentina, Brazil, Colombia, and Mexico are notable for their high digital assets adoption rates, with Brazil ranked 9th, Argentina 15th, Mexico 16th, and Colombia 32nd, illustrating their significant position in the global crypto market.[36]

> "While blockchain is not explicitly prohibited, the lack of clear regulations creates uncertainty."
>
> **Fernanda Juppet**, Chief Executive Officer
>
> CRYPTOMARKET

Latin America—particularly Argentina, Brazil, Colombia, and Mexico—has a diverse regulatory landscape for cryptocurrencies. This diversity highlights the region's complex approach to regulation, oversight, and compliance.

In this context, despite blockchain technology and stablecoins offering transformative potential, many companies feel compelled to operate in uncertain "gray areas" due to ambiguous legal frameworks. Without explicit prohibitions, the absence of clear regulations generates uncertainty, causing companies to hesitate in fully integrating blockchain into their operations.

Latin America—particularly Argentina, Brazil, Colombia, and Mexico—has a diverse regulatory landscape for cryptocurrencies. This diversity highlights the region's complex approach to regulation, oversight, and compliance.

Argentina has endured a decade of inflation and economic crises. A new government is now seeking to ease regulations, reduce public spending, and open the economy. These reforms could significantly reshape the country's economic landscape.

Strict currency controls and restrictive policies have long hindered cross-border transactions. However, domestic digital payments have flourished. Platforms like Mercado Pago, which now boasts over 12 million users, have driven this growth. Similarly, Transferencias 3.0, a real-time payment system, has gained significant traction. It has even overtaken cards in usage and has contributed to the rise of QR-based payments.

On the regulatory side, Argentina lacks a comprehensive fintech law. Companies offering cross-border payment services need authorization from the Central Bank of Argentina. Despite this, regulatory requirements are generally lighter compared to other markets. Businesses must still comply with consumer protection laws, digital signatures, tax regulations, and AML (Anti-Money Laundering) rules. Additionally, Virtual Asset Service Providers (PSAV, by its Spanish abbreviation) must register with the Comisión Nacional de Valores (CNV)[37] and crypto assets are subject to taxation.

However, setbacks emerged in 2022 when Argentina's central bank banned crypto services at banks, extending the ban to payment providers in 2023. While Argentina ranks 15th globally in crypto adoption, blockchain solutions for cross-border payments remain uncertain. There is optimism that these restrictions will be lifted, but the immediate development of the sector seems unlikely.

On the other hand, **Brazil**, Latin America's largest market, has 87% smartphone penetration, near-universal bank access, and only 16% of the country's transactions are cash-based. Brazil's financial system is one of the most advanced in the world. Cross-border payment providers must be licensed by the Banco Central do Brasil (BCB) and adhere to Know Your Customer (KYC) requirements enforced by the BCB and the Conselho de Controle de Atividades Financeiras (Council for Financial Activities Control or COAF). Consumer protection is overseen by the Programa de Proteção e Defesa do Consumidor (PROCON), the Consumer Protection and Defense Program.

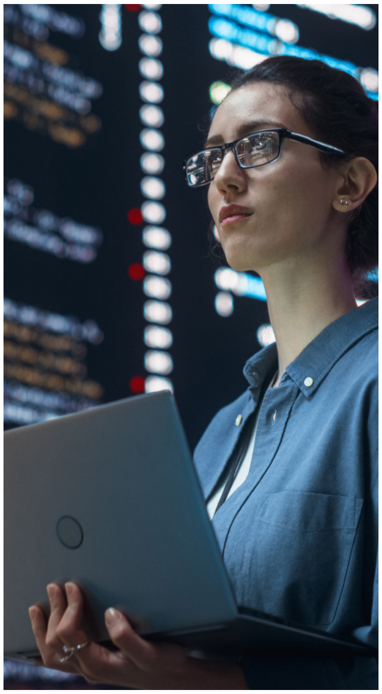
Brazil's 2022 Cryptoassets Act (Law 14,478) established a regulatory framework prioritizing anti-money laundering (AML) and KYC compliance, with virtual asset regulations from the BCB anticipated by 2025. Brazil is recognized for its proactive approach to blockchain development and testing in the region. Although digital assets are not considered legal tender, they fall under the regulation of both the BCB and Securities and Exchange Commission of Brazil (CMV), with multiple banks already implementing blockchain-based solutions.

Brazil is a pioneer in open banking and central bank digital currencies (CBDCs), and has made significant strides in cryptocurrency regulation. The launch of Pix in 2020 by the BCB revolutionized instant, free money transfers. By 2025, Pix is expected to account for 44% of Brazil's online payments, surpassing credit cards, which are projected to account for 41% of such payments. Daily, 43% of Brazilian consumers use Pix, compared to 29% who rely on credit cards and 21% who use cash. Additionally, 82% of users report that Pix has a positive impact on their daily lives.[38] Private companies like PagBrasil and KamiPay have internationalized Pix, while firms such as Fiserv are enabling global merchants and consumers to adopt it. For experts, working with firms connected to Pix is essential.

In conclusion, Brazil stands out as a regional leader with a clear regulatory framework for both cross-border payments and digital assets. With global recognition and regulatory certainty, Brazil is seen as the most promising market for the future of blockchain-based cross-border payments.

Colombia, one of Latin America's top five economies, has a dynamic digital economy and a thriving fintech sector. Platforms like Nequi and Daviplata both serve 35 million customers; however, cash transactions still account for nearly half of all payments in the country. Colombia's domestic real-time payment platform, PSE, was developed by ACH Colombia. It represents a third of online sales and is projected to capture 40% of the market by 2026.

> "Brazil's progressive regulatory environment positions it to lead Latin America's blockchain adoption, setting a potential standard for other countries in the region."
>
> **Jairo Riveros**, Managing Director of the Americas
>
> PAYSEND



Digital payments in Colombia are on the brink of significant change, following Banco de la República's August 2024 announcement of Bre-b, the country's new interoperable instant payment system.[39] Bre-b is inspired by Brazil's Pix initiative. Additionally, work is underway to establish "Drixi," an immediate low-value payments clearinghouse. Both are expected to be operational by the second half of 2025.

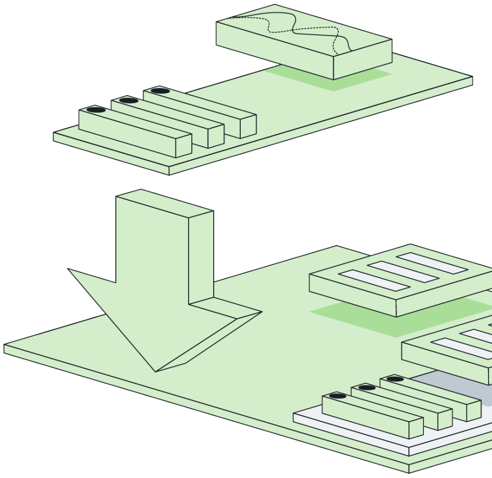
Despite advancements in digital banking, cross-border payment companies must contend with diverse legal frameworks, as specific regulations for blockchain-based payments are still lacking. In the absence of targeted guidelines, companies are expected to operate within existing frameworks, such as the SEDPE.

While digital assets are still broadly unregulated, some regulatory milestones have emerged. For instance, in 2021, a regulatory sandbox pilot was launched, allowing seven alliances to conduct test operations with crypto assets. This pilot ended in December 2023, and officially concluded in June 2024, when the Financial Superintendence published notable findings.[40] Additionally, in 2022, authorities confirmed that crypto-generated income is taxable. Regulation extends beyond tax implications to also cover the implementation of anti-money laundering and counter-terrorist financing controls.[41]

In conclusion, while Colombia's fintech and digital banking sectors are growing rapidly, regulatory uncertainty continues to be a major barrier for blockchain-based cross-border solutions.

Finally, **Mexico**, Latin America's second largest market, leads the region in eCommerce and cross-border sales, with cross-border transactions accounting for 22% of eCommerce and a 44% annual growth rate projected by 2026. However, cash remains dominant because only 58% of adults have bank accounts.

Mexico is also the second-largest recipient of remittances globally, receiving US$66 billion in 2023, a figure that continues to grow. Mexico's 2017 Fintech Law initiated regulation for blockchain and digital assets, but skepticism from Banxico (the country's central bank) has led to a ban on financial institutions offering crypto services. Despite this, Mexico ranks 16th globally in crypto adoption.



Cross-border payments have experienced significant growth in Mexico, particularly with the emergence of new business models. However, regulatory uncertainty persists in specific sectors, such as remittance providers. Companies must be licensed under the Fintech Law and adhere to strict KYC requirements, while PROFECO oversees consumer protection. Unfortunately, there are no specific protections for digital assets in areas such as advertising, data storage, or tax compliance.

Banxico has set conditions for financial institutions handling virtual assets (Rule 4/2019), while the Fintech Law governs PSPs, crowdfunding, and digital assets. Blockchain is permitted for internal processes, as long as it poses no risk to consumers, and strict oversight is ensured via the SPEI real-time payment system. Experts agree that connections to SPEI are crucial for navigating Mexico's payment landscape.

In conclusion, while Mexico has established a general regulatory framework for cross-border payments and digital assets, caution persists. Regulatory uncertainty remains a challenge, yet experts remain optimistic about the future of blockchain-based cross-border payments in Mexico.

Qualitative analysis: ranking the potential for blockchain adoption

This regulatory diversity affects the implementation and innovation of cross-border. Each country takes a distinct stance on integrating blockchain-based solutions, making it crucial to understand these regional differences.

On the next page, you will find Figure 9, the Blockchain-Based Solutions Adoption Potential Ranking, which evaluates each country's readiness and favorable conditions for integrating blockchain technology into B2B cross-border transactions.

We developed this qualitative ranking based on our interviews with payment experts for this project. We list a number of variables and indicate whether each will have a positive impact (using +), a negative impact (using X), or a neutral impact (using a horizontal line) on potential adoption for these four countries.

> **The regulatory diversity affects the implementation and innovation of cross-border payments.**

PCMI research and interviews with payments experts also helped establish the key variables in each country that will influence the adoption or non-adoption of blockchain-based solutions in these countries. Below we break down the variables considered.

- **Expert Sentiment:** Expert opinions on blockchain adoption and regulatory challenges.
- **Licensing Requirements:** The clarity and sophistication of regulations for cross-border and blockchain operations.
- **KYC (AML/CFT):** The enforcement of anti-money laundering and terrorism-financing measures.
- **Consumer Protection:** Safeguards for consumer rights in cross-border and digital asset transactions.
- **Taxation:** The clarity of tax regulations affecting cross-border payments with digital assets.
- **Currency Exchange Controls:** The impact of currency control measures on cross-border transactions.

FIGURE 9. BLOCKCHAIN-BASED SOLUTIONS ADOPTION POTENTIAL RANKING

		Expert Sentiment	Licensing Requirements	KYC (AML/CFT)	Consumer Protection	Taxation	Currency Exchange Controls
1		Positive	Positive	Positive	Positive	Positive	Positive
2		Neutral	Positive	Positive	Neutral	Neutral	Positive
3		Neutral	Neutral	Neutral	Neutral	Positive	Neutral
4		Negative	Neutral	Neutral	Neutral	Positive	Negative

Positive Neutral Negative

Source: PCMI

> **Despite these hurdles, demand for blockchain technology and stablecoins grows due to its potential for efficiencies in cross-border transactions. In Argentina, Brazil, Colombia, and Mexico, high adoption rates of digital assets reflect market openness, even as firms deal with uncertain legal frameworks.**

As companies explore blockchain integration in B2B money movement, the regulatory environment remains a primary concern. Latin America's regulatory landscape is complex and varied, significantly impacting the potential for blockchain adoption in cross-border payments.

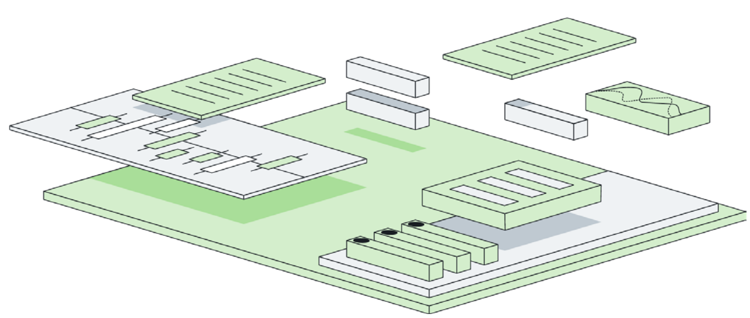
Countries like Brazil, with a clear regulatory framework and proactive approach to digital assets, are regional leaders. In contrast, Argentina and Colombia face uncertainty with ambiguous frameworks and restrictive policies, hindering full blockchain integration. Mexico shows progress through its Fintech Law and massive potential but still faces cautious regulatory measures.

Despite these hurdles, demand for blockchain technology and stablecoins is growing due to its potential for efficiency in cross-border transactions. In Argentina, Brazil, Colombia, and Mexico, high adoption rates of digital assets reflect market openness, even as firms deal with uncertain legal frameworks.

Industry experts confirm that while there are no outright legal barriers to blockchain, there is an urgent need for regulatory clarity to unlock its full potential and ensure compliance in the region. Clarity is essential for businesses to leverage blockchain effectively in an evolving financial landscape.

Additionally, partnering with regulated firms has become mandatory for stakeholders to fully capitalize on the opportunities that blockchain and stablecoins present for cross-border payments.

> **Partnering with regulated firms has become mandatory for stakeholders to fully capitalize on the opportunities that blockchain and stablecoins present for cross-border payments.**



CHAPTER 5

How Bitso Business is building the future of cross-border payments

As the Latin American market grows, different regulations across countries are shaping the future of blockchain-powered cross-border payments. Countries with forward-thinking policies, like Brazil, are set to take the lead, while others need to overcome barriers to make the most of this technology.

Forming strategic partnerships is key for businesses aiming to streamline cross-border payments. Internationally regulated institutions with access to local pay-in/out methods have an advantage in regions with regulatory uncertainty.

That's why building strategic partnerships is crucial for businesses looking to simplify cross-border payments. Companies that are internationally regulated and have access to local pay-in/payout methods gain a big advantage, especially in regions with a complex, and sometimes uncertain, regulatory ecosystem.

This led us to Bitso Business, a payment infrastructure partner that helps global companies pay and receive in local currencies while enabling cross-border transactions using stablecoins, crypto, or fiat. Through blockchain technology, Bitso Business provides cost-effective, transparent payments without the need for pre-funding, with a single API that connects to local banking systems for instant local and cross-border payments.

Bitso Business has a major advantage over its competitors: it was the first in Latin America to get the Distributed Ledger Technology Regulatory Framework from the Gibraltar Financial Services Commission,[42] focusing on anti-money laundering (AML) measures and asset protection. Operating under a unique regulatory model, Bitso Business can serve companies worldwide in transactions across the US, Mexico, Brazil, Colombia, and Argentina, with some remarkable results. For instance, Bitso Business already manages over 10% of the total transfer volume between the US and Mexico, which currently is the second biggest remittance corridor in the world.

> **Bitso Business delivers cross-border payments that are quicker, safer, more transparent, and more affordable compared to traditional models like correspondent banking, using stablecoin, crypto, or fiat.**

> **Strategic partnerships are key for businesses aiming to streamline cross-border payments. Internationally regulated institutions with access to local pay-in/out methods have an advantage in regions with regulatory uncertainty.**

Another important point: Bitso Business is built to connect financial institutions, banks, and PSPs directly to local instant payment systems such as SPEI in Mexico, Pix in Brazil, T.3.0 in Argentina, and PSE in Colombia. It also facilitates real-time payments across Latin America, without the need for a traditional bank, supported by global liquidity. In addition to that, Bitso Business offers:

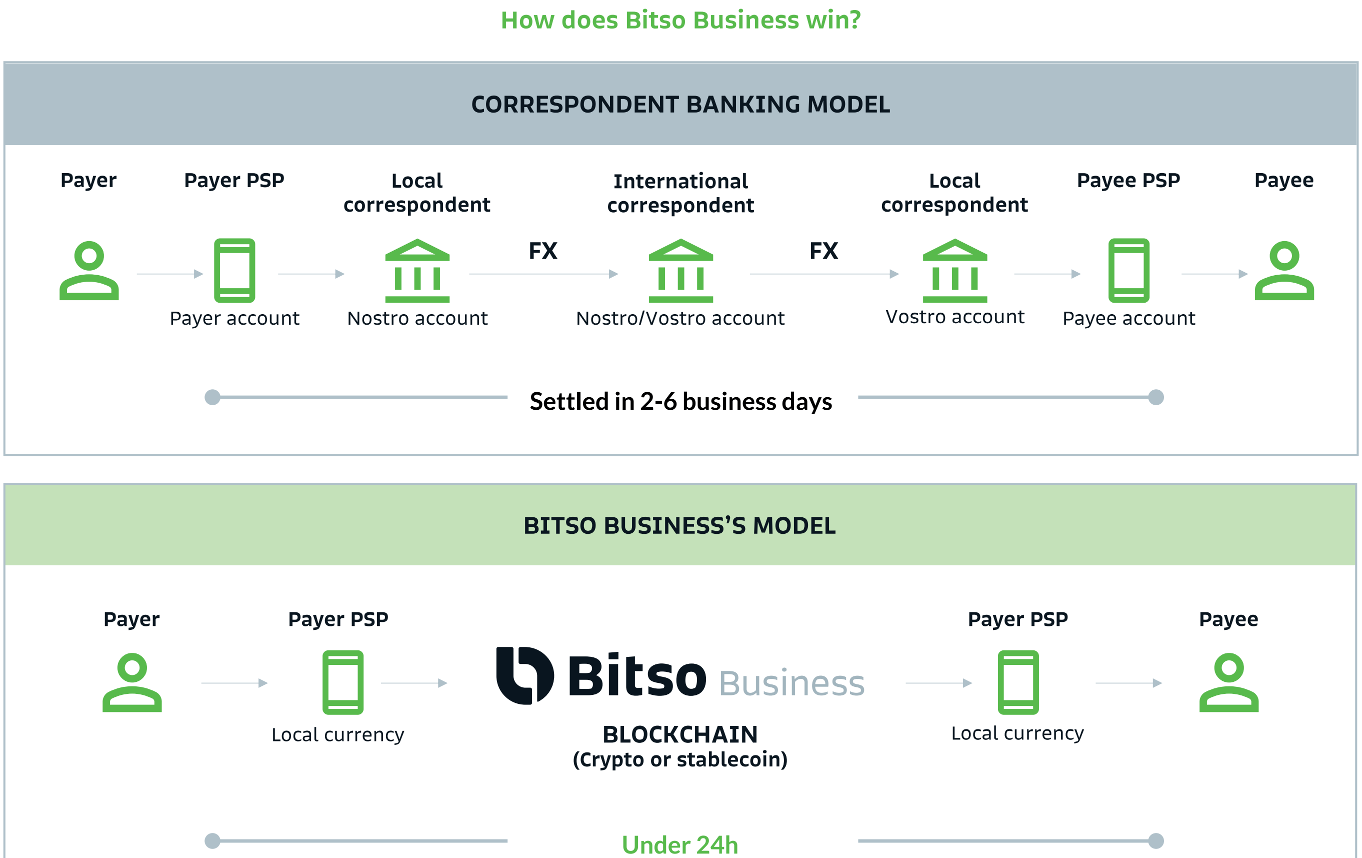
- **Pay-ins and Payouts:** Bitso allows businesses and their customers to deposit (pay-in) and withdraw (payout) through local banking systems or blockchains, with fixed transaction fees.

- **Trading (FX):** Bitso enables companies to trade between different assets (like MXN to USDC), with fees based on the volume traded.

In short, Bitso Business delivers cross-border payments that are quicker, safer, more transparent, and more affordable compared to traditional models like correspondent banking, stablecoin, crypto, or fiat. Its payout network covers multiple markets and is backed by an international payments infrastructure that's powered by the innovation of blockchain tech. All of this allows Bitso Business to help its partners tackle the challenges of cross-border payments.

Through this value proposition, Bitso Business is helping its partners address and innovate around the cross-border payment pain points highlighted in this report, driving meaningful change in the region. On the next page, Figure 10 breaks down how the Bitso business model compares to the typical correspondent banking model.

FIGURE 10: BITSO BUSINESS'S MODEL



KEY DIFFERENTIATORS OF THE BITSO BUSINESS VALUE PROPOSITION

- **Internationally regulated institution:** DLT Regulatory Framework in Gibraltar
- **Locally regulated institution** such as IFPE (Mexico), PSP (Argentina), IP (Brazil), SCD (Colombia)
- **Connected to local instant payment systems** such as SPEI (Mexico), Pix (Brazil), T.3.0 (Argentina), PSE (Colombia)
- **Local pay-ins and payouts** support deposits and withdrawals through local banking systems
- **Enables instant cross-border money movement** and eliminates the need for pre-funding

Source: PCMI analysis

CHAPTER 6

Final thoughts: embracing blockchain and stablecoins for cross-border payments in Latin America

The future of cross-border payments in Latin America stands on the brink of a transformative shift, driven by emerging technologies and evolving regulatory frameworks. While governments are prioritizing domestic payment systems like Brazil's Pix and Mexico's SPEI, the reality remains that, globally, incompatible banking systems create significant barriers to efficient cross-border transactions. These domestic solutions may excel within their borders, but they fail to resolve the complexities and inefficiencies associated with international payments.

Currently, businesses rely heavily on correspondent banking, which presents a myriad of challenges, including high fees, lengthy settlement times (often stretching from two to five days or more), and liquidity constraints caused by pre-funding Nostro/Vostro accounts. These inefficiencies lead to hidden costs that can significantly impact profitability, making it difficult for merchants to grasp the true expenses associated with cross-border transactions and hindering their growth potential.

The global B2B payments space represents a massive, underserved market segment ripe for disruption. Latin American markets are particularly well-placed to benefit from novel payment technologies.

In this context, as outlined in this report, blockchain technology and stablecoins hold immense potential to address these long-standing pain points within the cross-border payments ecosystem. Traditional correspondent banking systems are becoming increasingly inefficient, and the shift toward blockchain represents a fundamental change in how money can move across borders. The evidence is the attention this technology is attracting, as well as the investments from major industry players like Visa, PayPal, Citi, DBS Bank, and J.P. Morgan, signaling a clear market demand for more effective solutions.

Countries like Brazil are paving the way with regulatory clarity and innovative approaches, while other nations such as Mexico, Argentina, and Colombia face both challenges and opportunities in navigating their respective regulatory landscapes. Despite these hurdles, the region's growing appetite for digital assets indicates readiness for blockchain-based solutions.

To capitalize on the benefits of blockchain technologies, industry actors should consider the following recommendations:

1. **Reduce Intermediaries:** Cut costs by eliminating the layers of intermediaries prevalent in traditional correspondent banking models, thereby reducing fees and delays.

2. **Promote Transparency:** Foster a clear understanding of the true costs associated with cross-border payments to enhance merchant profitability and growth potential.

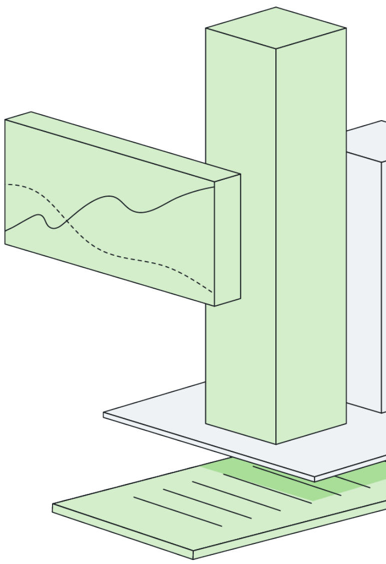
3. **Understand Local Payment Landscapes:** Tailor strategies to address the diverse local payment methods and unique infrastructural needs in different countries across the region.

4. **Educate on Regulatory Risks:** Industry leaders and regulators should collaborate to establish the regulatory clarity needed to harness blockchain's full potential in cross-border payments.

5. **Promote Fintech Innovation and Partnerships:** There is significant potential and room for fintech innovation in the cross-border B2B payment sector, with opportunities for collaboration between emerging fintech companies and established financial institutions.

6. **Foster Technological Leapfrogging:** Latin American markets have the potential to bypass traditional payment systems and adopt advanced solutions, positioning the continent as a leader in innovative cross-border B2B payment technologies.

> **Traditional correspondent banking systems are becoming increasingly inefficient, and the shift toward blockchain represents a fundamental change in how money can move across borders.**



7. **Approach Traditional Industries:** Strengthen relationships with clients in traditional sectors, bringing them closer to the advantages of blockchain technology. By targeting these industries, blockchain firms not only enhance commercial success but also drive the adoption of innovative payment solutions that can improve operational efficiency and financial transparency in traditional fields.

As Latin America continues to evolve, the diversity of regulations will play a critical role in shaping the future of blockchain adoption. Forming strategic partnerships with knowledgeable payment providers is essential for merchants seeking to expand across the region. These partners should possess deep local market expertise and a strong understanding of regulatory frameworks to facilitate smooth operations.

> **The increased transparency provided by blockchain allows businesses to gain greater visibility into transaction fees and statuses, facilitating effective payment tracking.**

As highlighted throughout this report, blockchain and stablecoins have the potential to address long-standing pain points in the cross-border payments ecosystem by offering solutions to critical issues. It enables near real-time settlement, significantly reducing transaction times and improving liquidity. By eliminating intermediaries, blockchain also cuts high fees and commissions associated with traditional transfer methods, leading to considerable cost savings. Additionally, it enhances compliance and security by supporting adherence to AML, KYC, and data protection laws. The increased transparency provided by blockchain allows businesses to gain greater visibility into transaction fees and statuses, facilitating effective payment tracking. Furthermore, regulatory licenses in various countries enable businesses to connect with local financial systems and transact in local currencies, promoting market expansion.

In conclusion, while the journey toward adopting blockchain for cross-border payments in Latin America is fraught with challenges, the potential rewards are substantial. By working together, businesses and regulators can navigate the complexities of this evolving landscape and embrace innovative solutions that enhance the efficiency and effectiveness of cross-border transactions, ultimately unlocking the region's full economic potential.

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14. Coinmetrics (2023). *Total Value Settled On-Chain '23 YTD* [Dataset]. (Access here)

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16. Removing activity such as high-frequency trading and bots.

17. Cross-border payments can be made in several different ways. Bank transfers, credit card payments, and alternative payment methods such as e-money wallets and mobile payments are currently the most prevalent ways of transferring funds across borders.

18. An instant payment system (IPS) provides a payment infrastructure to process payments between accounts held at banks and/or payment service providers (PSPs) instantly or within seconds and ultimately settles those payments (either in central bank or commercial bank money). They can operate in a single-currency (domestic) or multi-currency (global).

19. PSPs do not usually provide the back-end clearing and settlement, although some PSPs (e.g., large transaction banks) provide both front-end and back-end services (e.g., through correspondent banking services for other PSPs).

20. A closed-loop system enables both the payer and payee to use the same PSP across multiple jurisdictions, eliminating the need for correspondent banks. Common among MTO and multinational banks, this model requires local PSP presence in each jurisdiction, which can complicate risk management and cause fragmentation if systems lack interoperability.

21. Visa and Mastercard expanded accessibility and convenience for international transactions.

22. The Interlinking Model connects national payment systems, simplifying transactions for PSPs without local partnerships. Examples include Singapore's PayNow with Thailand's PromptPay. However, the limited number of linked infrastructures highlights the need for a scalable global network for cross-border payments.

23. Large transaction banks frequently offer correspondent banking services to smaller and/or domestically focused PSPs.

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