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# Bitcoin's First Week in El Salvador: App Problems and Regulatory Uncertainty

STACY ELLIOTT · 2 HOURS AGO

While Chivo races to fix its app, companies are left with more questions than answers

For all the excitement surrounding Bitcoin in El Salvador, its first week has been plagued with app errors, vague regulations and a lack of public education on cryptocurrencies and blockchain technologies.

After President Nayib Bukele announced plans to introduce Bitcoin as legal tender over a live stream at the Bitcoin 2021 conference in June, the law was approved days later. That kicked off a three-month period for businesses to make themselves compliant by the time the law took effect Sept. 7.

During that period, the government rushed to roll out the Chivo wallet app, launched it right before the Bitcoin law took effect and is still battling service issues. The president and Congress also added a new article to the Bitcoin Law that said people and businesses without "access to the technologies that allow them to carry out transactions in bitcoin are excluded" from the obligation to accept it but did not specify how to apply for such an exemption.

## Politics and misinformation cloud legitimate concerns

Even with all the hiccups, Nolvía Serrano, the San Salvador-based chief marketing officer at fintech startup BlockBank, says reports about widespread protests in opposition to Bitcoin adoption have been exaggerated.

"I'm not saying everyone wants it. I'm sure, absolutely, there are a lot of people who don't want Bitcoin," she said. "But [people outside El Salvador] miss that this is political. The protests have been more about the president trying to have two terms in power. So there are all of these mechanics and dynamics in the country that explain what's really happening."

What's more, she said, is that legitimate concerns are getting drowned out by Bukele's political rivals who don't themselves have a solid grasp on how Bitcoin works.

"There are so many concerns that are legitimate, in my opinion - for example, the volatility of Bitcoin. But there's also other information that's been spread by the opposition that's not correct," Serrano said. "I was listening to the executive director [Leonor Selva] of the Association of Private Enterprises in El Salvador, and she was comparing Bitcoin to holding a piece of paper that says this is \$5 which is completely not the case."

That's why one of her most pressing concerns about Bitcoin has been the lack of public education. Working at a fintech company means she's well-versed in cryptocurrencies and understands the inherent risks of using them. But she worries the unbanked Salvadorian population, upwards of 70%, by one estimate, hasn't been given much guidance.

The hands-on approach used by the founders of Bitcoin Beach, however admirable, has been difficult to scale.

"On the Sept. 11 when there was a big celebration of the Bitcoin, they came. They were not even having parties or anything," Serrano said. "They were just helping all the lines of people trying to download their wallets."

## Chivo app accessibility and data privacy concerns

Even with help, signing up for the Chivo wallet has been a struggle.

Fernando Argumedo, a San Salvador-based attorney at Central Law, practices corporate law. He focuses mainly on intellectual property, technology and data privacy.

He's been unable to download the app on either of his two cell phones or his tablet. Even if he could, Argumedo said one of his main complaints about Chivo has been its privacy policy. It says by using the app, users consent to share their data "with other institutions or related companies, as permitted by law."

That kind of vague disclaimer has given him and others pause, mainly because there isn't legal clarity on what can be shared or with whom.

Argumedo said there was a Congress-approved data privacy bill that Bukele rejected earlier this year. But while Bukele has been the incumbent for two years, the new assembly - which is now politically aligned with his party - took office in March. And so far there's been no indication that the new legislators will update and resubmit the data protection law for presidential approval.

"Considering this, we don't have a specific act or regulation for you to understand how your data is going to be treated," Argumedo said. "So that's a specific concern for people who are more worried about their data and privacy."

There are alternatives to Chivo. Jack Maller's Strike, once thought to be the heir apparent to the government-sponsored wallet, is among them.

Strike is a viable option because it started operating in El Salvador before the Bitcoin law went into effect. For existing apps and financial institutions, the government has issued guidance on how to comply with Bitcoin regulations. For newcomers, it's not clear how to enter the market.

"For new companies that want to provide new services related to Bitcoin," Argumedo said, "those rules are still yet to be released."

Another complaint about Chivo has been the fact that it's structured like a private company, but funded with public money. There was no government contractor process that solicited bids from companies. And, so far, there appears to be no government official who will be accountable for it.

Argumedo said businesses who do want to use the app have had issues creating accounts. The app specifies that business accounts should be created by a company's legal representative. That becomes an obstacle when a company's legal team is based in another country, he said.

"These are people who have a resident card, they have a passport, but they are not able to create an account because they don't have Salvadorian Unique Identification," he said, "so that's another concern."