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El Salvador Greenlights Bitcoin-Focused Investment Banking Law

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El Salvador has strengthened its position as a digital finance hub by passing legislation that permits licensed investment banks to hold Bitcoin (BTC) and other digital assets. The new law, approved this week, aims to attract institutional capital and distinguish regulatory requirements for investment banks from those applied to commercial banks.

The Investment Banking Law authorizes licensed investment banks, which underwrite companies, issue securities, and serve institutional clients, to legally hold Bitcoin and provide cryptocurrency-related services to “sophisticated investors.” This term is similar to

“accredited investors” used in other jurisdictions such as the United States. Juan Carlos Reyes, president of El Salvador’s Commission of Digital Assets (CNAD), noted that banks with a Digital Asset Service Provider (PSAD) license may operate entirely as Bitcoin-based institutions if they choose.

Supporters of the law say it enhances El Salvador’s attractiveness to foreign investors and positions the country competitively in the global financial market. The legislation builds on El Salvador’s broader pro-crypto policies, which have attracted blockchain companies and financial firms seeking favorable regulation. Institutional investors have contributed significantly to accelerating cryptocurrency adoption in the country by benefiting from clearer legal frameworks.

However, some critics argue that Bitcoin adoption in El Salvador has so far mainly benefited the government and large corporations rather than the wider population. They caution that without comprehensive economic reforms, the advantages of such policies may remain concentrated among a limited group.

The law’s passage coincides with increased international collaboration. President Nayib Bukele recently met Bilal Bin Saqib, Pakistan’s state minister for crypto and blockchain, to discuss national Bitcoin adoption strategies and policies to encourage cryptocurrency mining. Bin Saqib told Cointelegraph that their cooperation focuses on how emerging economies—especially those under International Monetary Fund (IMF) programs—can leverage technology to foster economic growth.

El Salvador is also pursuing regional partnerships. On July 30, the Central Bank of Bolivia signed a memorandum of understanding with CNAD to promote cryptocurrency use as an alternative to traditional fiat currencies. This initiative responds in part to Bolivia’s ongoing shortage of U.S. dollars, which has disrupted international trade and increased interest in dollar-pegged digital assets.