



Brazil Crypto Regulation & Risk Report

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SECTION 1:

Introduction

In this report, Crystal Intelligence draws on in-depth research, hyperlocal knowledge, and its crypto crime investigations to explore the current state of Brazil’s regulatory ecosystem for virtual assets, examine how it addresses financial crime risks, and assess what the future holds for industry stakeholders.

Brazil stands at a pivotal moment. With approximately 6.5 million active digital asset investors, representing 3% of the population of over 213 million people, the country has emerged as one of Latin America’s most significant crypto markets. This rapid growth has positioned Brazil as the largest economy in the LATAM region by GDP, creating substantial opportunities for innovation, financial inclusion and economic development.

However, this growth comes with significant risks. Brazilian Federal Police investigations uncovered over \$2.4B in cryptocurrency money laundering operations between 2017 and 2024, with links to organized crime including the Primeiro Comando da Capital (PCC).

In 2024 alone, Brazilians lost \$54B to various scams, with only 4% of victims recovering their funds. These stark figures underscore why Brazil has moved decisively towards comprehensive regulation, balancing innovation with investor protection and financial crime prevention.

This introduction provides an overview of Brazil’s current regulatory landscape, establishing the foundation for understanding the transformative changes taking effect in February 2026. We examine the existing framework, the licensing requirements for Virtual Asset Service Providers (VASPs), and the institutions responsible for oversight.

Brazil in Numbers

Cryptocurrency Market Snapshot 2025-2026

ACTIVE CRYPTO INVESTORS



6.5M

(3% of population)

ORGANIZED CRIME

\$2.4B+

Laundered 2017-2024

VASP CAPITAL MIN

\$181K

Entry requirement

STABLECOIN DOMINANCE



90%

of all crypto transactions

REGULATION LAUNCH

Feb 2026

Figure 1: Brazil in Numbers - Cryptocurrency Market Overview 2025-2026. Key market statistics, regulatory milestones, and financial crime indicators. Source: Crystal Intelligence analysis, BCB data.



Brazil's Current Regulatory Framework

The Central Bank of Brazil (BCB) is the primary regulatory authority responsible for authorizing, supervising, and sanctioning Virtual Asset Service Providers (VASPs).

With the Virtual Assets Law (BVAL) Brazil passed legislation in June 2023 that defines virtual assets, establishes licensing requirements for VASPs, and reinforces AML/KYC obligations, positioning Brazil as a licensed jurisdiction under international classification systems.

Brazil's virtual asset regulatory process demonstrated excellent transparency, with several public participation processes (PPPs) held during implementation to test feasibility and consumer safety.

These were augmented by various regulatory sandbox initiatives run by qualified authorities, including:

- The BCB and the National Monetary Council's (CMN) 'Controlled Tests Environment for Financial and Payment Innovations'.
- The Brazil Securities and Exchange Commission's (CVM) Ordinance No. 75/2020.
- The National Federation of Associations of Central Bank Employees' (Fenasbac) Laboratory for Financial and Technological Innovations (LIFT), in conjunction with the BCB.

Meanwhile, complementary oversight is carried out by the Financial Activities Control Council (COAF), which monitors AML compliance and receives suspicious transaction reports (STRs), and the Receita Federal (RF), Brazil's tax authority, which administers the new DeCripto tax declaration form requiring annual cryptocurrency reporting to reduce tax evasion.

Agencies with peripheral involvement in crypto regulation include the CVM, which oversees tokens with characteristics of securities and broader consumer-protection matters, and the CMN. Importantly, Brazil adheres to the global standards set by the Organization for Economic Co-operation and Development (OECD) in its Crypto Asset Reporting Framework, alongside its G20 partners.

VASP Licensing Requirements

VASP licensing covers three categories, each with specific minimum capital requirements:

- 1. Virtual Asset Intermediaries (\$181,500)**
provide exchange services from crypto to fiat and crypto to crypto, plus portfolio management, staking, and margin operations.
- 2. Virtual Asset Custodians (\$363,000)**
handle safekeeping, control, and the transfer of digital assets.
- 3. Virtual Asset Brokers (\$544,500)**
combine intermediary and custodian functions. An additional \$363,000 capital is required for staking or margin trading services.

VASP Licensing Requirements

Brazil's Three-Tier Virtual Asset Service Provider Framework

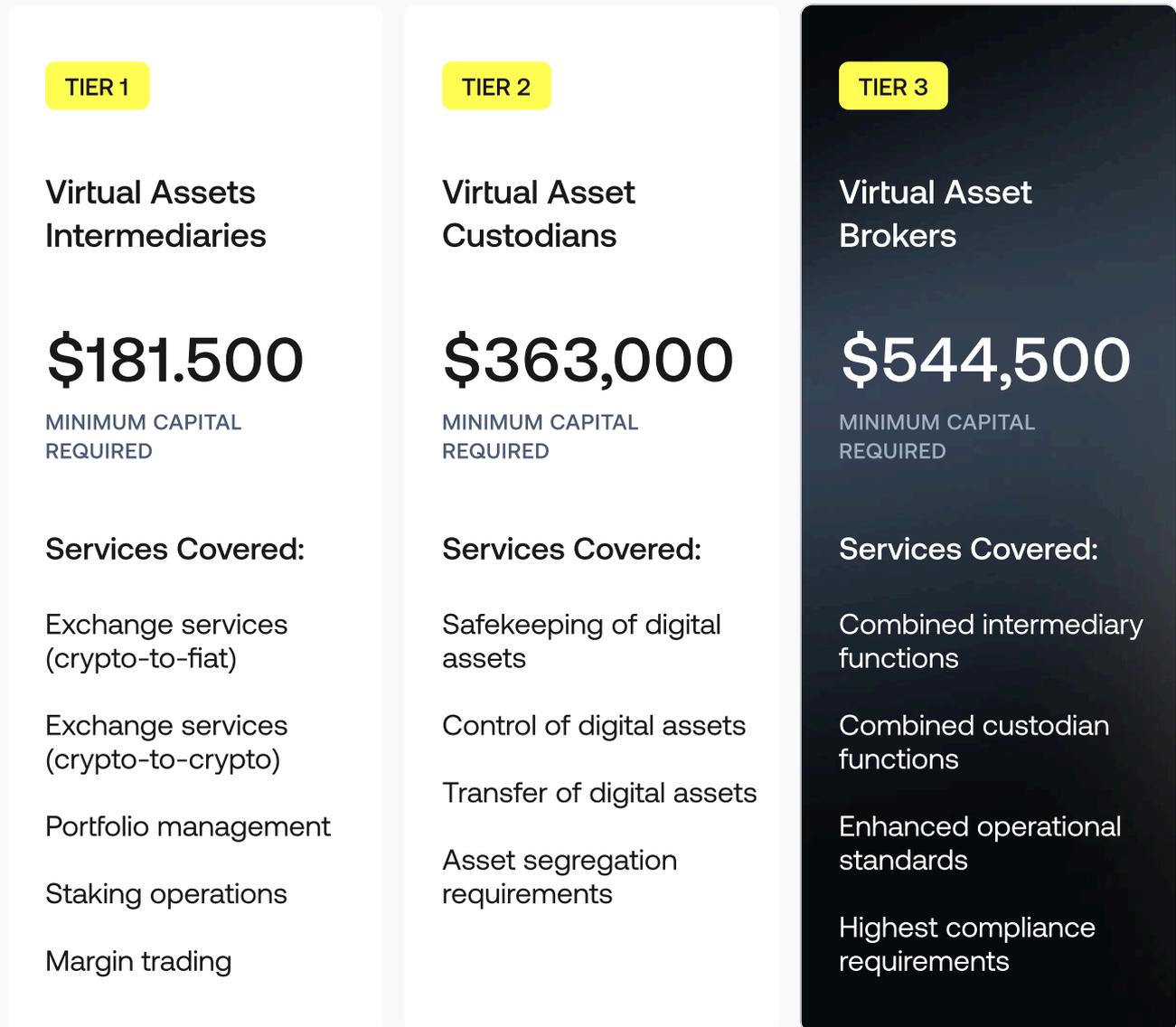


Figure 2: VASP Licensing Requirements - Three-Tier Framework. Minimum capital requirements for Virtual Asset Service Providers. Source: Central Bank of Brazil Resolution 519.

With this regulatory foundation established in 2023, Brazil is now poised for its next major evolution: the comprehensive transformation taking effect in February 2026.

SECTION 2:

Regulatory Transformation

Brazil's cryptocurrency regulatory landscape is undergoing its most significant transformation since the 2023 introduction of the Virtual Assets Law (BVAL).

The Central Bank of Brazil's November 2025 announcement of Resolutions 519, 520, and 521 establishes a comprehensive framework that will take full effect in February 2026, fundamentally reshaping how virtual asset service providers operate in the country.

These changes represent more than regulatory housekeeping.

They signal Brazil's commitment to becoming a global leader in crypto compliance while protecting its market from the financial crime threats that have already cost the country billions. The new framework brings VASPs under the same rigorous supervision as traditional financial institutions, requiring asset segregation, enhanced transparency, and mandatory reporting for cross-border transactions.

The timing is deliberate. With approximately 100 VASP authorization applications expected and full enforcement beginning in just months, 2026 will be a year of consolidation and professionalization for Brazil's crypto industry.

This section examines the specific requirements introduced by the November 2025 resolutions, the timeline for implementation, and what these changes mean for businesses operating in or entering the Brazilian market.

BCB Resolutions 519, 520 and 521

The BCB's November 2025 Resolutions, set to be implemented in February 2026, introduce six key changes:

1. A new licensing regime for crypto service providers (VASPs). Only entities authorized by BCB can legally offer services with virtual assets (custody, exchange, intermediation).
2. The same operational standards as financial institutions Licensed VASPs must comply with governance, internal controls, AML/CFT, transparency, customer protection, and capital adequacy requirements.
3. The segregation of assets VASPs must separate users' virtual-asset holdings from their own holdings, keep dedicated wallets, undergo independent audits and proof-of-reserve to prevent misuse of client funds.
4. The integration of certain crypto activities into foreign exchange (FX) / cross-border regulation. Operations such as international payments or transfers via virtual assets (including stablecoins) are treated like FX and international capital transactions.

5. Mandatory reporting for cross-border and high-value transactions. From May 4, 2026, institutions must report foreign-exchange-type crypto transfers to the BCB, and include details on counterparties, asset types, and the purpose of the transaction.
6. Increased supervision, transparency and regulatory compliance obligations VASPs must maintain structured

records, comply with licensing/ authorization procedures, publish public disclosures about their operations, and meet strict compliance standards.

With a clear and comprehensive rulebook now in motion, Brazil can expect to attract attention from institutional players and position itself firmly as the region’s most influential growth market.

Key Milestones in Virtual Asset Regulation

DEC 2022	LAW APPROVED	Law 14.478/2022 (BVAL) approved, establishing the legal framework for virtual assets in Brazil.
JUN 2023	LAW EFFECTIVE	BVAL came into force, marking the beginning of formal crypto regulation.
JUN 2023	REGULATORY AUTHORITY	Decree 11,563/2023 assigns Brazilian Central Bank (BCB) to regulate, authorize, and supervise Virtual Asset Service Providers (VASPs).
DEC 2022	PUBLIC CONSULTATION	BCB Public Consultations (PC 109–111) launched on scope, authorization requirements, and foreign exchange rules.
FEB 2025	CONSULTATION CLOSED	Public Consultations 109–111 concluded, addressing VASP authorization requirements, asset segregation, and foreign exchange participation.
MAR 2025	DRAFT LEGISLATION	Draft legislative proposals emerged, proposing to permit partial Bitcoin salary payments and extending regulation to DeFi platforms and tokenization initiatives.
NOV 2025	RESOLUTIONS ANNOUNCED	Resolutions 519, 520, and 521 announced, establishing comprehensive regulatory framework.
FEB 2026	ENFORCEMENT BEGINS	Resolutions 519, 520, and 521 take full effect, implementing regulatory requirements.
MAY 2026	REPORTING MANDATORY	Compulsory cross-border and high-value transaction reporting to the BCB enforced for all crypto transfers

Figure 3: Brazil’s Cryptocurrency Regulatory Timeline (2022–2026). Evolution from BVAL approval to full regulatory implementation. Source: Central Bank of Brazil.

This timeline demonstrates Brazil's consultative approach to crypto regulation. The multiple Public Participation Processes (PPPs) held between 2024 and 2025 allowed industry stakeholders, consumer advocates, and technical experts to provide input before rules were finalized.

This transparency has helped ensure the February 2026 implementation will be grounded in practical realities rather than theoretical ideals.

The phased approach gives businesses time to prepare, with clear compliance milestones for February 2026 core VASP requirements and May 2026 cross-border reporting.

Implications for Businesses

The 2026 regulatory framework will trigger significant market consolidation. With approximately 100 authorization applications expected, Brazil's crypto landscape will shift from a fragmented, partially regulated market to a licensed, professionally supervised industry. This transformation will create clear winners and losers.

Smaller Brazilian Exchanges

Smaller Brazilian exchanges lacking capital requirements (\$181K to \$544K depending on services) or sophisticated compliance infrastructure will likely exit the market or merge with larger entities. The cost of implementing asset segregation, hiring compliance officers, and maintaining operational standards represents a significant barrier to entry.

Well-Capitalized Domestic Platforms

Established Brazilian exchanges like MercadoBitcoin, Foxbit, and NovaDAX, which initiated authorization processes in early 2025, are positioned to capture market share from competitors unable to meet the new standards. Traditional financial institutions entering crypto, such as Nubank's NuCripto and Itaú's Íon, possess regulatory expertise and existing compliance infrastructure that gives them significant advantages.

Global Exchanges

International platforms serving Brazil's crypto users face a critical decision: invest in full compliance by establishing Brazilian legal entities and local custody infrastructure, or withdraw from the market and risk IP blocking and payment processor disconnection.

The stakes are particularly high for platforms like Binance, which accounts for 40%* of peer-to-peer advertisements and serves as a critical gateway for international traders. For these international players, Brazil represents a strategic choice: become compliant and use Brazil as a regional compliance hub for Latin America or exit the market entirely.

DeCripto tax reporting

Fully operational in 2026, the DeCripto tax reporting system will increase compliance costs while improving government revenue collection and transaction transparency, particularly targeting the estimated 6.5 million crypto investors who previously operated in regulatory grey areas.

*See Crystal's analysis on Brazil's Peer-to-Peer Marketplace on page 10

Impact on Unregistered Peer-to-Peer (P2P) Markets

The 2026 stablecoin enforcement will also dramatically reshape transaction patterns. With USDT/USDC representing up to 90% of current activity, restrictions on self-custody transfers may paradoxically expand unregulated P2P networks via WhatsApp and Telegram. The estimated \$2.22T informal marketplace could grow as anonymity-seeking users migrate from compliant platforms to underground services, creating ongoing enforcement challenges.

Travel Rule and Cross-Border Data Sharing

Brazil's regulatory framework incorporates FATF Travel Rule principles (Recommendation 16), requiring VASPs to collect, verify, and transmit originator and beneficiary information for virtual asset transfers.

Under Law 14.478/2022 and Decree 11,563/2023, licensed VASPs must implement systems ensuring secure data exchange with counterpart VASPs, particularly for cross-border and stablecoin transactions.

Rather than standalone Travel Rule legislation, Brazil embeds these obligations within broader AML/CFT requirements enforced by the BCB and COAF.

VASPs must deploy interoperable compliance solutions, maintain audit trails, and apply enhanced due diligence for transfers involving unhosted wallets or non-cooperative counterparties—aligning with FATF standards while maintaining risk-based implementation.

“The implementation of VASP regulations marks a significant step towards integrating virtual assets into Brazil's financial system, offering client protections comparable to traditional finance through asset segregation, risk management, cybersecurity protocols, and governance standards akin to banks, while ensuring transparency through AML/CTF measures including a phased Travel Rule rollout.

The Central Bank's framework comprises three VASP categories: intermediaries (buying, selling, exchanging, staking, and forex operations); custodians (secure storage of assets and private keys); and brokers (combined functions). We welcome these efforts from the regulator, as they will promote market consolidation, enhance Brazil's appeal to investors, and reduce systemic risks.”



Vsevolod Gvardin

Head of Digital Assets Compliance, Sumsu

Regulatory Changes

What Businesses Need to Know:
BCB Resolutions 519, 520 & 521

FEB 2026

FULL IMPLEMENTATION

ALL VASP regulations take effect

MAY 2026

MANDATORY REPORTING

Cross-border transaction reporting enforced

New Licensing Regime for VASPs

Only BCB-authorized entities can legally offer services with virtual assets (custody, exchange, intermediation). Unauthorized operators face IP blocking, payment disconnection and criminal liability.

Same Operational Standards as Financial Institutions

Licensed VASPs must comply with governance requirements, internal controls, AML/ CFT measures, transparency standards, customer protection and capital adequacy requirements matching traditional financial institutions.

Mandatory Asset Segregation and Proof-of-Reserve

VASPs must separate users' holdings from company holdings, maintain dedicated wallets and undergo independent audits to prevent misuse of client funds.

Integration with Foreign Exchange Regulation

Operations such as international payments or transfers via virtual assets (including stablecoins) are treated as FX transactions and international capital transactions.

Mandatory Cross-Border Reporting & High-Value Transactions

From May 4, 2026, institutions must report foreign-exchange-type crypto transfers to BCB, including details on counterparties, asset types and transaction purpose.

Enhanced Supervision, Transparency & Compliance Obligations

VASPs must maintain structured records, comply with licensing/authorization procedures, publish public disclosures about operations, and meet strict compliance standards.

Figure 4: 2026 Regulatory Changes - Key Requirements for VASPs. Six fundamental compliance requirements taking effect February-May 2026. Source: BCB Resolutions 519, 520, 521.

SECTION 3:

Crypto market Infrastructure

Understanding Brazil’s regulatory framework requires examining the market infrastructure it governs. Brazil’s crypto ecosystem encompasses a diverse range of platforms and services, from established centralized exchanges integrated with the country’s instant payment system (Pix) to emerging peer-to-peer networks operating outside formal oversight. Each component serves different segments of the country’s crypto investors.

Trading Platforms and Exchanges

The market’s structure reveals important patterns. Local exchanges dominate retail trading with Brazilian Real (BRL) pairs and Pix integration, providing the on-ramps most accessible to everyday Brazilians.

Regional platforms facilitate cross-border flows between Brazil and neighboring countries, particularly important for remittances.

Global exchanges offer international liquidity and access to hundreds of tokens unavailable on local platforms.

Peer-to-Peer Marketplaces

Meanwhile, peer-to-peer marketplaces – both registered and unregistered – represent a parallel market with an estimated trading capacity exceeding \$2.22T, operating largely beyond regulatory reach.

“Brazil’s P2P marketplace represents the intersection of innovation and regulatory challenge in Latin America. With \$2.2T in advertised trading capacity and PIX integration in 80% of transactions, these platforms have become essential financial infrastructure for millions of Brazilians.

The February 2026 enforcement will determine whether this activity formalizes within the regulated ecosystem or fragments into harder-to-monitor channels. For VASPs evaluating market entry, understanding P2P dynamics is critical to strategic positioning.”



Zuzanna Kolucka Maeji

Associate Director of Sales, LATAM, Crystal Intelligence

Crystal Intelligence analyzed 1,641 active peer-to-peer cryptocurrency advertisements across nine major platforms on September 8, 2025, revealing an estimated informal trading capacity exceeding \$2T. Analysis of token distribution shows stablecoins dominating the P2P market, with USDT representing 46.2% and Bitcoin 29.9% of advertised trading activity.

Payment infrastructure analysis demonstrates PIX's dominance as the preferred settlement method, appearing in approximately 80% of advertisements.

This data provides a conservative snapshot of Brazil's informal cryptocurrency economy, which operates largely beyond regulatory oversight.

This section explores the trading options available to Brazilians, how these platforms operate, and how users engage with digital assets. These insights are critical for understanding why stablecoins have come to dominate 90% of transactions, why physical infrastructure (like Bitcoin ATMs) remains minimal, and how the 2026 regulatory changes will reshape market access and competitive dynamics.

Crypto Asset Trading Options Available

Brazilian crypto investors access digital assets through three tiers of platforms, each offering distinct advantages and serving different user needs.

Local, regional, and global crypto trading platforms

Brazilians have access to a diverse range of cryptocurrency trading platforms,

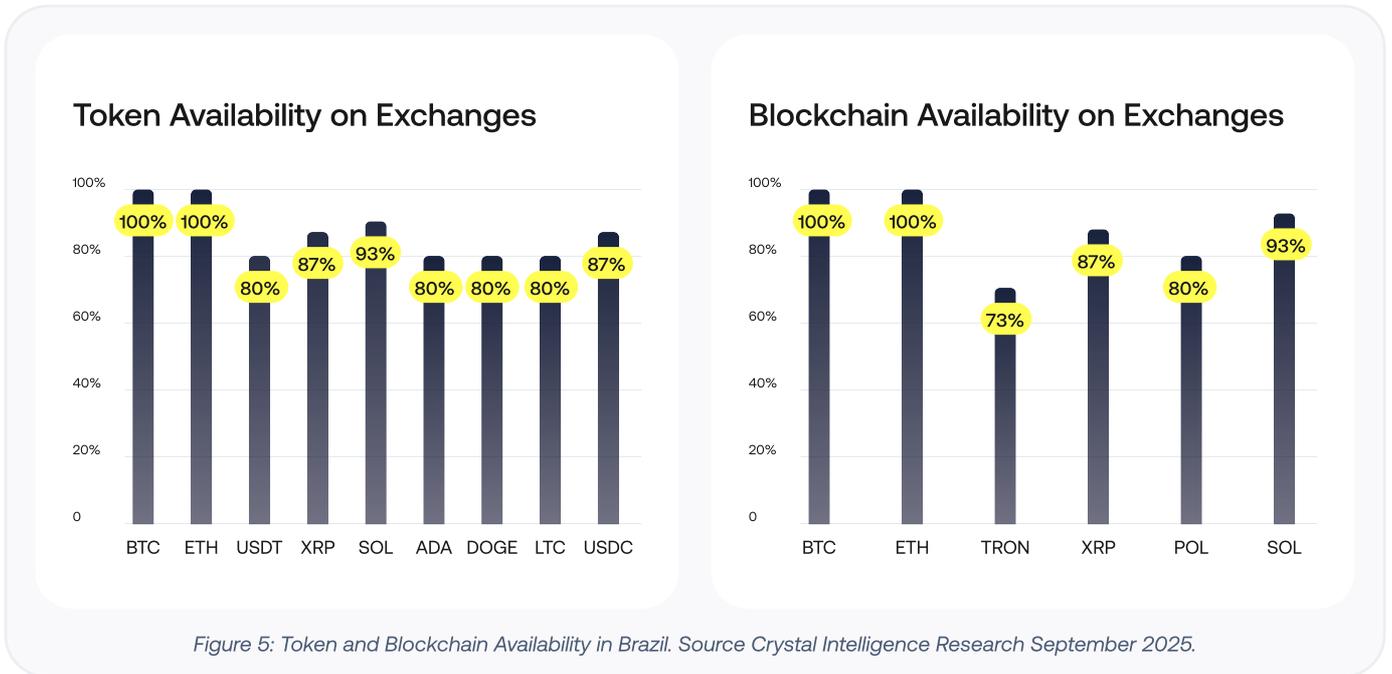
including local, regional, and global providers. The market features three tiers of service providers, each catering to different user needs and preferences:

Local exchanges dominate the market and include MercadoBitcoin (one of Brazil's largest platforms), Foxbit (service retail and OTC), NovaDAX, BitPreço, BitcoinToYou, Flow BTC and crypto offerings from traditional institutions like NuBank (NuCripto) and Itaú (Íon). These platforms provide Brazilian Real (BRL) trading pairs and integrate with Brazil's instant payment system (Pix), offering localized services with Portuguese-language support.

Regional exchanges have established a significant presence, notably Bitso (known for cross-border transactions and BRL/MXN markets), Ripio, and SatoshiTango, which facilitate regional crypto flows and remittances.

Global exchanges include Binance, Coinbase, OKX, and KuCoin, which provide Brazilian users access to international liquidity and extensive cryptocurrency selections, with Binance offering localized BRL/PIX on-ramps. With the incoming new regulations, global exchanges that previously operated "offshore" are now expected to establish local entities and build appropriate on-the-ground structures in Brazil.

The most widely traded cryptocurrencies by network include Bitcoin, Ethereum, Tron, XRP, Polygon, and Solana. Popular tokens include BTC, ETH, USDT, XRP, SOL, ADA, DOGE, LTC, and USDC. Notably, stablecoins (particularly USDT and USDC) account for up to 90% of all crypto transactions in Brazil, reflecting user preferences for price stability.



The Informal Market

Beyond centralized exchanges, a significant informal market operates through peer-to-peer (P2P) platforms where individual traders buy and sell crypto directly with one another. This parallel ecosystem, with advertised trading capacity exceeding \$2.2T, reveals both the sophistication and regulatory gaps in Brazil's crypto infrastructure.

This figure represents the total value of buy and sell orders posted across all P2P platforms at a given time, distinct from actual transaction volume but indicating massive scale and liquidity. Brazilians access P2P marketplaces through platforms such as Binance P2P, Paxful, and Noones, and increasingly use unregistered services via WhatsApp and Telegram for anonymous transactions, exposing themselves to fraud risks while potentially facilitating tax evasion and money laundering.

Crystal's September 2025 analysis of 1,641 peer-to-peer advertisements reveals stablecoin dominance, with USDT

representing 46.2% of advertised trading activity (677 advertisements), Bitcoin accounting for 29.9% (441 advertisements), and other cryptocurrencies including USDC, Ethereum, and Litecoin comprising the remaining 23.9% (523 advertisements).

This distribution reflects Brazilian users' strong preference for price-stable assets.

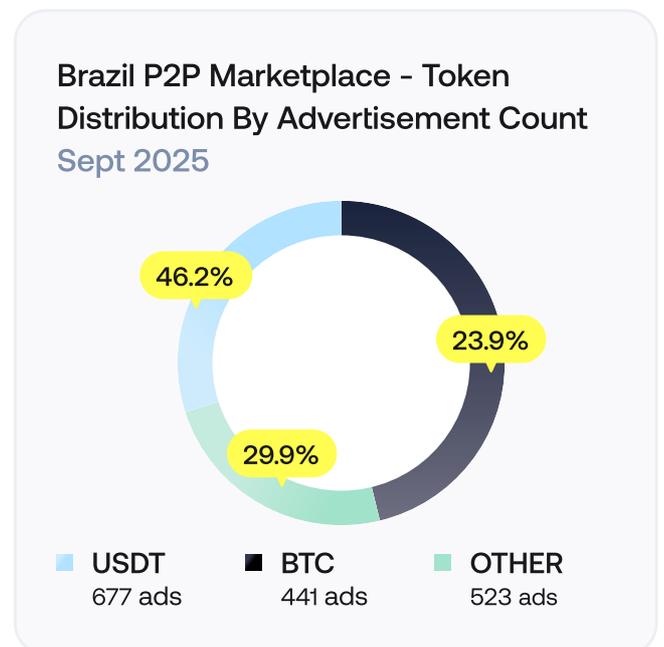


Figure 6: P2P Marketplace - Token Distribution. Stablecoins dominate informal trading at 46.2%. Source: Crystal Intelligence, September 2025.

Crystal Intelligence analyzed 1,641 active merchant advertisements across nine major P2P platforms, revealing significant market concentration. Binance dominates with 741 listings (45.1%), followed by Paxful with 314 ads (19.1%) and Nooners with 234 ads (14.3%). The top three platforms collectively account for 78.5% of advertised trading activity, while smaller platforms including ByBit, BitValve, Bitget, HTX, Remitano, and OKX represent the remaining 21.5% of the market.

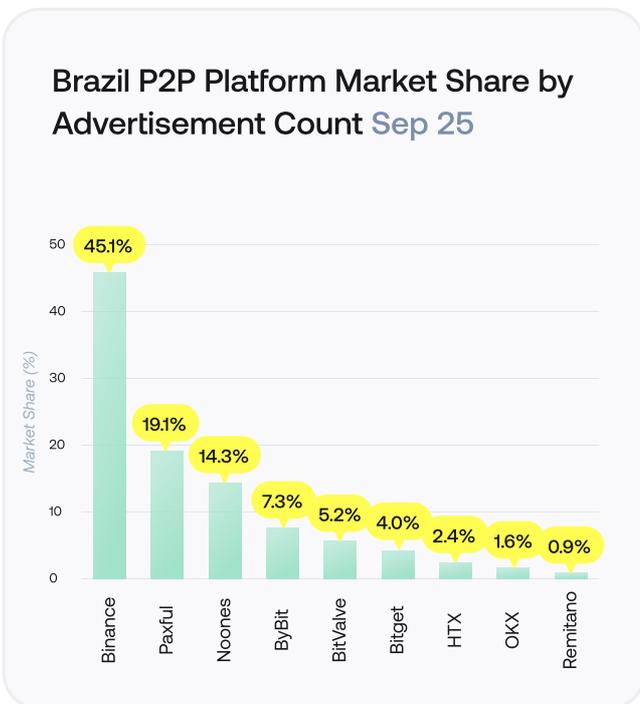


Figure 7: P2P Platform Market Share. Top three platforms control 78.5% of advertised activity. Source: Crystal Intelligence, September 2025.

Payment infrastructure analysis demonstrates PIX’s overwhelming dominance as the preferred settlement method, appearing in approximately 80% of advertisements.

Traditional bank transfers represent 15% of payment methods, while alternative processors including Mercado Pago and PicPay account for 3%.

Gift cards and other payment methods comprise the remaining 2%.

PIX’s dominance reflects its integration into Brazilian financial infrastructure and preference for instant, low-cost domestic settlement.



Figure 8: Payment Method Distribution. PIX dominates as preferred settlement method at 80%. Source: Crystal Intelligence, September 2025.

Crypto ATMs and Over-the-Counter Services in Brazil

Physical crypto infrastructure remains limited in Brazil compared to the robust digital platform ecosystem. Unlike markets such as the United States where Bitcoin ATMs number in the tens of thousands, Brazil has not much more than a handful of machines, concentrated primarily in São Paulo and Rio de Janeiro, and operated by CoinFlip and Shitcoins.club

Similarly, in-person cash desks exist, but are primarily appointment-based, conducting transactions through bank transfers rather

than cash exchanges. However, establishments like BitBalcão in Campinas and GiroPay in São Paulo accept walk-in customers for Bitcoin transactions.

User Behavior and Adoption Patterns

How Brazilians use cryptocurrency reveals important patterns about market maturity and regulatory needs. Unlike the speculative trading frenzy seen in some markets, Brazilian users primarily view crypto as a tool for practical wealth accumulation and major life purchases rather than get-rich-quick speculation.

Brazilian cryptocurrency investors exhibit distinct demographic and behavioral patterns that differentiate them from traditional investment markets.

The typical crypto investor profile skews significantly towards young males, with 68.4% being men with an average age of 29.7 years. Generation Z (ages 16–28) represents 57.2% of crypto investors, and millennials (ages 29–43) account for 29.7%, indicating cryptocurrency adoption is concentrated among digitally native generations.

Income distribution reveals that most crypto investors report monthly household income between \$512.74 and \$2,563, positioning cryptocurrency as an accessible investment vehicle for middle-income Brazilians. Interestingly, only 0.4% of high-income earners earning more than \$12,704.54 per month invest in digital assets, suggesting that crypto appeals more to aspirational wealth-building rather than wealth preservation among the affluent.

Brazilian Crypto Investors by Generation

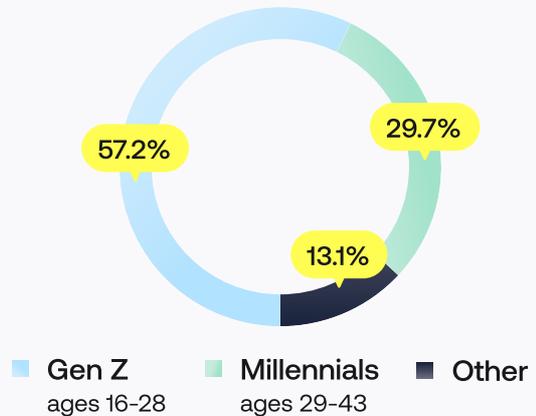


Figure 9: Investor Demographics. Young male investors dominate: 68.4% men, average age 29.7 years. Source: Brazilian Association of Financial and Capital Market Entities (ANBIMA): 8th Brazilian Investor X-Ray Report

Primary investment motivations reflect practical financial goals:

- buying a home (28.3%),
- saving for financial security (18.9%),
- purchasing a vehicle (15.2%),
- supplementing retirement income (14.3%).

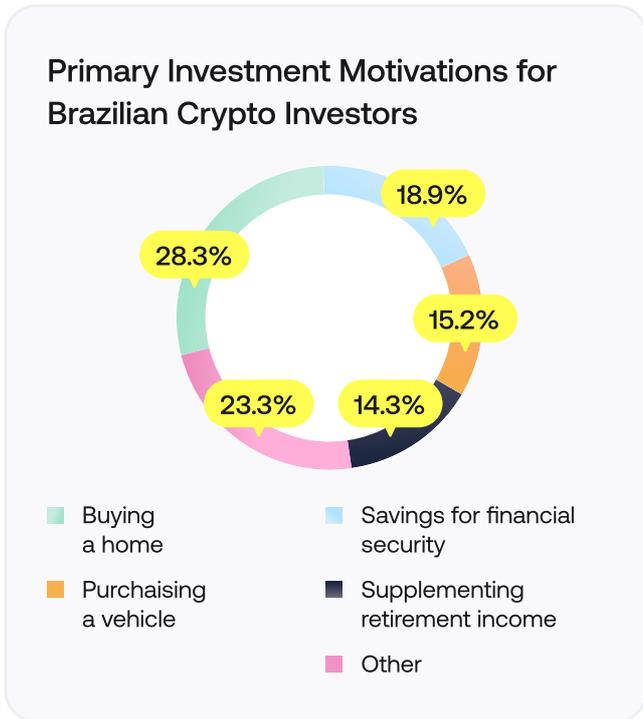


Figure 10. Investment Motivations. Pragmatic wealth goals dominate over speculation: major purchases (31.5%), projects (29%). Source: Brazilian Association of Financial and Capital Market Entities (ANBIMA): 8th Brazilian Investor X-Ray Report

These objectives suggest that Brazilians primarily view cryptocurrency as a tool for wealth accumulation - rather than for speculative trading - in support of major life purchases.

Transaction patterns show an overwhelming preference for stablecoins among investors. This dominance reflects users prioritizing price stability for transfers, remittances, and value storage over volatile cryptocurrencies.

SECTION 4:

Financial Crime Risk

Brazil's emergence as Latin America's leading cryptocurrency market has made it an attractive target for financial criminals operating at multiple levels of sophistication. The scale of crypto-related crime in Brazil is staggering: over \$2.4B in money laundering operations detected by Federal Police between 2017 and 2024, and \$54B lost to various scams in 2024 alone. These figures are not merely statistics; they represent real victims, from individual investors who lost retirement savings to entire communities affected by the drug trafficking networks that cryptocurrency has helped finance.

The threat landscape encompasses multiple dimensions.

At the apex sit organized crime networks like the Primeiro Comando da Capital (PCC), Brazil's dominant criminal organization, which has embedded cryptocurrency deeply into its money laundering infrastructure. These groups exploit stablecoins' liquidity and cross-border efficiency to move billions in drug proceeds.

Below this organized layer, opportunistic fraudsters run sophisticated Ponzi schemes and pig-butcher romance scams that collectively drain tens of billions from Brazilian victims annually. More recently, violent crimes, including crypto-specific kidnappings demanding Bitcoin ransoms,

and cutting-edge cyberattacks like the unprecedented 2025 breach of Brazil's Pix payment system have added new dimensions to the threat profile.

Understanding these threats is essential for appreciating why Brazil has moved so decisively toward comprehensive regulation. The 2026 framework's emphasis on transparency, mandatory asset segregation, enhanced Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements, and cross-border transaction reporting directly responds to the criminal exploitation patterns documented in this section.

The regulatory architecture is a direct response to billions in documented losses and ongoing criminal operations.

This section examines the primary threats facing Brazil's crypto ecosystem, organized by threat type and actor sophistication, and shows how each has shaped specific elements of Brazil's regulatory approach.

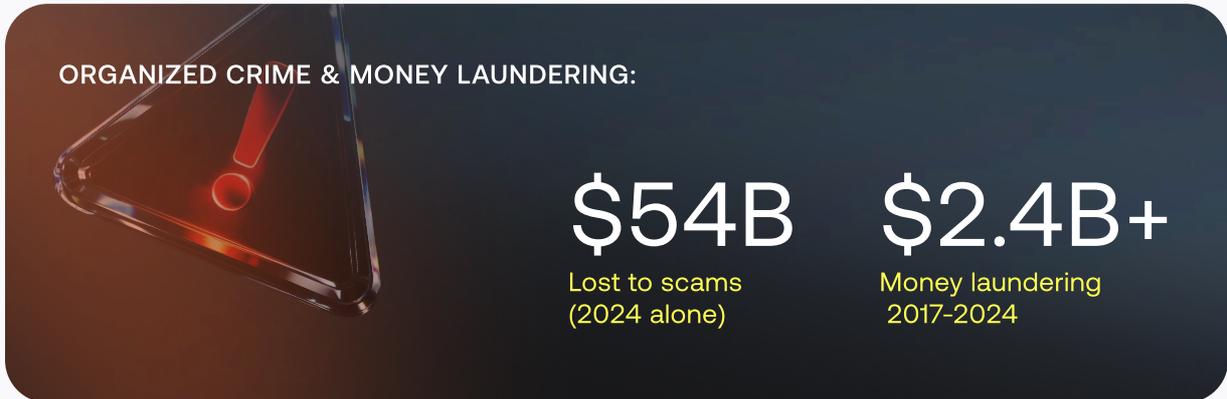
Brazil's cryptocurrency ecosystem faces complex financial crime threats, including organized crime, money laundering, fraud, theft, kidnapping, ransomware, and terrorism financing.

Organized Crime

The Primeiro Comando da Capital (PCC), Brazil's dominant criminal organization, has deeply embedded itself in crypto-enabled money laundering operations. Federal investigations have revealed the equivalent \$2.4B was laundered between 2017 and 2024 through a sophisticated network of shell companies, virtual banks, and cryptocurrency exchanges.

Financial Crime & Risk Landscape

Brazil's Cryptocurrency Threat Environment



SCAM IMPACT & RECOVERY:

NOTABLE FRAUD SCHEMES & BREACHES:

-  **C&M Software / Pix Breach:**
\$140-180M stolen, converted to crypto (2025)
-  **Crypto Kidnappings:**
In Aug 2025, Brazil ranked 12th in the world for number of physical attacks

- Scam fund recovery rate **4%**
- Never report crimes **67%**
- Profits from high-yield & romance scams **80%**

CYBERATTACKS:

RANSOMWARE TARGETS:

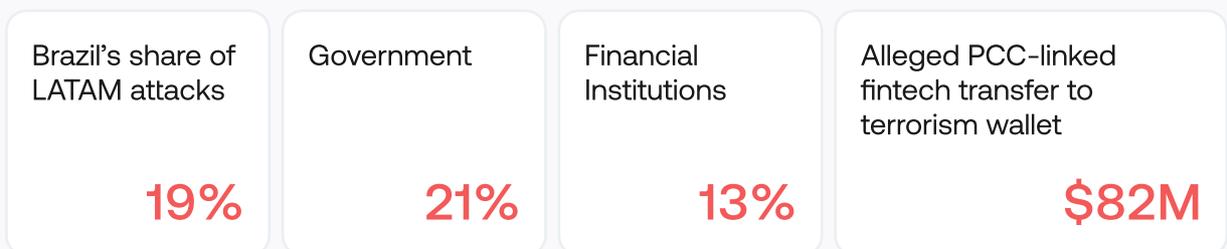


Figure 11: Brazil Cryptocurrency Crime & Risk Statistics. Scale of financial crime: \$2.4B laundering, \$54B scam losses. Source: Data compiled from Crystal Intelligence research, Brazilian Federal Police (Operation Colossus, 2024) and Silverguard.



Organized criminal groups, particularly the Primeiro Comando da Capital (PCC), exploit cryptocurrencies to launder drug trafficking proceeds. Federal Police Operation Terra Fértil (July 2024) targeted a trafficking network that laundered \$1B over five years through shell companies and cryptocurrency exchanges

Scams, Fraud and Cybercrime

Brazil also faces an epidemic of crypto-related fraud targeting individual investors. The scale is breathtaking: in 2024 alone, Brazilians lost approximately \$54B to various scams. Even more troubling, only 4% of victims ever recover their funds, and two-thirds never report the crimes at all, creating a vast dark figure of unreported losses.

Fraud

High-profile fraud schemes demonstrate sophisticated criminal operations. Ponzi-style investment frauds include the Traders' Domain (TCC) case, which cost up to \$283M, and the GAS Consultoria Bitcoin case, where the company was declared bankrupt in May 2025, with debts of over \$700M. Meanwhile, the Brazilian Federal Police's 'Operation Egypto' uncovered a crypto fraud scheme worth as much as \$200M.

Scams

In 2024, Brazilians lost approximately \$54B to various scams, with only 4% recovering funds and two-thirds never reporting crimes. High-yield investment and pig-butcher romance scams accounted for over 80%

of scam profits, while low-tech schemes, such as fake e-commerce sites, remain pervasive.

Cybercrime

Brazil accounts for 19% of Latin American cyberattacks, with ransomware targeting government (21%) and financial institutions (13%), typically demanding Bitcoin or Tether payments, reflecting Brazil's high levels of cryptocurrency adoption.

Emerging Threats

Beyond traditional money laundering and fraud, Brazil confronts evolving threats that blend cryptocurrency with physical violence, cyberwarfare, and terrorism financing. These emerging risks demonstrate that crypto crime is not merely digital - it has real-world consequences that threaten personal safety and national security.

"Criminal networks don't wait for regulatory clarity—they exploit the gaps. Brazil's Federal Police have detected over \$2.4 billion in crypto-facilitated money laundering by organized crime. Meanwhile, informal P2P markets and stablecoin liquidity create vulnerabilities that new VASP regulations aim to close. Success requires intelligence-driven transaction monitoring, not just compliance checkboxes."



Nicholas Smart

Chief Intelligence Officer
Crystal Intelligence

Theft

Cryptocurrency theft combines sophisticated cyberattacks and violent physical crimes. The unprecedented 2025 C&M Software breach saw hackers steal \$140-180M from Brazil's Pix payment system by purchasing insider credentials for R\$15K, then rapidly converting tens of millions into Bitcoin, Ethereum, and Tether through OTC brokers.

Kidnappings

Physical threats include crypto-related kidnappings demanding ransoms of up to \$600,000. In August 2025, Brazil ranked twelfth in the world for the number of physical attacks on crypto investors.

Terrorism financing

Terrorism financing via cryptocurrencies represents an emerging threat, particularly from Hezbollah networks in the infamous 'Tri-Border Area' Brazil shares with Argentina and Paraguay, where the group is alleged to be engaged in crypto mining.

Meanwhile, in August 2024, Operation Trapiche-FT dismantled a terrorist cell which recruited Brazilian citizens. The cell converted profits from contraband e-cigarette sales into cryptocurrencies which were then channeled into terrorism-linked, sanctioned wallets, in part funding airline tickets for candidates to travel abroad and attend interviews or undergo selection processes.

The migration of robbery onto the blockchain

According to the 2025 Pix Scams report by Silverguard, Brazil's leading anti-scam intelligence platform, frauds

and scams in Brazil have sky-rocketed by 408% since 2018, while physical robberies fell by 51% over the same period.

Digital fraud rose 24% in 2024 alone as physical robberies dropped by 14% compared to the previous year, showing how rapidly theft is migrating into the digital sphere.

According to Silverguard, of \$9.5B lost to social engineering scams by Brazilians in 2025, \$5.4B was stolen in Pix and payment voucher (Boletos) scams, \$2.5B to online shopping rackets, and \$1.7B was stolen in fake investment schemes.



Figure 12: PIX-Related Scam Losses - 2025. PIX fraud accounts for 56.8% of social engineering losses. Source: Silverguard, 2025. Source: Derived from Silverguard's 2025 Pix Scams Report, Page 10.

SECTION 5:

Stablecoin Dynamics

No aspect of Brazil's cryptocurrency market is more distinctive, or more critical to understanding its regulatory approach, than the overwhelming dominance of stablecoins.

With up to 90% of all crypto transactions involving stablecoins, primarily USDT (Tether) and USDC (USD Coin), Brazil's digital asset ecosystem looks fundamentally different from markets where volatile cryptocurrencies like Bitcoin and Ethereum dominate trading activity.

This stablecoin preference reflects Brazilian users' pragmatic approach to crypto. Rather than chasing speculative gains through volatile tokens, Brazilians prioritize price stability for transfers, remittances, and value storage. In a country with historical experience of currency instability and inflation, the appeal of dollar-pegged assets is obvious. Stablecoins function less as speculative instruments and more as practical tools for preserving value and facilitating transactions.

However, this same characteristic - the liquidity, USD pegging, and efficient cross-border transfer capability that makes stablecoins attractive to legitimate users - also makes them ideal instruments for illicit financial flows. The PCC's preference for USDT and USDC in its money laundering operations is no accident.

Criminal organizations exploit the same features that make stablecoins useful for remittances to move billions in drug proceeds across borders with minimal friction.

Understanding stablecoin dynamics is essential for grasping why Brazil's regulatory approach differs from other jurisdictions and why restrictions on self-custody transfers, limits on foreign-denominated tokens, and the integration of stablecoin operations into foreign exchange regulation feature so prominently in the 2026 framework. Brazil is not regulating crypto in the abstract; it is specifically targeting the dominant form of crypto actually used in its market, for both legitimate and criminal purposes.

Market Dominance and User Preferences

The scale of stablecoin adoption in Brazil is unprecedented globally. While other major crypto markets show more diverse token usage, Brazilian transactions overwhelmingly favor stablecoins.

Stablecoins dominate Brazil's cryptocurrency landscape, accounting for up to 90% of all crypto transactions, making their regulation central to the country's digital asset framework.

This overwhelming preference reflects Brazilian users' desire for price stability, efficient remittances, and protection against currency volatility, particularly given the Brazilian Real's historical fluctuations. USDT (Tether) and USDC (USD Coin) serve as primary instruments for both legitimate commerce and illicit financial flows, creating unique regulatory challenges.

Stablecoin Market Breakdown

Leading Tokens & Market Activity

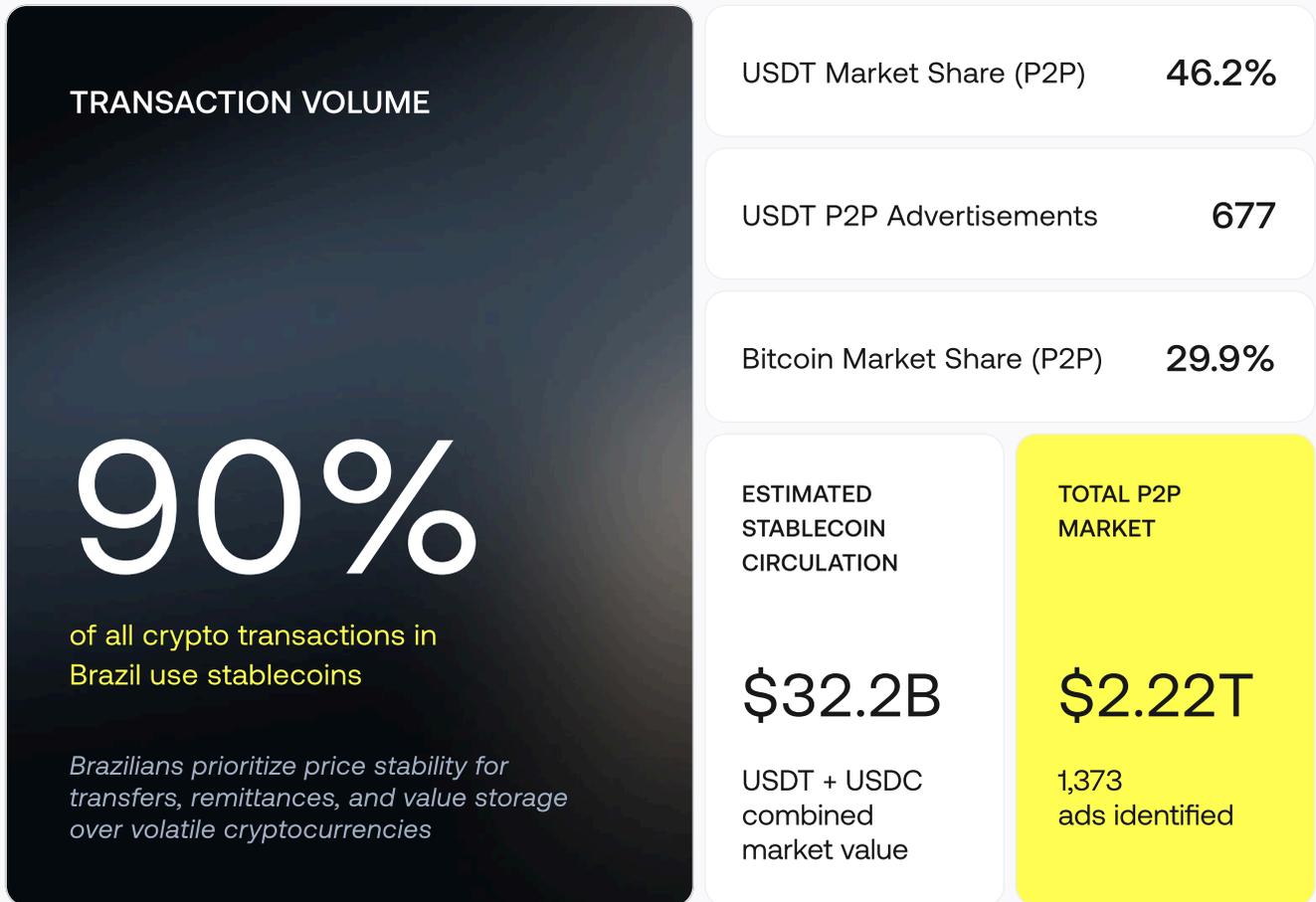


Figure 13: Stablecoin Market Dominance. Stablecoins account for 90% of transactions; USDT leads P2P at 46.2%. Source: Crystal Intelligence, BCB.



In 2025, the BCB introduced significantly stricter regulations for stablecoins, addressing the risks of fraud, tax evasion, and money laundering. New rules restrict transfers to self-custody wallets and limit the use of foreign-denominated stablecoins, directly targeting the mechanisms that criminals exploit for anonymous transactions. These measures aim to increase traceability while maintaining the utility of stablecoins for legitimate users.

The regulatory developments acknowledge the critical role of stablecoins in Brazil’s growing cryptocurrency economy, occurring in the context of Standard Chartered Bank’s October 2025 ‘Stablecoins-Implications for Emerging Markets’ (EM) report, which estimated that the \$173B in stablecoins in stablecoins being used for savings alone in EMs (including Brazil) could reach \$1.22T by the end of 2028.

The stablecoin-focused regulatory approach adopted during 2025 reflects pragmatic recognition that controlling up to 90% of transactions requires specialized rules.

Public Consultations 109-111, concluded in February 2025, addressed stablecoin-specific VASP authorization, foreign exchange participation rules, and asset segregation requirements.

In November 2025, regulatory reach was further extended, with stablecoin transactions and other virtual asset exchanges tied to fiat currencies being classified as foreign exchange operations.

This also includes cross-border crypto payments using credit or debit cards, as well as other electronic transactions.

However, challenges persist.

Unregistered P2P services still facilitate anonymous stablecoin purchases, exposing users to fraud while enabling money laundering and tax evasion beyond the reach of regulatory oversight.

The PCC and other criminal organizations specifically prefer stablecoins for laundering operations, as demonstrated by investigations showing billions moving through USDT channels.

Regulatory Implications

Stablecoin dominance has directly shaped Brazil's regulatory framework, particularly the 2025-2026 rule changes.

Recognizing that regulating crypto in Brazil effectively means regulating stablecoins, the Central Bank has introduced increasingly stringent controls targeting the specific characteristics that make these tokens both useful and risky.

Criminal Exploitation

The same characteristics that make stablecoins attractive to legitimate users - liquidity, USD pegging, and efficient cross-border transfers - also make them ideal for money laundering.

This is not theoretical: Brazilian federal investigations have documented how criminal organizations systematically exploit stablecoins to move billions in illicit proceeds.

SECTION 6:

Looking Ahead

Brazil stands at a crossroads. The February 2026 implementation of comprehensive VASP regulations will fundamentally reshape the country's cryptocurrency market, creating both opportunities and challenges for businesses, investors, and regulators alike. The choices made over the next 12 to 18 months will determine whether Brazil can sustain its position as Latin America's leading crypto market while simultaneously protecting users from the financial crime threats that have already cost the country tens of billions of dollars.

The path forward is not without tension.

Market consolidation may reduce consumer choice even as it increases platform safety and stability. Enhanced regulatory oversight will improve transparency but may drive some activity to unregulated peer-to-peer networks and offshore platforms beyond Brazilian jurisdiction. Stricter compliance requirements will raise costs for legitimate businesses while creating new regulatory burdens. And the balance between customer privacy protections and the government's need for transaction visibility in combating crime remains a source of ongoing debate.

This final section examines what comes next: how businesses must adapt to the new regulatory reality, how customer privacy and security concerns will be balanced

against compliance requirements, and what Brazil's regulatory maturity means for its position as a regional and potentially global model for crypto governance.

The stakes extend beyond Brazil itself as other Latin American countries and emerging markets watch Brazil's experience, the success or failure of the 2026 framework will influence regulatory approaches worldwide.

Market Consolidation and Business Impact

The 2026 regulatory framework will trigger significant market restructuring, with clear winners and losers emerging as authorization requirements take effect. This consolidation is not an unintended side effect: it is a deliberate outcome of setting capital requirements and compliance standards that only professionally managed, adequately capitalized firms can meet.

During 2026, the Central Bank of Brazil is expected to actively process approximately 100 authorization applications, creating unprecedented market uncertainty and necessitating competitive repositioning.

Significant market consolidation appears inevitable.

Smaller Brazilian exchanges lacking a capital requirement of R\$1-3M or sophisticated compliance infrastructure will likely exit or merge with larger entities.

Well-capitalized players like MercadoBitcoin, Foxbit, and NovaDAX, having initiated authorization in early 2025, may secure approvals by mid-2026, capturing market share from unapproved competitors.

Traditional financial institutions, Nubank's NuCripto and Itaú's Íon, possess regulatory expertise, positioning them advantageously for rapid authorization.

International exchanges face critical strategic decisions.

Global platforms serving Brazil's 6.5 million crypto users must choose between full BCB compliance, which requires Brazilian legal entities, local custody, and comprehensive KYC/AML systems, or market exit and IP blocking. The stakes are particularly high for major international platforms like Binance that serve as gateways for international traders accessing the Brazilian market.

The 2026 stablecoin enforcement will also dramatically reshape transaction patterns. With USDT/USDC representing up to 90% of current activity, restrictions on self-custody transfers may paradoxically expand unregulated P2P networks via WhatsApp and Telegram.

The \$2.4T informal marketplace could grow as anonymity-seeking users migrate from compliant platforms to underground services, creating enforcement challenges.

DeCripto tax reporting, fully operational in 2026, will increase compliance costs while improving government revenue collection and transaction transparency, particularly targeting the estimated 6.5 million crypto investors who previously operated in regulatory grey areas.

Data Privacy and Customer Security

As Brazil strengthens its regulatory framework to combat financial crime, a critical tension emerges between enhanced oversight and customer privacy protections.

The 2026 regulations significantly expand the Central Bank's access to transaction data, requiring VASPs to maintain detailed records and report cross-border transfers. This creates a comprehensive surveillance architecture that, while essential for detecting money laundering and fraud, also concentrates sensitive financial information about millions of Brazilians.

The EU adopted the LGPD as theoretically "adequate" in scope for the protection of individuals' data to the European standards (in fact, the LGPD has ten legal bases for the processing of personal data compared to the GDPR's six) in November 2025, and the European Commission and Brazil mutually ratified the decision on January 27, 2026.

Although this agreement confirms the compatibility of their respective levels of customer data protection, several differences may raise concerns for investors in crypto businesses within and outside of Brazil.

For instance, the GDPR imposes fines and penalties for violations of up to \$23.25M or 4% of global turnover from the previous financial year for severe transgressions, while the LGPD's maximums are just \$9.3M or 2% of global turnover.

The much lower bar for financial losses by transgressors under Brazilian law could incline wealthier, but less ethical companies, to risk the sale or abuse of customer data if it is sufficiently profitable to do so.

Nonetheless, Brazilian authorities should be commended on the European Commission's adequacy decision, which reflects the strides the country is making in safely integrating digital assets into its powerhouse economy

“February 2026 marks a defining moment for cryptocurrency in Latin America. Brazil's decision to create clear, enforceable VASP regulations, rather than prohibition or regulatory ambiguity, demonstrates how major economies can embrace digital assets while protecting consumers and preventing financial crime. The platforms that treat Brazil's framework as a competitive advantage rather than a burden will shape the region's crypto future.”



Navin Gupta

Chief Executive Officer
Crystal Intelligence

Brazil's Path Forward

Brazil has established Latin America's most comprehensive cryptocurrency regulatory framework, balancing innovation with prudent oversight.

The 2026 implementation represents not an endpoint but a foundation from which Brazil can continue adapting as the market evolves and new challenges emerge.

Brazil's transparent approach, including multiple Public Participation Processes and regulatory sandbox initiatives, demonstrates commitment to stakeholder engagement and practical implementation.

While the framework continues to evolve, Brazil's proactive stance positions it well to achieve sustainable market growth while effectively protecting consumers and maintaining financial stability.

Building on strong regulatory foundations

The BCB has made substantial progress in developing robust rules through Public Consultations 109-111, particularly concerning asset segregation, cybersecurity standards, and authorization processes.

As the 1-3-year approval timeline proceeds, the BCB's thorough vetting approach ensures quality oversight while supporting legitimate market participants. Brazil's forward-looking initiative to extend regulation to DeFi platforms, tokenization initiatives, and cross-border stablecoin transfers shows a sophisticated understanding of the digital asset landscape, demonstrating the country's commitment to comprehensive oversight.

Managing stablecoin adoption thoughtfully

Brazil's pragmatic recognition that stablecoins represent up to 90% of transactions reflects a nuanced understanding of market realities.

The 2025 regulations targeting self-custody transfers and foreign-denominated tokens demonstrate Brazil's proactive approach to addressing money laundering vulnerabilities while preserving the legitimate utility that has driven widespread stablecoin adoption.

This balanced approach positions Brazil to maintain its vibrant stablecoin economy while enhancing security and transparency.

Addressing P2P market dynamics

The growing P2P marketplace represents both a challenge and an opportunity for Brazil's evolving regulatory framework. Brazil's comprehensive approach can be enhanced through educational initiatives that empower users with knowledge about licensed platforms' benefits and protections.

By establishing clear regulatory pathways for legitimate P2P activity within VASP frameworks, Brazil can channel this substantial market activity into compliant channels while law enforcement continues its important work addressing truly illicit operations.

Leveraging international leadership:

Brazil's mandatory KYC/AML processes for licensed VASPs, combined with continuous monitoring of high-risk transactions, reflect best practices in digital asset oversight.

The country's commitment to international cooperation - including alignment with FATF standards and information-sharing agreements - positions Brazil as a regional leader in combating transnational financial crime.

Brazil's experience addressing complex challenges, from the Tri-Border Area to sophisticated criminal networks, provides valuable insights for the global regulatory community while strengthening the country's own oversight capabilities.

Discover how Crystal Intelligence's investigation, compliance, and advisory solutions can help your organization solve the complex puzzle of crypto regulation by booking a [demo here](#).





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