



BRL1: The Institutional Grade Brazilian Real-Pegged Stablecoin

White Paper
v. 1.0

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1. Executive Summary

BRL1 is a fully backed Brazilian Real (ISO 4217: BRL, abbreviated as R\$) pegged-stablecoin designed to provide a frictionless on-chain solution for the Brazilian crypto market, but still supporting relevant use cases within the traditional financial industry and its players. Developed by a consortium of leading crypto native and banking companies - Mercado Bitcoin, Foxbit, Bitso, and Cainvest - BRL1 initially aims to facilitate seamless liquidity flows between exchanges while offering institutional-grade security, transparency, and efficiency.

Starting with the Founding 4



<https://www.mercadobitcoin.com.br/quem-somos>

<https://bitso.com/>

<https://foxbit.com.br/quem-somos/>

<https://cainvest.com/about-us/>

2. Introduction

Stablecoins have become integral to the global digital asset ecosystem, with leading USD-pegged options like Tether (USDT) and USD Coin (USDC) dominating the market. As of November 2024, the combined market capitalization of stablecoins surpassed \$193 billion and [experts](#) predict this market to grow up to \$3 trillion in the next 5 years. These stablecoins facilitate significant daily trading volumes, with Tether's 24-hour exchange turnover reaching nearly \$60 billion, comparable to daily volume of the NY Stock Exchange.

According to [Reuters](#), the adoption of stablecoins in Brasil has seen remarkable growth. In the first nine months of 2024, Brazil's net imports of crypto assets surged by 60.7% compared to the same period in the previous year, totaling \$12.9 billion and surpassing the entire import volume of 2023. Notably, stablecoins accounted for nearly 70% of all crypto transactions in the country during this period. Yet, another relevant [study](#) states that 24% of Brazilians own a crypto-asset or digital token.

Despite the global prevalence of USD-pegged stablecoins, there is a distinct need for a BRL-pegged stablecoin to cater to the specific requirements of the Brazilian market. The cryptocurrency ecosystem there has evolved rapidly, with growing adoption of digital assets and an increasing demand for stable, efficient on-chain liquidity. Despite this progress, traditional fiat on/off-ramps continue to be a friction point, impeding seamless transactions between exchanges and financial platforms.

PIX, the well known Brazilian instant payment system, has revolutionized everyday payments in Brazil by offering fast, secure, and cost-effective domestic transactions that



have quickly become a household standard. However, despite its remarkable success, PIX remains a centralized solution with inherent limitations for crossborder transactions but especially within the digital domain for cross-chain interoperability and broader digital asset integration, underscoring the need for a complementary, decentralized alternative.

BRL1 fills this gap by providing a highly liquid, fully backed stablecoin designed specifically for the Brazilian market. It ensures rapid, cost-effective transactions while reducing reliance on foreign exchange conversions, extending the efficiency of systems like PIX into the decentralized and digital realm, fostering greater financial inclusivity and resilience.

3. Unique Value Proposition

BRL1 is backed by a strong consortium of major players in the Brazilian and Latin American crypto ecosystem, ensuring deep liquidity and widespread adoption from day one. The project is driven by:

- ♦ **Mercado Bitcoin** – The longest running crypto exchange in Latin America, providing a strong foundation in infrastructure and market integration.
- ♦ **Foxbit** – A pioneer in Brazil's cryptoeconomy, the Foxbit Group is a ecosystem 360° crypto solutions with a focus on accessibility in cryptoactive operations..
- ♦ **Bitso** – The leading Latin American crypto exchange with strong cross-border capabilities, enabling efficient integration into other markets.
- ♦ **Cainvest** – A worldwide leader in institutional financial services and the largest liquidity provider for crypto in Brazil.

Also, by having such companies as founders, BRL1 consortium ends up inheriting and leveraging from the many associations of which these members are part, such as: ABCripto (Brazilian Association of Crypto), ANBIMA (Brazilian Association of Financial and Capital Market Entities), ABFINTECHS (Brazilian Association of Fintechs), TAC (Tokenized Assets Coalition), ILM (Brazilian Free Market Institute), MID (Digital Innovation Movement), Zetta (Association that represents financial and payment institutions in Brazil), Abranet (Brazilian Association of Internet) and ABRACAM (Brazilian Association of Foreign Exchange).

Within this vibrant ecosystem, BRL1's strength comes from its deep integration with the leading players in the Latin American crypto market. Our consortium members ensure:

- ♦ **Widespread Adoption:** Native presence across major exchanges from day one.
- ♦ **Robust Liquidity:** Direct integration with deep liquidity pools in Brazil.
- ♦ **Transparent and Audited Reserves:** Audited and fully backed by Brazilian government bonds held in regulated financial institutions.
- ♦ **Robust Governance:** Each shareholder is represented on the Board of Directors, with decisions approved by a qualified majority.
- ♦ **Strict Compliance:** Adheres to both Brazilian and international regulatory standards.
- ♦ **Expert Partners:** Supported by partners such as Pinheiro Neto, one of the most prestigious law firms in Brazil and Fireblocks, leader in digital asset security infrastructure.



- ♦ **Local Knowledge:** Consortium members operate in Brazil for more than 10 years, experienced on local economy, market and culture.
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4. Key Features

Main features of BRL1 can be summarized as follows:

- ✓ **Optimized for Exchange Liquidity** – BRL1 eliminates friction in transactions between major Brazilian and Global trading platforms, reducing settlement delays and inefficiencies.
 - ✓ **Institutional-Grade Reserve Model** – Fully backed by Brazilian reais held in regulated financial institutions, ensuring compliance with local and international standards.
 - ✓ **Auditory and Attestation** – Full transparency through regular attestations by a top-tier audit firm to ensure accountability and trust.
 - ✓ **Multichain by Design** – First implemented on Polygon, because of its efficient attributes, minimal cost and programmability, it will be further extended to other relevant blockchains.
 - ✓ **On/Off Ramps via API and Web** – Designed to have a fully automated process either via APIs or Web, clients will experience a very robust and streamline process.
 - ✓ **Operations via PIX** – Since On/Off Ramps will be instructed via PIX, there will be no delays related to clearing, only internal checks and on-chain processing.
 - ✓ **VASP Regulated Entity** – VASP regulation in Brazil is expected to come soon as well as Stablecoin regulation. That means users may rely on BRL1 as they trust traditional banks.
 - ✓ **DREX Interoperability** – Since BRL1 follows same standards from DREX (EVM compliant) and being a regulated entity, will interface with it for reserves and transactions.
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5. Governance and Compliance Structure

5.1. Governance Model

BRL1's governance is managed by a dedicated board composed of representatives from the founding partners - Mercado Bitcoin, Foxbit, Bitso, and Cainvest - with decisions approved by a qualified majority. This board ensures that all decisions are made transparently and aligned to the interests from both institutional and retail users.

5.2. Regulatory Compliance



BRL1 is designed with a forward-looking approach to regulatory compliance, aligning its operational and technical standards with the anticipated guidelines of future regulatory frameworks. Although formal Central Bank regulation has not yet been established, BRL1 incorporates rigorous KYC and AML protocols to ensure that every participant is thoroughly verified and that the stablecoin remains secure and trustworthy.

5.3 Regulatory Partnerships

The founding partners have a strong history of collaboration with regulatory bodies and established financial institutions. This active engagement not only reinforces investor protection but also promotes transparency in all operations. The consortium's partners—each with its own track record in the crypto and financial sectors—are committed to meeting and exceeding regulatory expectations.

6. Reserves

BRL1 is **fully redeemable on a one-to-one basis for Brazilian Reais**, ensuring that each token in circulation is backed by equivalent reserves. Upon redemption, BRL1 tokens are immediately removed from the supply and burned.

To mint BRL1, the consortium ensures that an equivalent amount of reserves is held in **segregated accounts** before issuing new tokens. Conversely, to redeem BRL1, tokens must first be burned before the corresponding Reais are withdrawn from reserves.

All reserves are held in institutions fully regulated and licensed in Brazil, ensuring compliance and security for token holders.

6.1 Reserve Composition

- **Brazilian Government Bonds (LFTs)** – The majority of reserves are held in short-term Selic-indexed Brazilian government bonds, ensuring liquidity and stability.
 - **Repos** – A small portion of the reserves may be held in repurchase agreements (“operações compromissadas”), providing liquidity without sacrificing security.
 - **Cash Reserves:** A portion of the reserves is held in cash with regulated financial institutions to ensure liquidity and facilitate redemptions.
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7. Mint and Burn Process

BRL1 operates with a transparent **mint and burn** mechanism, ensuring seamless interaction between the on-chain and off-chain financial systems.



7.1 Minting BRL1

- Minting requests can be made directly to the BRL1 consortium, subject to **KYC verification**, account hold on a local bank, minimum and maximum issuance conditions, and operational time windows.
- Once the corresponding fiat reserves are secured, BRL1 tokens are minted and made available to the requester.

7.2 Burning BRL1

- Users can request to redeem BRL1 in exchange for fiat, with tokens being burned before the release of funds.
- Once a burn request is received and validated, the corresponding BRL1 tokens are removed from circulation, and equivalent fiat reserves are released to the requester.

While direct minting and redemption are only available through the consortium, **most users will find it more convenient to buy or sell BRL1 directly through member exchanges**, where liquidity is actively maintained.

8. Smart Contract Architecture and Security

The EVM implementation of BRL1 is built using secure, battle-tested smart contract components from OpenZeppelin. It employs an upgradeable proxy pattern based on the ERC1967 standard, which allows the implementation logic to be updated without affecting token balances or disrupting ongoing operations. This flexibility ensures that BRL1 can adapt to evolving market needs and regulatory requirements over time.

Key Technical Components:

- **Proxy Pattern:** The contract leverages a proxy architecture (as seen in [ERC1967Proxy](#)) that delegates calls to the current implementation. This design minimizes risks and supports seamless upgrades.
- **Storage Management:** BRL1 uses the OpenZeppelin StorageSlot library to manage storage in a secure manner, ensuring no conflicts occur during upgrades.
- **Utility Libraries:** Functions from the Address library are integrated to safely execute calls and delegate transactions, adding an extra layer of reliability to all operations.

Security and Transparency:

- **Open-Source and Public Verification:** The complete smart contract code is publicly available on [PolygonScan](#), allowing any stakeholder to verify transactions and review the contract's logic in real time.



- **Continuous Improvement:** In line with our commitment to excellence, the technical implementation is regularly reviewed and updated by our team, ensuring that BRL1 remains at the forefront of secure blockchain innovation.
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9. Potential Use Cases

BRL1 is designed to provide a frictionless on-chain solution for the Brazilian crypto market, but still supports other relevant use cases within the traditional financial industry, such as:

- ✓ **Efficient** and cost-effective payment processing for businesses
 - ✓ **Secure** Remittances, Collections and Correspondent Banking
 - ✓ **Secure** Savings Protection and Foreign Investment
 - ✓ **Stability** and reduced volatility
 - ✓ Accessibility and **Inclusivity**
 - ✓ Buy/Sell **Tokenized** assets (financial, real estate, commodities)
 - ✓ Integration with existing **financial systems**
 - ✓ **Use in DeFi** applications, such as lending and yield farming.
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10. Conclusion

BRL1 is a game-changer for the Brazilian crypto ecosystem. By providing a high-liquidity, real-pegged stablecoin, it eliminates inefficiencies in fiat on/off ramps, enhances exchange liquidity, and introduces innovative yield-sharing mechanisms.

With the backing of major Latin American exchanges, a transparent reserve model, and an optimized technical infrastructure, BRL1 is positioned to become the leading non-USD stablecoin in the region. By partnering with leading blockchains, BRL1 can further expand its impact, driving adoption and setting a new standard for digital real transactions.

11. Appendix

11.1 Smart Contract Reference

The BRL1 stablecoin was launched on **Polygon** and is deployed at:

Smart Contract: [0x5c067c80c00ecd2345b05e83a3e758ef799c40b5](#)

This contract governs the issuance, redemption, and transfer of BRL1 tokens, ensuring transparency, security, and efficiency.

11.2 Whitepaper Publication and Transparency

BRL1's technical and operational framework is thoroughly detailed in its publicly accessible whitepaper. This document is continuously revised and made available to the public, ensuring ongoing oversight and adherence to evolving global market standards. Through comprehensive disclosures and open communication channels, BRL1 meets the stringent requirements of both emerging and established markets.

11.3 Whitepaper Version History

Version v1.0 – February 24th, 2025

Initial release of the whitepaper, outlining the foundational technical architecture, governance framework, and operational details of the BRL1 stablecoin.