

# Trailblazing Legal Cryptocurrency Exchange Service

How the development of a custom-built, legally compliant cryptocurrency exchange enabled a fintech company to launch regulated crypto trading in LATAM, secure partnerships with regional banks, and successfully pass an independent Ernst & Young audit, ensuring robust security, privacy, and compliance controls.

Industry:  
Fintech, Cryptocurrencies

CUSTOM SOFTWARE DEVELOPMENT

BLOCKCHAIN

## Business challenge

Digital assets have become an important part of the global economy. Yet, they still oftentimes function in the gray zone due to the lack of convenient tools within the legal field. Indeed, authorities around the world have been grappling with the question of how to respond to cryptocurrencies.

In LATAM, regulatory approaches varied by country:

- Brazil and Chile advanced licensing/perimeter rules
- Mexico imposed strict limits on regulated financial institutions' virtual-asset activity
- Colombia relied more on pilots/sandbox initiatives and proposed legislation

This encouraged our client, a fintech company, to leverage the situation in the region. The idea was to develop an efficient and secure solution, which would allow the users to make cryptocurrency transactions legally and transparently.

## Tasks

- Build a solution independent of third-party exchange engines
- Design user and admin interfaces for daily operations
- Develop a full-featured backend with banking and payment integrations

- Ensure compliance with LATAM crypto regulations, including local VASP rules
- Align KYC and AML flows with FATF recommendations and regional laws
- Meet card network and banking partner requirements

## Solution

Thanks to a gripping business idea and meticulous, high-quality work on its embodiment, \*instinctools team has managed to develop a completely legal and regulated [cryptocurrency exchange service](#), which embraces the following **key features**:



A full-fledged backend solution with two frontend client modules for users and administrators



Control panel for the administrator with:

- manual and automatic exchange rate management

- possibility to choose the rate - the bigger the amount of money you'd like to exchange the lower commission you pay

- differentiated work with VISA cards, depending on countries, status, issuing banks

- direct work with system crypto wallets

- interaction with users in terms of tech support

- exporting reports according to the regulator's and business requests

- notification system for the administrator about the work of the service and emergencies



Redundancy storage of user and transaction data, access control



Integrations:

- direct integration with blockchains

- direct integration with the payment system

- refinement of the tech solution on the part of the bank and Bank Processing Center

- customized CRM, specifically adapted to meet the regulator's requirements: integration into the service of the compliance department and integration into customer support

- integration with the identification service, including automated document recognition, authentication, export to CRM

- integration with services on cryptocurrency financial control

- integration with liquidity providers, which allows getting optimal rates, hedge deals, and balance liquidity



DevOps:

- highly reliable and scalable solution based on Amazon Web Services (AWS)

- optimized usage of in-house and rented nodes.

1

- Local VASP registration and reporting requirements in key LATAM markets

2

- FATF Travel Rule-ready data exchange flows where required by local regulation and counterparties

3

- **Country-specific AML/CTF requirements** and supervisory guidance (Brazil's AML/CTF obligations for VASPs under the post-Virtual Assets Act framework; Mexico's constraints and authorization model for regulated entities' virtual-asset operations)

4

- **Data protection controls** adjusted to national privacy laws in each operating country (data minimization, retention, access control, audit trails, breach handling)

This approach enabled the client's solution to scale across multiple LATAM countries with minimal legal friction.

## Ernst & Young Audit

An independent audit by Ernst & Young confirmed that the exchange's control environment, covering security, privacy, and compliance, met the agreed criteria. This included a thorough assessment of AML/CTF controls, which were found to align with FATF standards where applicable.

## Business value

### Do you have a similar project idea?

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