

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Regulation for innovative market infrastructures development in Latin America and the Caribbean
▪ TC Number:	RG-T4730
▪ Team Leader/Members:	Herrera Falla, Diego Mauricio (IFD/CMF) Team Leader; Zarate Moreno, Ana Maria (IFD/CMF) Alternate Team Leader; Becker Seco Rosario Paz (LEG/SGO); Marquez, Claudia (IFD/CMF); Benitez Moran Rosalia Del Pilar (IFD/CMF); Martinez Lopez, Cynthia Guadalupe (IFD/CMF); Chitman Henrique (IFD/CMF)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	n/a .
▪ Date of TC Abstract authorization:	n/a .
▪ Beneficiary:	LAC countries' public institutions such as Central Banks, Financial Regulators and Supervisors and Policy Makers
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$175,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	01 Aug 2025
▪ Types of consultants:	Consulting firms and individuals
▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/CMF-Connectivity Markets and Finance Division
▪ TC included in Country Strategy (y/n):	n
▪ TC included in CPD (y/n):	n
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Productive development and innovation through the private sector; Regional integration; Institutional capacity, rule of law, and citizen security; Supports digital transformation; Public sector policy and management; Transparency and integrity

II. Objectives and Justification of the TC

- 2.1 **Objective.** The objective of this TC is to generate knowledge to inform financial regulatory or institutional interventions in Latin America and the Caribbean (LAC), fostering an enabling policy environment for advancing innovative financial markets as pivotal pathways to financial stability and the protection of investors and consumers. This project will: (i) identify and disseminate best practices for regulatory interventions in emerging financial technology sectors, including crypto-assets and tokenization, with a particular focus on the specific challenges and opportunities within the region; and (ii) strengthen the knowledge of regional regulators to analyze crypto-assets and tokenization markets and their regulation.
- 2.2 The crypto-asset ecosystem in LAC has shown substantial growth, with the number of firms more than doubling since 2016 (CCAF and BID, 2023). Digital tokens using distributed ledger technologies and applications for cross-border remittances and

payments are transforming the region's financial markets. Also, there is an increased demand for Tokenized Real-World Assets in the traditional financial industry. These innovations change the structure of the financial system as they allow for the provision of financial services without intermediaries, allowing for faster and cheaper services. Benefits include financial inclusion, cross-border payments, and more integration. However, an increased crypto-asset ecosystem can pose significant financial stability risks as they can affect monetary policy and fiscal sustainability.

- 2.3 Proper regulatory frameworks, and systematized public-private cooperation, are needed to ensure a safe and dynamic ecosystem in the LAC region. First, the lack of rules exposes consumers and investors to fraud risks due to a lack of information, exaggeration, or misleading advertising. Second, existing regulations tend not to address properly these novel technologies' nature and requirements, and to treat crypto assets as financial instruments. For example, this means to consider only centralized markets infrastructures. These can create barriers for adopting these markets as they are diverse and complex, and some fall outside these definitions. Finally, there are market integrity risks, market fragmentation risks and monetary policy and stability considerations, as noted in the regulatory impact assessment of the European Markets in Crypto Assets Regulation (MiCA) regulation. A recent study suggests that market regulation of cryptocurrencies can lead to more efficient pricing and better protection of investors and consumers (Nimalendran M, et al. 2024). In this context, an enabling regulatory framework can support new technology services that offer more affordable financial products and services, such as those provided by crypto-asset service providers (CCAF and BID, 2022).
- 2.4 LAC regulatory authorities demand a clear understanding of methods for assessing specific areas of regulatory intervention of crypto asset service providers based on market failures, alternatives to address them, and criteria for assessing outcomes and unintended consequences. Such understanding should consider the specificities of the market developments in the region and the different levels of institutional capacity of regulators and supervisors. Examples such as Argentina, Mexico and Brazil show a high-level of adoption and utility in the context of currency devaluation in Argentina, for example, and a greater share of transaction volume to centralized exchanges compared to the global average (Chainalysis, 2024). Furthermore, financial authorities need to improve their capabilities to regulate and supervise the market. As for tokenization, the LAC region has made significant progress globally and can provide first-hand experience to the global discussions on tokenization regulation.
- 2.5 In this context, this TC intends to bridge the gap between frontier crypto-asset markets service providers regulation and provide novel lessons from regulating tokenization within the region. The project's expected outcome is the creation of relevant knowledge to inform LAC financial authorities' regulatory or institutional interventions in emerging regional financial markets such as crypto-assets and tokenization. The TC will achieve this by updating market data and offering a comprehensive understanding of the trade-offs in regulating crypto-assets and tokenization. This includes evaluating the potential for increased market innovation against the associated risks. Additionally, the TC will establish criteria to guide the appropriate levels of regulatory intervention, considering the diverse institutional capacities, adoption rates, and financial access limitations across the LAC region.
- 2.6 **Strategic Alignment.** The TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with bolstering sustainable growth and reducing poverty and social inequality. The TC is also aligned with the

operational focus areas of: (i) Institutional Capacity, Rule of Law and Citizen Security, by informing improvements in public policy interventions and service delivery for the regulation of crypto-assets and tokenization; (ii) Productive Development and Innovation through the Private Sector, by supporting the development and deploying instruments that nurture innovation in the financial sector and supporting countries in creating capacities in regulators, supervisors, and other public sector actors, an innovative sector by nature; and (iii) Regional Integration, by harmonizing market infrastructures and regulations allowing for greater coordination and the achievement of common objectives, including cross-border transactions. The TC will also contribute to social inclusion by promoting digital financial inclusion of populations excluded or underserved by the financial sector such as rural or migrant populations with innovative crypto-assets. Additionally, the TC is aligned with the Long-Term Financing Sector Framework Document (GN-2768-12) as the project will promote the financial sector's technological transformation by fostering the development of digital financial inclusion and fintech and improving financial regulation. Likewise, the TC is consistent with the Priority Area of "Effective, efficient and transparent institutions" of the Strategic Program for Development Financed with Ordinary Capital (GN-2819-14), which has the expected results: (i) strengthen the quality of institutions and policies as well as the provision of services and implementation of policies, to improve public management and promote the development of the private sector; and (ii) leverage digital transformation to promote more effective, efficient and transparent governments, better and more equitable opportunities for citizens, and more productive and innovative companies.

- 2.7 **Complementarity.** This TC complements other IDB initiatives to support regional governments in enhancing institutional capacity to promote new and innovative business models and products in the financial sector. Among other, the TC builds upon the results of projects such as "Support to the Development of Fintech Institutional Frameworks, Policies, and Regulations in LAC" ([RG-T3280](#)), "Support to public policies and institutional capacity for the development of Fintech in Latin America and the Caribbean" ([RG-T4181](#)), "Toward Regulatory Convergence for the Fintech Regional Ecosystem" ([RG-T3309](#)), "Institutional Support for the Consolidation of the Digital Financial Inclusion Ecosystem in Latin America and the Caribbean" ([RG-T3967](#)), among others. Furthermore, this TC will allow for synergies with IDB Invest and IDB Lab regarding public-private dialogue and knowledge development to improve regulatory interventions. This TC project will leverage the expertise of the three IDBG windows to enhance public-private dialogue and knowledge development, and to provide access to cutting-edge research and innovative solutions.
- 2.8 **Beneficiaries.** Considering the research and dissemination nature of the TC, the project will benefit all member LAC countries, specifically financial sector authorities such as Central Banks and financial regulators and supervisors. The indirect beneficiaries of the project are private sector actors, entrepreneurs, and consumers of innovative financial markets.

III. Description of activities/components and budget

- 3.1 This TC will be supported by the following components:
- 3.2 **Component 1. Policy relevant knowledge.** This component will support the creation of knowledge on emerging regional financial markets such as crypto assets and tokenization and their regulation in LAC. The TC will develop a flagship regional study on regulating crypto-assets and tokenization. It will present a comparative analysis of

regulatory frameworks for Cryptoasset Service Providers (CASPS) and Real-World Asset (RWA) tokenization in LAC. The study will offer actionable recommendations for regulators in jurisdictions with varying maturity levels. To achieve this, the TC will gather and analyze structured data from the region, providing the essential context for informing regulatory interventions. The study will also compare the regulation of CASPs across LAC and examine emerging approaches to regulating RWA tokenization. The component will provide policy recommendations on the regulation of CASPS and tokenization consistent with global standards and emerging good practices, while considering the varying regulatory capacities and levels of development across jurisdictions.

3.3 Component 2. Public- private dialogues, communication and dissemination.

This component is dedicated to disseminating valuable lessons learned in the realm of crypto assets and fintech by fostering knowledge sharing and collaboration through various initiatives. Activities include facilitating public–public and public-private dialogues, round tables and workshops with financial authorities to exchange best practices and innovative solutions, conduct training programs to enhance understanding and skills, and create platforms for exchanging successful strategies. Beneficiaries of these include financial regulators and supervisors, representatives from the private sector, and other relevant stakeholders. Additionally, the component will develop engaging communication materials, such as blogs and educational materials, to support continuous learning and awareness.

3.4 Budget. The total cost of this operation will be US\$175,000.00 which will be financed by the OC SDP Window 2 – Institutions (W2C) Fund. The contribution will finance the hiring of consulting (individual & firms) and non-consulting services to develop the activities. Table 1 details this budget:

Table 1. Indicative Budget in USD

Activity/Component	Description	IDB/W2C	Total Funding
Component 1: Policy relevant knowledge	This component will support the creation of knowledge on emerging regional financial markets such as crypto assets and tokenization and regulations in LAC, including a flagship regional study on regulating crypto-assets and tokenization.	\$120,000	\$120,000
Component 2: Communication and dissemination	This component is dedicated to disseminating valuable lessons learned in the realm of crypto assets and fintech by fostering knowledge sharing and collaboration through various initiatives. Activities include facilitating public–public and public-private dialogues.	\$55,000	\$55,000
TOTAL		\$175,000	\$175,000

IV. Executing agency and execution structure

4.1 The execution of this TC will be carried out by the IDB through the Connectivity Markets and Finance Division (IFD/CMF). In line with the Operational Guidelines for Technical Cooperation Products (GN-2629-1) and Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4, Annex II),

execution by the Bank is considered appropriate for this Research and Dissemination (RD) TC, which is, by definition, Bank initiative. Hence, the Bank will be responsible for selecting and hiring consultancy services.

- 4.2 The activities to be executed under this operation will be carried out in accordance with the Bank's established procurement policies: (a) Hiring of individual consultants, as established in Complementary Workforce (AM-650); and (b) Hiring of consulting firms for intellectual property services and contracting of logistical and non-consulting services, in accordance with the Corporate Procurement Policy (GN-2303-33) and its associated Guidelines. To ensure the proper execution of the proposed program, the project team will comply with all annual and periodic monitoring requirements established by the Bank, under the policies and procedures in force for this type of operations.

V. Major issues

- 5.1 The key risks to executing the TC and achieving its objectives are: First, regulatory frameworks for crypto-assets and tokenization are evolving and vary across jurisdictions, creating challenges for a comprehensive analysis and its recommendations. To manage this risk, the TC will prioritize resources for monitoring regulatory developments across jurisdictions, changes and emerging trends in crypto-asset and tokenization regulations. The TC will also facilitate exchanges between regulations and promote dialogues with the private sector. Second, limitations in reliable and comprehensive data on crypto-assets and tokenization in the LAC region can lead to gaps in the analysis, affecting the accuracy and validity of the study's recommendations. The TC will coordinate closely with financial regulators and prioritize comprehensive data collection methods, including exploring partnerships with public and industry data providers. Furthermore, it will maintain transparent documentation of data sources to enhance the credibility of the study and its recommendations.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank the policies.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Results Matrix_87070.pdf](#)

[Terms of Reference_24972.pdf](#)

[Procurement Plan_36837.pdf](#)