

**Trust and Money or Value Transfers: A study of the implications of global  
value conflict generated by UN Security Council Resolution 1373**

A dissertation by  
Timothy J. O. Smith  
Bachelor of Counter Terrorism, Security and Intelligence *ECowan*  
Bachelor of Science (Security) Honours *ECowan*

This thesis is presented for the degree of  
Doctor of Philosophy of Murdoch University



College of Arts, Business, Law and Social Sciences  
International Relations  
December 2021

## **Declaration**

I, Timothy Smith, declare that:

This thesis is my account of my research and has been substantially accomplished during enrolment in this degree, except where other sources are fully acknowledged.

This thesis does not contain material which has been submitted for the award of any other degree or diploma in my name, in any university or other tertiary institution.

In the future, no part of this thesis will be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of Murdoch University and where applicable, any partner institution responsible for the joint-award of this degree.

This thesis does not contain any material previously published or written by another person, except where due reference has been made in the text.

This thesis does not violate or infringe any copyright, trademark, patent, or other rights whatsoever of any person.

This thesis does not contain work that I have published, nor work under review for publication.

.....

Timothy J. O. Smith

December 9<sup>th</sup>, 2021

*“Permit me to issue and control the money of a nation, and I care not who makes its laws.”*

Mayer Amschel Rothschild (1744 – 1812)

German banker, founder of the Rothschild banking dynasty, and father of international banking.

*Source: Veith, 1949, p. 2*

*“If you don’t trust the people, you make them untrustworthy.”*

Lao Tzu (circa. 6<sup>th</sup> - 4<sup>th</sup> Century BCE)

Chinese philosopher.

*Source: Tao Te Ching*

## Abstract

*Trust is a fundamental aspect of any given functional society. However, since late September 2001, the UN approach to global financial governance appears to have been driven by distrust of other less formalized money or value transfer (MVT) systems. At the core of this 'Global Regulatory Effort' (GRE) is UN Security Council Resolution (UNSCR) 1373, which mandated that states legislate to regulate all informal MVT systems. In particular, the MVT system known as 'hawala' was implicated by US authorities in the funding of the acts of terrorism committed on September 11 in 2001.*

*Although the focus of this multilateral effort was predominantly on the Islamic hawala system, the regime targeted any MVT system not linked to an established commercial banking operation. In this way UNSCR 1373 put a line in the sand between trustworthy and untrustworthy financial service providers. The necessity of this unprecedented step was ostensibly in order to prevent any future global acts of terrorism and maintain international peace and security. However, the regime's approach implicitly legitimized formal Western-style financial systems while delegitimising all others. This study contends that a significant implication of this securitized approach to global financial governance was the creation of a Global Trust Conflict (GTC).*

*The Global Financial Crisis of 2007/2008 and the adoption of Bitcoin as legal tender by El Salvador emphasize the significance of this Conflict. Moreover, the emergence of blockchain technology, Decentralized Finance (DeFi), and Distributed Ledger Technology (DLT) represents a new and challenging front in which the implications of the Conflict may be significant. Particularly in terms of the prevailing nature of trust provision services throughout the global economy. As a result, new possibilities for the shape of global order have arisen as state and private interests compete to influence the future of remittances. This research argues that the UNSCR 1373 mandate is anti-competition and served to institutionalize distrust of non-bank MVT systems. This includes traditionally informal remittances and emergent decentralized value transfer systems built on blockchain technology. This thesis concludes that a Global Trust Conflict exists, which constitutes the most significant barrier to regulatory efficacy and compliance aimed at MVT systems.*

# Table of Contents

DECLARATION .....	2
ABSTRACT .....	4
TABLE OF CONTENTS .....	5
ACKNOWLEDGEMENTS.....	12
LIST OF TABLES.....	13
LIST OF FIGURES.....	14
ABBREVIATIONS, TERMS AND DEFINITIONS.....	15
CHAPTER ONE: INTRODUCTION TO THE RESEARCH AND LITERATURE REVIEW .....	22
<b>International Terrorism and Money Transfers .....</b>	<b>23</b>
Chapter One Outline .....	24
Research Problem .....	25
Research Questions.....	28
<b>UN Security Council Resolution 1373 .....</b>	<b>29</b>
Global Regulatory Response.....	31
What is Global Governance? .....	31
Precedent for a Coercive Global Response .....	32
FATF Response to Global MVT Threat.....	33
<b>The Historicity of MVT Systems .....</b>	<b>34</b>
Traditional MVT Systems in Modernity.....	36
MVTs and Post-2001 Negative Press.....	37
Regulatory Conception of MVTs Over Time .....	38
Appropriate Terminology for MVTs .....	40
Characterising Traditional MVTs .....	41
Significance of Global Remittance Flows.....	42
Operational Process of Traditional MVTs.....	43

<b>IR Perspectives on the Global Regulatory Approach to Money Transfers .....</b>	<b>43</b>
Liberalism .....	43
Realism .....	44
Constructivism.....	45
The English School.....	46
What is International Society?.....	47
The Pluralist - Solidarist Debate.....	48
<b>Gaps in the Literature .....</b>	<b>51</b>
<b>Hypotheses .....</b>	<b>51</b>
<b>Conceptual Framework.....</b>	<b>52</b>
The English School as Scaffolding for the Conceptual Framework.....	55
<b>Methodology.....</b>	<b>56</b>
The Nature of the Data Under Consideration .....	59
<b>Key Contributions of the Research.....</b>	<b>59</b>
<b>Thesis Outline.....</b>	<b>60</b>
 <b>CHAPTER TWO: SECURITY COUNCIL RESOLUTION 1373, THE RESPONSES, MEANINGS, AND CONSEQUENCES.....</b>	 <b>62</b>
<b>Introduction: Understanding UNSCR 1373 .....</b>	<b>63</b>
Chapter Two Outline .....	63
State of Play.....	64
Purpose and Approach .....	66
<b>Narrative of Reaction .....</b>	<b>67</b>
Security Council Resolution 1368 (2001).....	68
A Thematic Review About Reaction .....	71
<b>Narrative of Adoption.....</b>	<b>72</b>
The Importance of Standard Practices in UN Resolutions and International Law .....	74
Response of the General Assembly to Adoption.....	77
UN Security Council Reacts to State Criticism .....	79
A Thematic Review About Adoption .....	79
<b>Considerations about Resolution 1373 .....</b>	<b>80</b>

Global Regulations for Money or Value Transfer systems .....	83
On FATF Regulations for MVT Systems .....	85
Core Elements of FATF Special Recommendation VI .....	89
Customer Due Diligence .....	89
Summary of the UNSCR 1373 Considerations .....	91
<b>Chapter Two Conclusions.....</b>	<b>92</b>
Findings on UNSCR 1368 .....	92
Findings on UNSCR 1373 .....	93
<b>CHAPTER THREE: TRUST AND TRADITIONAL REMITTANCE SYSTEMS.....</b>	<b>95</b>
<b>Introduction .....</b>	<b>96</b>
The Research Challenge from the Perspective of Trust.....	97
Making Sense of the Trust Challenge .....	99
Pluralism and Solidarism .....	100
Purpose and Argument .....	102
<b>Remittances and Trust.....</b>	<b>103</b>
The Promissory Note .....	105
Timeline of Money Transfers .....	105
Earliest Trusted Instruments of Financial Remittance.....	107
Ubiquitous Lending Through Promissory Practices .....	108
Financial Arrangements Based on Social Contracts & the Expectation of Profit Share.....	109
The Widespread Acceptance of Promissory Finance .....	110
Trusted Collection of Promissory Transactional Practices Using <i>Hundi</i> .....	111
Indigenous Banking in India: An Autochthonous Approach .....	112
The Promissory Note as Insurance for Distance-based Remittances .....	114
The Emergence of MVTs Using Paper Promissory Notes Across Regional Borders.....	114
Trade Through Early Emerging Islamic Banking Practices .....	115
Symbiosis of <i>Hawala</i> and <i>Hundi</i> through Trust .....	116
Bills of Exchange and Shifting Trust Mechanisms .....	118
The Emergence of a Globally Governed Economy .....	119
Historically Consistent Practice of Informal Regulation .....	121
<b>Chapter Three Conclusions .....</b>	<b>122</b>
Findings on Pluralism and Solidarism .....	122
Findings on Trust and Promises.....	123
Findings on Historical Remittance Progressions.....	123

## CHAPTER FOUR: 21<sup>ST</sup> CENTURY REMITTANCE SYSTEMS – POST-UNSCR 1373

UNDERSTANDINGS.....	125
<b>Introduction .....</b>	<b>126</b>
<b>The Changing Regulatory Typology of Remittance Systems.....</b>	<b>127</b>
New Payment Methods (2006 – 2010).....	129
Internet Payment Services (2006 – 2010) .....	130
Mobile Payments/Mobile Payment Services (2006 – 2010) .....	131
E-money (2006 - 2014) .....	131
The Change from Virtual Currency Designation to Virtual Asset Designation (2014-2018) .....	132
De-risking (2015 - 2016) .....	133
<b>Sorting Remittance Systems into Meaningful Categories .....</b>	<b>134</b>
21 <sup>st</sup> Century Remittance Characteristics .....	135
Internet-Based Payment Systems.....	137
HOSSPs.....	138
Real Time Gross Settlement Platforms .....	138
Prepaid Cards.....	139
Conventional Systems .....	140
Conventional Systems: Islamic Banks .....	141
Virtual Currencies .....	142
Virtual Currencies: Crypto-banking.....	142
Minor Remittance Systems.....	143
Summary of 21 <sup>st</sup> Century Remittance Characteristics .....	143
<b>Emerging Themes in 21<sup>st</sup> Century Remittances.....</b>	<b>144</b>
Insights From Contemporary Global Remittance Structures .....	144
<b>Trends in Remittance Coding .....</b>	<b>145</b>
Conformity to UNSCR 1373 .....	146
Traceability .....	147
Money Transfer Costs .....	149
Trust .....	150
Client Identification .....	152
KYC/CDD in HOSSPs .....	152
KYC/CDD in Prepaid Cards .....	153
KYC/CDD in Conventional Systems .....	153
KYC/CDD in Virtual Currencies.....	155



Virtual Currencies Vs. Conventional Systems .....	156
HOSSPs Vs. Conventional Systems .....	156
Broader Trends in Remittance Coding .....	157
<b>Chapter Four Conclusions .....</b>	<b>158</b>
Retroactive Findings on Terminology.....	158
Findings on Coding .....	160
Findings on Global Trust.....	162
 <b>CHAPTER FIVE: CONCEPTUALISING THE MODERN GLOBAL TRUST CONFLICT .....</b>	 <b>164</b>
<b>Introduction .....</b>	<b>165</b>
Purpose and Argument .....	168
 <b>Trust and UNSCR 1373: Filling the Void with Blockchain .....</b>	 <b>169</b>
 <b>Emergent Remittance Systems: Blockchain Technology .....</b>	 <b>173</b>
Defining Blockchain and Distributed Ledger .....	175
Blockchain Structures.....	176
Blockchain: Trustless by Design - Trustworthy in Practice? .....	179
 <b>On Trust Distribution and the Decentralisation of Modern Finance .....</b>	 <b>180</b>
Ethereum and Decentralized Finance .....	181
The Promises of Decentralized Finance.....	182
Decentralisation.....	182
Innovation.....	183
Interoperability .....	185
Borderlessness.....	186
Transparency .....	187
Stablecoins .....	188
Tokenised Funds.....	190
Off-Chain Collateralized.....	192
On-Chain Collateralized .....	192
Algorithmic .....	193
The Challenges of Centralized Trust.....	195
Efforts to Maintain Centralized Trust in Global Finance .....	197
Libra: The Global Stablecoin .....	197
Cashless Society .....	201
The Great Reset .....	211

Central Bank Digital Currencies .....	214
<b>The Global Trust Conflict as a Constitutive Effect .....</b>	<b>218</b>
Security-Focused and Globally Mandated Response .....	219
Cultural Bias in FATF Regulatory Policy .....	220
<b>Clarity on Features of the Global Trust Conflict .....</b>	<b>223</b>
Anti-pluralism via Institutionalized Distrust .....	224
Deficient Governance Economics.....	225
Decentralized Digital Trust and Pluralism .....	227
<b>Global Trust Conflict: The Most Significant Regulatory Barrier .....</b>	<b>229</b>
<b>Chapter Five Conclusions .....</b>	<b>231</b>
Findings on Trust and UNSCR 1373 .....	231
Findings on Emergent Remittances.....	233
Findings on Trust Distribution and Decentralized Finance.....	235
Findings on Stablecoins .....	236
Findings on the Challenges for Centralized Trust .....	237
Findings on Efforts to Maintain Centralized Trust.....	238
Findings on the Libra Reserve .....	238
Findings on Cashless Society.....	239
Findings on The Great Reset .....	243
Findings on Central Bank Digital Currencies .....	245
Findings on the Global Trust Conflict .....	247
Findings on the Global Trust Conflict as Constitutive Effect.....	248
Findings on Features of the Global Trust Conflict .....	249
<b>CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>252</b>
<b>Statement of Claim.....</b>	<b>252</b>
<b>Discussion of Key Findings and Linkages with the Hypotheses .....</b>	<b>253</b>
Understanding the contest.....	253
Hypothesis 1 .....	254
Hypothesis 2a .....	255
Hypothesis 2b.....	256
Increased Transparency.....	259
Challenges for Centralized Trust.....	260
Hypothesis 3.....	261

On Efforts to Maintain Centralized Trust.....	261
On Cashless Society .....	262
On the Great Reset .....	264
On Central Bank Digital Currencies (CBDCs) .....	265
On the Global Trust Conflict as a Constitutive Effect .....	266
Clarity on Features of the Global Trust Conflict .....	267
Global Trust Conflict: The Most Significant Barrier .....	268
<b>Conclusions .....</b>	<b>269</b>
<b>Recommendations.....</b>	<b>273</b>
<b>Future Research .....</b>	<b>274</b>
<b>REFERENCES.....</b>	<b>275</b>
<b>APPENDICES .....</b>	<b>308</b>
<b>Appendix 1.1 .....</b>	<b>308</b>
<b>Appendix 1.2 .....</b>	<b>312</b>
<b>Appendix 2.1 .....</b>	<b>314</b>
<b>Appendix 2.2 .....</b>	<b>315</b>
<b>Appendix 3.1 .....</b>	<b>316</b>
<b>Appendix 3.2 .....</b>	<b>317</b>
<b>Appendix 3.3 .....</b>	<b>318</b>
<b>Appendix 3.4 .....</b>	<b>319</b>
<b>Appendix 3.5 .....</b>	<b>320</b>
<b>Appendix 3.6 .....</b>	<b>321</b>
<b>Appendix 3.7 .....</b>	<b>322</b>
<b>Appendix 3.8 .....</b>	<b>323</b>
<b>Appendix 4.1 .....</b>	<b>324</b>

## **Acknowledgements**

This research was supported by an Australian Post-graduate Award. The journey to completion for this project was only possible as a result of the help and support of many people. Over the years circumstances changed and so too did my supervisory team. I would like to thank Sam Makinda for welcoming me to Murdoch University, for his kind mentorship, and for introducing me to the engaging paradigm that is the English School of International Relations.

I am very grateful to have had the assistance of my second primary supervisor Ian Cook, who was willing to take over when circumstance required it. It is a source of regret for me that Ian passed away shortly before this thesis was completed and did not get to see the finished product. The last time we met I conveyed to him my conviction to cross the finish line, in that it was not a matter of 'if' but 'when'. So it is with a sense of both loss and veritable joy that I have seen the conviction I shared with Ian that day fulfilled. His empathetic mentorship was pivotal and will always be remembered fondly. My sincere condolences to his family and friends, he will be dearly missed.

I would like to thank my secondary supervisor Val Hobbs, who took on an adjunct role at Murdoch in retirement so that I could continue this work without needing to source another secondary. That was despite otherwise being ready to step away completely. As such, her role in helping me reach this point was far from insignificant. Val was always there to provide me with much needed support and advice when things got difficult.

Most significantly, I would like to thank my dear friend, mentor, and associate supervisor David Cook for his unending support. My work with David began many years ago when he encouraged me to publish my first research paper during my second year of undergrad, and has continued beyond the supervision of my honours thesis. David has had an indelible impact on my academic development, stoking my passion for research and building confidence in my capacity to succeed. His invaluable assistance persisted throughout the entirety of my challenging and rewarding PhD journey.

Thanks to the fine and learned friends I made at Murdoch -- Steven, Charles, Gabrielle, and Neville. Your willingness to listen, provide helpful advice and some much needed distraction definitely made the quest feel less isolating and more attainable. Last, but by no means least, I am very grateful to my dear family and friends who provided me with support and encouragement throughout my candidature. I could not have finished this thesis without you.

## List of Tables

<b>Table 1.</b> Global Regulatory Conception of Traditional MVT Systems by Phase.....	38
<b>Table 2.</b> Five Principles of the UN System.....	75
<b>Table 3.</b> Historical Emergence of MVTs Through Promissory Notes.....	106
<b>Table 4.</b> Early Vedic Division of Labour.....	110
<b>Table 5.</b> Changes in the FATF Dialogue on Remittances: 2001-2020 .....	128
<b>Table 6.</b> Types of Remittance Systems.....	135
<b>Table 7.</b> FATF Typology: Structural Features.....	136
<b>Table 8.</b> Bitcoin Vs. Stablecoin .....	174
<b>Table 9.</b> Types of Blockchain Structures.....	178
<b>Table 10.</b> The Promises of Decentralized Finance .....	182
<b>Table 11.</b> Stablecoin Typology .....	189
<b>Table 12.</b> Assumed Benefits vs. Apparent Risks of Going Cashless.....	205
<b>Table 13.</b> Five Risks of General Purpose CBDCs .....	215
<b>Table 14.</b> Eleven Features of the Global Trust Conflict .....	247

## List of Figures

<b>Figure 1.</b> Trust as a Constitutive Effect of Social Order .....	58
<b>Figure 2.</b> The Security - Accessibility Continuum .....	84
<b>Figure 3.</b> Cross-Border Trade Using Promissory Practices.....	107
<b>Figure 4.</b> Sanskrit and Translated Hundi Promissory Note .....	112
<b>Figure 5.</b> Map of Indigenous Banker and Moneylender Census .....	113
<b>Figure 6.</b> The Global Trust Conflict as Constitutive Effect.....	163
<b>Figure 7.</b> Public vs Private Ledger .....	177
<b>Figure 8.</b> Distribution of DeFi Services Among Platforms .....	185
<b>Figure 9.</b> Planned Collateralization of the Libra Reserve.....	198
<b>Figure 10.</b> The Value of Anonymity is Trust .....	207
<b>Figure 11.</b> The Global Trust Conflict as Constitutive Effect – Revisited .....	219
<b>Figure 12.</b> Thesis Roadmap .....	253

## Abbreviations, Terms and Definitions

**Anti-money Laundering (AML):** refers to the refers to the efforts, methods, and actions that serve to prevent and mitigate the risk of tax evasion, fraud, and organized crime by ensuring relevant actors, groups, and interests are unable to easily hide or mask the source of illicitly gained money or value. Often referred to as part of combating the financing of terrorism (i.e. AML/CFT) (*see CFT*).

**Bill of Exchange:** Here it is defined as a three-party flexible instrument in which the first party, the drawer, presents an order for the payment of a specific amount to a second party, the drawee, to be sent to a third party, the payee. This can be made on demand or at a set date. This instrument implies the sense of ‘contract’ only.

**Blockchain:** a digital database comprised of information (such as transactions) that can be concurrently used and shared within an extensive decentralized, publicly accessible network.

**Conventional Financial Institution:** A formal, centralized financial institution that is heavily regulated, and which collectively form the established global banking industry under the Federal Reserve Central Banking system. These institutions are those that are favoured by states of the Global North and, through liberal international ‘convention’ established by UNSCR 1373, these organizations are treated as the most legitimate core of structures that comprise the global economy.

**Combating the Financing of Terrorism (CFT):** refers to the efforts, methods, and actions that serve to prevent and mitigate the risk of terrorist activity by ensuring relevant actors, groups, and interests are unable to easily access money or value (*see AML*).

**Cryptocurrency:** in this thesis means, a currency that exists in a purely digital form, which typically does not have a central issuing or regulating authority. Instead transactions are recorded, and new units are issued via a decentralized network of blockchain systems, which uses encryption to prevent the creation of counterfeit currency and fraudulent transactions.

**Customer Due Diligence (CDD):** The term used by the FATF in reference to client identification, suspicious transaction and activity reporting, and record keeping (*see KYC*).

**Decentralized Application (dApp):** An application that operates on a decentralized system.

**Decentralized Autonomous Organization (DAO):** A type of automated organization built on a digital platform that uses blockchain technology and smart contracts to enable new forms of social interaction and social order to emerge, which are transparent, efficient, equitable and democratic.

**Decentralized Finance (DeFi):** A broad term used in reference to financial services (banking, trading, insurance) provided by dApps, which function without the need for an intermediary via smart contracts.

**De-risking:** Termination of the provision of financial services, most commonly as a product of a correspondent banking process, to a particular type of client based on a variety of factors related to risk. Aside from certain legitimate high-risk situations, the decision by a financial institution to cease all services provided in this way is considered to be ‘de-risking’ or avoiding risk, rather than mitigating it or taking precautionary measures in line with customer due diligence rules set out by the FATF Recommendations.

**Discounting:** The term ‘discount’ refers to the selling and purchasing of bills between actors at a lower figure than that of the bill’s face-value so that the seller gained access to a lesser amount sooner than the redemption date and the investor would profit on the difference once redeemed.

**ES:** English School of International Relations

**Financial Action Task Force (FATF):** inter-government organization that functions as the global money laundering and terrorism financing watchdog, which created international AML/CFT standards designed to prevent organized crime, corruption and terrorism.

***Fei ch’ien* or *Fēiqián*:** Both terms translate as ‘flying money’. A traditional form of money or value transfer closely resembling a promissory note, which is said to have emerged alongside the invention of paper currency (*ch’ao-pi*) during the Tang dynasty (618-906 CE). Defined in this thesis as a credit instrument designed to transfer money over long distances.

**Formal:** In the context of financial systems the term ‘formal’ simply implies regulated.

**Governance:** Loosely seen as a form of steering, this thesis defines governance as; the processes and institutions, both formal and informal, that guide and restrain the collective actions of a group.

**Global Governance:** The totality of the numerous means by which actors and organizations, public and private, administer to their shared concerns and activities. It is the on-going practice through which conflicting or diverse interests may be accounted for so that collective action may be taken.

**Global Regulatory Effort (GRE):** This term is used in this thesis to describe all internationally-led non-government and state efforts to regulate MVT systems as a single group according to the mandate set out under UNSCR 1373, and the policies set out by the Financial Action Task Force (FATF).

**GTC:** Global Trust Conflict



**Hawala:** A traditional remittance system that functions as a promissory note. In this thesis *hawala* (Arabic, meaning to ‘transfer’ or ‘transform’) constitutes the following values: trust, contract and promise. Broadly defined, *hawala* is a reflection of the innovative and resilient financial norms and practices that formed traditions that were embedded in the cultures of ancient long distance trade networks. These were informally regulated, familial or private-order financial institutions that officiated credit instruments as a means of transforming and moving value more securely and efficiently through anarchical environments.

**Hawala (Social Institution):** As an institution, *hawala* enhances social cohesion by linking distant locations outside the reach of any one sovereign authority’s jurisdiction, most often *via* familial trade networks.

**Hawala (Origins):** The historical origins of *hawala* culture not entirely clear, but it is possible that it emerged as a blending of financial norms that evolved from interactions between the Ancient Vedic and Ancient Near Eastern cultures.

**Hawala (Tradition):** In line with the theory of its origins, a tradition of *hawala* would tend to exhibit the features of a commercial diaspora that is enhanced by strong familial and/or cultural ties. Therefore, to deal with the necessity of operating under dynamic and often anarchical conditions (i.e. informal), a traditional or *hawala-like* network employs a reputation mechanism to mitigate against breaches of trust. Additionally, its agents rely on trust and commercial rational choice to seize new opportunities for exchange (see Traditional MVT system).

**Hawala (Instrument):** As a credit instrument it transforms money or value into a more secure format for long distance transfer, thereby avoiding the need to physically move currency or valuable goods. This takes the form of a draft or bill that constitutes a trust-based letter of contract/promise created by the agent at point A, directing their agent at point B to pay a specified sum to a third party.

**HOSSPs:** *Hawala* or Similar Service Providers

**Hundi:** In this thesis *hundi* is defined as a traditional system of money or value transfer that is identical in meaning and function to *hawala* (see above). But may also incorporate deposit-taking and other financial services generally associated with conventional banking (*see Indigenous Banking System and IBS below*).

**International Monetary Fund (IMF):** The International Monetary Fund, or IMF, promotes international financial stability and monetary cooperation. It also facilitates international trade, promotes employment and sustainable economic growth, and helps to reduce global poverty. The IMF is governed by and accountable to its 189 member countries.

**Indigenous Banking System (IBS):** Any individual or private firm which, in addition to making loans, either receives deposits, or arrangements each of which functions in a similar fashion to banking. This definition is often applied to different types of MVTs, (*see Hawala, Hundi*). A genuine IBS is an autochthonous or culturally unique financial institution, meaning it is not derived from a colonial or external cultural source.

**Informal finance:** refers to monetary transactions beyond the control of a financial authority.

**Institution:** refers to something that is ascribed social purpose and significance, which do not reflect its inherent material features.

### **International Consortium of Investigative Journalists (ICIJ)**

**International Society:** “A society of states (or international society) exists when a group of states, conscious of certain common interests and common values, form a society in the sense that they conceive themselves to be bound by a common set of rules in their relations with one another, and share in the working of common institutions” (Bull, 2002, p. 13).

**Justice:** Subjective meaning given to action by purposive actors (Bull, 2002, p. 75).

**Know Your Customer (KYC):** An Australian Transactions Records and Analysis Centre (AUSTRAC) specific reflection on the Customer Due Diligence (CDD). It is a more personal approach to the initial stages of CDD for MVT agents, which begins with collecting and verifying personal information from prospective clients. Moreover, it is about being ‘familiar’ with a clients’ typical transaction to enable agents to provide reports on any unusual or suspicious transactions or activities.

**Liberal Solidarity (ES term):** Also referred to as liberal internationalism, liberal solidarity constitutes the lens through which the collapse of the Soviet Union came to reflect the supposed victory of liberalism. This reflected a broad shift towards a more solidarist international society, meaning a diminishing of the old pluralist international order to give primacy to international justice. Liberal solidarity is also defined by the creation of inter-government and non-government institutions, ostensibly as platforms for inter-state mediation and cooperation, but via which dominance and hierarchy under the leadership of a few powerful states has produced an exponential increase in the range of intrusive global legal norms and rules (Bain, 2014; Hurrell, 2007) (*see Solidarity, see Pluralism*).

**Money or Value Transfer (MVT) service:** This term is defined in this thesis as any service that receives currency, cheques, financial instruments or other type of value in one place and releases a matching amount in currency or other form to a recipient at another site. To do this a clearing network or a variety of simple communication modes such as email, fax, or SMS may be used. Transfers made can involve multiple agents before the contract is concluded,

generally by payment to a third party. In this research, the term *MVT system* is applied in reference to the structures, both social and material, that facilitate remittances largely outside of conventional banking systems.

**Norms (Social):** Social norms specify what actions are regarded as proper or correct, or improper or incorrect. They are purposively generated, in that those persons who initiate or help maintain a norm see themselves as benefiting from its being observed or harmed by its being violated.

**Pluralism (ES term):** the morally minimalist conception of international society that represents the fundamental norm by which the society of states is structured. Key features are sovereign independence, legal equality between states, and maximisation of the potential for cultural diversity within states.

**Private Authority:** Big international organizations, transnational corporations, NGOs, and formal bodies that either challenge the authority of states or have authority ceded to them by states.

**Promissory Note:** A negotiable written promise to pay a specified sum of money on demand or at a particular time.

**Remittance System:** Another term applied in reference to money or value transfer system (*see MVT service*).

**Rules:** The function of rules is to provide specific guidance on the consistency of behaviour required to meet goals in social life.

**Smart Contract:** A digital program designed to be stored and operate on a distributed ledger platform, where the result of any activity on the network is recorded on the ledger.

**Society:** A community, nation, or broad grouping of people having common traditions, institutions, and collective activities and interests.

**Solidarism (ES term):** a morally conscious conception of international society, based on the assumption of solidarity across the society of states, or the potential for it in regard to the rule of law and its enforcement.

**Stablecoin:** "...digital units of value that are not a form of any specific currency (or basket thereof) but rely on a set of stabilisation tools which are supposed to minimise fluctuations of their price in such currency or currencies)" (European Central Bank, 2020, p. 7).

**Traditional MVT System:** refers to any money or value transfer system that functions based on informal money transfer institutions that emerged in ancient times to facilitate more secure and efficient trade over long distances (*see hawala, hundi, fei ch'ien*).

**Trust:** “Trust exists when two or more actors, based on the mutual interpretation of each other’s attitudes and behaviour, believe that the other(s) now and in the future, can be relied upon to desist from acting in ways that will be injurious to their interests and values. This minimalist conception of trust can be contrasted with a maximalist one where actors mutually attempt to promote each other’s interests and values, including in circumstances that cannot be observed. For trust to become embedded between political units, it is necessary for positive relationships between decision-makers to be replicated at the inter-societal level, and vice-versa, through a mutual learning process” (Booth & Wheeler, 2008, p. 230).

**United Nations Security Council (UNSC):** One of six main organs of the United Nations. The UNSC has primary responsibility for maintaining international peace and security and is the only UN body empowered to make decisions that member-states are obliged to comply with.

**UNSCR:** United Nations Security Council Resolution

**UNSCR 1368:** This Resolution was adopted on September 12, 2001. It provides the initial insight into the nature of the international response to the 9/11 terror attacks on the United States (see Appendix 1.2).

**UNSCR 1373:** This Resolution is the primary focus of this research. It details the consensus of the 15 UN Security Council members in response to the 9/11 attacks and sets out the global mandate for all states to act to criminalize money laundering and terrorism financing. This is the first Security Council Resolution to be adopted under Chapter VII of the UN Charter, thereby making state participation and cooperation with the global regulatory effort mandatory (see Appendix 1.1).

**UNSCR 1540:** This is significant because it is the only other UN Security Council Resolution to be adopted under the Chapter VII provisions of the UN Charter. Adopted in 2004, it mandates state cooperation and participation with all UN Security Council Resolutions that relate to non-proliferation of nuclear, chemical and biological weapons.

**Usury (Arabic: *riba*):** In this thesis usury is defined as; the practice of providing loans with terms that require the debtor pay interest, particularly at an exorbitant and/or illicit rate.

**Values:** In contrast to the notion of rationality (i.e. rational choice theory), which in essence views values as the basis upon which actors evaluate action according to hypothetical outcomes, Hurrell (2007) posits that “...values are the product of history. They are what differentiates one society from another and one international system from another...[and are]...fundamental to understanding both the nature of conflict and the possibilities for cooperation” (pp. 44-5).

**Virtual Asset:** A digital form of value that can be exchanged or sent via a computer network, and is able to be used as a means of investing or imbursement. The term ‘virtual asset’ does not refer to electronic forms of sovereign-backed currency.

**Virtual Asset Service Provider (VASP):** Any individual or business entity that provides, or is involved in the facilitation of, services relating to the sale, exchange, transfer, storage and/or management of virtual assets.

# **Chapter One: Introduction to the Research and Literature Review**

## International Terrorism and Money Transfers

Two weeks after the September 11 terrorist attacks on the United States in 2001, United Nations Security Council Resolution (UNSCR) 1373 was adopted (UNSC, 2001). It took the unprecedented step of coercively instituting a global financial governance standard to combat terrorism financing. Since then all states, regardless of UN membership, are obliged to legislate and act in accordance with UNSCR 1373 under international law. The significance and extent of the implications associated with this knee-jerk reaction are not widely understood. While on paper, the focus of the Resolution was terrorism financing, in the public arena traditional forms of money or value transfer (MVT) were singled out. Following the US shut down of the Somali *hawala*-style MVT systems known as Al-Barakaat, media reports followed the lead of then US President Bush (2001c)<sup>1</sup> and the US Dept. of Treasury to superimpose the label “quartermasters of terror” onto the “money movers” (Dimmock, et al., 2001, para. 5; Southam News, 2001, para. 3). This marked the beginning of a persistently negative narrative directed at traditionally informal MVT systems that only slowed following the Abu Dhabi Declaration on Hawala (2002).

Findings in one version of the official 9/11 Commission Report implicated traditional money or value transfer (MVT) systems in the financing of the September 11<sup>th</sup> terrorist attacks (Commission, 2004).<sup>2</sup> In addition to misconceptions in part resulting from the spread of ‘misinformation’ and ‘facts by repetition’ (Goede, 2012; Passas, 1999), regulation of such systems became an international priority. The relevant framework for this complex task is

---

<sup>1</sup> Although the official record does not quote President Bush (2001c) as referring to Al-Barakaat and Al-Taqua as “quartermasters of terror”, Bush is quoted stating this “two days earlier” in an article dated November 09 in Blomfield (2001, para. 2). Likewise, the U.S. Treasury are quoted in multiple news articles as describing the satellite as “the money movers, the quartermasters of terror” (Dimmock, et al., 2001, para. 5; Southam News, 2001, para. 3).

<sup>2</sup> There are contested versions of this document. According to a 2016 version of the 9/11 Commission Report (2004, p. 532, note 138), the MVT systems called Western Union and Al Barakaat (Somalia) played a minor role in the financing of the attacks against the US, carried out by the terrorist group known as Al Qaeda on September 11, 2001. However, this claim is contradicted by Roth et al. (2004) in the official 9/11 Commission Monograph on Terrorist Financing. It states that an “...extensive investigation into the financing of the 9/11 plot has revealed no evidence to suggest that the hijackers used hawala or any other informal value transfer mechanism to send money to the United States” (p. 139). See also Goede (2012, p. 107). Accessed in 2020, a seemingly altered version of the 9/11 Commission Report (2004) supports finding of the Terrorism Financing Monograph, which states “Our investigation has uncovered no evidence that the 9/11 conspirators employed hawala as a means to move the money that funded the operation. Indeed, the surviving plot participants have either not mentioned hawala or have explicitly denied using it to send money to the United States” (p. 499, note 131).

found in the international Anti-money Laundering/Combating the Financing of Terrorism (AML/CFT) standards set out by the Financial Action Task Force (FATF, 2012-2019).

More than just easy targets for terrorists and organized criminals, as often described in the media, money or value transfer (MVT) systems have been the primary facilitators of local and long-distance trade throughout the world for many centuries (Jain, 1929; Krishnan, 1959; Martin, 2009; 2012; Oswald, 2007; Passas, 2006). As such, the ongoing viability of traditional systems is of vital significance in the 21<sup>st</sup> century as humanity is increasingly divided along cultural and economic lines (UN, 2013). Meanwhile, Resolution 1373 has arguably placed undue pressure on the poorest, most vulnerable communities that are most reliant on MVT systems for their welfare.

The transnational attempt to address the threat of terrorism financing and money laundering through traditionally informal MVT systems<sup>3</sup> has been broadly accepted as necessary in the Global North. However, the evidence suggests that overall efficacy of the UNSCR 1373 approach has been limited (IMF, 2011). With increasing globalization, the potential for more effective MVT services using digital technologies has also expanded. The fact that progressively intricate digital methods of financing terrorism and organized crime based on traditional MVT structures are likely to arise is of considerable concern. This is not least due to the significant detection and enforcement issues that become apparent in light of emergent innovations in remittances that function purely via the World Wide Web, e.g. eBay/PayPal. Debate continues as to the implications of the global AML/CFT regulatory effort initiated by Resolution 1373, especially in relation to how it might become more effective.

## **Chapter One Outline**

The chapter is set out as follows. The research problem is detailed, highlighting the differing perspectives on Resolution 1373 and concluding that there is a gap in the literature addressing the global regulatory effort. This is because little consideration has been paid to the role of values and norms in the process of designing international rules for MVT systems. Next the questions that this research asks are detailed, followed by a review of the literature. Included in the review are a deeper exploration of scholarly perspectives on the research problem and the first part of the argument for its consideration through the English School (ES) lens. The

---

<sup>3</sup> The three most widely recognized traditional systems are *hawala* (Arabic standard translation meaning ‘transfer’; Passas, 1999), *hundi* (Hindi standard translation meaning ‘trust’; Martin, 2009; 2012), and *fei qian* or *fei ch’ien* (Chinese, translated both terms mean ‘flying money’; Cheng, 2003).



hypotheses are then set out, followed by further explanation of the ES perspective as the basis for the conceptual framework. Details of the research method, which outlines the use of an interpretivist approach and constitutive theory to analyse the data under consideration, is followed by a comprehensive thesis outline.

## **Research Problem**

*The problem this thesis addresses is that global efforts to regulate financial transfers are grounded in distrust and focused on security rather than accessibility.*

This research seeks to address the limited efficacy of the international effort to regulate MVTs. Many approaches and arguments have been put forward to better understand this distancing between two important things. The first is the need to secure nations through limiting terrorism financing, and the second is to allow people to access money in a global economy (Buzan, 2004; Cacciatori, 2020; Dunne, 2010). In essence, this problem is about a need for balance between security and accessibility, or distrust and trust. It is also about the values underpinning a global system of financial governance, and whether those values accurately reflect the inherent plurality of cultural contexts in which such rules are to be upheld. Thus, the state of global regulatory efficacy for MVT systems is considered in this research in terms of issues of trust and legitimacy that have arisen in the wake of a global value conflict.

United Nations Security Council Resolution (UNSCR) 1373 can be seen as characteristic of the Liberal Internationalist order for global governance. As such, it emphasizes a holistic and solidarist approach to counter global terrorism financing, and deeper governmental interdependence on economic and security issues. Additionally, it also reflects further reinforcement of hierarchical non-state governance structures as a means of bringing about social change (Hurrell, 2007). This approach reflects a view that institutions<sup>4</sup> embody impartial grounds for solving common issues (Miller, 2010; Ikenberry, 2010).

To understand the value of this study through an English School (ES) lens, it is essential to consider the classic ES triptic (Wight, 1991; Wight & Porter, 1994). The three areas of Realism, Rationalism and Revolutionism are central to this view. They reflect the three key traditions of International Relations theory in the form of International System, International Society, and World Society. Each of these are structures of social order which together constitute the core framework for the English School conception and understanding of

---

<sup>4</sup> In reference to what Bull (2002) describes as secondary institutions of international society such as the UN, UN Security Council, World Trade Organization, World Health Organization, etc.

international order. In this sense, this study examines a broad range of literature from which it draws a set of descriptive inferences.

From a realist perspective, Resolution 1373 constitutes an over-extension of UN Security Council power that serves to undermine its authority and legitimacy (Happold, 2003), emphasising that Resolution 1373 is not responsive to a *specific* act or threat to international peace as intended; rather it is designed in response to a type of behaviour in general. Also, key terms such as ‘terrorism’ are undefined and open to interpretation, and there is no means of review. Happold (2003) argues that Resolution 1373 undermines the legitimacy of the Security Council because its authority is dependent on fulfilling its agreed role; to act in specific situations to maintain social order, not impose broad legal obligations absent chronological limits. The realist view holds that although the Security Council is unsuited to its task as a legislator, it may be viable if the UN General Assembly were tasked with constraining its power (Happold, 2003).

An additional point from the realist perspective is highlighted by Happold (2003). Without consensus on the meaning of justice as a solid foundation for UNSCR 1373, the new approach to MVT regulation has arguably weakened the established norm of sovereign independence. This is an essential feature of the pluralist conception of international society, whereby Nation-States hold ultimate authority over the nature of norms, rules and values within their territory (Bull, 2002; Hurrell, 2007). Happold (2003) argues that the adoption of UNSCR 1373 has over-extended the Security Council’s authority. It has done this by creating legal obligations for all states to address a problem, which lacks specific context and an effective time frame as required under its agreed role under the UN Charter. The Security Council is meant to be a platform for international powers to collectively respond to threats to, or breaches of, international peace and not for imposing broad “temporally undefined” legal requirements on states (Happold, 2003, p. 607). In this way, Resolution 1373 has weakened sovereign independence.

Rationalism offers a different perspective. Constructivists Wendt, (1999) and Rychnovská (2014) have engaged with this problem by looking at the way securitisation and critical security scholars emphasize the need for a context-sensitive approach to interpreting the threat-construction of terrorism. This comes in the wake of the September 11 attacks in 2001 and surrounding the implementation of Resolution 1373 within Security Council proceedings (Rychnovská, 2014). Analysis in this context emphasized the securitizing of terrorism bringing about ‘new policies’ that exceeded the conventional capabilities of the

Security Council. In this regard, Rychnovská (2014) highlights that the adoption of Resolution 1269 in 1999 was significant because it reframed the issue of terrorism from its conventional understanding as a context-specific problem into a potentially “universal threat” (p. 23). This set the precedent for both Resolution 1368 and Resolution 1373 to approach the issue of terrorism as a threat capable of undermining international peace and security. Rychnovská (2014) observed that securitisation was a significant feature of the international response to the September 11 terror attacks in 2001, which served to justify a ‘novel’, broad and institutionally entrenched reaction (p. 24).

Revolutionism emphasizes the focus on change and differences between individual sovereignty and Nation-State sovereignty (Buzan, 2004; Wheeler, 2000, Booth & Wheeler, 2008; Cacciatori, 2020). It considers issues that drive decisions that extend beyond Nation-State borders (Linklater & Suganami, 2006). This revolutionist perspective gives primacy to individuals over states. This is a central element in terms of understanding decentralized financialized structures, and a broad church of traditional and emerging MVTs that are likely to reconstitute a modern understanding of international order.

Scholars examining this issue from a general security and regulatory perspective have also analysed the novel UNSCR 1373 approach (Passas, 2006). Many have emphasized a need for greater cultural sensitivity, while supporting the necessity for a universal standard to deal with the threat of terrorism financing and money laundering. Emphasis has generally been placed on the informal character of traditional MVTs and the need to re-evaluate terrorist financing threat perceptions, particularly in light of the significant sums regularly laundered through modern banking and financial institutions (Maimbo & Passas, 2005). The legitimacy of traditional MVT systems is broadly recognized in their role as financial service providers to the world’s poor and vulnerable communities (Maimbo, 2004). Researchers are also generally aware of the long legacy of traditionally informal MVT systems. Additionally, the significance of misinformation, ‘facts-by-repetition’ (Passas, 1999), and exaggeration of their role in supporting criminal and terrorist activity is commonly understood (Goede, 2003; Martin, 2009; Passas, 2006b; Trautsolt, & Johnsen, 2012; Passas, 2016). Although these different approaches have made significant contributions to the problem of inefficacy in the international regulatory effort, none have so far delivered a completely suitable answer.

One explanation for this is that scholars have overlooked or inadequately theorized the role of norms and values in relation to the international regulation of MVT systems. Trust should be more directly concerned with values than with expected norms (Booth & Wheeler, 2008). There is a gap in scholarly research that fails to address this trust problem in terms of

its impact on cultural diversity (Wheeler, 2009; Jackson, 2000). The problem addressed in this research, in a broad sense, is about the impact of circumstances wherein the potential for diversity of culture has been inhibited by prescriptive and culturally insensitive global governance policy. In other words, it is about the ramifications of issues that stem from an attempt to implement a transnational justice system that is not constitutive of the norms, rules, and values of those it seeks to govern. To be specific, it suggests how international society can address the necessity to mitigate the risk of funding terrorism through MVT systems, whilst trusting the use of MVT systems across national borders so that they remain viable. Therefore, whilst Resolution 1373 was passed under an umbrella of agreed international security, the available evidence suggests that more needs to be done to ensure trust across cultural, societal, and diverse financial systems.

### **Research Questions**

The research problem identifies the areas that require investigation to address the research gap, and to consider these elements through an examination of the specific challenges that emerged as a result of the passing of UNSCR 1373, and their implications.

The research questions for this thesis are:

1. How does trust play a part in the context of money or value transfer (MVT) systems and the global regulatory standard for MVTs as mandated by United Nations Security Council Resolution (UNSCR) 1373?
2. What is the global trust conflict and how is it significant?
3. How could understanding the nature and role of the global trust conflict enhance the efficacy of the global effort to regulate money or value transfer systems?

The following literature review examines those elements that inform the research question and provide insight on the research problem. The research problem is centred on the ineffectiveness of the regulatory regime in addressing challenges in relation to money transfers subsequent to the adoption of UNSC Resolution 1373 in 2001. However, unlike other research efforts, this thesis is focused on understanding and explaining how it is possible that trust might represent the key to further development of more effective global regulatory policy for MVT systems.

In order to put the research problem into context and provide greater detail on the limitations within the literature, three topics require clarity. Firstly, the nature of the global regulatory response to the threat of terrorism under UNSCR 1373 needs to be discussed. This

will cover the general features, purpose, analysis of the issues relating to efficacy, and significance of the Resolution in the context of this research. Secondly, the historical and modern significance of MVT systems requires clarity. This section will highlight the historical origins of MVT systems as providers of ancient trading mechanisms, their general features and functional characteristics, how these systems came to be aligned with criminality and terrorism and discuss the state of play in relation to regulatory efficacy. Finally, an outline of the gaps in the literature will be discussed which will lead into the research hypotheses.

## **UN Security Council Resolution 1373**

Resolution 1373 is the first international instrument to standardize the global effort to combat terrorism (UN, 2001). Sometimes described as the ‘cornerstone’ of the UN response to terrorism, Resolution 1373 is designed to be a comprehensive step towards solidarity between all states in terms of law, its enforcement, and cooperation to prevent money laundering and terrorism financing (Miller, 2010, p. 275). Under Chapter VII of the UN Charter (UN, 2013), the UN Security Council has effectively obliged all states, whether a UN member or not, to participate in the international counter-terrorism effort (UNSC, 2001).

The first element of UN Security Council Resolution (UNSCR) 1373 is the primary focus of this research. The reader should note that when reference is made to the UNSCR 1373 regime for money or value transfer (MVT) systems in this thesis, it points primarily to the first statement of resolve, which is concerned with preventing the financing of terrorism. Section 1, subsections (a), (b), (c), and (d) reflect the various elements that states must address in relation to terrorism financing (UNSC, 2001). Subsection (a) of UNSCR 1373 (2001) requires states to “Prevent and suppress the financing of terrorist acts” (p. 2), subsection (b) is concerned with legislating against ‘wilful provision’ of funds in support of terrorism, subsection (c) relates to seizing funds and assets related to terrorism, and subsection (d) requires states to ‘prohibit’ direct or indirect financial support for terrorism. States are also required to report to the Counter-Terrorism Committee (CTC) on their progress implementing UNSCR 1373 (UNSC, 2001). This is a unique feature that reflects the UNSC’s commitment to ensure states meet their obligations (Miller, 2010, p. 276).

The purpose of the Counter-Terrorism Committee founded by UNSCR 1373 extends beyond counter terrorism financing to improve the standard of counter-terrorism performance in all governments (Rosand, 2003). The primary task of the CTC is to support states in the process of meeting their obligations. Later, it was recognized that the CTC was not equipped

to effectively undertake its tasks and Resolution 1535 was passed to rectify this inadequacy serving to create the Counter-Terrorism Executive Directorate (CTED) (Bianchi, 2006).

In the literature on Resolution 1373 there seems to be broad acceptance of the need to combat global terrorism, but a lack of optimism as to its potential success and limited attention paid to its implications for MVT systems. Major challenges face those tasked with implementing Resolution 1373 including resourcing, administrative, monitoring, and enforcement complications (Bianchi, 2006). The cost for the UNSC as well as states is significant. Not least due to the high level of expertise necessary to implement the broad and complex requirements of the Resolution, which includes signing and enacting more than ten pre-existing counter-terrorism instruments (Ward, 2003). What little optimism that can be found is in reference to the significant increase in global cooperation to implement counter-terrorism initiatives through the UNSC in the wake of UNSCR 1373 (Kramer & Yetiv, 2007).

Moreover, significant concerns have been raised about the lack of definitional consensus on the meaning of terrorism internationally. Consequently, states have been left to freely define the term potentially allowing for the use of anti-terrorism measures to undermine universal human rights (Scheppele, 2006). In response, Resolution 1456 (UNSC, 2003) was passed to require that “States must ensure that any measure taken to combat terrorism comply with all their obligations under international law, in particular human rights, refugee and humanitarian law” (para. 6). This statement therefore also extends responsibility for the monitoring of states’ adherence to international refugee and humanitarian law throughout the implementation and ongoing enforcement of Resolution 1373. Many other Resolutions followed the passing of Resolution 1373 to ensure effective implementation of the measures it introduced, such as introducing sanctions and expert committees (Bianchi, 2006). Consequently, this highlights the Security Council’s “...inadequacy in discharging a function for which it is both ill-suited and insufficiently equipped” (Bianchi, 2006, p. 903). Nonetheless Resolution 1373 remains a vital instrument in the global effort to counter terrorism. However, the majority of research dealing with the resolution is concerned with the efficacy of implementation, monitoring, and sanctions. When considering the practical implications of Resolution 1373 in relation to MVT systems and international society a different set of challenges arise. This is a significant gap in the literature that analyses UNSCR 1373, which this thesis seeks to address.

## Global Regulatory Response

Aside from the threat of terrorism and money laundering, the problems underlying the drive to control traditionally informal banking and remittance systems share common ground with concerns about trillions of dollars moved through unregulated avenues internationally. According to Thompson (2011), the fundamental issue associated with systems such as *hawala* or *hundi* relate to worries about the daily transfer of approximately USD two trillion moved outside the reach of sovereign law, through systems such as the Federal Reserve (Fedwire) and the Clearinghouse Interbank Payments System (CHIPS). This problem is characteristic of the observable shift in the global economy away from contemporary "...state-centric political economy towards a less territorial world order" (Thompson, 2011, p. 5). Consequently, monetary authority that was once under purely sovereign control is now increasingly shared with politically independent groups whether benign or criminal (Thompson, 2011). However, systems like *hawala* or *hundi* have received far more negative press than issues associated with the 'formal' or 'conventional' financial institutions and systems of the global economy (Passas, 2016; Thompson, 2011).

## What is Global Governance?

Governance is a term that exists in a definitional grey area and is applied broadly in reference to situations where an authority seeks to alter or manage a specific behaviour. Drawing on the work of Rosenau (1995), governance can be defined as "...systems of rule at all levels of human activity from the family to the international organization in which the pursuit of goals through the exercise of control has transnational repercussions" (p. 13). According to Finkelstein (1995), Rosenau uses the term 'rule' in reference to a form of 'control' or 'steering' that just needs those in power to set a goal rather than succeed in altering the nature of the other actors conduct. Finkelstein goes on to define global governance in light of Rosenau's delineation as "...any purposeful activity intended to 'control' or influence someone else that either occurs in the arena occupied by nations or, occurring at other levels, projects influence into that arena" (p. 368). The English School perspective on this overlaps considerably with institutionalism and global governance research. In this context, Hurrell (2007) posits that global governance constitutes the attempt to make sense of, and respond to, progressively dire issues and failures observed in collaborative attempts to govern, which stem from a gradual rise in "...societal, ecological, and economic interdependence" (p. 15). This research employs the term 'global governance' via the English School lens, in that it is better

understood primarily as a constitutive effect of growing societal and economic interdependence.

Global governance regimes are one means by which states have sought to cooperate in order to address specific threats to order in international society. Institutions such as the Financial Action Task Force (FATF) and the International Monetary Fund (IMF) are relevant examples of inter-government organizations tasked with shaping international order according to a global standard (FATF, 2005; IMF, 2005). From a state-centric perspective, according to Krasner (1982), "...international regimes are defined as principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area" (p. 185). However, Hurrell (1993) provides a more detailed and socially conscious description of international regime theory from the English School perspective. Drawing on observations from Kratochwil and Ruggie, Hurrell (1993) posits that international regimes "...are necessarily intersubjective phenomena whose existence and validity is created and sustained in the interrelationship of its subjects" (p. 64). This definition unveils the divide between a constitutive understanding and the realist perspective inherent to conventional or rationalist regime analysis.

The constitutive approach views its source of legitimacy as being represented in the ideas and relations of its subjects (Wendt, 1999). Whereas, in this case the source of legitimacy appears to be the dominant influence of Western-centric interests on the United Nations Security Council (UNSC, 2001; 2001a; 2001b; 2001c).

### **Precedent for a Coercive Global Response**

International action against the threat of terrorism was first formalized long before the terror attacks in the United States on September 11, 2001. In fact, since 1963 a total of 19 international legal instruments have been enacted (UN, 2021). The International Convention for the Suppression of the Financing of Terrorism in 1999 was the first to specifically target the financing of terrorist activity (UN, 1999). Following that, part four of UNSCR 1267 targeted the Taliban group in Afghanistan serving to mandate that all states act to freeze funds and assets whether directly or indirectly owned or under their control (UNSC, 1999). In 2001, the UNSC went beyond legal instruments to adopt Resolution 1373 thereby taking the effort to combat the financing of terrorism to a new scale (UNSC, 2001).

The resolution legalized transnational acts of justice under international law and requires all states to; criminalize deliberate collection or facilitation of funds, act to freeze funds and financial assets of anyone involved, prohibit the provision of funds for any terrorist-



related activity by any person or entity (UNSC, 2001). Most significantly, it required all states to cooperate in a global effort to regulate all economic systems, including traditionally informal banking and money or value transfer (MVT) systems.

### **FATF Response to Global MVT Threat**

Tasked with leading the world in the effort to counter terrorism financing and money laundering, the Financial Action Task Force (FATF) took steps to standardize the now mandatory international approach<sup>5</sup> (FATF, 2012-2019; UNSC, 2001). In response to the alleged role of traditional MVT systems as financiers for the September 11 attacks in 2001, a special recommendation was made by the FATF. One month after the attacks the FATF released nine special recommendations, one of which specifically addresses ‘Alternative Remittance’ (FATF, 2001-2008). The text of Special Recommendation VI is as follows:

Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions. (FATF, 2001-2008, p. 3)

Consequently, member states were required to register, license and oversee all operations they refer to as Alternative Remittance Systems (ARS) or informal money or value transfer (MVT) systems. It is also important to note that the terms ‘informal’ and ‘alternative’ are recurring pejorative descriptors used in reference to MVT systems, and IBS by implication, regularly in the policy language emanating from the UN, FATF, and related institutions such as the World Bank and IMF (IMF, 2005; World Bank, 2019). The accuracy of these descriptors is disputed in the literature and will be discussed in the next section (Austin & Sugihara, 1993; Martin, 2009; Martin, 2012; Thompson, 2011).

The FATF (2005) definition of an ‘alternative remittance’ or informal money or value transfer (MVT) system includes any form of banking that occurs outside conventional economic systems. Herein an MVT is defined as a:

---

<sup>5</sup> Established in 1989 as an inter-governmental body (IGO), the aim of the FATF (2016) is to encourage “legal, regulatory and operational measures for combating money laundering, terrorist finance and other related threats to the integrity of the international financial system” (para. 1). In April 1990, the FATF released its first 40 recommendations aimed at dealing with money laundering, which was followed by eight special recommendations in 2001. One more special recommendation was added in October 2004 to what cumulatively came to be recognized as the international standards for combating money laundering and terrorist financing (FATF, 2010; 2012-2019).

...financial service that accepts cash, cheques other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the money/value transfer system belongs. (FATF, 2005, p. 5)

The policy document also points out that the “...definition is necessarily broad”, in order to encompass the complete scope of economic services that facilitate the transfer of funds, “...including everything from banks to systems operating in full or in part outside conventional banking channels” (FATF, 2005, p. 5). Such a broad definition, whilst perhaps appropriate for some recent evolutions of MVT, discounts any pre-existing institutions constitutive of norms and rules that may have evolved to embody “...economic and cultural sanctions”, as is the case for the *hundi* and *hawala* system indigenous to South Asia and the Middle East respectively (Martin, 2009, p. 922).

## **The Historicity of MVT Systems**

Since ancient times the demand for safe, resilient banking and methods of moving value or currency to facilitate long distance trade has played a significant role in the economic development of many societies. In modern history this demand has continued to be met by systems with ancient lineage that are indigenous to South Asia, the Middle East and China (Harris, 2015; Passas, 2008, p. 1; Sharma, 2006). An accurate account of the origins of traditional forms of money or value transfer represents a significant gap in the literature.

One scholar posits that the earliest records of *hawala* or *hundi*-type systems date back to 3,800 BCE (Oswald, 2007), whilst others claim that this style of money transfer was most likely developed during the Vedic period (Banking Commission, 1971; Jain, 1929), c. 1500-500 BCE (Dikshit et al., 2020). The Chinese flying money system is believed to have emerged around the time of the T'ang Dynasty (618-906 CE) (Tsin, 1995; Yang, 1952). Naturally, the lack of records left by ancient civilisations has presented some difficulties for scholars seeking clarity on the origins and nature of their financial practices. But in the last few decades there has been an important development in historical literature, which has revealed new archaeological evidence on the nature of financial practices from the excavation of an ancient Mesopotamian settlement.

The earliest evidence of an informal MVT system can be found in the cuneiform clay tablet records of cross border trade between the ancient Mesopotamian city-state of Assur and one of its most significant outposts. Known as Kanesh, this settlement was a significant hub for long distance trade located about 1000km from the city-state of Assur in the neighbouring

state of Anatolia. Evidence of the use of a form of promissory note, including an isolated yet vibrant trade in discounted notes, dates back to the Old Assyrian period (*circa.* 2000-1800 BCE) following the collapse of the highly centralized Third Dynasty of Ur (Kuhrt in Parkins & Smith Eds., 1998; Van De Meiroop, 2015; Hudson, 2010; Veenhof, 1999, cited by Hudson, 2010). This will be detailed further in Chapter Three.

Some historical evidence suggests that the early forms of *hundi* and services incorporated financial services akin to banking, in addition to the use of credit instruments and money lending. According to Martin (2009), *hundi* or *hawala*-style systems in their traditional form functioned as the primary vehicle for trade and provision of banking services until the latter half of the 20<sup>th</sup> century. *Hundi* provided the primary means of access to credit and secure transfer of value via promissory notes, also referred to as *hundis*, for the Moghul Empire (Jain, 1929; Mallick, 1991; Rothermund, 1988). Multiple sources confirm the broad incorporation of *hundi* under the category of an indigenous banking system in historical literature (Anstey, 1952; Jain, 1929; Mallick, 1991; Krishnan, 1959). However, post-colonial literature on the nature of *hundi* in India, including reports from state authorities, highlights a lack of understanding and misconceptions of *hundi* that, in part, revolved around competition for control of trade and state efforts to improve tax transparency (Banking Commission, 1971; Government of India, 1931; Government of India, 1931; Gubbay, 1927; Mallick, 1991; Qureshi, 1938). Later, the attempt to codify the traditional banks indigenous to India failed and eventually led to the criminalisation of such systems (Martin, 2015).

The term ‘indigenous banking system’ has been applied in reference to the traditionally informal system called *hundi* that originated in South Asia. Jain (1929) undertook research to understand the MVT system widely known as *hundi* but which may also be called *hawala*. In his thesis, defining indigenous banking was a matter of whether it was acceptable to refer to the merchant communities engaging with the *hundi* system as bankers or moneylenders. Significant contention on what constitutes a banker has persisted in post-colonial literature emanating from India (Krishnan, 1959; Martin, 2009), and remains a legal grey area even in Western societies (Martin, 2015). Although Jain (1929) noted that no legal definition exists, he defined the term “... to mean any individual or private firm which, in addition to making loans, either receives deposits, or deals in *hundis*, or both, each of which functions clearly belongs to the province of banking ...” (p. 3). Whilst there remains no legal consensus on the definition of an indigenous banking system, this term is adequate for the purposes of this research. Additionally, this definition is also taken to refer to private firms or individuals that practice

*hawala* and meet the requirements set out under it, such as the *hawaladars*<sup>6</sup> of Afghanistan etc. (Maimbo, 2003). Examples of private firms or mercantile traders in history that were formed around the practice of indigenous banking, and in some cases still operate today are the Nattukottai Chettiyars and Kallidaikurichy Brahmins of India (Krishan, 1959).

The societal role of ancient trade mechanisms is significant for a modern understanding of remittance systems and the global regulatory attempt. This is because the historical records of such systems reveal some of the norms, rules and values that constitute them today. It makes sense that research seeking to answer a question of efficacy in the attempt to regulate the modern iterations of MVTs would benefit from such insights.

### **Traditional MVT Systems in Modernity**

Today there are three widely recognized traditional remittance systems. They are ‘*hawala*’ (Arabic standard translation: ‘transfer’), ‘*hundi*’ (Hindi standard translation: ‘trust’), and ‘*fei chi’en*’ (Chinese translation from traditional Wade Giles<sup>7</sup> anglicisation ‘flying money’, also known as ‘phoe kuan’ in Thailand). These systems are the earliest recorded forms of banking, credit instrument, and remittance still operating in modernity (Cheng, 2003; Maimbo, 2004; Li et al., 2012; Martin, 2009; Passas, 2003; Sharma, 2006; Shehu, 2003; Thompson, 2011). The Chinese flying money system is predominantly found throughout China, Hong Kong, and Thailand (Shehu, 2003, p. 176). This system uses a ‘chit’ or ‘chop’ that takes the form of a promissory note or ‘symbol of claim’, almost identical in nature to that associated with the *hundi* or *hawala* system (Li et al., 2012; Shehu, 2003). Other contemporary forms of traditional systems are the Columbian ‘Black Market Peso Exchange’, and the Philippine *padala* or *paabot* (Passas, 2003; Rahman & Yeoh, 2008; Sharma, 2006).

The modern descendants of *hawala*, *hundi* or *fei ch’ien* systems present a different challenge than that of their traditional ancestry. In a world of increasingly complex social and technological developments, the modern equivalent of what were once the peak local and international systems of trade run by mercantile families now look very different. Although traditional *hawala* and *hundi* systems still persist globally (World Bank, 2019), many of their processes and structures have adapted to make use of new technologies and Western-style banking networks (Ballard, 2006; Maimbo, 2004; Passas, 2006; Thompson, 2011).

---

<sup>6</sup> A *hawaladar* is a money transfer operative who works within an informal network of mostly familial and trusted agents for the purpose of transferring money over distances and across borders.

<sup>7</sup> See Kissinger (2012, p. xvii).

Moreover, the impact of an international collaborative effort to regulate any financial system open to misuse by organized criminals and terrorists cannot be ignored (UNSC, 2001; FATF, 2012-2019). Consequently, many previously unregulated systems are now overseen by state authorities, new increasingly complex iterations of money or value transfer systems are evolving on the back of globalized high-speed internet and banking networks. Also, it is widely believed that an unknown quantity of traditional *hawala*-style systems have remained unregistered and undetected (IMF, 2005; Passas, 2006; Passas, 2016; Thompson, 2011).

### **MVTs and Post-2001 Negative Press**

The predominance of pejorative descriptors in both historical literature and contemporary international media releases from authorities, such as the World Bank and IMF (Martin, 2009), have naturally influenced the way scholars have characterized traditional MVT systems. Consequently, terms such as Informal Funds Transfer (IFT) or Money Transfer Operation (MTO) inaccurately imply that funds or money are transferred (Passas, 2006), whereas Informal Value Transfer System (IVTS) seems to imply that currency is not transferred (Passas, 1999; Passas, 2003; Sharma, 2006). The term Alternative Remittance System (ARS) also suggests that these systems are a substitute for formal economic systems in all instances (FATF, 2003a; 2005; 2010; IMF, 2005; Li et al., 2012).

Confusion, misinformation, facts by repetition, and anecdotal claims to conventional wisdom are the key issues that have impeded clarity on the nature of *hawala/hundi* (Passas, 1999). Passas was the first to highlight these issues in the literature, most notably for the prevalence of “facts by repetition”. In this context, Passas points to an Asia Inc. magazine<sup>8</sup> article entitled *India’s Underground Bankers* wherein A. Malhotra (1995 cited by Passas, 1999) posits that “... these parallel banking systems are based on family or gang alliances and reinforced with an unspoken covenant of retributive violence” (p. 22). This citation along with many others are the type of anecdotal claims that, according to Passas (1999, p. 22), have been arbitrarily included in peer-reviewed articles, as well as copied and pasted into UN documents. There are many inconsistencies throughout contemporary literature on MVT systems and a

---

<sup>8</sup> An effort to gain access to the article and identify the commentator Malhotra (see below) was made with no success. Unfortunately, no digital records of the Asia Inc. publication are available online prior to February 2001 (according to the ProQuest database in November 2015). Direct contact with the author citing Malhotra confirmed that he too was unable to access the original document and has not read or cited any of her work since. In relation to his understanding of the reasoning behind the United Nations copy-paste publication of sensational and anecdotal claims absent quotation marks, Passas noted it was due to its use by other writers and an academic, possibly a decision made by a consultant or committee member. Reference cited by Passas (1999): Malhotra A., *India’s Underground Bankers* Asia Inc. Online, December 12, 1995 (Internet, [http://www.asia-inc.com/archive/1995/0895\\_bankers.html](http://www.asia-inc.com/archive/1995/0895_bankers.html)).

comprehensive discussion on this issue takes place in Chapter Three. However, it is important to note that these inconsistencies have played a major part in shaping the international reaction to the threat of money laundering and financing terrorism through traditionally informal MVT systems.

### Regulatory Conception of MVTs Over Time

The negative portrayal of *hawala* or *hundi*-style systems in the wake of the terror attacks on the United States in September 2001 is not a new phenomenon. Historically, the pejorative term ‘unorganized’ was juxtaposed with ‘organized’, which attached a negative connotation to the hundi based indigenous banking sector in India in comparison with the European banking system favoured by the state (Banking Commission, 1971). The use of terms such as ‘informal’, ‘underground’ or ‘parallel’ (banking), and ‘shadow’ or ‘black’ (channel) by US authorities and in international media during the ‘Under-acknowledged’ and ‘Reactionary’ phases (Table 1) has served to broadly align MVT systems with criminality and illegitimacy. Contiguously, the term ‘formal’ has been used by similar sources in reference to regulated banking and financial services to project a sense of legitimacy and trustworthiness by contrast (Goede, 2007; Passas, 1999; Passas, 2003; Razavy, 2005; Thompson, 2008). This trend can be partially attributed, argue Austin and Sugihara (1993), to an enduring overriding perspective that holds custom-based or native banking systems and mechanisms as unsophisticated and inept.

**Table 1.** *Global Regulatory Conception of Traditional MVT Systems by Phase*

Time Period	Phase
Pre-September 2001	Under-acknowledged
Pre-2003	Reactionary
Post-2002	Legitimacy

Three phases are observable in the evolution of modern global regulatory conceptions of traditional MVT systems (Table 1). Each phase serves to characterize the lens through which regulatory authorities (e.g. FATF, World Bank, states etc.) conceived of *hawala* or other similar MVT systems during a corresponding period of time. The researcher has identified these phases based a review of the literature.

The ‘pre-September 2001’ time period aligns with the Under-acknowledged phase, which reflects prematurity in terms of authorities level of understanding about traditional MVT systems. During this phase very little scholarly attention was given to the nature and role of traditional MVT systems before the 9/11 terror attacks. Passas (1999) found that confusion, misinformation, facts by repetition, and anecdotal claims to conventional wisdom had contributed to the widespread misconceptions of traditional MVT systems found in academic literature, international media, and some UN reports.

During the ‘pre-2003’ period (i.e. September 2001 - Abu Dhabi Declaration in late 2002) or ‘Reactionary’ phase, widespread misunderstandings about traditional MVT systems influenced international AML/CFT policy and action. The emergence of an increasingly reliable body of research revealed that, although the legitimacy of traditional MVT systems was then more commonly understood by notable scholars, it was not enough to break through the hyper-reality of illegitimacy projected by decades of largely unchallenged pejorative misconceptions that characterized the Under-acknowledged phase. This includes disrepute stemming from the trauma caused by the 9/11 terror attacks, and the snowballing global regulatory effort mandated by UNSCR 1373.

The ‘post-2002’ period, designated here as the ‘Legitimacy’ phase, is characterized by the regulatory response to the official correction of widespread misconceptions of traditional MVTs. The meeting of the First International Conference on *Hawala* generated and endorsed a joint statement entitled the ‘Abu Dhabi Declaration on Hawala’ (2002). This statement reflects consensus on the legitimacy of traditional MVT systems like *hawala* among conference attendees, which included “...experts and representatives of international and regional bodies, including regulatory and law enforcement agencies, as well as bankers and money changers” (Abu Dhabi Declaration on Hawala, 2002, para. 1-3). This is a noteworthy quote because, in contrast to the design and adoption of UNSCR 1373 (UNSC, 2001), it indicates that the Declaration was the result of a legitimate consensus reached among representatives of institutional, formalized and traditionally informal MVT systems concerning regulation.

The response of the Financial Action Task Force (FATF) to this important recognition of legitimacy was outlined in note 68 of 99 of its 2001-2002 Annual Report (FATF, 2002). Noting the attendance of the FATF Secretariat to the First International Conference on Hawala in May 2002, the brief states:

This conference, which was organized by the Government of the United Arab Emirates and brought together experts and representatives of international and regional bodies and regulatory and law enforcement agencies, agreed to a declaration on hawala. Among other issues, the declaration states that countries

should adopt the FATF Forty and Eight Special Recommendations in relation to remitters, including hawaladars and other alternative remittance providers. (p. 14)

This is the full extent of the FATFs reporting on this otherwise significant event.<sup>9</sup> The FATF's omission of the part played by "...bankers and money lenders", as noted in the Abu Dhabi Declaration (2002), is noteworthy. This is because it highlights missed opportunities to generate trust and conveys a sense of the FATF's perspective on stakeholder engagement. A convergence of influential potential governance participants would present a prime opportunity for the FATF to engage in a productive relationship with those expected to meet global AML/CFT compliance requirements, particularly because the design and adoption process of UNSCR 1373 in late 2001 did not include community consultation or engagement with a broad range of MVT stakeholders and interests (UNSC, 2001; 2001c).

This is why it is significant that the FATF did not give any details on the Abu Dhabi Declaration on Hawala. The omission of the fact that the Declaration had recognized the legitimate social role of *hawala*, and therefore other traditionally informal MVT systems, speaks to the question, where do the FATFs primary interests reside? In the 'security' and 'integrity' of the global financial system? This was the primary driver behind the design and adoption of UNSCR 1373, which initiated the Global Regulatory Effort (GRE) to prevent money laundering (ML) and terrorism financing (TF) via MVT systems (UNSC, 2001; 2001c). Or is it in maintaining the *status quo*? Careful consideration of the FATF's action is suggestive, given its failure to recognize the significance of the Declaration or adapt the understanding reached at the conference into its regulatory lexicon and policy on MVT regulations.

### **Appropriate Terminology for MVTs**

The descriptor 'traditional' is often used in this research. It is applied in reference to the informality of culturally embedded historical money or value transfer systems, such as *hawala*, *hundi* or *fei ch'ien*. This is in an attempt to disassociate such systems from the pejorative connotations linked to the term 'informal' which, although technically accurate, has since 2001 also come to imply illegitimacy and criminality. In this research the terms 'remittance' system and 'money or value transfer' (MVT) system are the most accurate and appropriate. Herein these terms are applied in reference to contemporary iterations of regulated MVTs and in the case of less formal systems will be referred to as 'traditional' or 'traditionally informal'.

---

<sup>9</sup> A search of the FATFs publications database for publicly released documents/reports/press releases in 2002 found only the 2001-2002 Annual Report (FATF, 2002) and a report on guidance for a risk-based approach to detect terrorist financing (FATF, 2002a).



## Characterising Traditional MVTs

An interesting development in the contemporary literature holds significant promise for the development of a deeper understanding of traditional MVT systems. Martin (2009; 2012) posits that *hawala* and *hundi* are references to the same system from different cultures. Whilst there are discordant and assenting claims in this regard throughout the literature, Martin (2009) employs logical and thorough analysis that supports her claim that these systems share linguistic, historical, and functional affinities that are difficult to dismiss. In terms of language, according to Martin (2009), translation via modern standard Hindi shows the terms *hundi* and *hawala*, share the senses ‘trust’, ‘contract’ and ‘promise’ (p. 912). In terms of historical connections, Martin (2009) argues that “...the strong linguistic, political and economic historical connections between India, Persia, and the Middle East suggests that the similarities between the two systems are not merely coincidental” (p. 912).

*Hawala* or *hundi* style systems have a few broadly recognized characteristics that find consensus outlined in the modern literature. Firstly, traditionally informal MVT systems are facilitators of local and long-distance trade. This trait is fundamental to both modern and historical iterations of these system, whether in reference to the international export/import of goods between European industrialists and the Moghul Empire in the 17<sup>th</sup> century (Banking Commission, 1971; Jain, 1929; Mallick, 1991), or in relation to the mobile SIM card based MPESA system in Kenya that has gone viral and significantly improved access to financial services to extremely poor and ‘unbanked’ Kenyan citizens (Jack & Suri, 2010). Moreover, they require very little infrastructure to operate and consequently are very resilient to disruption. The limited necessity for infrastructure has enabled economies to continue to function in war-torn and failed states, such as the reliance on *hawala* for billions in foreign currency transferred in the absence of regulated banking infrastructure for humanitarian aid and reconstruction in Afghanistan and Iraq in the wake of U.S. led invasion (Maimbo, 2003; Thompson, 2008). Other traits that characterize these systems are relatively low costs in comparison to regulated banking networks, and almost instantaneous transfers (Ballard, 2014a; Keene, 2007; Rees, 2010, Passas, 1999).

*Hundi* or *hawala*-style systems are also culturally embedded, often use familial networks, and depend on reputation and trust for business continuity (Passas, 2003, pp. 7-8; Rees, 2010). These traits are vital characteristics of the cultural legacy of traditionally informal MVTs, most notably in relation to reputation and trust. In the absence of definitive rules or legal grounds on which to build and sustain legitimacy and trust, traditional indigenous banking systems (IBS)

and MVT systems had to rely on normative grounds (Martin, 2009). As such, operators persistently reinforced confidence in their operations by wielding values such as confidentiality, reliability, and trust to build a competitive reputation that, over time, came to embody the rigorous enforcement of economic and cultural sanctions necessary to make traditional IBS and MVT viable (Austin & Sugihara, 1993; Martin, 2012; Rudner, 1994; Thompson, 2011).

Within the literature on remittance systems and international regulation Nikos Passas (1999; 2003; 2006; 2006a; 2006b; 2008) and Roger Ballard (2003; 2005; 2006; 2014a; 2014b) are key contributors. Working independently yet aware of their shared area of research, Passas and Ballard argue throughout their work for greater cultural sensitivity in the international effort to regulate MVT systems. Both authors acknowledge the link between unregulated remittance systems and the threat of money laundering and financing terrorism. However, they also repeatedly express concern that the notably state-centric and hierarchical international response is based on erroneous assumptions, which they argue accentuate the problem and sometimes push traditionally informal MVTs underground beyond oversight.

### **Significance of Global Remittance Flows**

Remittance systems are a primary source of wealth from the developed to the developing world in the form of international aid, business, and family support (Pathak, 2003; Thompson, 2011; Singer, 2010). According to the World Bank (2019), remittances transferred from developed to developing countries in 2018 totalled US\$529 billion, which is a 9.6% increase on 2017. An increase of US\$10 billion is expected for 2019 results to reach US\$540 billion. These figures demonstrate that the use of, and trust in, remittance systems that have functional affinities with traditional systems remains internationally significant.

This is despite the significance of the reputational hit to such systems, which emerged during the Under-acknowledged phase and peaked towards the end of the Reactionary phase (Table 1). This observation suggests that the legitimacy of, and trust in, MVT systems is likely more closely tied to the values and experience-based financial norms of MVT migrants and their extensive familial networks. Moreover, remittance fees are also consistently lower, averaging 7% globally compared with that of conventional banks at 10.9% (World Bank, 2019). Migrants sending remittances home also have logical economic and practical reasons to continue to trust MVT systems as their financial service providers.

## **Operational Process of Traditional MVTs**

Money or value transfer systems exist in a variety of forms and generally rely on a two-step process. According to Passas (2003), *hawala*-style businesses function in two ways; sending and receiving, and the settlement process. Sending and receiving refers to the process in which a relationship develops between remittance agent and business clients. The settlement process is where an agent makes use of, often familial, networks of intermediaries to balance debt (Passas, 2003).

The transfer processes, whether domestic or international, is usually simple and almost instantaneous. For a small fee, usually 5%, *hawaladar* or *hundiwala* agents will transfer money anywhere in their network via phone, fax, email, or SMS (Rees, 2010). The normal process involves two agents and two recipients. Customer A needs to send money to Customer B, so he/she visits a transfer agency. According to Passas (2003), agent A will use one of the previously mentioned technologies to communicate with agent B "...the amount, name, address, and telephone number..." relating to recipient B. In fact, the serial number of a bank note held by customer B is also commonly communicated to agent B as a means of checking identification. Once the information is sent, agent B uses it to contact customer B who will either pick up the funds from the agency or organize delivery with the agent (Keene, 2007). Customer records are generally retained at least until agents carry out the settlement process, which is where at the end of a week or month agents balance any outstanding debt with their intermediaries (Passas, 2003). It is during this process that regulated banking networks are often used to transact large amounts in order to settle accounts. This may involve a direct transfer of funds or the purchase of goods approximating the value required to settle, for example an expensive vehicle, which is then delivered and resold. This method of settlement constitutes money laundering and is generally described in three main steps. They are placement (the act of introducing tainted funds to a legitimate system), layering (the separation of illegal funds into smaller amounts to be processed through legitimate systems in order to hide its origins), and integration (the act of integrating the funds into a legitimate business or venture completing the laundering process) (Choo, 2008).

## **IR Perspectives on the Global Regulatory Approach to Money Transfers**

### **Liberalism**

Liberalism applied on the international stage forms a large part of the intellectual reasoning that underpins the rationale for UNSCR 1373. For its advocates, liberalism is a form

of idealism that emphasizes the importance of open markets, collective security, and cooperative international order based on mutual and reciprocal sovereignty (Ikenberry, 2010). Hoffman (2003) points to the increasing complexity of world politics as the most substantial reason for greater efforts to improve the efficacy and fairness of global governance. Fukuyama (2003) argues the dire need for a blueprint that ensures effective governance regimes that can be applied universally. Keohane (2011) stresses the importance of legitimacy to ensure global governance institutions are effective via a normative approach.

The international effort to regulate MVT systems is one of the most significant projects pursued through the private-order institutions of the modern liberal international order. The adoption of UNSCR 1373 appears to reflect a shift in the paradigm from internationalism to a thin form of solidarism (Clapton, 2009). As such, an international value-based impasse that would have prevented the adoption of UNSCR 1373 was avoided as broad stakeholder consensus on the definition of terrorism and justice in relation to MVTs was not sought. Whereas a genuine solidarist approach would have required the input and consent of a broad scope of stakeholders (Hurrell, 2007). Instead international regulatory standards based on a very limited cultural scope have been implemented (FATF, 2012-2019).

This meant that whilst states were required to criminalize non-compliant MVTs, the specific content of the laws was left open to interpretation. Consequently, the prescriptive approach to MVT regulation has significantly increased collective security efforts among states (IMF, 2011). However, this form of governance has been limited from its inception due to its lack of consideration for pre-existing norms and values, as well as the inflexibility of its rules to cultural context (Dunne, 2010). Another significant shortfall for this paradigm in practice has been a failure to address the issue of managing power between states, particularly in circumstances where there are power imbalances (Hurrell, 2018).

## **Realism**

Realism is a lens that views the international global order in terms of conflict, in terms of caution, and in terms of convenience, pragmatism, and practicality. Bull (2002) describes realism as an attempt at prudence but offers the preface that such judiciousness is framed by the need to isolate, and if necessary, downplay elements of goodness and justice. Other central traits include international politics framed by war, competition between states, sovereign primacy, pessimism about international cooperation unless goals align with state interests, and state-centric notions on what forms of morality and law apply (Waltz, 1979).

Huntington's (1993) realism emphasizes deep pessimism for a multicultural agenda. Part of his argument is that any attempt to extend liberal morality into the territories of other civilisations can only lead to further division through increasing value conflict. Similarly, Krasner's (1982) realism holds that global governance institutions cannot effectively overcome or even constrain the influence of anarchy in the international system. He argues that universal governance regimes cannot hide the power disparities that exist in international politics, or alter the primacy of state sovereignty (Krasner, 1982). Whilst the realist view balances the liberal position, it has also proven incapable of providing an effective means of addressing the sort of value conflict that this research speaks to.

### **Constructivism**

The influence of constructivism in describing global financial governance and order brings into play the importance of norms and values. Reus-Smit (2002) cites constructivism as an approach to international relations that is both communal and societal. It views the interests of the state as being wide-ranging with individual and idiosyncratic rules, norms and organizations. Constructivism is an important element of the literature under review because it offers the contested elements of sociology, the communicative rationality of Habermas (Shabani, 2003), and what Foucault describes as the genealogy of power and knowledge (Shiner, 1982).

Kratochwil's (1991) constructivist position highlights the importance of being self-conscious of the social structure theorists make suppositions about or attempt to institute. Calling into question the objective value of an empirical approach, he argues that emotional expression mirrors attachment of some kind. Therefore, attention should be given to these elements in any effort to comprehend the interchange of concepts amid actors (Kratochwil, 1991). From Ruggie's (1992) perspective, a social constructivist approach provides a valid avenue through which to consider the material and conceptual factors that constitute social action. His overarching goal is to understand in what way knowledge is constitutive of the regulations and requirements of the international system (Griffith et al., 2008). Wendt's *Social Theory of International Politics* is a self-conscious eclectic approach that seeks to balance rationalism and constructivism, as well as demonstrate commonalities between constitutive and causal theory (Wendt, 1999).

## The English School

Running parallel to some of the constructivist arguments, the English School offers a global view of financial governance that includes elements of realism and constructivism. The work of Wendt (1999) suggests the need to consider state-centric approaches to the regulation of money transfers. In terms of international society however, Bull (2002) is considered the father of a theory that in part views states in a simplistic tussle, inadequate in their struggles and engagements because they share common procedures, economic rubrics, and established organizational structures (Bellamy, 2005; Dunne, 1995; Hurrell, 2020; Makinda 2001).

The English School of International Relations attempts to explain and understand the cultural and social elements that hold influence in the conduct of international political discourse. A key strength of the English School is its methodological pluralism (Wight, 1991; Bull, 1976; Makinda, 2000) known as the *via media*, which is propounded as a significant advantage when studying the nature of change and how it occurs in world politics (Williams, 2005). Williams posits that, "...members ...are attracted by elements of realism and idealism, yet gravitate towards the middle ground, never wholly reconciling themselves to either point of view" (p. 87). This method of study in international relations represents a very progressive element that is still in its infancy next to the development of the realist or rational-choice ontologies. In an area of study such as International Relations, where taking a fixed position in an argument has been the most common approach, the English School stands out.

Given the way in which the English School draws upon other lenses such as constructivism and realism, the works of C.A.W Manning, Martin Wight, Hedley Bull, Herbert Butterfield, Adam Watson, Alan James, and John Vincent are important in differentiating the key characteristics of the English School (Wheeler, 2000; Dunne, 1998; Buzan, 2004; Suganami, 2010). These scholars incorporate a collective of pluralism, solidarism, and a discourse that moves between interpretive and eclectic methods (Reus-Smit, 2002). When considered a member of the School, a scholar must be conscious of a body of literature, have a set of principal queries, and contribute to a shared agenda with other members. In addition, interpretive or reflective methods are fundamental tools for members (Reus-Smit, 2002; Suganami, 2010).

The focus on social order in the English School requires that the reader grasp a basic understanding of what order means. Hurrell (2007) posits that social order can be understood as the "... sense of stable and regular patterns of human behaviour (contrasted with chaos, instability, or a lack of predictability)" (p. 2). Hurrell goes on to put in place an important

provision that delineates social order as fact (as above) and order as value. As such, intrinsic to social order as value is the presence of a specific type of purposeful ‘pattern’ that humans have imbued with “...meaning that involves a particular set of goals, objectives, and values, and that leads to a particular outcome” (p. 2). In other words, in contrast to *order as fact* where it simply embodies a ‘sense’ of regulated human activity, *order as value* involves *recognition of the meanings* associated with any given purposeful human behaviour. This distinction embodies the starting point for thinking about the nature of social order for English School theorists and many constructivists. Moreover, it also provides a key to understanding the role of trust beyond state boundaries.

### **What is International Society?**

The English School of thought was born out of the British Committee that began its work in 1959, and is at its core concerned with issues of social order and change at the international level (Bull, 1961; Dunne, 1998; Navari, 2010). Those that follow this approach interpret the ways and means by which global order is reconstituted through the lens of ‘international society’. While on the Committee in 1977, Hedley Bull (2002) put forward his first detailed explanation of the nature of international society as:

A society of states (or international society) exists when a group of states, conscious of certain common interests and common values, form a society in the sense that they conceive themselves to be bound by a common set of rules in their relations with one another, and share in the working of common institutions. (Bull, 2002, p. 13)

In Bull’s classical study of order, titled *The Anarchical Society: A study of order in world politics*, he delineated what is commonly known as the pluralist or ‘thin’ perspective of international society. Here Bull observed that the states-system represents but one facet of world politics, which is structurally limited in its ability to address the key issues facing humanity at large (Bull, 2002).

The constitution of international society is determined by the nature of its rules, norms, and institutions, which are universally accepted, constantly evolving, and adhered to by states and non-state actors (Suganami, 2010; Bellamy, 2005; Buzan, 2004). To understand their significance to the nature of international society it is important to define them. According to Bull (2002), the function of rules is to provide specific guidance on the consistency of behaviour required to meet goals in social life. Norms refer to standards of appropriate behaviour that are constituted by implicit or customary enforcement as a result of authoritative social regulation (Finnemore & Sikkink, 1998, p. 891; Buzan, 2004, p. 164). Institutions refer

to something that is assigned social function and status, which are not reflective of any intrinsic physical properties (Searle, 1995, cited by Buzan, 2004, p. 166). Relevant examples of rules include international law, customs, regulations and standards (Bull, 2002).

Finnemore and Sikkink (1998) refer to constitutive norms that align with the English School's general use of the term. They posit that constitutive norms "...create new actors, interests, or categories of action" (p. 891), for example, this phenomenon could be associated with the human rights movement. In terms of institutions, Hedley Bull (2002) put forward five central institutions of international society, which are: "...the balance of power, international law, diplomacy, war and the concert of great powers" (cited by Linklater & Suganami, 2006, p. 46). International society is also identifiable in a few other ways, most notably as a socially conscious global community that promotes human rights and democracy; respects state sovereignty and international law and works cooperatively to address international crises peacefully (Bellamy, 2005).

### **The Pluralist - Solidarist Debate**

Out of the fundamental question driving the research of English School scholars, 'what is international society?', a key debate has emerged around the merits of minimal and maximal moral conceptions of global social order. According to Reus-Smit (cited in Bellamy Ed., 2005), the basis for the pluralist/solidarist debate was outlined by Bull, who argued that an important difference exists between one view of international society as constituted by solidarity via "...common value and purposes", and the other that holds sovereign nations exhibit a "...plurality of different purposes...", meaning that the existence of international society stands purely "...on observance of common rules of coexistence" (p. 86). Indeed, it is this distinction that underlines Bull's concern about the limited nature of pluralist social order.

Taking notes from a realist perspective of social order, the pluralist conception of international society takes a practical viewpoint on common values. According to Linklater (cited by Dunne, 1998), "...states are able to agree on the need for order despite their competing views of justice" (p. 94). This means that although they do not share essential goals and values, states are aware of a common goal of coexistence that embodies a morally and legally binding 'code' between them (Dunne, 1998). In response to the realist argument that states will only cooperate as long as it is in their interest to do so, Bull (2002) argued that it is more important to note how often states view their interests as in line with international law and opt to conform. Fundamentally, according to Dunne (1998), pluralism represents a structurally optimal form of order that allows cultural diversity to thrive in international society. In other words, sovereign



nations act as "...legitimate containers for cultural difference" and international society plays the role of articulating norms and processes that "...separate and cushion" the elements of the international system (p. 11).

The other side of this coin is the morally 'thick' conception of international society that seeks solidarity on the nature of justice globally. The key supposition of solidarism is derived from the work of Hugo Grotius whose ideas led to the foundation of international law (Bull, 2002). According to Bain (2014), solidarism assumes "...the solidarity, or potential solidarity, of the states comprising international society, with respect to the enforcement of law" (p. 159). According to Dunne (1998), solidarism is also an acknowledgment of the capacity to universalize systems of morality throughout the society of states such as human rights.

Both solidarism and pluralism act as normative foundations for social order but each position is also easily overstated. Bain (2014) argues that both perspectives accept that international society exists acting as the impetus for binding its members to the decisions made under international law, and also reject the 'tradition' of *realpolitik*, which discards the notion of an environment absent responsibility for states or individuals. Bain (2014) also states that both perspectives put aside "... 'doctrines' of universal empire and cosmopolitan society that would involve the subversion of international society" (p. 159).

For Bull, the minimalist social order embodied by the realist worldview is insufficient. According to Wheeler and Dunne (1996), he justified this position "...on the grounds that it could not provide order among states or order among the wider society of mankind" (p. 96). However, Bull (1966) was also concerned that an international society in which solidarism is the driving world-view would be untimely because it would serve to "...set aspiration before fact in burdening international law with a greater weight than it can bear" (p. 72). Whilst Bull does not refute the progress of the solidarist agenda seen in the latter part of the twentieth century, he does contend that the efforts to respond to acts criminalized internationally would serve to deteriorate restrictions on the use of force. In other words, Bull was concerned that premature solidarism may lead to a break down in the existing, albeit minimal, social order resulting from efforts to legislate on problems that are political in nature (Bain, 2014). In addition, early in his career Bull agreed with Carr and the realists that states do not demonstrate the level of accord on justice required for solidarist projects to succeed (Wheeler and Dunne, 1996). However, later Bull (1966) acknowledged the vital role of solidarism for international society in certain situations. He argued that progress towards solidarity is better achieved in areas where common ground is found between states, rather than through attempts that "...sets up the law over and above the facts" (p. 73).

As Booth and Wheeler (2008) discuss the nature of the security dilemma, they make keen observations of the nature of the pessimistic and idealistic perspectives that underlie the pluralist and solidarist positions visible in international politics. On pluralism, they observe that some people have accepted this limited view of social order and that within it is a belief that "...human insecurity can be managed for longer or shorter periods through the construction of international society or international regimes..." (p. 2). Booth and Wheeler's analysis of this belief posits that, from this position, the management of 'uncertainty' and 'fear' is possible via the growth of 'international institutions' and the construction of 'cooperative norms of behaviour'; but, fundamentally, the element of uncertainty can be moderated "...but not eliminated: power politics will out" (p. 2). Here, Booth and Wheeler point to the limited conception of international society in which moderating uncertainty and fear is possible, but cannot be guaranteed due to power politics, limiting the potential for effective moral or solidarist action.

These two perspectives sit as polar opposites and yet the normative theorising of English School scholars has tended to hold the notions of order and justice close together. On one hand, the less-than-ideal structure and character of world politics restricts the potential for effectual transnational justice (Bain, 2014). However, normative thinking about international politics cannot be done without consideration for the pluralist realities of the "...underlying political order" (Bain, 2014, p. 146). Therefore, order will remain an integral aspect of international relations on which all other goals fundamentally rely, and the delicate nature of shared political culture is likely to persist. However, the solidarist perspective holds that politics is about more than merely coercion, the use of force, and conflicting material realities. On this point Bain (2014) posits;

...at the heart of politics lies the need to turn the capacity for crude coercion into legitimate authority. There is always likely to be a basic requirement of legitimacy, and this will, in turn, create space for normative argument and debate. (pp. 146-7)

The need for legitimate authority stands as the key reason why Hedley Bull (2002) found that pluralism alone is incapable of providing for effective and ongoing social order. Additionally, absence of legitimate authority is also an important reason why international acts of solidarity such as United Nations Security Council Resolution (UNSCR) 1373 has had limited success.

For Bull (2002), the key elements were the five institutions of international society: balance of power, great power management, war, international law, and diplomacy. In summary, according to Dunne (1998), the pluralist-solidarist debate is premised by the fact that

“...[t]he rationalist desire for world order is constantly undermined by the realist pursuit of self-interest and the revolutionist quest for transnational justice” (p. 8). It is for the many reasons behind this seemingly polarised dialogue that the scholars of the English School tend to draw on a plurality of ideas in their pursuit of a *via media* to effectively understand and explain ‘what is international society?’

## **Gaps in the Literature**

The research on UNSCR 1373 is largely limited to concerns about implementation, enforcement, and broad implications for state cooperation on terrorism related issues (Bianchi, 2006; Kramer & Yetiv, 2007; Rosand, 2003; Ward, 2003). From this literature, a broader range of difficulties surrounding efficacy are highlighted including its potential to undermine universal human rights, the significant burden placed on states in the compliance process, US dominance expressed in the design of Resolution 1373, and limited resources to oversee and enforce such complex and wide-reaching obligations on states. The lack of attention paid to the social implications, especially in regard to cultural diversity, of regulations imposed on MVT is a gap in the literature.

Security literature seeks to analyse the efficacy of the FATF approach to MVT regulation from a ground-up perspective. In general, this research takes a few different approaches, the key avenue being to address efficacy issues through deeper understanding of MVT characteristics to allow for greater cultural sensitivity (Maimbo & Passas, 2005; Passas, 2006; Passas, 2006b; Passas, 2016; Trautsohl, & Johnson, 2012). Again, the role of norms and values and the impact of global standardized regulation on cultural diversity are key gaps in this literature. This research will transcend these limitations because it takes an English School approach, which is unique in this area of research. Moreover, through an in-depth investigation into the historical nature of MVT it provides a depth of understanding not previously harnessed within other research areas.

## **Hypotheses**

The central claim of this thesis is that the Global Trust Conflict is the most significant barrier to regulatory efficacy and compliance for money or value transfer systems. There are four main areas that inform this study.

This research aims to establish whether:

1. The global regulatory standard for money or value transfers (MVT), mandated under United Nations Security Council Resolution (UNSCR) 1373, has initiated a Global Trust Conflict.
2. The Global Trust Conflict constitutes a value-conflict of two parts:
  - a. A clash caused by mandatory adoption of a western values-based normative framework for all money or value transfer systems (i.e. UNSCR 1373), and the diverse range of values underpinning culturally embedded norms in traditional MVT systems.
  - b. A conflict over the prevailing nature of trust provision services for money or value transfers that includes high-speed/low-cost blockchain platforms for financial exchanges. The issue of trust in this context reflects a question of authority and control over value transfers such as virtual trusted systems.
3. Understanding the nature and implications of the Global Trust Conflict could enhance the efficacy of the global regulatory effort aimed at MVT systems.

## **Conceptual Framework**

This research engages with an issue of utmost importance to social order in societies throughout the world. The focus on international security as a mandate to institute the first-ever enforceable global financial governance standard has as a by-product placed the issue of trust at its centre. The threat of terrorism and the typical response of sovereign states is to consider any associated actors as without any moral grounds for action. In this way, the adoption of UNSCR 1373 reflects an attempt to put an international line in the sand between financial trustworthiness and untrustworthiness, or legitimacy and illegitimacy. In order to understand the implications of this event from a fresh perspective, the research problem is looked at through the lens of the English School (ES) of International Relations.

This study uses two main approaches to understanding and examining the research problem. One is the English School lens, drawing on its dialogues to frame the understanding of trust and society. The other uses the security discourse of financial governance to make sense of the mechanics and pragmatics of the global transfer of money.

Note that although the ES lens is the aperture for analysis of the research problem, this work does not aim to contribute to the school's evolutionary discourse. Whilst the research is set against the backdrop of the international society of states, a central theory of the ES, the researcher does not assume that it is the core feature of global order. Bull (2002) would argue that this mistake might also be made by an orator or scholar that writes as if the UN or its

Security Council are the most significant structures of international politics. The same fault of reasoning would be committed if, as Bull (2002) highlights, one was to speak about international law but “...assessed [it] only in relation to the function it has of binding states together, and not also in relation to its function as an instrument of state interest and as a vehicle of transnational purposes” (p. 49). These are just a few examples of the many shades of theoretical complexity that characterize the ES lens. Although, this research does engage with the intricacies of ES theory to a certain degree, its classical core of terms and understandings are primarily relied on to draw out a different perspective on the global governance approach introduced by UNSCR 1373, while only touching on some of the paradigmatic nuances a reader might expect from an ES theorist.

The starting point for analysis in this research is the normative agenda of the English School of International Relations. It takes this perspective primarily from Bull’s (2002) work *The Anarchical Society* and Hurrell’s (2007) work *On Global Order*. Like the broader work of English School scholars, international society theory underpins a drive to understand and explain social order. In Bull’s (2002) classical study of order, he delineated what is commonly known as the pluralist perspective of international society. His view explains how international order and an international society of states exists in an otherwise anarchical environment.

Bull’s (2002) pluralism is characterized by legal equality between states, sovereign independence, and the mutual tolerance of cultural diversity among states. This includes those inalienable traits of international society described as primary institutions; balance of power, great power management, diplomacy, war, and international law (Bull, 2002; Hurrell, 2007). This research does not argue that the pluralist conception of international society is the most appropriate form of social order to address issues of governance efficacy. However, it does emphasize the need to address a gap in the literature that has under-theorized the constitutive element that is pluralism within international society, which has historical and modern implications (Clapton, 2009). In the context of money or value transfer systems the English School is the best vehicle for addressing this challenge in a way that brings new light to the issue of trust and governance efficacy.

Hurrell’s (2007) work goes further than Bull’s to explore the possibility of balancing the benefits of pluralist social order with the desire for solidarist justice in international society. In this Hurrell emphasizes the importance of solidarity in certain circumstances, especially to address humanitarian crises, and to collectively constrain the use violence (Hurrell, 2007). However, his work is much broader than this, in that it strives to delineate the nature of the overarching problem facing international society: “...the need to capture shared and common

interests, to manage unequal power, and to mediate cultural diversity and value conflict” (p. 2). Hurrell’s (2017) contemporary work also holds relevance to this research where it is considered whether the study of global governance can be decentralized. In this endeavour, he addresses the challenge of recognising the power of the global sphere as well as advancing the mode of global governance, while preserving “...a sensitivity to differently situated regional, historical, and cultural contexts” (p. 26). This research fits within this scope of issues in the International Relations literature on global governance, but with a narrowed ambit specific to trust and the global regulation of money or value transfer systems.

The work of Holmes and Wheeler (2020) on interpersonal relations between heads of state and their representatives in international politics is also relevant for this research. They note that the importance of human factors is widely recognized among the leaders and representatives of states in international politics. Scholars of International Relations also share this understanding of the significance of nuance observed in the interpersonal relations of competing or enemy heads of state and diplomats. Holmes and Wheeler (2020) reflect on the importance of ‘social bonds’ for outcomes in international politics through the example of the end of the Cold War. They posit that the existence of a constructive ‘social bond’ between the leaders of the US and the Soviet Union meant that the conflict ended “...with a whimper, rather than a bang” (p. 135). This is important because it highlights a disconnect between the common recognition of the value of human factors in inter-state negotiations and the liberal solidarist regulatory approach of the UNSCR 1373 regime.

The terms applied to describe what constitutes social order in this research are taken from the work of Hedley Bull (2002). For other key authors, such as Wight, the narrative of world politics needed to be told in the context of Realism, Rationalism, and Revolutionism (Wight & Porter, 1994). Whereas for Bull, reflections on the nature of world politics were framed in more limited terms of a pluralist ‘international society’ of states, which is informed by the Realist or Hobbesian philosophy of the international system and challenged by Rationalist or Grotian philosophy that set goals toward a solidarist ideal for global order (Bull, 2002). According to Dunne (1998), these three concepts respectively embody ethics absent perfectionism, the aim to balance forethought with principled responsibility, and the aspiration for common morals. Proponents of this approach seek to build a narrative on global order, often through historical interpretive analysis, that asks a few specific “...questions about the rules and norms that support it”, rather than aim to build a new systemic theory of international politics (Hurrell, 2007, p. 5-6). Within this framework rationalism, not to be confused with

rational-choice theory, stands as the most convincing approach to the central question of English School scholars ‘what is international society?’ (Dunne, 1998, p. 8).

### **The English School as Scaffolding for the Conceptual Framework**

Justification for choosing to address the research question through the English School is based on its capacity to draw on multiple divergent perspectives to make sense of the research problem. Other lenses, such as Liberalism, Realism, and Constructivism, are useful but less optimal vectors for grasping the problem at hand is a novel and innovative approach for research in this field.

The English School allows for an appreciation of the role of sovereign equality and sovereign independence between states, and the greater recognition of the political reality of cultural diversity as a core feature of international order. The use of international society as the principal framework for global order in this research acknowledges the dynamic and anarchical nature of the pluralist environment in which global financial governance efforts must function. Thus, it accounts for the inclusion of shared rules and norms that can underpin the change and emergence of alternative, informal, and semi-regulated money transfer systems. This is not a finite position, but an adaptive approach that also allows scope for understanding revolutionist technological developments that may shift international society beyond solidarism towards a form of world society. Thus, the English School approach may facilitate a deep understanding of existing and emergent approaches to the mitigation of terrorism and defence of sovereign security issues.

In contrast, liberal internationalism and its modern tendency towards hegemonic global order has failed to provide an effective approach to the research problem. This paradigm emphasizes a mandatory and hierarchical attitude to counter global terrorism and deepen international cooperation on economic and security issues. This includes a further reinforcement of hierarchical non-state governance structures as a means of bringing about social change, as well as reflecting the view that institutions embody impartial grounds for solving common issues (Ikenberry, 2010; Miller, 2010). Underpinning this approach is the idealistic assumption that human heterogeneity strengthens a universal and generic drive for social change (Ikenberry, 2010).

Realism is not a perfect fit for this research. The international society concept is based upon a rejection of realism as a viable mode for international order. Partially this is because cooperation between self-interested states is unlikely under a realist structure for social order. Another reason for this rejection is that the potential for unrestrained inter-state violence is

high, and thus the existence of an international society is inhibited (Wheeler 1992; Bull 2002). For Bull (2002), the key difference between the English School and the realist positions is that the English School understands the importance of mutual recognition for the rights and duties of states in their interactions with each other. Unlike the self-interest and anarchical approach of a realist approach to global order, the logic of the international society of states is grounded in the mutual belief among states, based in an understanding of their shared values, that they are all bound by commonly held rules, norms and institutions (Bull, 2002).

Constructivism is closely aligned with the English School. Dunne (1995) argues that there are key commonalities shared by the School and the significant work of constructivists like Wendt (1999). They conceive of states as central and both make sense of the international system and international society based on the interrelation of subjective practices from which it is comprised (Dunne, 1995; 1998; Reus-Smit, 2002). However, it is only a partial fit for this research in that it is not the primary vehicle of the theory of international society. The concept of society, and the trust that underpins it, is a core element of this research that is informed by constructivism but more directly and effectively addressed by the broad scope of the English School paradigm.

On the basis of an evaluation of the literature with specific reference to money or value transfer systems, the English School offers an approach to understanding the inclusion of norms and values as a functional vehicle for the prosecution of the research questions that form the basis for this research.

## **Methodology**

This thesis follows a qualitative methodology that applies an interpretivist method to draw out insight and understanding from information and ideas (Bevir & Hall, 2020; Hollis & Smith, 1991). The use of interpretivism is appropriate here because this research is an examination of an international financial governance regime, and it aims to reconstruct the ‘historical’ and ‘social’ means via which norms and rules are established (Hurrell, 1993, p. 64). The primary research materials that are investigated in this study extend to the post-9/11 documents, letters, policies and regulatory announcements of the FATF, as well as the UN Security Council and the UN General Assembly, with a specific focus on UNSCR 1373.

The secondary research material concentrates on an analysis of 21<sup>st</sup> century remittance systems. It combines data collected on 120 remittance systems with a narrative of change that is expressed through the formal announcements and commitments of the FATF, which set out how Nation-States and actors should comply with the UNSCR 1373 mandate. By using a mixed



approach to the analysis of money transfers, both formal and informal remittance systems are used to understand perceptions of trust, global governance, and their alignment with UNSCR 1373. This method connects the business, history, and processes of the evolution of money or value transfers, and their remittance frameworks. This study offers an analysis of the operational underpinnings that make sense of the 21<sup>st</sup> century systems used in the transfer of money.

This study also draws on the perspective of Wendt (1999) as a base for an interpretivist approach, sometimes referred to as constitutive theory. This method will be used to underpin a comprehensive review of the literature where the aim is to understand the social complexities of human affairs through the interpretation of ideas (Finlayson, 2007). Ideas can be analysed at two levels; individual, where they manifest as beliefs and actions, and aggregate or shared, where they manifest as traditions (Bevir & Rhodes, 2002). For members of the English School, shared ideas are observed as rules,<sup>10</sup> norms,<sup>11</sup> and institutions<sup>12</sup> (Buzan, 2004; Dunne, 1998). These objects of social science, or ‘social kinds’ (Wendt, 1999, p. 207), represent a window through which relevant meanings may be drawn.

Authors who discuss constitutive theory perceive it in different yet similar ways. Sylvan and Majeski (1998) use the term ‘constitutive relations’, which they describe as; “...something akin to a recipe for how the phenomenon can be put together” (p. 80). For King, Keohane, and Verba (1994) it is ‘descriptive inference’, defined as “...the process of understanding an unobserved phenomenon on the basis of a set of observations” (p. 55). According to Jackson (2004), “constitutive relations are logical relations, internal to the very definition of an entity; they are static as opposed to dynamic, forming the framework within which concrete historical action takes place” (p. 281). All of these descriptions emphasize a process that uses observation of kinds to interpret unobserved phenomena.

Wendt (1999) argues that in order to grasp the impact of ideas and social structures on international politics, “...we need to recognize the existence of constitutive effects” (p. 87-88). The analysis of constitutive effects assumes that the interdependent properties of social kinds

---

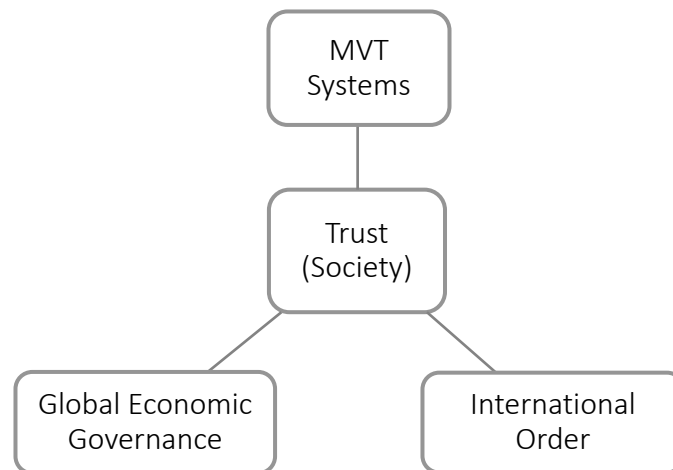
<sup>10</sup> The function of rules is to provide specific guidance on the consistency of behavior required to meet goals in social life (Bull, 2002).

<sup>11</sup> Norms are standards of appropriate behaviour that are constituted by implicit or customary enforcement as a result of authoritative social regulation (Finnemore & Sikkink, 1998, p. 891; Buzan, 2004, p. 164).

<sup>12</sup> The term ‘institutions’ refers to something that is assigned social function and status, which are not reflective of its intrinsic physical properties (Searle, 1995 cited by Buzan, 2004, p. 166) The five central institutions of international society are; the Balance of Power, Diplomacy, the Great Powers, International Law, and War (Bull, 2002). These central institutions are older and are a constitutive effect of ideas, and therefore lack any significant physical structure.

are focused on, avoiding the need to address the relationships between independent and dependent variables (Wendt, 1999). In other words, constitutive effects are the product of ideas or social structures when they generate “properties, powers, dispositions, meanings, etc. – that are conceptually or logically dependent on those ideas or structures, that exist only ‘in virtue’ of them” (Wendt, 1999, p. 88).

**Figure 1.** *Trust as a Constitutive Effect of Social Order*



In Figure 1, trust is depicted as the constitutive effect of MVT systems, global financial governance, and international order. The properties of these social kinds are interdependently constituted of a desire for security and stability. Money transfer systems are primarily constituted of the demand for a cost-effective and confidential means to move money or value internationally and domestically, to locations often outside the operational limits of formal economic systems. Access to funds is a vital part of ensuring the ongoing security of every human living in modern societies. International order is in part constituted by its culturally diverse membership of MVT system users and operators, who have an inalienable right to security under the Universal Declaration of Human Rights (UN, 1948). However, it is also partially constituted by a demand for economic security expressed through international regulatory regimes. Global financial governance is constituted of a security-focused mandate to maintain economic stability through UNSCR 1373 (UNSC, 2001). Trust, as a fundamental feature of a functioning society (Bull, 2002), constitutes an inherently subjective and yet mutually innate value that holds significance across all aspects of social life (Booth & Wheeler, 2008).

Constitutive theory holds many social phenomena as conceptually reliant on their constitutive properties, which exist only because of the ideas or structures that form them. This

theory presents an ideal means by which to delve into the ideas, language, and social structures connected to MVTs and the transnational regulatory effort under UNSCR 1373.

### **The Nature of the Data Under Consideration**

In order to test constitutive theory as a framework that resolves the contest between the security/threat response of UNSCR 1373 and the need for effective global financial governance, this research will examine operations generally referred to as informal or unregulated, and largely sub-institutional money value transfer (MVT) systems. By considering a range of past and long-standing money or value transfer systems, and by also including new and emergent systems of money transfer, it is expected that this study will reveal answers to the puzzle of continuing use of unregulated money transfer systems. The question of how informal systems flourish or at least survive alongside state and global international financial institutions, and regulated transfer systems, will be considered by means of the comparative analysis of traditional and contemporary systems.

Ancient traditional MVT systems such as *hawala*, *hundi*, and *fei chi'en* will be examined. The purpose of this will be to observe how local and communal norms and values either remain, change, or transform whilst operating in the shadows of state and globally regulated systems. At the same time contemporary yet sub-institutional systems such as PayPal, Bitcoin, and other digital cryptocurrencies will be examined to see how or if new informal transfer systems retain or reject the traditional protections and acceptances that are influenced by current understandings of local, societal, and communal norms and values. The comparisons of these informal systems will be drawn from the reported findings of state and global financial regulators, as well as financial watchdogs such as the FATF, the World Bank and the global banking industry through its AML/CFT divisions. Using an interpretive approach, specific meanings can be extricated from the comparisons of a range of formalized, informal and emergent remittance systems.

### **Key Contributions of the Research**

This research makes two major contributions to research in the field. First, a conceptual-theoretical contribution enabled by the application of the English School approach to CFT issues. If applied as a normative base line for global governance regimes, this would suggest a more cautious approach to the regulation of MVT systems that gives attention to the nuance of cultural context. Second, the empirical contribution in Chapter Four is significant,

wherein 120 MVT systems are coded according to FATF criteria. This presents an opportunity for future international comparative public policy research.

## **Thesis Outline**

This thesis consists of five substantive chapters. Chapter One is the introduction, which presents the research area and outlines the problem and research question. It also contains the literature review, hypotheses, conceptual framework, and methodology.

Chapter Two is concerned with United Nations Security Council Resolution (UNSCR) 1373 and the nature of the resulting global regulatory effort directed at mitigating the risk of financing terrorism through money or value transfer (MVT) systems. This chapter contains analysis of the initial international reactions to the 9/11 terror attacks on the United States. This is an analysis of the adoption of UNSCR 1368, which reflects a narrative of global value conflict calling for swift collective action. It also embodies an effort to justify the arguably premature shift away from voluntary global financial governance towards solidarist order on matters of international security. This is followed by analysis of official remarks by state leaders, diplomats, and international authorities in the lead-up to the adoption of UNSCR 1373. The chapter also undertakes a critical examination of the international regulatory framework for MVT systems that followed its adoption. The purpose of this chapter is to give the reader a clear understanding of the solidarist international response to the threat of terrorism financing via MVT systems. Its aim is to highlight a shift in the constitution of international society following UNSCR 1373 in terms of inter-state justice. It pays particular attention to the changing nature of trust as a normative element of international order and reflects on how this change reflects a weakening of sovereign independence for many nations.

Chapter Three looks at the historical antecedents of modernised traditional money or value transfer (MVT) systems. In this research, the traditional element of MVTs is seen to embody a culturally embedded basis for normative control. As such, MVT systems traditionally operate in ways that constitute a deep investment in, and reliance on, culturally aligned notions of trust and reputation mechanisms. These social kinds serve to establish and develop norms across international money transfer networks. The chapter aims to provide readers with a clear understanding of the historical emergence and nature of the informal regulatory environment of around traditional remittance systems. Moreover, it emphasizes the role of interpersonal trust and reputation as the lubricant for seizing otherwise risk-laden trade/financial opportunities in MVT systems. Its purpose is to provide historical context to observations of the changing nature of remittance and governance related norms and values in the chapters that follow. To

achieve this it explores how trust and reputation have been defining elements of informal governance practices common to the most pervasive traditional forms of remittance for many centuries.

Chapter Four explains the categories of remittance systems operating in the 21<sup>st</sup> century. A wide divergence of money transfer pathways is demonstrated across the categories of systems in use, which extend to a much broader scope by contrast with the traditionally informal systems explored in earlier chapters. It aims to give the reader a more detailed understanding of the modern scope of MVT systems beyond the simplistic conception of formal versus informal modes. The purpose of this is to demonstrate the areas where trust conflicts exist more transparently with some remittances over others. It achieves this in two ways. First, analysis of a broad typological dialogue collated from FATF reports, dated between 2001 and 2020, provides insights on the how the FATF has adapted its regulatory approach to MVTs over time. Analysis of a second data set, consisting of coding data collected on 120 different remittance systems, arranges MVT systems into meaningful groups and evaluates them against a set of remittance markers. These markers serve to characterize the coded MVT systems in relation to their alignment with global, private or state rules, and their ability to differentiate between human trust or systems trust scenarios.

Chapter Five explores the emergence of blockchain verification and cryptocurrency, which has followed a major decline in global trust following the Global Financial Crisis (GFC) of 2007/2008. The significance of blockchain and cryptocurrency is reflected in their role as major disruptors of the status quo for the global financial system. Historically, banks and authorised agents have been the sole arbiters of transaction and currency verification and legitimacy, as well as value and processing time. However, with the advent of blockchain and cryptocurrency, the nature of trust provision services has been delivered out of the hands of people, through which trust provision is relatively slow, costly and often unreliable, and into the cryptographically verifiable public ledgers of blockchain networks. In both contexts, this chapter argues that an essential shift in norms and values has occurred around contemporary money or value transfer systems. As such, this change has significant implications for improving the efficacy of Global Regulatory Effort to counter terrorism financing and money laundering via remittance systems.

Chapter Six of this thesis brings the findings of the previous chapters into focus and aligns them with the overall purpose of this thesis. It details the limitations of the research, collates the key findings and observations in answer to the research questions. This final chapter also makes recommendations and sets out the research conclusions.

## **Chapter Two: Security Council Resolution 1373, the Responses, Meanings, and Consequences**

## **Introduction: Understanding UNSCR 1373**

Effective governance of money transfer systems to combat the financing of terrorism is the primary goal of UN Security Council Resolution (UNSCR) 1373 (2001). Motivated by the impact of the September 11<sup>th</sup> terror attacks, the United Nations Security Council passed Resolution 1373 with a unanimous vote (UNSC, 2001), the intent being to ensure all states regulate traditionally informal remittance systems according to an internationally standardized set of recommendations made mandatory (UNSC, 2001). The policies are overseen by the inter-government organization called the Financial Action Task Force (FATF, 2012-2019). General acceptance of UNSCR 1373 has led to an unprecedented level of transnational solidarity and cooperation between states<sup>13</sup> (IMF, 2011).

Despite this significant achievement, compliance with UNSCR 1373 and the FATF standards to combat terrorism financing and money laundering remain persistently low worldwide (IMF, 2011). Moreover, the compelling of state action on Resolution 1373 reflects a significant shift in the international approach to collective economic and security issues. This chapter discusses the implications of UNSCR 1373 for international society, particularly with regard to solidarist nature and role in the creation of international law that requires all states to regulate the many varieties of money or value transfer (MVT) systems, which provide vital economic services to billions of people worldwide.

### **Chapter Two Outline**

This chapter is set out as follows. A state of play lays the foundation for understanding UNSCR 1373 as the source of the research problem as seen through the English School lens. The nature of this investigation takes a ‘purpose and approach’ direction for the chapter in relation to the overall aim of this thesis. Contextual analysis of the research problem from a top-down perspective is the most logical starting point. The ‘Narrative of Reaction’ section considers the nature of the UN Security Council’s immediate response to the 9/11 attacks, which led to the adoption of UNSCR 1368 on September 12, 2001. The nature of the design process leading to the adoption of UNSCR 1373, and the concerned responses of members of the General Assembly are then discussed in terms of a ‘Narrative of Adoption’. Comprehensive unpacking of UNSCR 1373 follows the context of its primary focus on traditional money or value transfer (MVT) systems. The chapter findings are then highlighted as the chapter conclusions.

---

<sup>13</sup> Brought about as a result of Article 43 and Article 48 under Chapter VII of the UN Charter (2016).

## State of Play

International society theory provides the foundation for understanding how this research views the world and tackles the *problematique* of order in international politics. Drawing on the work of Bull (2002) and Hurrell (2007), the research problem is characterized by the need for balance between a pluralism, a morally pessimistic view of order in which states embody the most optimal container for cultural diversity (Dunne, 1998), and a solidarist attempt at global governance which mandates a standardized global framework for state action and cooperation on money laundering and terrorism financing (Hurrell, 2007). With the introduction of UN Security Council Resolution (UNSCR) 1373 (2001) international society transitioned from what was traditionally “consensual” towards the realisation of a “coercive” and likely premature era of solidarist global financial governance (Hurrell, 2007, p. 63). In this way, Bull’s (1966) concern about premature solidarism, that absent deeper global moral consensus a solidarist form of world order would put desire before reality and set international law an unachievable task, has arguably become a reality.

No consensus on the meaning of justice exists in world politics today, particularly in relation to terrorism and the governance of informal Money or Value Transfer (MVT) systems. Although Bull (2002) did advocate for solidarism in certain circumstances, including to collectively limit the use of violence, his support of such action was in reference to collective state efforts to limit context-specific uses of violence within a definitive period (Bull, 2002).

This position emphasizes the lack of transnational solidarity on what is meant by ‘justice’ in relation to MVT systems. For Bull (2002), notions of justice are placed within the scope of ideas about morality, “...which treat human actions as right in themselves” rather than purely goal-oriented. Similarly, human action is considered ‘categorically’ rather than just ‘hypothetically’ important (p. 75). Therefore, this notion of justice sits aside from ideas about legality or prescribed notions of “...prudence, interest or necessity” (Bull, 2002, p. 75). In this context, justice refers to the meaning that is given to action by purposive actors. Justice may be referred to analytically in terms of a variety of types, however in the end its meaning is defined by a “subjective” or personal perspective.

In this research, Bull’s concept of ‘distributive’, in contrast to ‘commutative’ justice is particularly relevant (Bull, 2002, pp. 77-78). Distributive justice could ostensibly characterize the path taken by international society towards transnational solidarity on combating the financing of terrorism. This is where an action is just based on an assessment of what constitutes the ‘common good’ or ‘common interest’ of society overall. In contrast,



‘commutative’ justice reflects the mutual recognition of ‘rights and duties’ via a practice of ‘exchange’ or negotiation, in which an individual or group acknowledges the ‘rights of others’ in exchange for recognition of their own in return (Bull, 2002). For example, the commutative form of justice is observable in the efforts of an Indian fishing village to hold the World Bank legally accountable for the environmental and social impacts of its investments (ICIJ, 2019a). This case ruled that the Bank is accountable for its decision to set up a coal power plant, which is alleged to have negatively impacted the livelihoods of the Indian fishing village. This is significant because since 1945 liberal international organizations like the World Bank had been afforded the same legal immunity under US law as foreign governments (Supreme Court Of The United States, 2019). The Supreme Court decision stripped the World Bank and by proxy other international organizations of this immunity and many lawsuits are likely to follow as a result (ICIJ, 2019a).

It is at the intersection between the broad narratives of terrorism, heightened economic risk in an era of growing interdependence, and increasing awareness of private actors and private sources of authority in global governance processes, that the challenges associated with regulating traditional and digital money or value transfer systems come to light. The threat of terrorism has made standardized anti-money laundering the primary goal in a global effort to mitigate risk by requiring state action to prohibit access to resources for actors and organizations. On the surface the strategy seems sound: if funds cannot be tracked then in a worst-case scenario, they present a potential terrorist threat, otherwise it is assumed that the funds must be the proceeds of criminal activity. It makes sense from one perspective then to require oversight and control of money or value transfer systems that, as a trait of their traditional operation, ensure the anonymity of their clients and, intentionally or not, launder money. However, when billions of people are suddenly implicated in criminal activity because they continue to trust traditional forms of banking and money transfer, based on norms embedded in the shared values of many generations, it is vital that the broad scope of cultural context be considered if this new approach is to effectively prevent terrorism financing and money laundering as intended.

The implications of expanding liberal solidarist conditionality within and around the emergence of a hard-line approach to global financial governance raises important issues for international society, particularly in terms of the potential impact of increasing value conflict and retreating levels of cultural diversity as states increasingly lose sovereign independence. The general downward trend in cultural diversity would appear to be a by-product of increasing globalization, not least due to the coercive global standardisation of financial rules as a result

of UNSCR 1373. This chapter is the beginning of an exploration of the nature of the supposedly solidarist attempt to prevent money laundering and terrorism financing MVT systems.

It may be more accurate to describe the liberal solidarist agenda, Clapton (2009) argues, as “hierarchical” and “anti-pluralist” rather than an attempt at solidarity (p. 6). For Clapton (2009), the post-Cold War tendency towards Western intervention reflects a “...distinctly anti-pluralist” trend (p. 6). This observation contradicts the notion put forward some by states as part of the discourse leading to the adoption of UNSCR 1368 (2001), which implies that the international community should act in the spirit of ‘solidarity’ to prevent terrorism. Whether this accurately aligns with the nature of UNSCR 1373 is examined throughout this thesis and addressed in detail in Chapter Five.

### **Purpose and Approach**

This chapter provides an analysis on the nature of global financial governance rules and structures in relation to the international MVT regulatory effort in a way that explicates the central issues that constitute the research problem. The chapter reflects upon observations about the normative rules and institutions that reflect international society’s response to the threat of terrorism financing so that a clearer understanding of how regulatory effectiveness might be constitutive of cultural sensitivity. It achieves this via analysis of official documents and meeting transcripts of the United Nations Security Council (UNSC) in 2001, specifically those relating to the threat of international terrorism to international peace and security, as well as examination of the regulatory rules for remittances created by the Financial Action Task Force (FATF).

This research is not purely about providing an explanation of how the global effort to govern MVT has emerged and developed. It is also a contextually specific assessment of the changing character of global financial governance in world politics and the normative commitments undertaken in the process. The following two arguments are made in this chapter. Firstly, the focus on bringing about transnational legal standardisation to combat terrorism, and the compromises that made Resolution 1373 possible to implement, have overshadowed the importance of cultural diversity for maintaining peace and security throughout international society in the long term. Secondly, rather than viewing the calls for greater cultural sensitivity in the attempt to govern MVT as a moral issue, enhanced effectiveness may be achieved if seen as a call to re-evaluate the strategic and practical ramifications of recognising and accounting for the inherent cultural diversity of international society. These two arguments inform the

central research claim, which is: *the Global Trust Conflict constitutes the most significant barrier to regulatory efficacy and compliance for money or value transfer systems.*

## **Narrative of Reaction**

The day following the 9/11 terror attacks on the United States in 2001 marked the first major international response to the threat of terrorism. The adoption of Resolution 1368 (UNSC, 2001a) on September 12 was the first step towards the unprecedented creation of an obligatory form of global financial governance via Resolution 1373 (UNSC, 2001). The content of documents and letters of UN representatives, heads of state and their ambassadors in direct response to the attacks are analysed in this section. This is useful because their statements reveal the nature of reactionary discourse and serve to convey a sense of the mindset that led the Security Council to create and unanimously adopt Resolution 1373 (UNSC, 2001). The following narrative of reaction will discuss in detail the emergence of a focus on transnational solidarity motivated by value conflict as the solution to the threat of international terrorism.

On September 11, 2001, United States (US) President George W. Bush made a speech in response to the terror attacks, which have had significant implications for the development of international society. His language set the tone for a value-conflict oriented narrative of reaction worldwide, which called for immediate collective state action in defence of freedom, democracy and civilisation in the face of a new war between good and evil; the War on Terror (Bush, 2001). Following a commitment of significant resources to bring those responsible for the attacks to justice, President Bush (2001) stated, “We will make no distinction between the terrorists who committed these acts and those who harbour them” (para. 4). This statement premised a major expansion of the scope for what constitutes an act of terrorism so that any actor or interest complicit in supporting, including financing, those actors or activities would be dealt with under the same legal framework regardless of intent.

When thanking allies of the U.S. for their messages of support President Bush (2001) put a metaphorical line in the sand to delineate those states *with* the U.S. and those *against* it. Bush said, “America and our friends and allies join with all those who want peace and security in the world, and we stand together to win the war against terrorism” (para. 5). Therefore, those not willing to engage in a global War on Terror are at best a detractor from the international maintenance of peace and security. At worst, they are open to an accusation of complicity with, or sympathy for a growing international anti-terrorism financing movement. An important reflection on this speech by President Bush (2001) is that it positioned the United

States as the leading voice of an international call to solidarist justice in the name of peace, against a terrible and evil enemy. He said, “None of us will ever forget this day, yet we go forward to defend freedom and all that is good and just in our world” (para. 7). This statement can be the intent of the United States to take a leading role in defining what is good and just on a global scale, and it achieved this through United Nations Security Council Resolution (UNSCR) 1373 (UNSC, 2001).

### **Security Council Resolution 1368 (2001)**

The following day, September 12, 2001, the United Nations Security Council held its 4370<sup>th</sup> meeting to formalize an initial international response to the threat of international terrorism. Emulating and building upon the solidarist rhetoric of President Bush (2001), members of the Security Council made statements that reflected their general state of shock and dismay, as well as sympathy and solidarity with the American people (UNSC, 2001b). Throughout the 4370<sup>th</sup> meeting of the Security Council the language used built a narrative of ‘them’ and ‘us’, describing an existential threat posed by acts of ‘barbarism’ to values held dear by all ‘civilized’ people, and the need to unite in a multilateral effort to bring justice to those who commit or support this ‘evil scourge’ that threatens all humanity (UNSC, 2001b). The following highlights from Security Council meeting records of Resolution 1368 (2001) mark the initial steps towards a form of global financial governance that this thesis argues is limited in its effectiveness as a means of regulating MVT systems globally as a result of its insensitivity to cultural context, particularly those outside of the Western hegemonic interests represented in the primary membership of the Security Council.

Secretary-General of the United Nations Kofi Annan (UNSC, 2001b) was the first to make a statement. In it he reflects on the horror, shock, and ‘revulsion’ felt by all Council members in response to the terror attacks (p. 2). Themes of worldwide emotional trauma are found in many of the statements made in the meeting record of Resolution 1368 and letters published by the Security Council, particularly in those statements that convey the condolences and sympathies of states to the United States (UNSC, 2001b; UNSC, 2001e; UNSC, 2001d; UNGASC, 2001; UNGASC, 2001a). The emotional impact of the September 11<sup>th</sup> attacks is reflected in the sense of urgency and complicity of the majority of responses by states in their wake and underlined a drive to act swiftly, even if that support meant a declaration of war in absence of a clear and identified source of the terrorist threat.

Following this, the Secretary General advances the theme of solidarity, stating “...we must express our solidarity with the American Government and people in this hour of trial”

(UNSC, 2001b). Thereby effectively enhancing the perception of need for transnational solidarity in the minds of member states, first raised in statements by US President George Bush (2001) and the European Union (UNSC, 2001e) earlier that day. The ambassador for the United Kingdom Sir Jeremy Greenstock (UNSC, 2001b) echoes this in his statement, which reflects the Secretary General's final statement in the meeting record for Resolution 1368, pointing out that "The international spirit of response, I think, was... exemplified by the European Union in a meeting... this morning, who said that these horrendous acts are not only on the United States, but against humanity itself and the value and freedoms we all share" (p. 2). The line in the sand drawn by President Bush (2001) found significant purchase in the Security Council as the rest of the state representatives in attendance added their support for a view to action based on a collective effort to rid the world of terrorism (UNSC, 2001b).

Moreover, the language used by a majority of state representatives grounded the narrative of global solidarity in terms of an emergent evil and a barbaric scourge of the 21<sup>st</sup> century, undermining any grounds for a reasonable alternative position other than passivity. In the words of ambassador Ryan of Ireland (UNSC, 2001b), "...evil can only come from evil, ...no cause that is based on mass murder and carnage can ever succeed; ...those who perpetrate such deeds are the enemies of all peoples everywhere. Those responsible for yesterday's barbarism are the enemies of peace and justice" (p. 5). This depth of commitment to a sense of war between good versus evil and civilisation versus barbarism as a motivator for global solidarity against terrorism is supported by statements of the United Kingdom, Norway, and United States in the meeting record for Resolution 1368. This is also apparent in additional statements pursuant to the adoption of Resolution 1368 published in the Presidents notes (UNSC, 2001d) by representatives of Brazil, Israel, New Zealand, and Yugoslavia.

The adoption of Security Council Resolution 1368 (2001) was formalized with a vote which is traditionally done by members raising their hands. At this meeting, however, the president (UNSC, 2001b) invited members voting in favour to stand as a sign of "...unity in the face of the scourge of terrorism" (p. 8). All fifteen members voted unanimously in favour of adoption by standing together to make a number of statements in response to the September 11<sup>th</sup> terror attacks in 2001. Resolution 1368 (UNSC, 2001a) starts by 'reaffirming' a commitment to the values and reasons for founding the United Nations contained within the Charter, and then states its determination to use all capabilities and resources available to "...combat threats to international peace and security caused by terrorist acts" (p. 1). In other words, the Security Council points to the resolution as an important step in sustaining international order because the threat of terrorism is seen as a challenge to the collective

mandate of the Council to constrain the use of violence in order to maintain international peace and security, therefore it is determined to act accordingly. The resolution also acknowledges the fundamental “...right of individual or collective self-defence in accordance with the Charter” (p. 1). This statement of recognition is the first-time self-defence has been ratified internationally as a legitimate response to terrorism, and is often discussed as an implicit confirmation of the legal basis for the American and North Atlantic Treaty Organization (NATO) led invasion of Afghanistan in 2001 (Boulden & Wiess, 2004; Kramer & Yetiv, 2007; Roach, 2011; Ward, 2003).

Six statements are made in UNSCR 1368 (UNSC, 2001a). The first embodies the Security Council’s unambiguous censure of the terror attacks. The second conveys its solace to the victims and the US Government. The third requests states to act collectively and with speed to “...bring justice to the perpetrators, organizers and sponsors” of the attacks, and emphasizes that any who provide support or safe-haven to those responsible “...will be held accountable” (p. 1). The fourth requests that the “international community” greatly increase their “...efforts to prevent and suppress terrorist acts” by improving inter-state collaboration and completely enacting all applicable “...anti-terrorism conventions and Security Council resolutions, in Resolution 1269 (1999)” (p. 1). The fifth emphasizes the Council’s willingness to act in response to the attacks and to take any required action to “combat” terrorism whatever shape it takes, in line with its UN Charter mandate (p. 1). Finally, the Council “decides to remain seized of the matter” (p. 1). This resolution represents a key stepping-stone for international society towards a solidarist form of global financial governance in response to what was perceived by many states, particularly those aligned with the West, as more than an attack on the US. Rather, it was perceived as an international attack on the values that underpin civilisation and humanity, which was readily characterized by the Secretary General Kofi Annan and many other states, as the emergence of a great and evil scourge embodied by terrorism.

Resolution 1368 has most often been discussed in relation to the recognition of sovereign right to self-defence in response to terrorism (Boulden & Wiess, 2004; Kramer & Yetiv, 2007; Roach, 2011; UNGASC, 2001g; Ward, 2003). What is not generally discussed is how the limited inter-state discourse was made public in the lead up to the adoption of Resolution 1373 (Rosand, 2004; Talmon, 2005). It can be understood as an echo of sentiment observed in the foreign policy of the early modern expansion of the European Society of States (Bull & Watson, 1984; Buzan & Little, 2013; Watson, 2009). Also termed the ‘standard of civilisation’ (Gong, 2003), it constituted a moral cause to civilize the uncivil justified by the

inhumanity of so-called barbarians (Buzan, 2010; Keal, 1995; Keene, 2002). This language of a higher moral cause formed the political basis for the expansion of European civilisation into Asia and Africa. One implication of this was significant pressure for non-Western states to conform with Western values and practices. Another implication was its experience for non-Western states as a major cultural trial, as conformity and membership meant detracting from their own cultural norms and values (Buzan & Little, 2013).

This eventually led to a distinctly European standard for membership of international society in the post-colonial world. The narrative of reaction finds common ground with this form of language in the many references to good versus evil, civil versus uncivil, and in referring to the scourge of terrorism as a product of barbarism (Buzan, 2010; Keal, 1995; Keene, 2002).

This is important because it links the emergence of modern security-focused governance policy to authoritarian foreign policy notions of the past. Whereas, within the society of states common ground in terms of values and interests allowed cultural difference to be tolerated among sovereign equals. In externalized cases, however, cultural difference was used as the moral basis for invading and colonising supposed barbarians. In history and in modernity, value conflict has been used by the powerful to engender a moral imperative to coercively institute a culturally inverse form of global socio-economic order.

### **A Thematic Review About Reaction**

The narrative of reaction to the September 11 terror attacks has revealed two important features of the emergence of liberal solidarist global financial governance not identified in the literature. Firstly, the language used by many states, especially those sympathetic to Western-centric interests of the Global North, shares common ground with that used to justify the expansion of the European society of states. This link highlights the forming of a high moral purpose based on repeated framing of the situation in terms of ‘them’ and ‘us’, serving to emphasize a dire need for urgent sweeping action to mitigate the threat. It also implied that the means by which the threat was to be mitigated would be subject to minimal scrutiny, avoiding the need to justify in detail the major changes to come. This narrative was a central factor that, by following the prescribed action of a few powerful states, led international society into a values-based conflict with complex social implications that are global in scope.

Notably, similar claims to high moral cause were employed historically to great effect in order to motivate tolerance between equal states on one hand, and cultural intolerance for outsiders on the other. The fact that this link preceded and anticipated the development of a

coercive and culturally insensitive global financial governance standard is an important feature of the research narrative. Added weight to the sense of a higher moral purpose was conveyed via the portrayal of international terrorism as an existential threat to humanity, which demanded a decisive multilateral response. Together these observations highlight that the tunnel-vision for a liberal solidarist approach to governing remittances has disregarded key social factors that are intrinsic to any global governance effort. These human factors reflect issues that can be linked with the pluralist norms of non-intervention, sovereign independence, and cultural difference.

## **Narrative of Adoption**

The narrative of adoption provides detail and analysis of the informal drafting and formal adoption process of UN Security Council Resolution (UNSCR) 1373. This includes the policy positions released by the European Union and China shortly before adoption. The purpose of this section is to make observations about the way the Security Council operated to legislate for all states. It finds that the Security Council process at the time was undermined by limited transparency and the absence of consultation with most of its stakeholders. This can be seen to reflect a breakdown of the traditionally pluralist mode of global governance, which arguably generated a culturally insensitive approach to the regulation of MVT systems.

Between the 12<sup>th</sup> and 28<sup>th</sup> of September 2001 the United Nations Security Council was in a state of readiness, pursuant to UNSCR 1368, to take all steps necessary to expedite a definitive collective response to the threat of international terrorism (UNSC, 2001a). On the 21<sup>st</sup> of September the European Council held an ‘extraordinary meeting’ to formalize a plan of action, which was transmitted in a letter<sup>14</sup> to the Security Council via the General Assembly and distributed to Security Council members on the 26<sup>th</sup> of September (UNGASC, 2001g). On the same day the US began off-record discussions with its counterparts who also hold permanency on the Security Council<sup>15</sup> (Talmon, 2005). This marked the beginning of the drafting process for UNSCR 1373.

The letter from the European Council (EC) contains conclusions and a plan of action outlining the position of the European Union (EU) in response to the threat of international terrorism (UNGASC, 2001g). In the preamble it emphasizes the significance of the local and global challenge posed by the effort to combat terrorism, and places it as a primary goal of the

---

<sup>14</sup> Document No. S/2001/909

<sup>15</sup> Other permanent members are the United Kingdom, France, China, and Russia.



EU. The fundamental principle that underpins the EU plan is "...solidarity and cooperation with the United States" (p. 2). Reaffirming much of the value-conflict and solidarist rhetoric expressed by many western states in the process of adopting Resolution 1368, the European Council talks in reference to the September 11 terror attacks in terms of complete support for the US, an "...assault on our open, democratic, tolerant and multicultural societies" and a moral 'challenge' to every individual (p. 2). Moreover, it also prioritises cooperation with the US to bring about justice and punishment for the "...perpetrators, sponsors, and accomplices of such barbaric acts" (p. 2). Again, the terror attacks are seen through a lens of value-conflict oriented solidarism, in that the discourse reflects on the threat of barbarism or incivility seen as existential for the 'us', which is projected to mean all civilized democratic societies. The use of terms that point to a higher moral purpose emphasizes a need for unity to bring about a common position on the definition of justice with regard to terrorism. In this regard the European Council also "...calls for the broadest possible global coalition against terrorism, under United Nations aegis" (p. 2). The letter from the European Council is a clear call for transnational solidarity to combat terrorism and its financing worldwide via the institutions of the liberal international order, which in part justifies interventionism against any state or individual to defend common values (UNGASC, 2001g).

The rest of the EC's letter covers specific measures to combat terrorism in principle, including a commitment to step-up efforts to combat terrorism financing it refers to as "Putting an end to the funding of terrorism", which states that multilateral action is necessary for the effort to be effective (UNGASC, 2001g, p. 4). World economic prospects in the wake of September 11 are also outlined but do not envision any negative implications of a major change in financial policy to counter terrorism financing. The simplicity of the conclusions and plan of action put forward by the European Council highlights the extraordinary speed and narrow scope of the response, falling into line with the 'react first - consult later' theme of international processes led by the Security Council in the lead up to the adoption of UNSCR 1373.

On September 27, 2001, China also distributed a letter to the General Assembly and Security Council on its position in response to international terrorism (UNGASC, 2001h). It outlines China's recognition and condemnation of the threat to civilisation and international peace and security. In the letter, China also emphasizes its support for increasing the strength of all counter-terrorism efforts and outlines its perspective on the nature of obligations and responsibilities of all states cooperating in the effort (UNGASC, 2001h). The language used by China differs markedly from the European response, primarily because it puts emotive

claims to higher moral purpose to the side in favour of direct recommendations in support of a practical approach to the same goal.

It is noteworthy that China was the only state to clearly call for the international terrorism response to be carried out in line with the purposes and principles of the UN Charter and other norms of International Law. This refers to the statement; “The fight against terrorism should be conducted in accordance with the purposes and principles of the Charter of the United Nations and other established norms of international law” (UNGASC, 2001h, p. 3). This is significant because UNSCR 1373 was the first resolution to be drafted and adopted with that requirement omitted (Olivier, 2004; Talmon, 2005).

The emphasis on a holistic approach demonstrates that China understands that decisions made on behalf of international society must be made responsibly. The following statement ends China’s public contribution to the design of UNSCR 1373 prior to its adoption: “There should be a comprehensive approach, involving political, diplomatic, economic and other means, to address both the problem of terrorism and its underlying causes, to eliminate the root causes of terrorism” (UNGASC, 2001h, p. 3). This means considering the design and implications of measures in a comprehensive way that will effectively reinforce the principles and structures of international society. Within this point, China may be seen to pre-emptively criticise the limited scope of alternative perspectives considered when designing the international response. Resolution 1373 brought about a form of transnationalism to combat terrorism, but it was not the holistic solution that China claimed was necessary to address the root causes of terrorism (UNGASC, 2001h).

### **The Importance of Standard Practices in UN Resolutions and International Law**

Resolution 1373 stands out as unique from any previous UN Security Council Resolution for two reasons. The first is the absence of an affirmation of the need for members to adhere to the principles and purposes of the United Nations Charter (UNSC, 2001). The second is the need to align the anticipated financial regulatory changes to those principles and purposes.

In China’s submission to the UN General Assembly detailed above, the first sentence references Article 24(2) of the UN Charter (2020a). China stated that the effort to combat terrorism should be conducted in line with the “...purposes and principles of the Charter of the United Nations and other established norms of international law” (UNGASC, 2001h, p. 3). The efforts to recognize the need to affirm principles and purposes is regarded as a standard practice in the process of constructing all UN Resolutions. Article 24(2) mandates that the Security

Council will act in accordance with the purposes and principles set out under Article 1 and Article 2 of the UN Charter (2020; UN, 2020a). It is notable that UNSCR 1373 failed to explicitly state that all regulatory measures must adhere to the principles and purposes<sup>16</sup> of the UN Charter (UNSC, 2001).

It is important to look beyond UNSCR 1373 to understand the impact on other resolutions such as UNSCR 1540.<sup>17</sup> Standard practice on UN resolutions had, until this moment in 2001, been that each resolution made a deep connection and commitment to the values of the United Nations. Indeed, clear reaffirmation of this mandate was standard practice in all Security Council and General Assembly resolutions until the 9/11 attacks (Olivier, 2004). This is also the case for the only other resolution adopted under Chapter VII powers of the UN Charter (2016), UNSCR 1540 (UNSC, 2004). The omission of an avowal to principles and purposes in these resolutions has raised concerns about the potential for breaches of human rights and civil liberties in the drive to combat terrorism and its financing. This is significant because it reflects the addition of a second tier to the unprecedented nature of UNSCR 1373, which suggests divergence from the core principles of the Charter of the United Nations.<sup>18</sup>

**Table 2.** *Five Principles of the UN System*

Principles
Self Determination of Peoples
Peaceful Settlement of Disputes
International Cooperation
Prohibition on the Threat or use of Force
Respect for Human Rights

*Source: Adapted from Dunne, 2003.*

Table 2 depicts the five principles of the UN system in a simplified format. Chapter I, Article 1 and Article 2 of the UN Charter set out the organization's core principles (UN, 2020), as outlined by Dunne (2003). The first addresses the 'self-determination of all peoples'.<sup>19</sup> The

<sup>16</sup> These principles and purposes are outlined under Article 1 and 2 of the UN Charter (2020).

<sup>17</sup> UNSCR 1540 (2004) describes the only other resolution to be adopted under the Chapter VII powers of the UN Charter. It relates to state controls about weapons of mass destruction, and bioweapons.

<sup>18</sup> See Article 1 and Article 2 of the UN Charter (UN, 2020; UN, 2020a)

<sup>19</sup> Underwrites the fact that the UN was founded on sovereign equality of all its members. See Article 2(1), also Article 1(2) (UN, 2020).

second principle addresses the ‘peaceful settlement of disputes’.<sup>20</sup> The third principle is the ‘prohibition on the threat or use of force’,<sup>21</sup> and has been significantly challenged by UNSCR 1373. The fourth principle is ‘international cooperation’.<sup>22</sup> Fifth is the ‘respect for human rights’, which is also grounded in Article 1(3).

The US conduct of the War on Terror demonstrates its opposition to the classical form of international society. In this sense it underscores the need to evaluate the balance between the values of society and the hierarchy at the international level. Findings in this chapter support this claim, which is suggestive of a trend towards anti-pluralism rather than solidarism as a result of UNSCR 1373. The source of this (anti-pluralism) trend in Resolution 1373 is that trust in modern international society relies in part on an adherence to the principles and purposes that the United Nations is built on.

The evidence also suggests that UNSCR 1373 challenges three out of the five principles of the UN system (Table 2). The self-determination of peoples and international cooperation has been impacted. This is because UNSCR 1373 has introduced a mandatory standard for global governance of MVT systems without consulting most stakeholders (UNSC, 2001). Secondly, cooperation is not an option for states when the rules are prescribed and participation is required (Hurrell, 2007). For weaker states, participation in the secondary institutions<sup>23</sup> of international society exposes them to the dominant will of more powerful states<sup>24</sup> (Hurrell, 2007). In this way, compliance rather than cooperation is the essence of state engagement with the UNSCR 1373 regime. Third, the omission of any commitment to uphold the norms of International Law also means that states may legislate and enforce laws under a banner of combatting terrorism, but which also constitute breaches of human rights (Olivier, 2004). This issue is exacerbated by the lack of international consensus on a definition of terrorism (Olivier, 2004).

---

<sup>20</sup> Requires that states resolve conflict by means that do not compromise “international peace, ...security, and justice”. See Article 2(3) (UN, 2020a).

<sup>21</sup> “All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations”. See Article 2(4) (UN, 2020a).

<sup>22</sup> Derived from the third purpose statement of Article 1. “To achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion”. See Article 1(3) (UN, 2020).

<sup>23</sup> Non-state international organizations that administer the Liberal Internationalist global governance agenda (Bull, 2002), such as the World Health Organization (WHO), The World Bank, the International Monetary Fund (IMF), and the Financial Action Task Force (FATF).

<sup>24</sup> Hurrell (2007) argues that secondary institutions are not the platforms for mediation, cooperation, and organization of collective action, as portrayed *via* the Liberal Internationalist lens. Rather, they are platforms for more powerful and technically capable states to exert dominance over the will of weaker states.

A draft of Resolution 1373 was distributed by the United States on the 27<sup>th</sup> of September, the same day China presented its position, during further off-record meetings (Talmon, 2005). The proposed draft was adopted on the 28<sup>th</sup> of September 2001 by unanimous vote in a formal public meeting that lasted a total of five minutes (UNSC, 2001). According to a New York Times media report (NYT, 2001), the speed of the adoption was ‘unusual’ and “Diplomats said all members agreed on the resolution virtually from the outset, and the only discussion was about legal technicalities” (para. 6). The article adds context to the unconventional process not clearly depicted in the record of the meeting. From a public perspective it is apparent that no discussion was had, or statements made, about members reasons for voting (NYT, 2001; UNSC, 2001). Comments made to the media by diplomats reflect that the only discussion had was informal and suggests that all members were unreservedly committed to adopting the resolution and were unconcerned with justifying or explaining their decision (NYT, 2001). According to Roach (2011), no-one aside from the 15 Security Council members were involved in the drafting and adoption process, and the absence of any commentary or contrary dialogue from state ambassadors was the result of instructions from all member-states to cooperate completely with the US on this matter.

### **Response of the General Assembly to Adoption**

Concerns about the nature of the drafting and adoption process were raised by Costa Rica in the 25<sup>th</sup> plenary meeting of the General Assembly on October 15, 2001 (UNGA, 2001). The ambassador for Costa Rica was most vocal about the implications of the way the Security Council wielded its powers in response to the international threat of terrorism to create Resolution 1373. The state’s representative, Mr Niehaus, highlighted that whilst Costa Rica saw the necessity and supported the strength and conviction of imposed measures upon all states, he cautioned that in applying such power “...the Council must act responsibly” (p. 3). The ambassador’s reference to responsibility suggests that the Council acted without fully considering the implications of its decisions for all states. He went on to posit that the basis for the authority of the Security Council, as detailed in the UN Charter, is in the mandate to act “...on behalf of all Members of the United Nations” (p. 3). Mr Niehaus then argues that it is for this reason that “...it is essential for the Council to hold transparent and effective consultations with the other members of the international community when it adopts measures of far-reaching importance” (p. 3). This argument emphasizes the inalienable responsibility of Security Council members to the greater membership of the UN, which is recognized under Article 24 of the UN Charter (2020). That Costa Rica reaffirmed the Security Council’s

mandate under the UN Charter is notable. This is because it highlights legitimate issues that indirectly challenge the authority and legitimacy of the Security Council's actions leading up to and including the adoption of UNSCR 1373.

Members of the General Assembly raised issues in relation to Resolution 1373 during the 56<sup>th</sup> session and reflect concerns about transparency, legitimacy, and efficacy of the Security Council. In the 28<sup>th</sup> plenary meeting, the delegation for Yugoslavia talked to Resolution 1373 in terms of how the Security Council's failure to be transparent in its representative role for the greater UN membership limited its efficacy. Yugoslavia stated that for international counterterrorism to be persistently effective there needs to be improved transparency and a closer relationship between the Council and Assembly (UNGA, 2001a, p. 5). In the same meeting the representatives for Ghana (UNGA, 2001a) questioned the legitimacy and authenticity of the Resolution's conviction to succeed in its goal to eliminate terrorism globally. It stated that, should the Council go on to adopt resolutions as law and expect its state stakeholders to thoroughly comply, as in the case of Resolution 1373, "... then it is only fitting and proper that it should explain its actions fully to the general membership in order to attain the latter's support, understanding and cooperation — indispensable ingredients in a genuine search for international peace, security and development" (p. 16). It is apparent that some members of the GA view the Security Council's approach in relation to Resolution 1373 as a step outside its mandate, leading to questions about the sincerity of its commitment and potential efficacy of the overall counter-terrorism effort if further significant decisions are made without broad consultation of its stakeholders.

Further concerns were raised by the delegations from Japan and India at the 33<sup>rd</sup> plenary meeting of the General Assembly (UNGA, 2001b). Japan's position, whilst understanding the challenge faced by the Security Council, held that the significance of the problems posed by international terrorism emphasizes the need for immediate reform. By this the Japanese delegation meant that increasing the number of sitting members would provide new means of addressing persistent questions of the Council's legitimacy and efficacy (UNGA, 2001b, p. 3). The message from India was more direct in its criticism; stating "An unrepresentative and anachronistic Council that does not reflect current global realities would find it extremely difficult, notwithstanding its worthy intentions, to effectively and credibly tackle this momentous challenge to international peace and security" (UNGA, 2001b, p. 16). These are sentiments echoed by Guatemala at the 34<sup>th</sup> plenary meeting (UNGA, 2001c, p. 13) and by Paraguay at the 36<sup>th</sup> plenary meeting (UNGA, 2001d, p. 2).

## **UN Security Council Reacts to State Criticism**

The Security Council reacted to calls for transparency and broader member consultation by altering its approach in later circumstances, wherein action would have significant implications for the broader UN membership. The proceeding resolutions that benefited from this process were adopted in 2002 and 2004 (Talmon, 2005). The first was Resolution 1422, which was adopted in 2002 and was preceded by broad informal consultations. This included a meeting that all non-members could attend, and eighteen non-member states participated in the adoption meeting (Talmon, 2005). The most extensive and open consultation with the Council's stakeholders was in the lead up to the adoption of Resolution 1540 in 2004 (UNSC, 2004). This required six months of open debate and revision to draft (Olivier, 2004; Talmon, 2005).

The calls for reform from states have not come to fruition with any significance for addressing the issues stemming from the opaque adoption of UNSCR 1373. Although the Security Council has made an effort to be more transparent and open to appropriate consultation of UN members since, the legitimacy and efficacy of the approach to combating terrorism financing remains a significant point of concern. This is in part because the content of Resolution 1373, or Financial Action Task Force regulations, have not been revised to reflect the perspectives and cultural context of the broader UN membership more accurately.

## **A Thematic Review About Adoption**

In summary, from analysis of the available evidence there is a strong case for concern about the potential efficacy of the global effort to combat terrorism financing via MVT systems. From the start of the drafting process under the leadership of the United States there seemed to be little concern for the input of other stakeholders, as reflected in the high speed and opaque nature of the drafting process. Of the sovereign bodies that did release a document outlining its official position on Resolution 1373, only the perspective of the EU was available for the entirety of the 48 hours in which the policy was negotiated. Thus, when China distributed a document outlining its position the process was almost complete and it is unlikely that its perspective was adequately or fairly considered.

When diplomats were questioned by the media about the process it was implied that only legal issues warranted informal discussion, and they had been instructed to fully cooperate with the United States. The result was a formal meeting that lasted only five minutes, contained no discussion or reasoning by representatives for their support of the Resolution, and set

obligatory counter-terrorism policy for all states designed without consent or consensus of the Council's stakeholders in the General Assembly (NYT, 2001; Roach, 2011; Talmon, 2005; UNSC, 2001c).

The response of those excluded from contributing to the creation of Resolution 1373 in the General Assembly emphasized the cost for the Security Council in terms of a loss of legitimacy and credibility in its role as a supposed representative for all members of the UN. Moreover, it was argued at the same time that the failure to gain the support of states required to act on Resolution 1373 would undermine the efficacy of the global counter-terrorism effort. It was stated that without understanding and cooperation the effort would reflect a disingenuous "...search for peace, security, and development" (UNGA, 2001a, p. 16).

In light of this, the opacity in which Resolution 1373 was drafted and adopted reflects the hegemony of Western interest on the Security Council led by the United States. The degradation of pluralism in the global governance process led by the Security Council is an important part of a narrative on cultural insensitivity and MVTs discussed in this research. The origin of this insensitivity is found in the Council's opaque move towards a solidarist form of global financial governance. The decision to ignore or discount the input of the rule-takers of Resolution 1373 has further compromised the legitimacy and authority of the Security Council in the eyes of its stakeholders, and significantly increased the difficulty of combating terrorism financing.

## **Considerations about Resolution 1373**

Security Council Resolution 1373 is an international legal instrument which obliges states to participate in a standardized multilateral framework to combat terrorism (UNSC, 2001). Often regarded as the 'cornerstone' of the United Nations response to the threat of international terrorism (Miller, 2010, p. 275), its scope of measures is primarily focused on combating terrorism financing but also aims to ensure that all states' AML/CFT capabilities are improved via increased bilateral and multilateral cooperation (UNSC, 2001). In this section the specific details of Security Council Resolution 1373 are discussed in order to delineate the requirements it sets out for states, particularly to combat terrorism financing, and to show how these measures form the basis of an international standard for regulating MVT systems.

Under Chapter VII powers of the UN Charter (UN, 2013), the United Nations Security Council has effectively obliged all states, whether a member of the UN or not, to participate in the international counter-terrorism effort. The detail of the resolution document is set out



into three sections; preamble, obligatory requirements, and calls to state action. A preamble outlines the Security Council's basis for action via the adoption of Resolution 1373. In this instance it reaffirms relevant earlier resolutions, the need to act, the sovereign right to self-defence in response to terrorism, and its condemnation of the September 11<sup>th</sup> attacks on the US (UNSC, 2001).

The second element of Resolution 1373 contains the obligatory measures that states must respond to, which primarily relates directly to preventing the financing of terrorism (UNSC, 2001). It is apparent from the position of this topic in the resolution that the UNSC views combating the financing of terrorism to be the most vital endeavour for states in this global fight. Section 1, subsections (a), (b), (c), and (d) reflect the various elements that states must address in relation to terrorism financing. Subsection (a) of Resolution 1373 requires states to "Prevent and suppress the financing of terrorist acts" (p. 2), subsection (b) is concerned with legislating against 'wilful provision' of funds in support of terrorism, subsection (c) relates to seizing funds and assets related to terrorism, and subsection (d) requires states to 'prohibit' direct or indirect financial support for terrorism. The obligatory terms of the resolution significantly expand the administrative requirements of all states as well as the structures of global financial governance merely in terms of financing. The following section of obligations redoubles the already significant responsibilities of states. It concerns state duties to refrain from active or passive support for terrorism and also outlines obligations to prevent terrorism by all legal means necessary, including cooperating to enforce and share evidence with other states to support legal proceedings, and legislating heavy penalties for terrorism offences (UNSC, 2001).

The effectiveness of Resolution 1373 within each state is managed by a body set up under the resolution named the Counter-Terrorism Committee (CTC) (UNSC, 2001). Its purpose goes beyond purely combating terrorism financing to improve the standard of counter-terrorism performance in all governments (Rosand, 2003, p. 334). All fifteen members of the Security Council sit on the CTC and its primary task is to support states in the process of meeting their obligations (UNSC, 2017). Later it was recognized that the CTC was not equipped to effectively undertake its significant tasks and Resolution 1535 was passed to create the Counter-Terrorism Executive Directorate (CTED) (Bianchi, 2006, p. 900). The CTED was set up to support the CTC as a coordinator of the implementation and monitoring process. It consists of approximately 40 staff that analyse the reports sent in by states. The scope of its work includes, but is not limited to, drafting legislation, terrorism financing, border control, law enforcement, and human rights (UNSC, 2017). The primary concern of the CTC and CTED

is to administrate and monitor state progress in terms of legislating and setting up institutions to deal with the threat of terrorism broadly.

In the literature on Resolution 1373 there seems to be broad acceptance of the need to combat global terrorism.<sup>25</sup> However, there is an apparent paucity of optimism as to its potential success. Major challenges face those tasked with implementing UNSCR 1373. These include resourcing, administrative, monitoring, and enforcement complications (Bianci, 2006). The cost for the UNSC as well as states is significant. This is not least due to the high level of expertise necessary to implement the broad and complex requirements of the Resolution, which includes signing and implementing more than ten pre-existing counter-terrorism instruments (Ward, 2003). Any optimism that is found is in reference to the significant increase in global cooperation to implement counter-terrorism initiatives through the UNSC in the wake of Resolution 1373 (Kramer & Yetiv, 2007).

The text of Resolution 1373 and the structure of its primary bodies constitutes a regime deeply grounded in international law which sets a prescriptive standard for state legislation and law enforcement to combat terrorism. The resolution does not provide a clear definition of terrorism (UNSC, 2001). This would seem to be an important element in a predominantly legal approach; however, all efforts to reach international consensus on a definition of terrorism via treaty have been unsuccessful to date (Kassa, 2015; Martin, 2013). The absence of a definition has been a topic of much criticism in the literature on Resolution 1373. This is because it is seen as justification for states to define terrorism broadly to encompass their political opposition and potentially justify the denial of universal human rights (Bianchi, 2006; Roach, 2011; Scheppele, 2006). Academic writers suggest that the absence of definition is explained by the notion that "...had the Resolution defined a terrorist act, that definition *would have been* binding among states thereby preventing them from adopting their own state-centric definitions" (Kassa, 2015, p. 129).

Kassa challenges this idea, arguing that analysis of Resolution 1373 in the context to the 1999 International Convention for the Suppression of the Financing of Terrorism shows that it implicitly reflects the definition used in the Convention. The resolution requires only that states do not have a more limited or broader definition than the one endorsed (Kassa, 2015). Highlighting this point serves to illustrate the situation, which constitutes a lack of consensus that extends beyond the commonly cited explanation of an emotionally charged political

---

<sup>25</sup> See Bianchi, 2006; Husabø & Bruce, 2009; Kassa, 2015; Kramer & Yetiv, 2007; Martin, 2013; Miller, 2010; Roach, 2011; Rosand, 2003; 2004; Scheppele, 2006; Szasz, 2002; Talmon, 2005; Ward, 2003.

impasse reflective of the aphorism “one man’s terrorist is another man’s freedom fighter” (Martin, 2013).

For some commentators Resolution 1373 reflects an overstep of the Council’s commissioned role to address distinct, context and time-specific threats to international peace and security, which has weakened the norm of sovereign independence and may also undermine universal human rights (Bianchi, 2006; Happold, 2003; Murphy, 2015; Scheppele, 2006; UNGA, 2010, para. 44). For others, Resolution 1373 reflects a practical necessity to innovate because past efforts to design and ratify treatise on terrorism were ineffective (Rosand, 2004). Nonetheless Resolution 1373 is a vital step towards an effective global effort to counter terrorism.

Much of the research dealing with the resolution is concerned with the efficacy of implementation, monitoring, and sanctions. On one hand, this makes sense since the practical scope of the Security Council’s global counter-terrorism approach is state-focused. However on the other, the practical implications of Resolution 1373 extend far beyond the legalistic focus of state obligation down to the individual level, wherein the new rules for states also implicate a diverse range of actors with criminal activity just for sending or receiving money that is often vital for their day-to-day survival. Therefore, a different set of challenges arise when considering the practical implications of Resolution 1373 for international society in relation to MVT systems. This is a gap in the literature on Resolution 1373, which this thesis seeks to address.

### **Global Regulations for Money or Value Transfer systems**

Money or value transfer systems became the focus of counter terrorism financing after the investigation into the September 11 terror attacks on the United States in 2001. Initial assumptions from key Nation-States pointed to financial transactions that lacked identification and traceability that were in any way commensurate with institutionalized and formalized methods of money movement (Cook & Smith, 2010; Passas, 2003; Maimbo, 2003). These early assumptions provide the impetus for the focus on different types of remittances.

In a contested version of the 9/11 Commission Report, two MVT systems were implicated in the attacks, Western Union and the Somali Al Barakaat, (Commission, 2004).<sup>26</sup> The Commission Report is an example of the shift from early assumptions to a consolidation

---

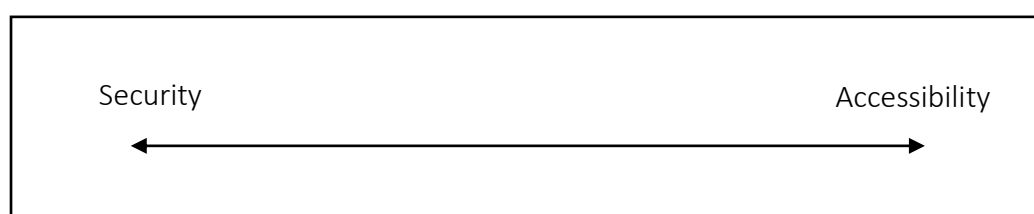
<sup>26</sup> The earlier version of the 9/11 Commission Report was accessed in 2016. The referenced implication was located at page 532, note 138. Note 138 no longer exists on page 532.

of changed understanding about the terrorist financing for the September 11 attacks and other terror events. The 2016 version of the Commission Report (now archived) showed that informal money transfers were heavily implicated in terrorist financing, whereas the 2020 version of the report offers a shift towards the lack of evidence that terrorist financing was strongly linked with informal transfers.

Originally the claim was only discounted in the official staff report to the 9/11 Commission (Roth et al., 2004), which found “...no evidence to suggest that the hijackers used hawala or any other informal value transfer mechanism to send money to the United States” (p. 139). The report also notes that al Qaeda have regularly relied on the Middle Eastern MVT system known as *hawala* to transfer funds “...from the Gulf area to Pakistan and Afghanistan” (p. 140).<sup>27</sup> It also states that most money used to fund the attacks came through formal or regulated international banks in the United States or was physically carried into the country (Roth et al., 2004, p. 139).<sup>28</sup>

This research adds clarity to the general perception of remittance systems in a way that disentangles them from the centre of global terrorist finance and realigns their perceived roles closer to the pragmatics and realities of everyday money transfers. From this perspective traditional MVT systems are vulnerable but accessible, traditional yet adaptable, and represent a key understanding of the importance of cultural sensitivity. This sensitivity is an important asset to an effective global counter-terrorism effort. It reflects a recognition of the fundamental diversity of international society.

**Figure 2.** *The Security - Accessibility Continuum*



The implications of UNSCR 1373 for regulating MVTs are worth considering. Figure 2 shows the ‘Security – Accessibility Continuum’. The principal claim is that the more secure the movement of money becomes (in terms of UNSCR 1373), the less accessible the movement of money becomes. Conversely, the easier it becomes to transfer money, the less secure the details of the transfer become. Other work in the security literature has focused on the ‘Security

<sup>27</sup> This is also highlighted in the 9/11 Commission Report (2004).

<sup>28</sup> To the best of the author’s knowledge the original version of the 9/11 Commission Report (2004) did not corroborate this finding as it does now.

Pendulum', often applied under liberal solidarist policy to justify the need for significant concessions in terms of liberty and Human Rights to combat terrorism (Aradau, 2008; Bronitt, 2008; Michaelsen, 2008). The nature of global MVT regulations in terms of their impact on cultural diversity changes according to whether the emphasis is on the security of its transactions (i.e. the identity, recordability, and traceability of money transfers) or accessibility (i.e. the access, privacy, and practicality of money transfers).

It is important to consider the nature of an average traditional money or value transfer agency. Operators are typically small business owners who provide transfers as a secondary service alongside the provision of everyday goods and services, such as a news agency, butcher, taxi driver, video rentals, groceries etc. (Smith, 2012). Transaction fees are generally low, around 5% of the funds transferred, and if operating in a developed country English is usually their second language. Moreover, the concepts and complexities of risk assessments and customer due diligence processes required under global counter terrorism financing regulations would not be common-place (Smith, 2012).

Often, traditionally informal MVT agencies will service an ethnic community, be well known to their clients and *vice versa*, making the majority of their remittance business based on trust and reputation spread via word of mouth that constitute informal social contracts. In some cases, remittance agents will refuse to do business with clients that are not introduced to them by a friend or well-known client (Cook & Smith, 2011; Martin, 2008; Passas, 1999). These points are important to convey the significance of the regulatory requirements made of traditional remittance systems, which this thesis argues reflects in part the insensitivity to cultural context undermining the efficacy of global regulations for MVT systems.

### **On FATF Regulations for MVT Systems**

When the Security Council adopted Resolution 1373 in 2001 its primary focus was on combating the financing of terrorism (UNSC, 2001). The key institution in this effort is the Financial Action Task Force (FATF), which was established in 1989 to encourage international action on money laundering in relation to organized crime (FATF, 2016). Since the adoption of Resolution 1373 the FATF has had its operational mandate expanded to take the leading role on countering terrorism financing (FATF, 2016). From 2001 to 2008 the FATF worked to design a total of nine special recommendations to set the global regulatory agenda in relation to combating terrorism financing, the most notable for this research being Special Recommendation VI: Alternative Remittance (FATF, 2001-2008).

Special Recommendation VI provides the international standard for regulating money or value transfer systems (FATF, 2001-2008). Within the document is a brief outline of the policy as well as a section that explicates the policy terms. The primary text of this special recommendation is as follows:

Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions. (FATF, 2001-2008, p. 3)

With the backing of the obligatory rules adopted under Resolution 1373, the basis for a global standardized approach is formed in which all states are required to register, license and oversee all operations that can be defined as a money or value transfer. This also means enacting domestic laws that prohibit running a remittance operation without being registered and compliant with a host of other policies that were originally intended for high profit banking and non-bank financial institutions (FATF, 2001-2008). As shall be discussed, these rules place a significant burden upon states and MVT operators and may incentivize avoidance of registration to conduct transfers illegally, thereby increasing the overall risk of financing terrorism.

In the interpretive note to Special Recommendation VI, the basis for the prescribed policy is presented and followed by details of its three central features (FATF, 2001-2008). Firstly, it is noted that MVTs have proven to be open to "...misuse for money laundering and terrorist financing purposes" (p. 13). Considering this, the FATF (2010) puts forward the objective of the recommendation, which is to improve the "...transparency of payment flows by ensuring that" states enforce persistent rules to combat money laundering and terrorism financing in all MVT (p. 13). It is also emphasized that this is especially relevant to traditional MVTs that function in parallel to the "conventional financial sector" (p. 13). The three central features of these points are important to highlight; limited knowledge of traditional remittance systems prior to 1999, the notion that traditional MVTs operate externally to a conventional financial system is flawed, and the reality of the risks inherent to the world of international finance next to the misuse of MVT systems.

Since the introduction of global regulations for MVT significant developments in the knowledge of such systems have occurred. To address the first and second points, it is now known that prior to 1999 confusion, misinformation, facts by repetition, and anecdotal claims

to conventional wisdom were the basis of accepted knowledge about traditional MVT systems (Martin, 2009; Passas, 1999; Thompson, 2011). Despite this, FATF policy has not been adapted to reflect certain accepted features of MVT systems that it misrepresents. For example, and to address the second point, it is commonly accepted that traditional forms of remittance generally operate in unison with modern global banking networks, often to balance ledgers with their counterparts in other countries (Ballard, 2006; Maimbo, 2004; Passas, 2006a; Thompson, 2011). Moreover, there has been a tendency in the MVT literature to use pejorative terms, such as ‘underground’ and ‘parallel’ or ‘black’ and ‘shadow’ channel, effectively aligning remittance systems with criminals, terrorists and their supporters. However, this too is no longer accepted as an accurate reflection of the traditional MVT systems decried as financiers of terrorism and organized crime (Goede, 2007; Martin, 2009; Passas, 2003a, p. 14; Razavy, 2005; Thompson, 2008, p. 1).

The issue with the opacity of some MVT systems, particularly the traditional form, relates closely to similar concerns about the daily remit of approximately USD two trillion outside sovereign control<sup>29</sup> (Thompson, 2011). The move to reassert sovereign authority over financial flows also makes sense given the extensive evidence of serious misconduct in the world of international finance. According to Passas (2016), in 2013 the bank known as JP Morgan Chase paid \$20 billion in fines, BNP Paribas was fined \$8.97 billion in 2014 for concealing \$190 billion in transactions that contravened US sanctions, and HSBC paid a \$1.9 billion fine for several years of non-compliance with anti-money laundering and sanction breach regulations. Other examples include global market manipulation like the LIBOR rigging scandal<sup>30</sup> (McBride, 2017), financing of the September 11, 2001, terror attacks (Commission, 2004), and the unethical financial practices that led to the global financial crisis of 2008 (UN, 2009). These cases only skim the surface of a deep well of extremely risky activities persistently occurring in the world of international banking and finance, which have undermined trust in the Western-centric global economic system (Goede, 2007; Passas, 2016).

There is a certain irony that colours the state of play around systems that rely fundamentally on trust in order to function, as is the case for both conventional banking and traditionally informal MVTs. The international narrative of counter terrorism financing efforts has tended to present the latter as a threatening outsider, whilst the former is portrayed as a safe

---

<sup>29</sup> Via systems such as the Federal Reserve (Fedwire) and the Clearinghouse Interbank Payments System (CHIPS).

<sup>30</sup> As of 2016, a total of \$9 billion in fines was handed out to multiple international banks underscoring more than \$300 trillion worth of loans.

and legitimate insider (Goede, 2007; Martin, 2009; Passas, 2006a; Thompson, 2011). This is regardless of the numerous examples of ethically questionable, risky, and criminal conduct by banks on public record (Bloomberg, 2019; Forbes, 2016; 2020; Goede, 2007; Passas, 2016; Reuters, 2018; The Conversation, 2018). Therefore, as both are vulnerable to misuse for nefarious purposes, and given the persistent and increasing use of MVTs globally (World Bank, 2013), there is a strong argument to be made for the legitimacy of MVTs in the eyes of international authorities. This is just one part of the argument made in this thesis for the recognition of culturally diverse financial mechanisms as key to the maintenance of international peace and security. This reflects a dire need to consult stakeholders of the global MVT sector on the appropriate nature of the regulatory regime imposed on them in the name of combatting a threat they do not represent or support as a whole.

The term ‘Alternative Remittance System’ (ARS) is used by the Financial Action Task Force (2010) in reference to financial networks that are considered unconventional next to modern banking systems. Examples include, the Western Union money transfer system and the traditional systems known as *hawala* and *hundi*, etc. In order to avoid reflecting on such systems in a pejorative light they are instead referred to in this research as traditional Money or Value Transfer (MVT) systems. This is because to the average MVT client in the Middle East, South Asia, China, or Africa, these systems are not an alternative or informal. Rather they are often the only trusted and accessible source of funds and financial services (Martin, 2009; Passas, 1999). The FATF (2010) defines a money or value transfer service under the term ‘alternative remittance system’ as:

...a financial service that accepts cash, cheques other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the money/value transfer system belongs. (p. 13)

Whilst this thesis does not apply the term used by the FATF to describe remittance systems, it does apply the basic definition to describe the scope of the average money transfer service. This necessarily broad definition is appropriate to summarily define MVT systems for the purpose of a blueprint attempt at global regulation. However, it does not capture the residual role of pre-existing localized scripts observable in the contemporary cousins of traditional MVT systems. According to Martin (2009), they reflect the norms and rules that may have evolved to embody “...economic and cultural sanctions” (p. 922), which served to regulate the traditional forms of the ancient *hundi* or *hawala* system indigenous to South Asia and the Middle East.



## **Core Elements of FATF Special Recommendation VI**

The compliance requirements of FATF regulations for money or value transfer systems put considerable strain on the limited resources of a significant percentage of states. Each of the three core elements of Special Recommendation VI: Alternative Remittance (FATF, 2001-2008, p. 13) contribute to this, however it is the second that has the most significant implications. The first is to require licensing or registration of all people and organizations that provide remittance services, and the third requires that states legislate to allow their designated regulatory authority to penalize non-compliant and unlicensed actors (FATF, 2001-2008). The second and most significant element obliges states to enforce rules within MVT systems originally designed for profit-focused financial institutions to prevent money laundering, as set out by the FATF in its 40 Recommendations (FATF, 2016).

Recommendations 4-16 and 21-25 are highlighted by the interpretive notes on Special Recommendation VI: Alternative Remittance as relevant to the regulation of MVTs (FATF, 2016). Policy 4 requires states to legislate according to the requirements of Resolution 1373 for “targeted financial sanctions regimes” (p. 13). This refers to the state obligation to freeze and/or prevent access to assets and funds to persons or entities designated by the UN or the state. Recommendation 7 refers to the state obligation to ensure the non-proliferation of weapons of mass destruction. Recommendation 8 concerns the requirement that states ensure charitable organizations are not misused to finance terrorism. Recommendation 9 obliges states to ensure that banking secrecy legislation does not impede compliance (FATF, 2016, pp. 13-14).

### **Customer Due Diligence**

The tenth recommendation is a significant and extensive feature of MVT regulations, which concerns Customer Due Diligence (CDD) (FATF, 2016). It is an obligation under this policy that states enact laws that ensure MVT operators conduct CDD whenever; engaging with a new customer, making “occasional transactions” that exceed USD/EUD 15000, if the agent suspects money laundering or terrorist financing, or if there is any doubt about the “veracity or adequacy” of customer information gathered previously (p. 14). MVT agents must apply CDD in the following way: checking customer identification against “...reliable, independent source documents, data or information” (p. 14). This may present a key challenge for many weaker states that do not have effective official identification systems for their citizens, making it difficult for MVT operators to reach compliance. Due diligence policy also

requires that a MVT agency identifies the “beneficial owner” of any business it is dealing with. Additionally, operators must “.... understand and, as appropriate” source information on the “...purpose and intended nature of the business relationship” (p. 14). Finally, CDD must be carried out regularly with repeat customers to remain vigilant for suspicious activity that might indicate money laundering or terrorist financing (FATF, 2016).

The FATF (2016) advises that all measures must be applied as outlined but that it is the responsibility of the MVT operator to gauge the necessary depth of CDD measures according to a “risk-based approach” (p. 15). This process presents one of the most significant barriers to compliance for traditional MVT operators globally. The interpretive notes emphasize that countries should require enhanced measures in situations where there is a perceived high risk and simpler measures in sectors proven to have a lower risk. It is unclear what the general risk perception held by individual states regarding their local MVT sector, however FATF Recommendation nineteen highlights that higher-risk countries should enforce ‘enhanced’ CDD measures (FATF, 2016).

In the case of weaker states that are mentored by more powerful states and international financial institutions (IFI), such as the IMF and World Bank, it may be that enhanced measures are seen as necessary in light of the tendency to view remittance systems, particularly traditional forms, as a high risk in the developed world. Additionally, given the overall low levels of compliance worldwide and the significant cost in reaching high levels of compliance, as reported by the IMF (2011), it is likely that the complex risk-based approach remains a significant challenge to the efficacy of CFT in many states. Moreover, a risk-based approach requires significant knowledge, training, and resources that the average traditional MVT operator in most countries would be unlikely to possess; making compliance difficult to achieve (Smith, 2012).

Recommendation 11 refers to obligations for MVT operators to keep records of transactions (FATF, 2016). The state is required to legislate to ensure all transaction records are kept in full for a minimum of five years and in a form that is easily accessible should relevant authorities request information on them. This includes all CDD information collected which must be maintained for at least five years after business is concluded with any given client (FATF, 2016, p. 15). These requirements add to the already significant time and resources necessary to reach compliance with global CFT regulations. The regulations that follow concern enhanced measures for particular customers and activities, including; political exposed persons (i.e. customers that have a high political profile), correspondent banking,

MVT systems, new technologies (obligation to adapt to new payment methods), and wire transfers. These reflect Recommendations 12-15 and have similar requirements to enhance measures according to regulatory requirements in higher risk situations (FATF, 2016).

The next most relevant recommendations are Recommendation 20 and Recommendation 21. These are concerned with suspicious transaction reports and legal protection for agents that report suspected money laundering or terrorism financing. Recommendation 20 requires that states implement legislation that obliges urgent reporting of suspicious transactions. Recommendation 21 requires that states legislate to give agents that make reports protection from criminal or civil liability and a guarantee that their identity will remain confidential. It also requires that states prohibit disclosure of information regarding reports made to relevant authorities (FATF, 2016). Overall, the obligations for states and MVT operators are significant, complex and, whilst somewhat successful, have not effectively eliminated the threat of terrorism financing (Passas, 2006; Goede, 2012).

### **Summary of the UNSCR 1373 Considerations**

The liberal solidarist approach to regulating MVT systems constitutes an inverse impact on cultural diversity and limits the efficacy of the global effort to combat terrorism financing. This is because it has weakened the sovereign independence of developing nations in favour of economic interests centred in the Global North.

Whereas some sovereign states were once the progenitors of the values that underpinned economic norms and rules that shaped their territories (i.e. pluralist international order), these nations now find their influence secondary to the policies of the hegemonic economic interests on the UN Security Council. Money or value transfer systems constitute a diversity of cultures that are not equally represented on the global political stage and are significantly reliant on economic flows from those countries that are. The emergence of an existential threat to the global financial system that constitutes the foundation of Western political power produced the knee-jerk development of economic policies, *vis-a-vis* Resolution 1373, to the exclusion of those voices whom the rules disproportionately disadvantage.

This has created a transnational justice system that is not constitutive of the norms, rules, and values of those it seeks to govern, which has negatively impacted the state of cultural diversity through insensitivity to cultural context in the global effort to combat terrorism financing. Consequently, low rates of compliance worldwide suggest that the regulations for MVT services are unlikely to have decreased the risk of terrorism, particularly in developing countries, as remittance systems are encouraged to operate unregistered in response to costly

and complex anti-money laundering / combating the financing of terrorism (AML/CFT) measures.

## **Chapter Two Conclusions**

This chapter set out to elucidate the nature of Security Council Resolution 1373 and how it shaped the global regulations for remittance systems, identify any compromises made in its adoption, and make an interpretation of its potential implications. In the analysis of the narrative of reaction to the 9/11 terror attacks, the language used by state representatives and the Secretary General of the UN revealed the essence of the narrative underlying the adoption of Resolution 1368. This ‘narrative of reaction’ is found to share common ground with the value-conflict narrative used during the imperialist expansion of the early modern European Society of States. This was observed most clearly in the many references to ‘good versus evil’, ‘civil versus uncivil’, and in references to the scourge of terrorism as barbarism.

### **Findings on UNSCR 1368**

The first finding on UNSCR 1368 is the common ground identified between the narratives underpinning the emergence of modern global financial governance policy and the early modern expansion of the European Society of States. The narrative of distrust reinforced established norms and shared values within this international order, which in part constituted tolerance of cultural differences between equal Nation-States.<sup>31</sup> However, outwardly it formed the basis for some states to militarily, and via public/private partnerships, invade and colonise supposed barbarians as part of a great moral imperative to bring civilisation to the uncivilized. In other words, this marked the globalization of the Modern State system, which sought to coercively spread a form of social order that favoured financial norms and practices aligned with European values and economic interests. This finding provides a historical reference point for a state-led and coercive globalization movement justified by a trust conflict narrative, which sought to overwrite the pre-existing norms and values of cultural outsiders.

It was also observed that terrorism was perceived by member-states of the UN Security Council as an existential threat to all of humanity. As such, the combination of heightened emotion of the recent terror attack and repeated framing of the situation in terms of ‘them’ versus ‘us’, and ‘good’ versus ‘evil’ etc., served up a value-laden and conflict-oriented narrative. In line with Bull’s view of pluralism (2002), this demanded action in service to a

---

<sup>31</sup> An important aspect of the norm of inter-state justice (Bull, 2002).

high moral purpose which was put forward as a call to defend civilisation and democracy from the barbarism of evil actors and their supporters. This raises the issue of trust as a major point of contention underlying the official security-focused narrative of the Global Regulatory Effort (GRE) aimed at informal money or value transfer systems. Therefore, the introduction of UNSCR 1368 marks the point at which the Global Trust Conflict (GTC) emerged as an area of concern for Nation-States and purposive actors.

This narrative formed the basis for projecting moral and legal responsibility for the actions of terrorists onto any actor, agent, or interest that provides support of any kind. It also threatened to paint any whose perspective differed from that of establishment authorities, which aligned itself with all peace, freedom, and democracy-loving states as well as the victims of the 9/11 terrorist attacks, as supporters of the uncivilized forces of evil and barbarism. When UNSCR 1373 was adopted, this narrative helped to justify the weakening of the core pluralist norm of sovereign independence, which is constitutive of the trust that was needed between states in order to form the European Society of States. This narrative would also be used to add weight to the pejorative light cast onto operators of traditionally informal MVT systems, which were broadly characterized in early post-9/11 media and authoritative reports as ‘Quartermasters of Terror’. In light of these observations, it is apparent that UNSCR 1368 was a major contributor to the security-focused narrative underpinning the Global Trust Conflict.

### **Findings on UNSCR 1373**

In examining at the narrative of adoption for Resolution 1373, two features stood out that characterized the Security Council’s process. The drafting process led by the United States demonstrated little concern for the input of stakeholders not represented on the Council. This is reflected in the short period of time taken to draft the Resolution (15 days). It is also observed via the fact that no attempt was made to consult the Council’s non-member stakeholders in the General Assembly. Additionally, only the policy document of the European Union was present for the full drafting process.<sup>32</sup>

In part these observations highlighted the dominant position of Western-aligned interests represented on the Security Council. As such, the lack of consensus behind the regime is indicative of a hierarchical approach driven by security-focused institutional mandate rather than the mutual interests of regime stakeholders and participants. The adoption of UNSCR

---

<sup>32</sup> The European Council presented its response and recommendations to the UN Security Council shortly after September 11 attack.

1373 entrenched a hierarchical structure for global financial governance grounded in Western-centric norms and values.

The lack of transparency and the haste with which UNSCR 1373 was drafted and adopted is significant for this research. The response of the General Assembly in this regard anticipated a price in terms of lost legitimacy and efficacy for the GRE aimed at informal remittances. It was stated that without understanding and cooperation the Effort would reflect a disingenuous "...search for peace, security, and development" (UNGA, 2001a, p. 16). This highlighted a failure to account for the intrinsic diversity of cultural contexts in which the UNSCR 1373 regime would be implemented. Bull's (2002) concern that an attempt at solidarism would be made prematurely is shown to be well founded in this context. As such, UNSCR 1373 has put the ideal of preventing terrorism financing and money laundering through remittance systems ahead of the socio-political reality. Consequently, it is a key finding of this chapter that the solidarist attempt to combat terrorism financing via UNSCR 1373 is challenged by an inherent insensitivity to cultural difference.

The design of Resolution 1373 diverged from the standards of previously adopted UN Security Council Resolutions. Until UNSCR 1373, all resolutions consistently re-affirmed the responsibility placed on participating states to take action in line with the purposes and principles outlined in Articles 1 and 2 of the UN Charter. Thus, it is a key finding of this chapter that a major flaw in the design of UNSCR 1373 is that it was not constructed upon a commitment to the purposes and principles enshrined in the UN Charter. This finding contributes significantly to the argument that UNSCR 1373 initiated a Global Trust Conflict, as posited by Hypothesis 1.

There is a paucity of research that recognizes the implications of UNSCR 1373 beyond the legislative focus on state obligations down to the individual level. The significance of this research area is emphasized by the finding that the UNSCR 1373 regime rules also implicate a diverse range of actors in criminal activity, just for sending or receiving money that is often vital for their day-to-day survival.

There is also a lack of research that seeks to grasp the nature of traditional remittance systems and how regulations have affected these and the states in which they operate. Research in this area might benefit from consideration of issues such as sovereign independence, cultural diversity and legitimacy in relation to regulations that forward the goals of globalization.

## **Chapter Three: Trust and Traditional Remittance Systems**

## Introduction

Historically, people from many different states have trusted informal money systems to allow social networks of community, business and trade to transact between themselves and others across distances. This practice has fostered diasporas, connected dispersed families, and promoted business across borders and frontiers. Based on the available evidence it is apparent that the known historical agency of MVT systems highlights their pivotal role within the interdependence of society and trade (Leonard, 2011; Martin, 2012; Thompson, 2008). Transnational trade relations have historically been characterized by informality, wherein no one sovereign authority has been positioned to holistically regulate trade. Civilisations have risen and collapsed and yet the trust-based traditions of MVT systems have persisted. This speaks to the natural resilience and efficacy of informal regulation in traditional MVT systems. Trust and reputation are important contributing features in this regard.

Trust and reputation are also significant for the functionality of any given society (Bull, 2002; Booth & Wheeler, 2008). This is not a coincidence. Rather it is a natural and logical facet of the evolution of social order (Bull, 2002; Hurrell, 2007). This can be traced back to evidence of advanced socio-economic institutions of societies in the Cradle of Civilisation (i.e. the ancient Near East, *circa.* 2500 BCE). This chapter considers how trust has functioned historically as a constitutive and regulatory norm in traditionally informal MVT systems.

In September 2018, trust was raised as an issue of central concern on the world stage. Secretary-General António Guterres addressed the UN General Assembly to call for action to address failing multilateral relations due to “...a bad case of trust deficit disorder” (UN, 2018, para. 1). This speaks to Bull’s (2002) concerns about the implications of a premature attempt at solidarism. As such, adoption of the UN Security Council Resolution (UNSCR) 1373 regime has put the ideal of preventing terrorism financing and money laundering through remittance systems ahead of the socio-political reality. It is likely that the ‘trust deficit disorder’ highlighted by the Secretary-General, along with trending instability of inter-state relations post-2001, is linked to the Global Trust Conflict (GTC) highlighted in Chapter Two. Rather than a triumph of multilateralism, UNSCR 1373 seems instead to be a herald of value conflict centred on trust.

The adoption of UNSCR 1373 in 2001 marked a fundamental point of change in the approach to global financial governance. Chapter Two found that the shift from consent to



coercive global financial governance is grounded in a value-conflict centred on trust.<sup>33</sup> This suggests that the role of trust has significant implications for the efficacy of efforts to regulate money or value transfer (MVT) systems.

The UNSCR 1373 approach depends heavily on states to legislate and enforce rules in a way that arguably undermines sovereign independence and their people's right to self-determination (Happold, 2003; Olivier, 2004). This top-down legal approach to global normative change is the anti-thesis of the grass-roots narrative that permeates the history of traditional MVT systems. This should be concerning to policy and decision makers.

Global anti-money laundering and combating the financing of terrorism (AML/CFT) policy needs to be effective in order to prevent the misuse of traditionally informal MVT systems.<sup>34</sup> Part of the efficacy challenge faced by this Global Regulatory Effort (GRE) is its disregard for pre-existing norms and values (FATF, 2012-2019; UNSC, 2001). These building blocks for rules reflect culturally specific financial practices, which have emerged and evolved naturally with societies for millennia (Martin, 2012; Thompson, 2008). The failure to account for these intrinsically human aspects of governance in lieu of the security of Western-style financial systems forms a lens through which this chapter considers the role of trust in remittances from a historical perspective.

This chapter is structured as follows. The next section addresses key interdependencies between society, trust, and remittances. The chapter then presents an investigation into the common origins of traditionally informal remittance systems and the GTC in modernity. It then seeks to understand the nature of informal regulation of traditional remittances. Lastly, it links historical observations and findings to the modern realities of international society to consider how the recognition of culturally diverse financial practices in global remittance regulations is vital to the viability of social order.

### **The Research Challenge from the Perspective of Trust**

The role of value conflict in this context reflects the key motivator for mandatory normative change, most notably as expressed in statements made leading to the adoption of

---

<sup>33</sup> Trust became a focal point of this research when it became clear that the design and adoption of UNSCR 1373 was overly swift and opaque. Led by the United States, the drafting of UNSCR 1373 began on September 26<sup>th</sup>, 2001, in closed discussions with the permanent members on the Security Council. It was then submitted on September 27 in draft form to the Council by the U.S. for further review (Talmon, 2005). The minutes record, dated September 28<sup>th</sup>, 2001, notes that the meeting opened at 9:55pm and closed at 10:00pm following a unanimous vote to adopt UNSCR 1373 without statement or discourse (UNSC, 2001c).

<sup>34</sup> Such as *hawala*, *hundi*, and *fei ch'ien*.

UNSCR 1368 (UNSC, 2001a). Such statements share common ground with the discourse of an expanding European Society of States, which invoked value conflict narratives of ‘good versus evil’ and ‘civil versus barbaric’. This, in addition to contributions from then US President Bush and the international media, served to cement the foundations for UNSCR 1373 in value-conflict characterized by divergent notions of trust.

At this stage in the research the Global Trust Conflict (GTC) can be seen as an institutionalized disparity in terms of regulatory requirements between trusted insiders and distrusted outsiders. On one side, trust as defined by the interests of predominantly Western members on the Security Council. On the other side, trust as defined by the diverse range of MVT stakeholders and clients.

The global regulatory effort was initially justified primarily by the risk of terrorism financing via traditionally informal money or value transfer (MVT) systems. Rhetorically portrayed as a response to allegations that the traditional MVT system known as *hawala* was complicit in financing the September 11<sup>th</sup> terror attacks against the US in 2001 (Commission, 2004), and buoyed by pre-existing misconceptions and misinformation in the media and literature (Passas, 1999), the adoption of UNSCR 1373 reflects an answer to a question implied by UNSCR 1368; *how can international society come to trust MVT systems not to be misused to finance terrorism?* The answer, internationally standardized and mandatory regulations to prohibit all forms of remittance that do not meet strict compliance requirements.

The UNSCR 1373 regime assumes that a thin solidarist and Western-centric approach is likely to be the most effective way to mitigate the risk of terrorism financing and money laundering through MVT systems. This is a failure to recognize that the fundamental nature of international society has been pluralism. International society is culturally diverse and therefore its members trust a wide variety of culturally embedded financial practices. Therefore, Resolution 1373 seems to prematurely assume the right to define the inherently subjective meaning of justice, *vis-à-vis* MVTs (UNSC, 2001). That is to say, the UNSCR 1373 standard in effect goes beyond regulation of financial practices to prescribe control over the ‘what’, ‘where’, ‘when’, ‘why’, ‘how’, and significantly ‘who’ is trustworthy and legitimate in terms of MVT systems. This research holds that the path to greater clarity around the limited efficacy and compliance of traditionally informal MVT systems with the GRE can be found via an understanding of the role of trust.

## Making Sense of the Trust Challenge

Characterising the problem in this way makes sense considering Bull's (2002) three goals of a functional society. First, every society to some extent aims to provide security against violence that results "...in death or bodily harm". This is the source of moral primacy for the solidarist goal of protecting international society from terrorism. Secondly, "...all societies seek to ensure that promises, once made, will be kept, or that agreements, once undertaken, will be carried out". This goal is the cornerstone of the notion that trust underpins any form of social order, as was the case for the UN Security Council when it sought to institute a measure of predictability in MVT systems with the adoption of UNSCR 1373 in 2001. Third, all societies work to ensure confidence in the ownership of things "...to some degree and will not be subject to challenges that are constant and without limit" (p. 4). These points are what Bull (2002) considers to be the "...three basic values of all social life" (p. 5). These value-oriented goals provide the foundation for an environment of certainty and therefore allow for the generation of trust and confidence via ensuring the predictability of social interactions. It makes sense then that trust is a vital element of trade and financial practices, due to the potential impact of losses caused by a breach of contract or criminal interference etc.

The securitisation of global financial governance has ensured that the narrative behind the Global Regulatory Effort is framed by distrust. In other words, any pre-existing norms and values that constitute what Dean et al. (2013) refer to as 'local scripts',<sup>35</sup> are considered illegitimate and untrustworthy. The image of so-called 'formal' financial institutions favoured in the Global North have been portrayed as legitimate and trustworthy next to traditionally informal remittance systems (Goede, 2007; Razavy, 2005; Passas, 2016). This is despite centuries of successful remittance operations through socially constructed regulation based on principles of trust and reputation (Passas, 1999; Passas, 2003a; Rees, 2010; Thompson, 2011).

On the surface, the financial governance regime initiated by UNSCR 1373 appears to be a consistent effort to collectively address and prevent acts of terrorism, primarily by following the money. One key issue with this approach is that as the collective understanding of terrorism financing modes expands, it becomes increasingly difficult to differentiate between the financial flows of terrorists and that of other criminal and legal actors (Romanuik, 2014; Munshani, 2009; Dean et al., 2013).

---

<sup>35</sup> In the context of traditionally informal remittance systems, pre-existing norms and values refers to the historical emergence of principles and beliefs that evolved through social interaction over time, which have the constitutive effect of regulating the behaviour of MVT clients and operators.

In line with this finding, Naylor (2014) argues that a ‘follow the money’ approach as a primary strategy is fundamentally flawed. To support this claim, he makes three points. Firstly, the efforts to seize Osama bin Laden’s assets in the years before the September 11 terror attacks in 2001 failed to prevent the attack. Secondly, there is wide acceptance of the fact that funds used for terror attacks are often small and difficult to track. Thirdly, identifying funds intended to finance terror activity is difficult because they are generally of legal origin and therefore unlikely to be noticed. However, if they are detected and seized, then, given that it is only a small amount of funds, it is likely very easily replaced (Naylor, 2014). Most examples of terrorist financing point to formal transactions rather than MVTs.

The primary goal of mandatory global financial governance rules is to minimise the risk of financing terrorism or laundering money through any financial system. However, the concerns raised by Romanuik (2014), Naylor (2014) and others<sup>36</sup> suggest that the declared intent of the regime aligns poorly with the Security Council’s approach (UNSC, 2001). This can also be argued in terms of adherence to the principles and purposes of the UN Charter (UN, 2020).

### **Pluralism and Solidarism**

English School discourse involves a debate on the tension between the pluralist and solidarist poles of the rationalist scope of order that constitutes international society (Wheeler & Dunne, 1996). The pluralist pole represents the conception of order under the realist international system, which represents the foundations of international order based on a common code of co-existence and strict non-intervention between states (Bain, 2014). Pluralism reflects the essential political reality of international order but does not constitute an enduring strategy to maintain it (Dunne, 1998).

Solidarism in the classical Grotian sense is constitutive of solidarity, or the potential for it, among the member-states of international society with regard to law enforcement (Bain, 2014). Beyond the enforcement of international law, it reflects solidarity on the primacy of the rights and duties of individuals (Wheeler & Dunne, 1996). Both pluralist and solidarist lenses accept the existence of an international society and reject the tradition of Realpolitik<sup>37</sup> as well as the ideologies of universal empire and cosmopolitan or world society (Bain, 2014).

Attempts to bring about these forms as dominant features of global order would likely undermine international society (Bain, 2014). Bull’s (2002) position aligned with that of

---

<sup>36</sup> See also Ballard (2003), Munshani (2009), Olivier (2004), Passas (2006).

<sup>37</sup> i.e. anarchical environment, power politics will out.

realists<sup>38</sup> when he observed that states do not display the level of consensus essential to the achievement of solidarist goals (Wheeler & Dunne, 1996). Bull (2002) also argued that solidarism is useful in certain exceptional circumstances, such as for states to collectively decide on the limits to the use of violence. However, this classical conception of solidarism has receded to the background of international politics since the creation of the League of Nations, followed by the United Nations, marking the rise of liberal solidarism (Bull, 2002; Clapton, 2009).

Bull criticised this liberal approach to solidarism on descriptive and normative grounds (Wheeler & Dunne, 1996). He argued that the liberal solidarist conception of international relations embedded in the League of Nations and the United Nations ought to be denounced as unfeasible and ‘morally unsound’ (Bull, 1966). Bull also posited that the liberal solidarist lens takes an over-simplified view of the ‘moral dilemmas’ that permeate international politics (Bull, 1966). Bull’s perception of the United Nations approach to global governance was as a source of peril for international society, which is given added weight by the findings of this research.

Equally, Bull (2002) would have characterized the adoption of UNSCR 1373 as a premature attempt at solidarism. This is because it put the ideal of collective state enforcement of international law on terrorism financing before the pluralist political reality (i.e. cultural diversity) throughout international society (Bull, 2002; Hurrell, 2007; Bain, 2014). The result is that UNSCR 1373 instituted rules based on an oversimplified and culturally limited conception of justice, which places a burden on international law that it was not designed to tackle (Bull, 2002).

Looking at this as a security dilemma of conflicting values is a useful means of drawing out the challenge posed by the pluralist versus solidarist issue concerning UNSCR 1373 and MVT systems. Booth and Wheeler (2008) make definitive comparisons about the nature of the pessimistic (pluralist) and idealistic (solidarist) perspectives that underlie the key moral positions visible in international politics. On pluralism, it is observed that some people have accepted this limited view of social order and that within it is a belief that “...human insecurity can be managed for longer or shorter periods through the construction of international society or international regimes...” (p. 2). Booth and Wheeler’s analysis of this belief posits that, from this position, the management of ‘uncertainty’ and ‘fear’ is possible via the growth of “international institutions” and the construction of “cooperative norms of behaviour”.

---

<sup>38</sup> For example see Carr, 1946.

However, fundamentally, the element of uncertainty can be moderated “...but not eliminated: power politics will out” (p. 2). The security dilemma highlights a key flaw in the liberal solidarist approach to the prevention of terrorism financing, which is its disregard for the role of power politics and its pluralist roots (Booth & Wheeler, 2008).

At face value UNSCR 1373 appears to ignore the need to account for the pre-existing norms and values that underpin the plurality of political realities that constitute international society. This reflects indifference to cultural diversity because it institutionalizes distrust of an ‘other’, an inherently subjective view of justice, via prescribed rules based on a limited scope of values (UNSC, 2001). This *modus operandi* aligns with that of post-Cold War Western interventionism, which is underpinned by liberal solidarism and propagated by the United Nations and its related inter-government and non-government institutions (Clapton, 2009). Therefore, it could be argued that the UNSCR 1373 form of global financial governance reflects one element of a distinctly ‘anti-pluralist’ trend in modern international politics (Clapton, 2009).

## **Purpose and Argument**

For this research, it is critical to understand the nature and significance of trust within traditionally informal systems of money or value transfer (MVT). By analysing historical examples in the literature, one can compare evidence about the nature and role of norms and values. One can look at how the demand for secure local and long-distance trade led merchants to institute systems of banking and credit that included very reliable methods of remittance using promissory notes. These promissory notes are similar in form and function to the bill of exchange used in early modern Europe. The most prolific systems are known as *hawala* or *hundi* in South Asia or the Middle East and flying money<sup>39</sup> or *fei ch’ien* in China. They hold historical acceptance and practical functionality that is well established in certain regions.

The key points regarding the acceptance of informal systems are twofold. First, it is important to have a clear understanding of what constitutes trust in the context of traditional MVT systems. Secondly, it is important to include a historically grounded vantage point from which to consider the central research claim, which is: *the Global Trust Conflict constitutes the most significant barrier to regulatory efficacy and compliance for money or value transfer (MVT) systems*.

---

<sup>39</sup> Also referred to by some authors as *fei chi’en* (Shehu, 2003, pp. 176-177) and *feitsyan* (Moshenskyi, 2008, p. 50). It was the name of a system reliant on promissory notes, which emerged during the time of the Tang dynasty in China (7th century CE), which coincides with the invention of paper (Moshenskyi, 2008, p. 18).

Norms and values play a vital role in the effectiveness of MVT regulation (Ballard, 2003; Passas, 2006). Traditional MVTs are seen to constitute the long-term viability of the ancient indigenous banking systems (IBS) of the Middle East, China, and South Asia. This means that their emergence and persistence into modernity is a constitutive effect of the vital trade flows they facilitated, which through increasing trade relations led to the eventual expansion of the European international society of states, and later the emergence of a centralized global economy.

The term society is used in reference to the three primary goals set out by Bull (2002), which he posits are the “...three basic values of all social life” (p. 5). They are, “security against violence”, honouring promises and agreements, and confidence in ownership (p. 4). These values are important because the security and viability of long-distance trade within, and between, ancient societies were in large part a constitutive effect of credit instruments that functioned as promissory notes (Austin & Sugihara, 1993; Ballard, 2014; Bhargava, 1935; Greif, 1989; Gubbay, 1927; Harris, 2015; Martin, 2009; Moshenskyi, 2008; Oswald, 2007). These notes played a significant normative role in the development of early international relations by facilitating the keeping of financial promises and agreements, when no higher authority existed to maintain confidence in transnational trade.

The historical nature and role of traditional MVT systems reveals how in operation they constitute more than a credit instrument and remittance service. Their persistence into modernity is a constitutive effect of vital social norms (i.e. trust, contract, promise) which, when generated via the norms and values of a functional society, serve to facilitate economic practices by providing a means of constraining behaviour in an otherwise unregulated environment. Such a view can assist in understanding the need for a conventional model of trust as a source of normative constraint around traditional modes of informal remittance. Wherein the absence of legal structures and systematic trust cannot provide for confidence in the ownership of property. Consequently, the traditional nature of MVTs is shown to align with the same normative basis for the emergence of a pluralist form of social order at the core of the classical form of international society.

## **Remittances and Trust**

Money or value transfer (MVT) systems are of ancient origin but have only recently become the subject of rigorous scholarly inquiry (Martin, 2009; 2012; Thompson, 2008; 2011; Passas, 1999; 2006). One unfortunate feature of the modern MVT research boom is its emergence in response to the adoption of UN Security Council Resolution (UNSCR) 1373

(2001). Post-9/11 research has been coloured by the security lens of UNSCR 1373 (El Qorchi et al., 2003; Maimbo, 2004; Thompson, 2007; Viles, 2008). In essence influential commentators over emphasized the security concerns of *hawala* and *hundi* transfers to the exclusion of mainstream money transfers.

Many perspectives of MVT systems carry negatively imposed themes such as informality, familiarity, money laundering and terrorism (Martin, 2013; Martin, 2009; Passas, 2005; Ballard, 2003). At the same time, researchers have seen past the rhetoric to highlight the persistent, vital and legitimate socio-economic role of MVT systems (Dean et al., 2013; Martin, 2009; Passas, 2006a; Passas, 2016; Rees, 2010; Thompson, 2011).

Conventional wisdom on the nature of traditional remittance systems in modernity has emphasized concerns regarding their informality. This issue was identified by Passas (1999, p. 22) who found a trend of unfounded claims, “facts by repetition” and misunderstandings permeated the literature on MVTs at the time. The significance of this is that such claims were given salience by exposure through international media publications and in UN reports (UNGA, 1998).<sup>40</sup> Negative conceptualisation of MVTs was expressed from 2001 onwards via the terms used to describe them. Pejorative terms such as ‘underground’ and ‘parallel’ or ‘black’ and ‘shadow’ appeared in literature concerned with the threat of terrorism financing, consequently placing MVT remittance systems alongside criminality and terrorism (Goede, 2007; Martin, 2009; Passas, 2003a; Razavy, 2005; Thompson, 2008, p. 1).

This is not to argue against the legitimate security concerns about the practice of traditional style remittances. Traditional design of transfer operations makes their activities difficult to trace and the settlement process between operators can often constitute money laundering (Passas, 1999). A primarily security or risk-focused approach to the vulnerability of traditional remittances has influenced the contemporary narrative of such systems towards distrust and illegitimacy.

Trust is significant to the functionality of a society (Bull, 2002; Schneier, 2012; Sztompka, 1999). All stakeholders engaged with the global regulatory effort who are focused on money or value transfer (MVT) systems have the same challenge. They are invested in the ongoing functionality of their increasingly interdependent societies. Therefore, the issue of

---

<sup>40</sup> Passas (1999) refers to an earlier version of the UN GA/9423 1998 press release, which implies that; “Money never enters the formal banking system but is instead transmitted through alternative banking systems such as the ‘hawala’ in India and Pakistan. These parallel banking systems are based on family or gang alliances and reinforced with an unspoken covenant of retributive violence” (p. 22).



trust represents the rare common ground between actors and interests from opposite ends of the global socio-economic spectrum.

One major issue underlining the limited efficacy of the global regulatory approach is knowledge management. Historically, there continues to be a poor understanding of the practical and societal significance of informal MVT systems. The analysis of informal trusted credit systems that follows, provides a clearer understanding of what has characterized trust in MVT systems. This highlights the historical narrative of trust and societal development found in money lending practices. There has been a common practice of MVT norms and values that has evolved over millennia (Veenhof & Eidem, 2008; Van der Mierop, 2015).

### **The Promissory Note**

The concept of a promissory note reflects the primary credit instrument underpinning the three key traditions of money or value transfer (*hundi*, *hawala*, *fei ch'ien*) in current operation. The term promissory note is defined as a negotiable written promise to reimburse a stated amount of money on request or at a specific time (Malick, 1991). The term 'promise' is used to emphasize a commitment made by the drawer to honour the terms set. In contrast, a bill of exchange does not give the same assurance. A bill of exchange is defined by Law Library (2021) as:

A three-party negotiable instrument in which the first party, the drawer, presents an order for the payment of a sum certain on a second party, the drawee, for payment to a third party, the payee, on demand or at a fixed future date. (para. 1)

The key difference between instruments based on these definitions is the type of social institution relied upon to generate confidence in the transfer process being successfully completed. The promissory note implies an assurance that reflects a confidence in the expectation that those involved actively seek to protect their reputation for trustworthiness. In contrast the bill of exchange invokes an "order" that constitutes a codified contract, the terms of which are enforced by a higher authority to which all parties are subject. The literature indicates that a promissory note represents the primary credit instrument employed by MVT systems. Promissory notes include the three core senses underpinning the tradition of remittance systems; trust, contract, and promise (Lascaux, 2015; Martin, 2009).

### **Timeline of Money Transfers**

By examining ancient (BCE) through to modern (CE) remittance systems it is possible to identify a common narrative. A change in socio-economic practices created increased

reliance on trust, society, and literacy, for the purposes of trade. The impact of a system of informal money lending can be seen through a broad range of historically evolved trade-based economic systems (Table 3). In later times innovation was driven by the need to minimise loss during long distance trade. Whilst subsequent contexts change through history, there are shared features among societies that relied on this complex application of calculated trust and reputation-based mechanisms.

A timeline helps to identify the known historical trade centres where promissory notes facilitated both domestic and transnational commerce (Table 3). The historical evidence suggests that norms and values were central features in society as well as trade-based structures that worked to build and reinforce confidence in remittance systems. Such structures facilitated trade in antiquity, particularly to accommodate long distance transactions. In instances wherein no overarching authority existed across and beyond sovereign territory, the ability to trade was generally a community regulated license, granted or revoked according to the principles of trust, contract and promise (Lascaux, 2015).

**Table 3.** *Historical Emergence of MVTs Through Promissory Notes*

Ancient Near East	2000-1800 BCE Mesopotamia	Clay tablets used as promissory notes Long term investment Cross border trade Enhanced social cohesion Discount trade Spread by Phoenicians, Carthaginians and Egyptians
Ancient India	1500-500 BCE Vedic Era	Known as <i>hundi</i> Promissory note Similarities to <i>hawala</i> : function, operational history, linguistic meaning and application
Ancient Greece	300 BCE	Maritime loan: <i>foenus nauticum</i> Form of money transfer, credit, and insurance. Also used throughout the Roman Empire
China	700 CE T'ang Dynasty	Known as <i>feiqian</i> or <i>fei ch'ien</i> ('flying money') Govt. issued promissory note Secure long-distance trade
Arab Caliphate	700 CE Abbasid Dynasty	Known as <i>suftadja</i> or <i>hawala</i> Promissory note Used for taxation, military upkeep, and long-distance trade Coincides with emergence of Chinese Flying Money
Early Modern Europe	1100 CE Genoa	Known as the 'bill of exchange' Refined for cross border trade in 17 <sup>th</sup> century Antwerp. Key instrument of classical merchant era.

## Earliest Trusted Instruments of Financial Remittance

The earliest evidence of a money or value transfer system has been linked to the cross-border trading practices in the Ancient Near East (see Table 3 and Figure 3). The region of ancient city-states such as Babylon, Ur, and Assur have been referred to by historians as the ancient ‘Near East’ (Van De Meiroop, 2015; Hudson, 2010). The financial practices in the ancient Near East show that advanced credit/debt instruments were used. Moshenskyi (2008), posits that cuneiform<sup>41</sup> written on clay tablets were used to make a form of promissory note dated as early as 2500 BCE. The practice of promissory notes extends to the travelling traders (called *tamkārum*<sup>42</sup>) dealing in exotic goods from the mid-early 3<sup>rd</sup> millennium BCE (Kool, 2012; Massa & Palmisano, 2018). Massa and Palmisano (2018) argue for complex money lending practices during the Old Assyrian Trade period. There are similarities in long distance trade practices and norms between 3<sup>rd</sup> and early 2<sup>nd</sup> millennium BCE (Massa & Palmisano, 2018).

**Figure 3.** *Cross-Border Trade Using Promissory Practices*



Source: Massa & Palmisano, 2017, p. 81.

<sup>41</sup> According to Northrup, Bentley, & Eckes (2004, p. 724), the cuneiform writing system was designed by Sumerians in southern Mesopotamia during the fourth millennium BCE. It is believed to be the first system of writing ever created.

<sup>42</sup> Note that the term '*tamkārum*' embodied more than just a travelling trader, especially in Assur. This term has meaning based on the context of its use. A 'trader' may refer to the owner of capital, who directs agents representing his firm to travel, obtain goods and conduct trade in another location. Also, the term can mean 'moneylender' or a form of 'banker' who deals in transferable debt. In this context, *tamkārum* can be taken to imply someone who creates promissory notes and whose name is often not cited, whether for the purpose of anonymity or ease of transfer in terms of debt ownership. In these cases, the creditor is simply referred to as *tamkārum* (Veenhof & Eidem, 2008).

Ancient Near East commerce was enhanced by the use of clay tablets as a form of promissory note. Two terms commonly used for the promissory note were *hudu* and *hubutatum*. This type of promissory note functioned in a similar fashion to circulating bank notes, but were for purely local use because they were only accepted by certain licensed groups and actors (Moshenskyi, 2008; Veenhof, 2010). Evidence of the use of promissory notes has been found on tablets from an ancient Anatolian trading outpost called Kaneš (Kuhrt, 1998; Veenhof, 1999, cited by Hudson, 2010; Veenhof, 2010) (Figure 3).

Competing systems of authority were instrumental in providing the right conditions for a high level of informality within the social order of the time. The Old Assyrian period was characterized as a time of informality following the collapse of the Third Dynasty of Ur, which had a highly centralized bureaucracy (Kuhrt, 1998). This explains why MVT systems remain important features of the developing world due to their contribution to social cohesion. This includes societies within unstable or failed states (Thompson, 2011). The cross-border trade between Assur (modern-day Iraq) into Anatolia (modern-day Turkey) involved the use of promissory notes to trading outposts (Figure 3).

### **Ubiquitous Lending Through Promissory Practices**

Long distance trade features in the Old Assyrian social order. With the secure backing of long-term promissory contracts recorded on clay tablets, traders would travel for years at a time<sup>43</sup> (Massa & Palmisano, 2018). During the Middle Bronze Age, the Mesopotamian region profited from the trade of valuable lapis lazuli, gold, and silver (Figure 3). This informal promise-based trade produced great wealth during a time when the political norm was the city-state<sup>44</sup> (Kuhrt, 2008).

During this time of political and financial informality, shared money lending norms permeated social order among the city-states. Professional and religious veneration of the *tamkārum* role was common ground. Travelling merchants had special license to move and trade unhindered. Despite regular disruption due to banditry and inter-city wars, traveling traders were able to continue operating extensive and lucrative cross-border trade networks (Kuhrt, 2008; Massa & Palmisano, 2018; Moshenskyi, 2008). When the European international society of states began to emerge as a viable structure for inter-state order in 1648,

---

<sup>43</sup> Accounts in the literature of donkey caravans returning from Kaneš with silver bullion and other valuable metals reflects the most likely reason for Assyrian interest in Anatolia (Massa & Palmisano, 2018).

<sup>44</sup> This is referred to as a time of “Old Assyrian merchants” (1900-1830 BCE), which occurred in middle of the Old Assyrian period.

it relied on trust between equally-respected sovereign nations (Bull, 2002). This was “*not just a society of sovereign states but a society for sovereign states*” (Dunne, 2003, p. 306). This emerged and persisted under dynamic anarchical conditions. A finding of this literature is the modern-day resemblance to reliable MVT services under anarchical or informal conditions that remain vital sources of income to the Global South (World Bank, 2019).

### **Financial Arrangements Based on Social Contracts & the Expectation of Profit Share.**

Short and long-term commercial contracts were created by the Assyrians and acted as a catalyst for social cohesion. The ‘joint-stock company’ or *naruqqum* was significant in this regard. These long-term investment contracts were written up on behalf of multiple investors with an equal share in the business of a travelling trader (Veenhof, 2010). Over a period of several years, the *tamkārūm* would return at a date specified in the contract and investors would receive an equal share of the profit. This was a common practice. It formed multiple financial links that crossed ordinary familial bonds of traders thereby uniting the interests of the elite merchant factions (Kuhrt, 1998; Veenhof & Eidem, 2008; Veenhof, 2010). The increased social cohesion generated by complex financial arrangements provided for an otherwise unlikely stable trading environment for Old Assyrian merchants. The resultant change saw culturally embedded financial norms aligned with the principals of traditional MVT systems.

There were two co-existing structures of social order for Assyrians. The first was bureaucratic, and the second was a religious authority<sup>45</sup> (Kuhrt, 2008). The governance of the civic and commercial spheres of society were presided over by a council of elite merchant-families<sup>46</sup> (Kuhrt, 2008; Parkins, 1998). Under the bureaucratic structure, financial practices developed to allow for credit liquidity via discounting. If a creditor was not named on a promissory note, then a *tamkārūm* was able to sell it at a discount.<sup>47</sup> This way the seller gained access to a lesser amount than that originally invested earlier than the specified redemption date, and the purchaser would profit on the difference upon completion of the contract (McCusker et al., 2006).

---

<sup>45</sup> As cult leader and representative of the Assyrian deity in Assur.

<sup>46</sup> Mesopotamian societies were comparable in complexity to society today. The contributions of ancient Near East scholarly work laid the foundations for contemporary life. For example, the study of mathematics via the sexagesimal numeral system led to the 60-minute hour, the 24-hour day/seven-day week, and was significant for map-making (Eves, 1969). Mesopotamian civilisation is the forerunner of other significant areas of modern scholarly work, including; astronomy, medicine, philosophy, as well as technologies related to the military, urbanisation, and agriculture to name just a few. Each city had its own legal, commercial, and civic institutions (Frahm, 2017; Hudson, 2010; Van De Mieroop, 2015).

<sup>47</sup> This refers to the selling and purchasing of bills between actors at a lower figure than that of the bill’s face-value.

## The Widespread Acceptance of Promissory Finance

The use of Promissory notes is recorded in Mesopotamia and also in Ancient India during the Vedic period.<sup>48</sup> The arrival of elements of an Aryan civilisation out of the North depict the emergence of a *hundi* promissory note system<sup>49</sup> (Banking Commission, 1971; Jain, 1929; Dikshit et al., 2020). There is historical evidence that shows the cultural acceptance of the promissory system of trust in money lending. Spiritual and partly documentary hymns reflect historic accounts of the Aryan civilisation recorded in Sanskrit<sup>50</sup> (Wyatt & O’Flaherty, 1981). Ten tomes or ‘mandalas’ make up this collection, which are referred to as the Rigveda. References to moneylending occur throughout these texts, which provide the primary sources of evidence for the use of promissory notes (Bhargava, 1935; Dutt, 1893; Krishnan, 1959).

Accepted practices such as usury and debt<sup>51</sup> were broadly acknowledged by Vedic society, even in the early epoch. One example from the Atharvaveda translates as; “*O god, I engage myself in moneylending from my sum in order to earn money*” (Bhargava, 1935, pp. 3-4). Some translated examples follow; “*As we collect the utmost debt even the eighth and sixteenth part*”; “*No debt is due by Brahmans now*”; “*In constant fear, in debt, and seeking riches, he goes by night unto the homes of others*” (Bhargava, 1935, p. 4). These few quotes suggest that moneylending was a central feature of trade practices.

**Table 4.** *Early Vedic Division of Labour*

Caste	Role
Brahmans	Religious Leaders
Kshatryas	Military
Vaishyas	Agriculture/Trade/Moneylending
Sudras	Servants

*Source: Adapted from Bhargava (1935, p. 4).*

The nature of social status in this society is also worth detailing. Status was determined by role rather than birth (Bhargava, 1935). The division of labour produced four classes or castes (Table 4). The agricultural/trade/banking caste of society was called *Visahs*, and later became known as *Vaishyas* (Dutt, 1893). Moneylending was one of four ‘honest-callings’<sup>52</sup>

<sup>48</sup> Between 1500-500 BCE.

<sup>49</sup> Evidence of the trade in Indian ivory through the long-distance trade networks of the ancient Near East, which began some time between 2500-1900 BCE, provides one basis for linking the development of the *hundi* MVT system to the Mesopotamian promissory note (Moorey, 1994, cited by Massa and Palmisano, 2017).

<sup>50</sup> In the northern region of South Asia, the ‘Vedic Age’ began following the decline of Harrapan or Urban Indus Valley civilisation (Kenoyer, 2005).

<sup>51</sup> The term ‘Rna’ is the Sanskrit word for ‘debt’ (Bhargava, 1935).

<sup>52</sup> The other roles were earthwork, trade, and agriculture (Krishnan, 1959).

denoted in the Vedic literature (Krishnan, 1959). The combined roles of people in Agriculture, Trade, and Money Lending are the Vedic early formative groupings of modern day business people (Table 4). There are multiple interpretations of early Vedic literature that depicts these practices in terms of informal money lending practices by *Vaishyas*. Appendix 2.1 refers to the Griffith (1895) version of the Veda description of informal money lending, whilst Appendix 2.2 refers to the Bhargava (1935) version of the same hymn but with a translation that cites principal and interest lending practices.

The literature indicates that money lending practices were important elements in the facilitation of trade (Wyatt and O’Flaherty, 1981; Bhargava, 1935), in the same way that many modern day MVT systems operate in the last 100 years. Vedic money lending practices developed and grew in usage over time as writing skills made promissory notes a widespread feature of trade (Jain, 1929; Kenoyer, 2005). The *hundi* and the role of the moneylender was developed significantly to become a large part of trade during the latter half of the Vedic period (c. 800-500 BCE). In this time the Aryan civilisation transitioned from a nomadic to a primarily urbanised society (Olivelle, 1998; Basham, 2008; Aathava & Jothilakshmi, 2016).

### **Trusted Collection of Promissory Transactional Practices Using *Hundi***

The practice of using the promissory note-based *hundi* system was a consistent feature of moneylending practices from 500 BCE through a 2000-year period of trusted usage (Aquique, 1974; Bhargava, 1935; Dixit, 2012). The *hundi* system of credit and banking developed over time to reflect local financial norms and values. A moneylender or merchant that provides *hundi* (Hindi term meaning ‘trust’, from the Sanskrit root ‘*hund*’ meaning ‘to collect’) services is referred to as a ‘*hundiwala*’ (Martin, 2009; Passas, 1999). Like other traditional MVT systems, it is more than a just a money transfer system and as such it reflects the senses of trust, contract and promise, which are essential features of a functional society (Cook & Smith, 2011; Martin, 2009).

*Hundi* shares many similarities with the Arabic system known as *hawala*. These parallels are reflected in the following features; function, operational history, etymological meaning and use (Anstey, 1952; El Qorchi et al., 2003; Jain, 1929; Krishnan, 1959; Mallick, 1991; Martin, 2009). It has been theorized that *hundi* as an indigenous banking system began as a result of moneylending practices that arrived with immigrants from the Arabic peninsula, who referred to themselves as ‘*hawala*’ (Anstey, 1952; Mallick, 1991). This claim does not align with evidence of a thriving indigenous or autochthonous banking system that emerged out of the Vedic age.

## Indigenous Banking in India: An Autochthonous Approach

An indigenous moneylending and banking system emerged in India during the latter half of the Vedic Age. In other words, *hundi* became a platform for the rise of a complex banking system which is autochthonous to India. Before exploring this claim further, it is important to define what is meant by an indigenous banking system (IBS). For the purpose of this research, IBS refers to; any person or private organization which may provide loans, take deposits and/or trade *hundis*, each of which functions in a similar fashion to banking (Jain, 1929; Krishnan, 1959). The genuine form of IBS is autochthonous, meaning it is not derived from a colonial or external cultural source.

It is not uncommon to find *hundi* described as an indigenous banking system in the literature (Bhargava, 1935; Jain, 1929; Krishnan, 1959; Martin, 2009; Sharma, 2006; Thompson, 2008). However, many authors refute any attempt to classify institutions that provide *hundi* related financial services as banks (Ballard, 2005; Banking Commission, 1971; Government Of India, 1931; Government Of India, 1931a; Gubbay, 1927; Mallick, 1991; Qureshi, 1938). The overarching argument is that both *hundi* and *hawala* are only a form of credit instrument, similar to a bill of exchange (Figure 4). As such, these authors hold that the *hundi* system is in no way similar to a bank because deposit-taking has never been a service provided.

**Figure 4.** Sanskrit and Translated Hundi Promissory Note

<p><b>PROMISSORY NOTE.</b>  <b>प्रामिसरी नोट.</b></p> <p>श्री राम चन्द्र प्रेम, चम्पारणो</p> <p>॥ श्री ॥</p> <p>नं० _____ तारीख _____      संवत् १९२२ विजयी _____</p> <p>रा. रा. _____</p> <p>रा. _____ ता. _____ नि. _____ सं० _____</p> <p>प्रामिसरी नोट लिखून देणार _____</p> <p>जयरी खान राजीव खासो खापला जयलून नगरी</p> <p>रुपये _____ अक्षरों _____ दरमहा _____</p> <p>दर शेकड़ा _____ यामाने _____ शिळे कलदार पेतले बाहेत.</p> <p>हे रुपये खापल खापेलों मागाल तावेलों खापलास देज किंवा खापल दुसऱ्या</p> <p>कोणाम देवाळ ताम देज.</p> <p>दसुर _____</p> <p>सही _____</p>	<p>[TRANSLATION.]</p> <p><b>PROMISSORY NOTE.</b></p> <p><i>Shri.</i></p> <p>No. _____ Date (English) _____  <i>Samvata</i> (Indian Year) _____ Date (Indian) _____</p> <p>To Mr. _____      inhabitant of _____ Sub-district _____      District _____ in whose favour the writer of the      promissory note is _____ (name of the debtor).</p> <p>This day I have received in cash rupees _____      in words _____ at interest at the rate      of _____ per centum per mensem. That amount I      promise to pay to you whenever you demand, or to pay to the      person in whose favour you order.</p> <p>Signature _____</p>
---	---

Source: Jain, 1929, pp. 56-57.

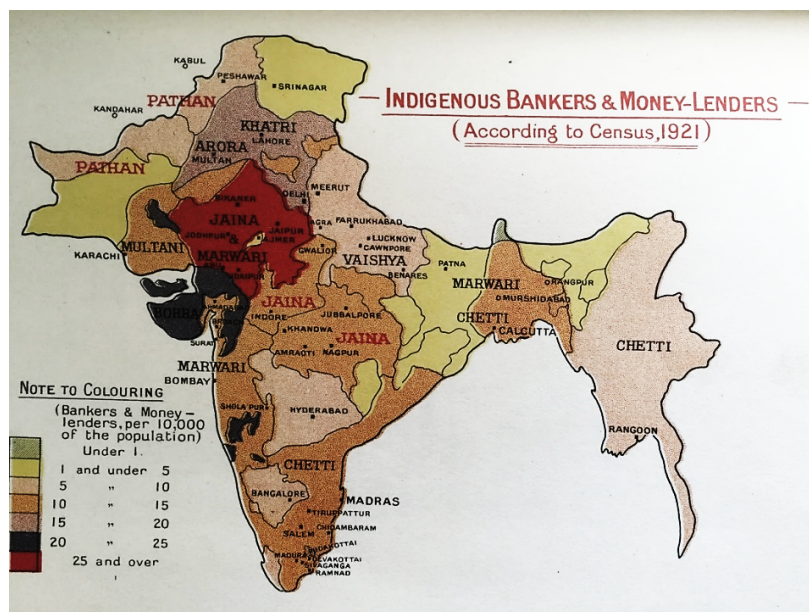
This view of the *hundi* system as a purely moneylending practice is predominantly characteristic of 20<sup>th</sup> century colonial European accounts of Indian economic history (Banking Commission, 1971; Government Of India, 1931; Government Of India, 1931a; Gubbay, 1927; Mallick, 1991; Qureshi, 1938). This does not fit with descriptions of banking practices found



in Vedic Age Indian texts and beyond (Aquique, 1974; Bhargava, 1935; Basham, 2008; Dixit, 2012). For example, the Dhamarshastra texts on law (*circa.* 500 BCE – 200 CE) outlined rules and principles for bankers and their clients. These include considerations for the prospective ‘depositor’ in terms of the bankers credentials<sup>53</sup> (Aquique, 1974). Another example highlights the provision of ‘permanent deposits’ by bankers to industry and trade guilds (Dixit, 2012). These deposits were the capital on which promissory notes, called *adesa* in the Arthashastra (400 BCE) and *hundika* in the *Lakhapaddhati* texts<sup>54</sup> (*circa.* 800 – 1533 CE), were issued (Dixit, 2012).

These examples suggest that the *hundi* as a ‘credit instrument only’ argument is unlikely to be accurate. It is much more likely that the *hundi* enhanced money lending practice and trade. In turn commerce stabilized over time into sustained demand for safe locations to store value; i.e. banks.

**Figure 5.** *Map of Indigenous Banker and Moneylender Census*



Source: Jain, 1929, p. 1.

The Indian *hundi*-based banking system persisted for many centuries as a legitimate financial institution. This system was also significant in the rise and fall of the Arabic dominated Mughal empire in the 17<sup>th</sup> century, which faced persistent challenges for economic and political influence from European Industrialists (Mallick, 1997). By the 20<sup>th</sup> century a few

<sup>53</sup> The depositor should assess the banker’s virtue, experience, knowledge, passion, influence, wealth and honour.

<sup>54</sup> The *Lakhapaddhati* texts refer to 50 royal letters collated during the Chaulukya dynasty in pre-Sultanate Gujarat, for the purpose of instructing officials on matters of commerce, administration and letter writing (Prasad, 1998).

wealthy merchant families<sup>55</sup> were the dominant agents of indigenous banking in the British-Indian Colony (Figure 5). Later, a concerted attempt to codify these systems failed and eventually led to the criminalisation of the *hundi* and indigenous banking in India (Martin, 2015).

### **The Promissory Note as Insurance for Distance-based Remittances**

From the fourth century BCE, until the collapse of the Western Roman Empire in the fifth century CE, a maritime loan termed *foenus nauticum* was the keystone of secure trade for Ancient Greece (Hoover, 1926; Moshenskyi, 2008). Its practical applications included remittance, credit facility, and insurance for the borrower should their investment be lost in transit (Moshenskyi, 2008). This use of promissory credit was used as an opportunity to make use of idle funds through long distance merchant trade (Hoover, 1926). Credit creation evolved in Greece into the common era by means of informal promissory practices. These lending practices were loosely created by combining highly valued trade-based opportunities with Hellenic Greek maritime law, and Roman Justinian Law.<sup>56</sup> In later years this system formed the early basis for the exploratory maritime loans of the 13<sup>th</sup>, 14<sup>th</sup>, 15<sup>th</sup> and 16<sup>th</sup> centuries. (Lopez, 2011).

### **The Emergence of MVTs Using Paper Promissory Notes Across Regional Borders**

The creation of paper promissory notes in China coincides with the emergence of a money or value transfer system that persists today, known as flying money or *fei-ch'ien*.<sup>57</sup> The Chinese link to the invention of paper currency (*ch'ao-pi*) with the flying money system, emerged during the Tang Dynasty,<sup>58</sup> and allowed for the transmission of funds to distant places (Yang, 1952; Cheng, 2003). It was considered as a credit instrument rather than money (Yang, 1952). During the Tang Dynasty tea merchants were concerned about the dangers of shipments that included large amounts of cash, and preferred the paper-based system of 'vouchers' that offered guaranteed reimbursement and were therefore highly trusted (De Ligt, 2003).

---

<sup>55</sup> The key merchant-banking families were; Bohra, Jaina, Marwari, Chettiar, Vaishya, Patha, Khatri, and Arora (see Figure 5).

<sup>56</sup> Justinian Law is a collection of laws and legal interpretations that were informal and did not represent an institutionally represented legal code.

<sup>57</sup> This is a traditional anglicisation of the term, referred to as the Wade Giles style. The modern standard or Pinyin style, adopted by the Peoples Republic of China in 1979, is anglicised as *fēi qián* (Kissinger, 2012, p. xvii). Other associated terms used include *pien huan* ("credit exchange") (Yang, 1952, p. 51), and *phoe kuan* in Thailand (Li, Liu & Ge, 2012). Both primary terms translate as "flying money".

<sup>58</sup> This dynasty operated between 618-906 CE (Tsin, 1995).

The distinction between informal money lending and formalized practices that had the backing of governments and ruling institutions is an important one. Since the beginning of the common era it becomes more difficult to differentiate some of those practices because many of the rich and powerful actors also sought to engage with authority and power. Thus when examples of paper-based systems become more evident from the ninth to the thirteenth centuries in China, the distinction between the informal practices of trade merchants, their backing and control is seen to be ‘ordained’ through an institution. In this instance the endorsement of Buddhist monasteries signifies that some systems became formalized, whilst others did not (Hong, 2014). In addition, many commercial collections of merchants were connected through Guilds where power and influence were articulated through familial connections rather than through government rule (Burgess, 1976). Buddhist monasteries served a function as mutual credit unions during the Tang Dynasty. The introduction and use of written debt obligations around these monasteries allowed trust to form in Chinese society, thereby institutionalising written representations of debt contracts (Moshenskyi, 2008).

The mobilisation of the Chinese economy forced a number of changes in terms of informal value transfer systems. In 970 CE during the Song Dynasty, the practice of merchants making payments in other cities was facilitated through transferable receipts that were anchored against a deposit of metallic coins, and which attracted a commission of two percent (Tamagna, 1942). In the Song Dynasty during the 11<sup>th</sup> century, Buddhism in China oversaw the introduction of a new loan instrument that involved a pledge. Previous loans had been supported by an asset, although the asset was not of equal value, but rather was a symbol of wealth that exhibited the debtor’s moral obligation to service the debt (Hong, 2014). These examples show the retention of informal money lending that is scaffolded by trust rather than physical hard asset.

### **Trade Through Early Emerging Islamic Banking Practices**

In the eighth century CE the Abbasid Islamic Caliphate was the one of the most significant players in international trade (Moshenskyi, 2008). Significant wealth was created by Arabian ships moving luxury goods to trading locations around the Mediterranean Sea, the Indo-Malay islands as well as China (Schramm & Taube, 2003). Consequently, goods from all corners of the known world could be purchased in Arabic markets.<sup>59</sup> Trade was traditionally made with silver and gold currency, however when the quality of the currency deteriorated

---

<sup>59</sup> The term ‘market’ is of Persian origin and is closely related to the Arabic term ‘*suk*’, meaning a place for trade (Moshenskyi, 2008).

during the 10<sup>th</sup> and 11<sup>th</sup> centuries there was even greater demand for credit services (Labib, 1969; Moshenskyi, 2008). *Hawala* emerged as an increasingly robust, reliable, and honest means of preventing the movement of money from being controlled by foreign revenue systems and institutional regulations (Greif et al., 1994; Schmidt-Trenz, 1990; Garber, 1992).

Islam provided the normative basis for trade practices across a vast Arabic state that encouraged, and was very successful at, long distance trade. The Prophet Muhammad was in part a merchant and subsequent teachings of the faith, found primarily in the sacred scriptures of the Koran, features often strict guidance on both spiritual and socioeconomic matters (Schimmel, 2014; Amereller, 1995). The regulation of financial arrangements between merchants and the Caliphate's predominantly Jewish bankers was influenced by Islamic values, and in medieval commerce *hawala* became an established instrument of financial efficiency (Moshenskyi, 2008; Inalcik, 1969).

A variety of complex financial practices were recognized under Islamic Law in ancient Arabic trade. The most common domestic remittance instrument was similar to a cheque and was referred to as '*sakk*', which was backed by bonds termed '*khatt*', and transferred to safe locations via *suftadja*<sup>60</sup> (Løkkegaard, 1950; Spies, 1972). The use of *hawala* is recognized from 1327 CE as an instrument of acceptable and trusted Islamic money transfer (Ray, 1997).

### **Symbiosis of *Hawala* and *Hundi* through Trust**

The connection between *hundi* and *hawala* is significant, and the terms can be used in many examples as interoperable descriptors (Passas, 1999; Martin, 2009; Schramm & Taube, 2003). The Islamic remittance system known as *hawala* begins with an instrument similar to the bill of exchange called '*suftadja*' and the use of a promissory note also called '*hawala*'. *Suftadja* differs slightly because it relates to the remittance of money only, whereas the term *hawala* can include both money and goods as part of complex and multi-party transactions (Dien, 1997). During the time of the Abbasid dynasty,<sup>61</sup> systems of credit reached a high level of development and were codified under Islamic Law. The accepted control of *hawala* is often described as a that of a club,<sup>62</sup> similar to that of the Tang dynasty in China (618-907 CE) that operated a not-dissimilar system of trust-based credit networks (Sandler & Tshirhart, 1980).

---

<sup>60</sup> Suftadja is a term that describes a financial method in the form of a written bill of credit (similar to a 20<sup>th</sup> century cheque) and used to replace the hazardous need to move actual cash. (Dien, 1997)

<sup>61</sup> In existence, 8<sup>th</sup> - 13<sup>th</sup> century CE.

<sup>62</sup> This form of club is described as a "nongovernmental alternative to the optimal provision of a class of public goods" (Sandler & Tschirhart, 1997, p. 336).

The evolution of *hawala* (*hundi*, and Chinese Flying Money) is predicated in different forms of a networked arrangement. They all incorporate a reliance on embedded honesty and trust that ensures that the operators of each money transaction fulfil their contractual obligations and are regarded as both cooperative and trustworthy (Axelrod & Hamilton, 1981; Goudie & Stasavage, 1998). The club system also safeguards itself from opportunism by individuals, by placing a very high level of dependency upon club membership, and the potential punishment of the withdrawal of goodwill (Wank, 1999; Kranton, 1996).

This embedded system of trust is further re-enforced by additional threats against opportunism by means of the expected termination of future work, and the method by which other *hawaladars* would communicate the failure of one member throughout the marketplace. This threat was strengthened by limiting the number of members of each specific *hawala* network or club (Buchanan, 1965). By keeping networks of *hawala* to smaller numbers, any infringement on the part of a single *hawaladar* would be known to all others, because the network was of an optimal (small) size (Carr & Landa, 1983). The possibility of a single *hawaladar* taking advantage of a money event is restrained through the secured expectation that accompanied each transactional *hawala* partner (Dasgupta, 1988). These secured expectations have been likened to longstanding investments in social capital (Dasgupta & Serageldon, 1999).

Islamic Banking and *hawala* are not directly linked yet share common associated cultural norms and values (Schramm & Taube, 2003; Zahraa, 2000). Through the application of Sharia Law, Islamic banking systems have developed a comprehensive framework of rules that encompasses many facets of lending and financial movement practices (Vogel & Hayes, 1998; El Banna, 2011; Merchant, 2012). This includes governance over political, social, and moral spheres according to ideals set out in holy Islamic texts, such as the Quran and Hadith (Schramm & Taube, 2003). Islamic finance is grounded in the Quran. However, in many instances the extent to which Sharia is observed differs significantly (Merchant, 2012). *Hawala* is not a subset of Islamic Banking, despite suggestions that it has connections with Islam (El Banna, 2011).

However, the link to the religious trust rules of Islam provides a significantly higher level of credible evidence that supports its trustworthiness and reputation (Coleman, 1988). Essentially the credibility and trustworthiness of a *hawala* transaction are bound by the ethical and religious elements of Islamic banking (Zahraa, 2000) which is anchored to the Islamic basis for mutual trust (Iannaccone, 1998; Kuran, 1995). Strict interpretation and observance of Islamic Banking laws retain some elements of contract-based record keeping; however the

majority of practices reflect a level of informality when compared to principal and interest lending (El Banna, 2011; Faye et al., 2013; Merchant, 2012; Yusoff et al., 2001). Where *hawala* looks to be informal, Islamic banking appears to be semi-formal, and Western banking can be described as formal (Schramm & Taube, 2003; Williamsom, 1979).

### **Bills of Exchange and Shifting Trust Mechanisms**

Written debt obligations emerged in 12<sup>th</sup> century Europe to establish the practice of using a Bill of Exchange in order to facilitate trusted payment mechanisms that were flexible.<sup>63</sup> Knowledge spread to Holland about the role of ‘serial endorsements’ in facilitating secure and simple transnational credit flows via bills of exchange<sup>64</sup> (Cameron, 1992; Neal, 1990). These arrangements became increasingly about the likely expectation of success and the strengthened reputation of these transactions. This was a shift away from the previous gestures of honesty and righteousness that described informal lending practices.

This information was used by the Wisselbank of Amsterdam, which optimised the lending instrument for European use in 1609 CE. From this point onwards the influence of European import/export trade became increasingly significant in domestic markets around the world (Neal, 1990; Neal & Quinn, 2001; Spufford, 2006). Underpinning the mobilisation of credit via this instrument were close networks that included Italian, German, French and English institutions. These were in most cases powerful established family businesses and cooperated to manage credit flows and intensify transnational trade at every opportunity (Germain, 2014).

These credit lenders shared an interest in profitable business between merchants and their financiers. This assisted the development of import/export trade during the early modern period. Bills of exchange allowed for a semi-formal code of honesty and rectitude which allowed trade to occur with confidence across networks of close-knit banking interests and merchants predominantly populated by private actors (Germain, 2014). There are recorded instances where a similar code of conduct and shared interest among familial banking organizations delayed British industrialists in gaining a controlling influence over domestic and foreign markets in 17<sup>th</sup> century Moghul India (Jain, 1929; Mallick, 1991).

---

<sup>63</sup> The use of written debt obligations is believed to have first emerged in the Italian city of Genoa during the 12th century CE (Orbell, 2006). The innovation that made the bill of exchange a viable and highly liquid tool for transnational trade in Europe occurred in the Dutch capital Amsterdam.

<sup>64</sup> It was with a large migration of Portuguese Jews and Protestants expelled from Antwerp in 1585 that Bills of Exchange came to prominence and recognition.

## The Emergence of a Globally Governed Economy

Global financial governance began to emerge in 18<sup>th</sup> century Europe as actors realized the value of connecting institutions of lending with power and authority (Germain, 2014; Polanyi, 2001; Ferguson, 2009). Actors and interested parties who invested in facilitating transnational trade realized the worth of cultural norms and reputation as an important factor in likely success. The success of this nascent financial governance was driven into political domains through the power and reach of social networks of reputation, authority, and influence (Polanyi, 2001; Sontag, 1933).

The French Revolutionary and Napoleonic wars between 1793 and 1815 marked the beginning of a period commonly referred to as the ‘classic era’ of merchant banking (Cameron, 2005). Subsequently, a 100-year period of relative peace provided for rapid growth in transnational mercantile activity. This practice was underpinned by the Holy Alliance and the Concert of Europe. Economic stability was sustained due to the influence of an ‘acute peace interest’, which forged early iterations of global financial governance (Polanyi, 2001). In the classic era, banking dynasties began to dominate national debt provision and credit used for transnational trade flows.<sup>65</sup> The effort to refinance the French economy was a multinational one. It was managed by the Rothschild banking dynasty and enhanced Rothschild’s reputation as a highly trusted sovereign banker in international finance (Ferguson, 2009; Topik, 2001).

After 1865 the accumulated fortune and political influence of a few merchant banking firms brought about lasting peace. This led to the first form of globalized economic regulation (Ferguson, 2009; Neal, 1990; Polanyi, 2001). The organized peace movement internationalized European credit processes and served as a platform for globalization. This saw a small yet complex network of elite financial institutions mobilize as ‘*haute finance*’ (Polanyi, 2001). This early global organization of private interests<sup>66</sup> integrated with the political machinations of Europe and other continents in the formation of a globalizing economy (Feis, 1930). It provided the financial instruments and information networks that facilitated the rapid expansion of European industrial civilisation.<sup>67</sup>

Polanyi’s (2001) *haute finance* highlights the role of cultural norms and values in the creation of rules for economic systems across state borders. The stability and confidence within

---

<sup>65</sup> According to Cameron (1992), following Napoleon’s defeat in 1814-1815 the indemnity owed was significant and once financed embodied the earliest and perhaps most significant international finance operation of the nineteenth century.

<sup>66</sup> Led by the Rothschild banking family and associated institutions.

<sup>67</sup> Operating primarily out of key cities such as London, Paris, Amsterdam, and Berlin (Germain, 2014), *haute finance* fostered a deep connection between political and economic systems worldwide (Polanyi, 2001).

the import/export markets were based on shared financial values and interests. This was not the case in terms of the values underpinning the arbitrary normative grounds driving *haute finance* in new trade markets. Rather, values antithetical to that of effective governance and traditional MVT systems dominated. This is best demonstrated by Mayer Amschel Rothschild, who stated “Permit me to issue and control the money of a nation, and I care not who makes its laws” (Veith, 1949, p. 2). Polanyi (2001) describes the manner in which the Rothschild family’s riches grew from the financing of war, unconcerned by morality or distinctive conflicts. Instead it acted to restrict large-scale open war between the most powerful states, in order to avoid disruption of the burgeoning global economic system (Ferguson, 2009; Polanyi, 2001; Topik, 2001).

This reflects the values and interests underpinning the outward facing norms of the founding actors of modern global financial governance. They demonstrate a drive for profit and economic control at any cost. This thesis argues that there are two different ways to connect trust with the movement of money. In one sense, emerging power and authority has sought to control money lending (including traditionally informal MVTs) by assigning rules, contracts and systems that regulate financial expectations. In a different sense, informal lending has survived the influence of organized power, authority and rule, to exist as a system based on the value of pre-existing norms, values, and cultural elements. These two emerging factors signify the trust conflict that is argued in reference to the much later creation of UNSCR 1373.

At the heart of the trust conflict in modernity is the issue of legitimacy and how this relates to the role of private authority. Seen through the English School (ES) lens, the legitimacy of the UNSCR 1373 regime rests in part on the delegation of state authority to elitist technocratic decision-makers<sup>68</sup> (Hurrell, 2007). These groups further draw on legitimacy as economic governors from claims to special knowledge, proficiency, and efficacy (Dunne, 2003; Hurrell, 2007; Pan, 2010). In a similar fashion to that of *haute finance*, the adoption of UNSCR 1373 empowered elitist private administrators to form a trans-governmental private network. This phenomenon is often referred to as ‘transnational private regulatory governance’ (Zumbansen, 2013). These actors are positioned as gatekeepers of state engagement in transnational trade and remittance, in effect private power wielding sovereign authority. In this context one author posits that “...the actors who make the rules or formulate the principles guiding governmental networks are the same actors who have the power to enforce them”

---

<sup>68</sup> Such as the WTO, the IMF and World Bank.



(Slaughter, 2000, p. 206). For example, in 2010 the FATF-style Regional Body (FSRB)<sup>69</sup> known as Eastern and Southern Africa AML Group (ESAAMLG) reported on strategic regulatory deficiencies within Tanzania (Gesase, 2010).

For weaker states that often rely heavily on informal MVT systems, mandatory participation, and acquiescence to the administrative authority of a private financial elite are problematic. Given that once solely state-held governing power is now administered by networked and self-selected elite agents, an ES perspective highlights that regime legitimacy will be difficult to generate among MVT stakeholders. This is because it is hard to trust a source of authority when it is tied to elites that have rival market interests and different financial values next to MVT stakeholders (Dunne, 2010; Hurrell, 2007).

### **Historically Consistent Practice of Informal Regulation**

The historical emergence of MVT systems suggests that these social structures were a constitutive effect of sovereign and private enterprise and innovation. These efforts were designed to reliably generate wealth and access goods and services via trade networks with distant societies (Martin, 2009; Passas, 2006a; Thompson, 2007). Prior to the advent of globally and digitally connected transactions, money transfers took place effectively and reliably, despite the lack of high-speed assurance. Time was no barrier, and the fundamental principles for a functional society provided the framework on which international merchants built their commercial enterprise. In the absence of digital technology, societal principles of trust, contract and promise were historically guaranteed by means of clay tablets, wooden plates, leather parchment and finally paper (Yang, 1952; Weatherford, 1997).

A variety of recognized instruments came to be regulated, including signed and witnessed orders, promises and obligations to transfer funds or pay off debt (Moshenskyi, 2008; Weatherford, 1997). They were regulated as such, in concert with a commonly held value system within each society. The principals of functional society are the same values that underwrite successful trade systems (Bull, 2002). If one part becomes unstable, then the ability for the other to persist becomes tenuous.

---

<sup>69</sup> The ESAAMLG (2018) comprises "...18 Member Countries;... Angola, Botswana, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe and includes a number of regional and international observers such as AUSTRAC, Commonwealth Secretariat, East African Community, FATF, IMF, SADC, United Kingdom, United States of America, UNODC, World Bank and World Customs Organization. The United Kingdom and United States of America have been cooperating and supporting nations of the organization since it was established in 1999" (para. 1).

Despite the potential risk of loss involved in early trade, large empires arose on the back of traditional modes of remittance. These advantages included credit liquidity, security, and confidence. Such trust-based systems enabled traders and merchants to take advantage of commercial opportunities with some degree of confidence. The evidence suggests, particularly in regard to the *hawala* and *hundi* systems, that access to a legal system was not necessary to provide secure and viable remittance services (Martin, 2009; Schramm & Taube, 2003). In contrast, narratives such as those described in Ancient Mesopotamia highlight the advantages of a system of law in terms of dispute moderation, breach of contract redress, taxation, and greater long-term economic stability (Veenhof & Eidem, 2008; Van De Mierop, 2015; Hudson, 2010).

People continue to trust and rely on traditional remittance systems such as *hundi*, *hawala*, and *fei ch'ien* in preference to institutionalized and regulated financial systems (Cook & Smith, 2011; World Bank, 2019). The challenge is to include informal remittance systems, alongside their institutionally more powerful formalized counterparts, as legitimate contributors and participants in the creation of the financial norms. This thesis focusses on the implications of a shift in the treatment of informal money practices. This includes the theoretical basis for informal regulation, and the normative implications of new technologies that developed in the early 20<sup>th</sup> century.

## **Chapter Three Conclusions**

### **Findings on Pluralism and Solidarism**

The adoption of the UNSCR 1373 regime marked the divergence of global order from the essentially pluralist political reality of international society under the banner of liberal solidarism. In this way, UNSCR 1373 is a by-product of an overly simple and arguably unfeasible approach to the moral dilemmas of international politics. Bull's (1966) response to the universalisation of human rights identifies that such predicaments require a more nuanced approach. Similarly Wheeler and Dunne (1996) point to the problem with a liberal approach to solidarism, especially on normative grounds.

This problem is due in part to a sweeping mandate by liberal solidarists aiming to overwrite pre-existing norms and rules. In this sense the governance regime which is UNSCR 1373 appears to be a tribute to the post-Cold War liberal internationalist legacy of rampant Western interventionism and its disregard for the pluralist roots of international society (i.e. power politics and cultural diversity) (Bull, 2002).

## **Findings on Trust and Promises**

In the wake of the September 11 attacks, the desire for increased security that UNSCR 1373 aimed to institute was influenced by a prevalence of risk-focused scholarly work. This research found that the prominence of undeveloped and risk-oriented scholarly characterisations of traditionally informal MVT systems reinforced the move to institutionalize distrust of such systems via UNSCR 1373.

It was observed that the retained values of the promissory note structure include the three core senses that support the custom of remittance systems. These are trust, contract, and promise. A key finding of this research is that trust exemplifies shared ground between financial parties and elements from polar opposites within the global financial order. As such, a viable solution to the distrust-based liberal solidarist paradigm instituted by UNSCR 1373 requires a nuanced contextual understanding of trust.

## **Findings on Historical Remittance Progressions**

Liberal solidarist global financial governance has attempted to carve traditionally informal MVTs out of the scope of internationally accepted norms for remittances. However, this research has found that in reality such systems are an intrinsic and historically legitimate element of cross-border remittances worldwide. A key finding is that there is a clearly evident understanding of MVT practices that have developed over a long historical period, which in order to be viable need to be accounted for as part of a solution to the Global Trust Conflict.

The historical literature that describes MVTs and other financial systems over the last 3000 years show several important findings. The first is that there has been a shift towards the reduction in trust, and the replacement of trust, with a contractual obligation. This can be regarded as an attempt to codify financial lending and money transfers into a system that includes institutional control and authority. Secondly, MVTs evolved only in the sense that they became objects of interest for non-sovereign mercantile interests and those who looked to a higher level of understanding of coordinated lending and financial practices, especially through the *haute finance* concept drawn by Polanyi. The global organization of private interests and their role in the expansion of a European international society demonstrates that informality within financial systems is not necessarily a barrier to globally legitimate agency.

The overarching influence of private authority makes one thing quite clear in terms of understanding UNSCR 1373 and its objectives. Those agents and groups of financial interaction who generate both regulation and their own form of governance are the very same people who retain the capability to exert the required power and authority to maintain order. The problem for less developed states is that they rely on informal money systems. This is at odds with the idea of growth and acceptance as part of a legitimate attempt to contribute to global financial authority. It is difficult to generate legitimacy (in the English School sense) when the method and practice of traditional MVT system acceptance can also be seen to undermine the rival interests of established and more heavily institutionalized financial organizations. It is a finding of this chapter that the historical evidence of MVTs and informal financial practices have not disappeared from trade and commerce, and that the trust-based principles of functional society align with that of traditionally informal remittances.

**Chapter Four: 21<sup>st</sup> Century Remittance Systems – Post-UNSCR**  
**1373 Understandings**

## Introduction

This chapter examines the different categories that pertain to remittance systems as observed in the 21<sup>st</sup> century. These categories demonstrate the wide divergence of remittance pathways that exist in current usage, and which are far broader than the historical underpinnings of informal remittance systems that are discussed and analysed in former chapters. The difference between a *hawala* remittance in the 1800s and a remittance in 2020 is that the earlier form of remittance has fewer barriers or checkpoints to monitor and scrutinize the transaction. By contrast, the latter form of remittance is heavily scrutinized by systems that decide whether the transaction conforms to United Nations Security Council Resolution (UNSCR) 1373 restrictions.

There is a wide assortment of remittance systems that allow for the practice of money or value transfers (MVTs). This thesis is particularly focused on the informal variety of these remittances, because it is the object of the targeted action described in UNSCR 1373. In Chapter Three, the historical descriptions of the various remittance practices showed them to be simple affairs. They allowed for money movement over distances and relied on trust between people (Aquique, 1974; Bhargava, 1935; Burgess, 1976; Dixit, 2012; Dutt, 1893; Hoover, 1926; Krishnan, 1959; Lascaux, 2015; Liu & Benton, 2016; Moshenskyi, 2008; Van De Meiroop, 2015). This was both as a source of new opportunities related to trade and of normative control. As these systems became more sophisticated, covered greater distances, and involved larger sums of money, they became more nuanced in their development. Some used systems where the dominant trust form relied on people, whilst other systems relied on the trust of a mechanism. In more modern times banking institutions and money lenders relied on replacing trust with collateral (Neal, 1990; Neal & Quinn, 2001; Spufford, 2006). At the same time, some governments and private interests worked to institute systems of authority and power within financial networks to assert control over the movement and transfer of money or value.

In the 21<sup>st</sup> century, what remains is a broad range of systems, some of which retain linkages to different forms of trust or obligation. This chapter explains the key differentiation between remittances in the 21<sup>st</sup> century, so that they are more nuanced than simply formal and informal. In order to measure and assess the practicality of UNSCR 1373, it is important that these different money transfers are accurately described. This is to demonstrate the areas where trust conflicts exist more transparently with some remittances over others. In the case of traditional MVTs, to use the FATF definitions that describe three different descriptors (i.e.

legitimate, unwitting, and complicit) of *hawala*-like remittances would be to oversimplify a diverse collection of financial pathways (FATF, 2013). These three descriptors are used to define a legal set of distinctions between MVT practices. This is less sensitive than a holistic approach, which should incorporate cultural, regional, and functional nuances (Booth & Wheeler, 2008; Hurrell, 2018).

These and other descriptors form part of a broad typological dialogue collated from FATF reports dated between 2001 and 2020 (see Appendix 4.1). This broad scope of terms and definitions are analysed to highlight some key variations in the FATF's conception of remittance systems (Table 5). The analysis drawn from this data shows how the FATF has adapted its approach over time. Understanding this provides a baseline for further analysis drawn from coding data collected on 120 different remittance systems. This second data set arranges MVT systems into meaningful groups (see Table 6) and evaluates them against a set of remittance markers (see Table 7). These markers serve to characterize the coded MVT systems in relation to their alignment with global, private or state rules, and their ability to differentiate between human trust or systems trust scenarios. The cataloguing of these systems is problematic, since cross-border transactions rely on compliance at each step of a remittance journey.

## **The Changing Regulatory Typology of Remittance Systems**

In 2001, UNSCR 1373 emerged as a document that aimed to leverage control over the use of remittance systems that were alleged to be used, or at a high-risk of use, to fund acts of terrorism. The FATF has, since 2001, released a regular set of updates to show its ongoing efforts to exert its UN mandate at the Nation-State level, and to assist states in understanding which remittance systems should be permitted, and which should be more compulsorily scrutinized.

To understand the FATF dialogue with Nation-States, a historical data collection was created in order to depict areas where the 2001 descriptions either remained the same or changed over time. Because UNSCR 1373 used generalized language that described remittances in terms of their usage, either for legitimate purposes or the illegitimate funding of acts such as terrorism, there is a need to accurately describe which remittance systems were suitable and which ones were not. To understand the important differences through the lens of UNSCR 1373, it is necessary to follow the dialogue of updates and descriptions that were posted by the FATF.

Table 5 sets out the changes in key terms used by the FATF to describe remittance-related issues. These terms were collated from official FATF reports and press releases published between 2001 and 2020. The full data set comprising the FATF dialogue is found in Appendix 4.1. This table outlines the key changes in terminology where that change has occurred over time (from 2001 and onwards).

**Table 5.** *Changes in the FATF Dialogue on Remittances: 2001-2020*

Year	Initial Term	Initial Meaning	Update Year	New Term	Nature of Change
2006	New Payment Methods (NPMs)	Emergent payment tools and techniques of money or value transfer that are categorised either as an ‘extension of traditional retail electronic payment systems’ (i.e. prepaid cards, bank account-based internet payment systems, and bank account-based mobile payments), or ‘new non-traditional retail electronic payment systems’ (i.e. electronic purse, internet payments not tied to a bank account, mobile payments not tied to a bank account, and digital precious metals) (FATF, 2006).	2010	New Payment Methods (NPMs)	The payment methods previously included under the NPM banner as ‘extensions of traditional retail electronic payment systems’ no longer fit. The 2010 concept of NPMs no longer distinguishes between services linked to bank accounts and those not, and only encompasses systems that were previously referred to as ‘new non-traditional retail payment systems’ (see Appendix 4.1) (FATF, 2010).
2006	Internet Payment Services	The FATF distinguish between two forms of internet payment services. First, systems that use the internet to move value to or from a bank account on which the service is dependent. This is the conception of an internet payment service as an extension of traditional electronic retail payments systems. Second, purely internet-based transfer services not directly tied to a bank account and provided by a non-bank organization. This is the concept of an internet payment service as an NPM or non-traditional payment system (FATF, 2006).	2010	Internet Payment Services (IPS)	Updated to exclude the notion of an IPS as an ‘extension of traditional electronic retail payment systems’. The FATF specify that an IPS is now purely those operations that facilitate payments online without, or an indirect, connection to a bank account. Such a service can also be facilitated by non-bank financial institutions (FATF, 2010).
2006	Mobile Payments	The use of mobile or wireless communications technology to facilitate money or value transfers. The majority of mobile payments services only rely on a phone to access a bank-based payment network in order to start and verify transactions. This is what the FATF characterize as an ‘extension’ of a traditional retail electronic payment system. In contrast, the FATF identifies ‘new non-traditional’ forms of mobile payment systems as those not tied to a bank, but instead are most often designed and run by a telecommunications company (FATF, 2006).	2010	Mobile Payment Services	The term ‘mobile payments’, in 2010 relates to four different systems categories used by the World Bank. These are; -mobile financial information services. -mobile bank and securities account services (internet banking). -mobile payment services (mobile payments via non-bank accounts). -mobile money services (store value on mobile devices, can exchange call credit for goods and services).



2006	E-money	A term that relates to a variety of electronic means by which to transfer value that either; function as an extension of conventional MVT services, or operate entirely separate to formal financial systems and are considered to be 'non-traditional' methods of making retail payments (FATF, 2006, p. 3).	2014	E-money	Refers exclusively to any digital object that represents fiat-backed currency, which allows for the electronic transfer or exchange of that legal tender (FATF, 2014a).
2014	Virtual Currency	"Virtual currency is a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status (i.e., when tendered to a creditor, is a valid and legal offer of payment) in any jurisdiction. It is not issued nor guaranteed by any jurisdiction and fulfils the above functions only by agreement within the community of users of the virtual currency" (FATF, 2014a, p. 4).	2018	Virtual Asset (VA)	A VA is "...a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations" (FATF, 2012-2019, p. 126).
2015	De-risking	Termination of the provision of financial services, most commonly as part of a correspondent banking process, to a particular type or group of clients based on risk-related issues, the drivers of which are not yet clear. Aside from certain legitimate high-risk situations, the decision by a financial institution to cease all services provided in this way is considered to be de-risking or avoiding risk, rather than mitigating it or taking precautionary measures deemed appropriate in line with FATF Recommendations (FATF, 2015; FATF, 2016b).	2016	De-risking	The FATF specify that 'de-risking' may also refer to a financial institution acting to limit the scope of its relationship with certain clients. Moreover, a decision to de-risk may be applied not only to a specific type or grouping of client, but also to a whole country or geographical region (FATF, 2016a).

### New Payment Methods (2006 – 2010)

In 2006, the FATF marked a major shift in their conception of money laundering and terrorism financing risk through remittance systems. The term 'New Payment Methods' (NPMs) was introduced to highlight emergent payment tools and techniques of money or value transfer. These were categorised either as an 'extension' of banking systems or 'new non-traditional' systems not tied to conventional banking systems (FATF, 2006).

In 2010, this position changed with a note that some of the 'new' payment methods<sup>70</sup> assessed in 2006 were not actually 'new' as previously described (FATF, 2010). The FATF retrospectively clarified what was meant by 'new' in 2006, which they state had been in relation

<sup>70</sup> Such as prepaid payment cards and internet or mobile payments provided by banks (FATF, 2010).

to the changing transfer practices of banks and other ‘non-bank’ financial service providers, thereby allowing remittance and other services to be provided via means then unaccounted for in the regulatory standards (FATF, 2010). As a consequence of this altered policy position, the payment tools previously conceived of as ‘extensions’ to conventional banking are no longer considered part of their ‘new payment methods’ paradigm. The 2010 re-interpretation of ‘NPMs’ solely encompasses systems that were previously referred to as ‘new non-traditional’ forms of MVT systems (see Appendix 4.1) (FATF, 2010).

The need for re-interpretation in this case appears to have been to categorically delineate services provided by conventional banking systems from any service provided by a payment system categorised under the NPM banner. One implication of this is a decoupling of the conventional banking sector’s regulatory status from the risk profile of any system categorised as a high-risk ‘new payment method’. Looking at this from another angle it appears that, regardless of its risk profile, a payment system cannot be categorised as a new payment method if it is an extension of a service provided by a conventional banking institution.

### **Internet Payment Services (2006 – 2010)**

In 2006, the FATF conceived of what it referred to as ‘internet payment services’ in two forms (FATF, 2006). The first form comprises services that are an ‘extension’ of, and are dependent on, a deposit account provided by a bank. The other type refers to purely internet-based payment systems provided by a non-bank organization, that are not *directly* tied to a conventional bank account (FATF, 2006). In 2010, the FATF reinterpreted its definition to refer only to those operations that facilitate payments online that are not tied, or only *indirectly* linked to a bank account. The FATF also stipulates that such a service can also be facilitated by non-bank financial institutions (FATF, 2010).

The need for re-interpretation in this case appears to follow the same logic as that applied to the term ‘NPM’. However, despite the exclusion of the 2006 conception of an internet payment system as a *direct* extension of conventional banking products and services, the 2010 conception still encompasses a payment service if it is *obliquely* tied to a conventional bank or financial institution. This means that a third-party subsidiary of a conventional banking institution may provide an internet payment service under this category. In effect, this has facilitated the creation of a reputational and regulatory status buffer for the conventional financial sector. Any internet payment system directly tied to a banking institution is automatically consigned to a lower risk category. While it appears that higher risk services can

also be employed by a third-party ancillary or proxy organization tied to a bank, yet still enjoy the relatively relaxed compliance requirements.

### **Mobile Payments/Mobile Payment Services (2006 – 2010)**

Just as before, the 2006 concept of ‘mobile payments’ for the FATF was a bifocal view, set between banks that provide the mobile service as an extension of its existing operations, and ‘new non-traditional’ mobile payments most commonly provided by a telecommunications company (FATF, 2006). The reinterpretation of this position in 2010 led the FATF to use a slightly different term, ‘mobile payment services’, and expand on its typology to incorporate that employed by the World Bank (FATF, 2010). The four types of mobile financial services listed are: ‘mobile financial information services’,<sup>71</sup> ‘mobile bank and securities account services’,<sup>72</sup> ‘mobile payment services’,<sup>73</sup> and ‘mobile money services’<sup>74</sup> (FATF, 2010). The FATF focuses on the latter two categories to the exclusion of the former two on the basis that they are low risk vectors. The FATF state that the ‘mobile money’ and ‘mobile payments’ system types are considered high risk, primarily because these services are not provided by or associated with conventional banking institutions (FATF, 2010). The need for re-interpretation in this case appears to follow the same logic as outlined for the terms ‘NPM’ and ‘Internet Payment Services’.

### **E-money (2006 - 2014)**

In 2006, the FATF concept of ‘e-money’ followed the same dual format as the previous terms discussed. The methods-oriented definition referred to the different electronic means by which to transfer value, either as an ‘extension’ of conventional banking systems, or entirely separate to formal financial systems and designated as ‘non-traditional’ (FATF, 2006, p. 3). In 2014 the FATF changed its definition of e-money entirely, no longer describing digital methods of transfer ascribed to a particular type of financial institution, instead adapting its position to the emergence of blockchain technology and cryptocurrency. The new conception refers exclusively to any digital object representative of a fiat-backed currency, enabling its electronic transfer or exchange (FATF, 2014a). The need for re-interpretation of this term was to delineate digital representations of fiat currency from non-fiat forms of digital value.

---

<sup>71</sup> Viewing personal account and general financial information, no transactions.

<sup>72</sup> Internet banking.

<sup>73</sup> Users make mobile payments via non-bank and non-securities accounts, may be provided by non-traditional financial institutions.

<sup>74</sup> Users store value on their mobile device, can use call credit or airtime as value in exchange for other goods and services.

## **The Change from Virtual Currency Designation to Virtual Asset Designation (2014-2018)**

In 2014, the FATF used the term ‘virtual currency’ to describe digital forms of value and went on to provide a complex definition (see Table 5) (FATF, 2014a). Under this earlier conception, virtual currency “...functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value but does not have legal tender status” (p. 4). Moreover, the FATF highlighted that it “...functions only by agreement within the community of users of the virtual currency” (FATF, 2014a, p. 4). Notably, recognition of the core social nature of these digital MVT systems held promise for the potential effectiveness of the FATFs emerging policy position. With this definition, as well as the extensive detail on virtual currencies set out in the report, the FATF (2014a) demonstrated an appropriate level of understanding on which to form its guidance for states to implement a risk-based regulatory approach.

In October of 2018 the FATF updated its typology to use the term ‘virtual asset’ (VA) instead of ‘virtual currency’ (see Table 5) (FATF, 2012-2019; FATF, 2019). The definition provided by the FATF (2012-2019) is as follows;

...a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations. (p. 126)

This reinterpretation marks a significant shift in regulatory policy, which seems to dilute the nuanced understanding of virtual currencies previously detailed by the FATF (2014a). The new definition implies almost the same functionality specified in the 2014 definition. However, the exclusion of the descriptor ‘currency’ reflects a rejection of the fundamentally social aspect of these MVT systems. For example, part of the characterisation of virtual currencies by the FATF (2014a) was that the operation of such systems is dependent on “...agreement with the community of users” (p. 4). Designated as ‘assets’, virtual currencies are to be treated primarily as property by states, the focus being on ownership rather than its social role as a medium of exchange (i.e. a social institution). Under the revised policy, the label ‘currency’ is now reserved only for e-money or fiat currency (FATF, 2014a).

The FATF (2019) later stated that the intended goals of this reinterpretation were as follows. Firstly, “...to further clarify the application of the FATF Standards to VA [virtual asset] activities and VASPs [virtual asset service providers]”. Secondly, “...to ensure a level regulatory playing field for VASPs globally”. Third, “...to assist jurisdictions in mitigating the ML/TF [money laundering/terrorism financing] risks associated with VA activities”. Last, to defend the “...integrity of the global financial system” (FATF, 2019, p. 6). The FATF do not

explain how this policy shift works to maintain an equitable regulatory environment for all service providers worldwide. Moreover, the FATF's reasoning fails to explain how defining virtual currencies as assets serves either to enhance the implementation of the FATF standards, or ensure the optimal protection of the global financial system (FATF, 2019). These points highlight a need for further research in order to grasp the implications. The terms 'virtual currency', 'cryptocurrency' and 'emergent remittance systems' are applied in this research instead of the limited designation 'virtual asset'. This is because the FATF's preferred term, and its overly simple definition, do not accurately represent or adequately engender the nuance and diversity of the emerging blockchain-based MVT sector.

This definitional position became more problematic when the foundational cryptocurrency called 'Bitcoin' was officially adopted by the state of El Salvador (Strike, 2021). This occurred in June of 2021 when the South American state passed legislation to recognize Bitcoin as legal tender next to the United States Dollar. It is believed that this event will encourage many other developing countries to make a similar move (Strike, 2021). This is because significant economic improvements are expected to arise as a result, including increased financial efficiency and inclusion, as well as greatly improved resilience to potential currency inflation shocks (Sigalos, 2021).

### **De-risking (2015 - 2016)**

In 2015, the FATF identified a trend it referred to as 'de-risking' (see Table 5) (FATF, 2015; FATF, 2016b). This term describes the ceasing all financial services to a particular type or group of clients, most commonly enacted by a correspondent bank, which has determined that they pose a high risk of misuse or regulatory non-compliance. In effect, the institution is acting to avoid risk rather than mitigate it or take precautionary measures in line with FATF Recommendations (FATF, 2015; FATF, 2016b).

In 2016, the FATF expanded its conception of de-risking. The FATF found that de-risking also can take the form of an institution limiting the extent of its relationship with clients it has deemed high risk. Additionally, de-risking can also encompass a decision to cease providing services to a whole country or geographical region (FATF, 2016a). The need for reinterpretation in this case is to clarify the meaning of the term based on a deeper understanding gained through further investigation.

## Sorting Remittance Systems into Meaningful Categories

This chapter engages with the secondary research materials that inform this research. The analysis of coding data on remittance systems is useful because it helps explain how Nation-States and actors should comply with UNSCR 1373. By using a mixed approach to the analysis of money transfers, both formal and informal remittance systems are used to understand perceptions of trust, global governance, and their alignment with UNSCR 1373. This method connects the business, history, and processes of the evolution of money or value transfers, and their frameworks. This study offers an analysis of the operational underpinnings that make sense of the 21<sup>st</sup> century systems used in the transfer of money.

A review of remittance variations in 2020 revealed 120 different avenues of money transfer. Table 6 outlines the scope of different money or value transfer (MVT) systems according to multiple FATF reports (FATF, 2010; 2013; 2013a; 2013b; 2014a). The spectrum of systems provided by the FATF classifies MVT systems into eight distinct formats. A study of 21<sup>st</sup> century remittance systems in current usage identified several classifications that demonstrate different remittances, based on conformity to one or more methods of processing the movement of money (or its equivalent value). This study mapped the trust and process differences between these classifications of remittance (as depicted in Appendices 3.2 to 3.8).

The following eight remittance types (Table 6) were recognized in the coding process. These are; internet-based payment (IBP) systems, *Hawala* or Similar Service Providers (HOSSPs), Real Time Gross Settlement (RTGS) systems, Prepaid Cards, Virtual Currencies (a.k.a. Virtual Assets), E-money, Conventional Systems. The category ‘Minor Remittance Systems’ was added to provide space for remittance outliers that were found to be of limited structural significance. This grouping includes Bank-centric Mobile Payment, and Mobile Network Operator (MNO) Payment systems also recognized in the coding process.

**Table 6. Types of Remittance Systems**

Remittance Markers	
Internet Based Payment Systems (IBP)	-Provide mechanisms for clients to access prefunded accounts via the internet. -Accounts can be used to transfer funds to other individuals or businesses, which often also hold accounts with the same online payment service.
HOSSP	- <i>Hawala</i> or Similar Service Providers (HOSSPs) facilitate money or value transfer services. -Specifically, MVT services with ties to particular geographic regions or ethnic communities. -Such systems generally arrange for sending and receiving of funds or value and settle through trade, cash, and net settlement over a long period of time.
RTGS	-Real Time Gross Settlement (RTGS) systems are specialist inter-bank transfer systems where the remittance of funds or securities takes place in real time and on a large scale, in order to settle accounts between large banking and financial institutions.
Prepaid Cards	-Emerged as a means of paying for goods and services where the issuer does not need to conduct any analysis on the cardholder's credit standing, or bear the costs for opening and managing a payment account. -Some prepaid cards may now be used to withdraw cash from automated teller machines (ATMs) in many locations internationally. -Some cards allow person-to-person transfers (e.g. VISA gift card).
Virtual Currencies (Virtual Assets)	-A digital form of value that can be exchanged and operates "...as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status" anywhere (FATF, 2014, p. 4). -Not supplied or backed by a sovereign authority, and operates only by agreement within the community of users of the virtual currency.
E-money	Refers exclusively to any digital object that represents fiat-backed currency, which allows for the electronic transfer or exchange of that legal tender (FATF, 2014a).
Conventional Systems	-MVT services delivered by conventional banking and financial institutions in which clients hold payments accounts or credit arrangements. -Holdings and transfers are made in the form of fiat-backed currency on centralized remittance networks.
Minor Remittance Systems	-Remittance systems that were coded but were found to have minor structural significance. These are essentially remittance outliers that inform this research data in minor and less significant ways.

*Sources: Adapted from FATF, 2013; 2013a; 2014a.*

This data collection is discussed in relation to the eight FATF remittance markers on an individual marker-by-marker basis (Table 6). These eight markers are directly derived from the FATFs own characterisations of the important features that relate to remittance systems, and are affected by the directives mandated by UNSCR 1373.

## 21<sup>st</sup> Century Remittance Characteristics

In order to make sense of the FATF typology an examination of the remittance categories and their characteristics was undertaken. The examination considered each type of remittance system (as noted in 2020) and coded each of the characteristics of the systems to compare and contrast category features. The researcher used the following keywords and phrases to search for major money transfer services: money transfer, remittance, international money transfer,

send money. The search and coding process took place over six weeks, and the primary sources were websites, on which the terms and conditions, annual reports, as well as investor relations information served as the basis for coding MVT services worldwide.

The coding identified sixteen notable features that gave reference to the key fundamental structures of the FATF typology (Table 7). These structures form distinct points of comparison in forming a global understanding of remittances in the year 2020, and therefore what observations are relevant against UNSCR 1373 under post-9/11 contemporary conditions.

**Table 7.** *FATF Typology: Structural Features*

List of Structures	Meaning
Date	What century?
Informal	Does not always conform to the power/authority/institution of the day.
Formal	Conforms to the power/authority/institution of the day.
Conforms to UNSCR 1373 Rules	Conforms to regulations mandated by UNSCR 1373 (post-2001).
Private Rules	Conforms to rules generated by the owners and operators of the financial system.
Conforms to Nation-State Rules	Conforms to rules legislated by the state.
Trust (People)	The system places trust primarily in people.
Trust (System)	The system itself is the source of trust.
Underwritten by Government	Confidence in the institution is enhanced by a government guarantee of its holdings
Trust (Religion)	God is the primary source of trust in the system.
Traceable	Transactions made are traceable.
Low Cost	0 < ~5% fee
High Cost	~10%<
High Speed	Transaction speed: Instant or < 1 day
Low Speed	Transaction speed: 2 - 5 days or more
KYC	Is a Know Your Customer policy applied?
CDD	Does the system ensure ongoing Customer Due Diligence checks?

Remittances can be classified into categories by means of regulatory status (i.e. informal/formal), conformity to rules from certain sources (i.e. UNSCR 1373/Private/Nation-State), sources of trust (i.e. people/system/government/religion), traceability, cost, speed, client identification/familiarity (i.e. KYC), and Customer Due Diligence (CDD). A key part of the



coding process for this research is determining what type of trust category applies to each service. As set out above, four sources of trust were recognized: people, system, government, and religion. In the first instance, being coded into the ‘people’ category of trust indicates that the system places trust primarily in people. Second, a coding into the ‘system’ trust category reflects a finding that the system itself is the source of trust. Third, coding into the ‘underwritten by government’ category means it is found that confidence in the institution is enhanced by a government guarantee of its holdings. Last, the ‘religion’ category reflects a finding that God is the foremost source of trust in the system (see Appendix 3.1).

By classifying these remittance variations, it becomes very easy to compare systems that are informal versus formal. However, it remains difficult to identify specific explanations for the large number of systems. If trust is perceived only through the lens of UNSCR 1373 then its role is to clarify a particular pre-determined bias towards informal systems, thereby overlooking normalized transfers in favour of differentiating the financing of terrorist activities.

### **Internet-Based Payment Systems**

Internet-based payment (IBP) systems provide mechanisms for customers to access, via the internet, prefunded accounts which can be used to transfer the electronic money or value held in those accounts to other individuals or businesses which also hold accounts with the same provider (FATF, 2013b). The data gathered against this marker show an entirely formal characterisation of these remittance systems. These types of systems all adhere to the FATF / UNSCR 1373 guidelines. In addition they all conform to state rules. These systems are all private in terms of their financial status. They are not underwritten by their original state government. Systems based trust is a defining characteristic of all IBP systems in this data set. This is seen in the broad application of blockchain technology that utilizes cryptographic verification to ensure the security of transactions. The data also shows that IBPs broadly follow accepted policy in terms of a know your customer (KYC) regime, and that these systems conform to ongoing checks on customer due diligence (CDD).

The areas that are less clear in internet-based payment systems are best described in terms of differences in the speed of transfer that sees individuals receive instant funds transfers, where some companies and firms endure longer payment times of between 2 – 5 days. High-volume business remittance service providers such as Global Reach, PayPal, and MoneyCorp are most commonly aligned with complex remittance arrangements and are subject to higher costs, in comparison to other more straightforward internet remittance systems.

Thus, the IBP systems indicate a technology-driven alignment with western-based normative values that do not reflect a diverse range of values, but rather a consistent connection with the institutionally stronger transfer systems that are typically more formal than informal. The above observations of IBP systems refer to Appendix 3.2.

## **HOSSPs**

The category of *Hawala* and Other Similar Service Providers (HOSSP) refers to a collection of money transmitters. The FATF typology characterizes these service providers in terms of their ties to specific geographic localities or ethnic communities, which arrange for transfer and receipt of funds or equivalent value. Moreover, such systems often settle their accounts through trade, cash, and net settlement over a long period of time (FATF, 2013a).

This category includes remittance systems that are disparate in their conformity with state rules. There are many individual money or value transfer systems that contest the adherence to FATF / UNSCR 1373 guidelines. These systems are all private in terms of their financial status. They are not underwritten by their original state government. Almost all the remittance systems in this section follow accepted policy in terms of a KYC regime; however, they have a far weaker adherence to ongoing customer due diligence in the formalized sense of repeated remittance transactions. HOSSP remittances show a much greater connection with people-based trust systems instead of system-based trust and also with a disregard for the need to use a system that enjoys the underwriting of a government or state institution.

HOSSP remittances include the financial impact of the big three well established informal remitters (i.e. *hawala*, *hundi*, and *fei ch'ien*). They demonstrate very low levels of transactional traceability, as well as strong reliance on less formalized familial governance. They retain consistencies in terms of low-cost remittances. These remittance providers are usually informal in their actions. They keep few traceable records and rely on close knit intimate connections rather than the branded transfer systems that are more highly visible and more obviously marketed.

Thus the HOSSP Systems indicate a socially-driven alignment with cultural, familial, and individual values that are diverse and wide-ranging. They are typically more informal than formal. The above observations of HOSSPs refer to Appendix 3.3.

## **Real Time Gross Settlement Platforms**

Real time gross settlement (RTGS) platforms are specialist inter-bank remittance systems, wherein the transfer of money or securities takes place from one bank or financial

institution to another. These networks operate in real time and on a large scale.<sup>75</sup> The data collected on these systems reveals a wholly formal structure as a consistent feature in this category. RTGS are found to consistently adhere to FATF / UNSCR 1373 requirements. Systems-based trust is a consistent marker for these MVTs, which is seen in the broad application of blockchain technology that utilizes cryptographic verification to ensure the security of transactions. The data also shows that RTGS broadly follow accepted policy in terms of a KYC regime, and these systems conform to ongoing checks on CDD.

These high traffic systems are also broadly characterized by low transaction fees and real-time transfer speeds. It is contested as to whether RTGS conform to the rules of their respective state. These institutions are all private in terms of their financial status. The above observations of RTGS platforms refer to Appendix 3.4.

### **Prepaid Cards**

Prepaid cards began as a device used to pay for goods and services where the issuer does not need to conduct any analysis on the cardholder's credit standing or bear the costs for opening and managing a payment account (FATF, 2013b). Some prepaid cards may now be used to withdraw cash from automated teller machines (ATMs) in many locations internationally. In addition, some cards provide the possibility of person-to-person transfers (e.g. VISA gift card) (FATF, 2013b).

The data collected on these systems reveals a formal structure as a largely consistent feature in this category, with the exception of Mastercard and Visa gift cards. Whilst it is clear that these two forms of prepaid cards are formalized in their country of origin, that they can be purchased and used anonymously across state borders brings this formality into question. This category includes value transfer systems that are largely in conformity with state rules, with the exception of the aforementioned gift cards. Most prepaid cards are in contest with the global mandate to adhere to FATF / UNSCR 1373 guidelines.

Systems-based trust, low cost and high-speed transactions are consistent features for MVTs of this category. Prepaid cards exhibit a generally low level of traceability. The data also shows that such systems generally do not follow accepted policy in terms of a KYC regime or ongoing CDD. The above observations of prepaid cards refer to Appendix 3.5.

---

<sup>75</sup> Examples of such systems include US FedWire, the SWIFT (Society for Worldwide Interbank Financial Telecommunications) system, and the Large Value Transfer System (LVTS) in Canada.

## Conventional Systems

The FATF (2010) refer to a ‘traditional financial institution’<sup>76</sup> when describing what this research describes as ‘conventional’. In this research, the term ‘conventional’ is applied in reference to the formal financial institutions<sup>77</sup> favoured in the Global North.

In 2010, the FATF conducted a global threat assessment in relation to the sources, harms, and measures taken to address money laundering and terrorism financing. The ‘banking system’ featured prominently as the first of five sub-categories of threat vectors attached to value transfer systems that are vulnerable to abuse (FATF, 2010a, p. 24). This assessment is the first report in which the threat of money laundering and terrorism financing via conventional avenues of value transfer, in particular the banking system, has been acknowledged and addressed in detail (FATF, 2010a).

This category is not typically featured in an FATF typology of vulnerable remittance systems. This is because part of the premise underlying the global regulatory effort (GRE)<sup>78</sup> is a prevailing belief that the existing standards of regulation for conventional financial systems are largely adequate.<sup>79</sup> Although the FATF (2010a) eventually outlined the significance of the threat of money laundering and terrorism financing via conventional banking institutions, since 2001 the FATF’s focus, and approach have largely remained unchanged. This means that the risk of misuse of traditionally informal remittances and emerging remittance systems has been regularly addressed with urgency, whereas the risk of money laundering and terrorism financing via conventional or formal financial systems appears as a less pressing concern, having only been addressed almost a decade after UNSCR 1373 (FATF, 2010a). However, all remittance systems are at risk of misuse and despite a long history of formalized operation the institutions observed in this category are no exception. This category also includes Central

---

<sup>76</sup> The notion of a ‘traditional’ financial system in this research refers to the informal financial norms and practices of money or value transfer systems that are autochthonous to certain regions and have ancient cultural roots.

<sup>77</sup> Such institutions are characteristically centralized and heavily regulated (see ‘*Conventional Financial Institution*’ in the Abbreviations, Terms and Definitions section).

<sup>78</sup> The (GRE) Global Regulatory Effort describes all internationally-led non-government and state efforts to regulate MVT systems as a single group according to the mandate set out under UNSCR 1373, and the policies set out by the Financial Action Task Force (FATF).

<sup>79</sup> Based on an extensive review of the literature published by the FATF since its inception in 1990 to 2020, it was observed that until 2010 the vulnerabilities and extent of the threats facing the conventional financial sector were generally only discussed in limited detail. In 2010, the FATF highlighted that the banking system is commonly involved in most forms of value transfer due to its size, complexity, and extent of financial services provided. Moreover, the FATF posited that misuse of banking institutions is often made possible by identity fraud. Also, it is noted that criminals and terrorists are attracted to the banking system for its speed, security, and the appearance of legitimacy afforded to value transfers via such institutions (FATF, 2010a).

Banks, conventional financial instruments (i.e. bill of exchange, cheque), and Islamic banking institutions.

MVT services delivered by conventional banking and financial institutions are commonly those in which clients hold payments accounts or credit arrangements. Transfers are made in the form of fiat-backed currency that are processed and settled by an automated system, which is also set up and operated by the same or a similarly conventional financial institution. These conventional banking systems now include the more readily convenient ability to certify and verify transactions based on the ground truth that is supplied by means of blockchain technology. In conventional banking terms, this introduction of blockchain technology has reduced the cost of trust and rewarded conventional banking practices with much more timely money movements backed up by highly reliable trusted systems.

The data shows an entirely formal characterisation of these remittance systems. It is contested whether these types of systems, with the exception of some traditional instruments and Central Banks, adhere to the FATF / UNSCR 1373 guidelines. Overall, conformity with state rules was found to be contested. Most conventional systems are private in terms of their financial status. Trust is found to be built into the systems of most conventional institutions. Conventional systems are largely underwritten by their original Nation-State government. There is a high level of transactional traceability in this category. The above observations of conventional systems refer to Appendix 3.6.

### ***Conventional Systems: Islamic Banks***

However, the findings are less than clear for Islamic banking institutions. Like other conventional systems, these faith-oriented financial structures appear to operate in a regulatory grey area with regard to FATF / UNSCR 1373 guidelines. Although they are private in terms of their financial status, the only uncontested source of operational rules appears to be the Nation-State, while the traditional sources of trust for Islamic banks, people and religion, are now commonly contested as a result of a need to compete with Western-style finance. This is due to a reliance on systemic trust, which means conventional Western-style institutions have a less limited scope in terms of acceptable financial norms.

The data shows that Islamic banks are commonly underwritten by their Nation-State. Institutions operating in the United Arab Emirates reflect a notable outlier in this regard, as well as in terms of traceability, whereas such institutions elsewhere exhibit a high level of transactional traceability. Transaction fees are generally high for Islamic banks. Fast transaction speeds are common for these institutions. The data also shows that Islamic banks

broadly follow accepted policy in terms of a Know Your Customer (KYC) regime, and these systems conform to ongoing customer due diligence (CDD) checks. The above observations of conventional systems refer to Appendix 3.6.

## **Virtual Currencies**

Virtual currencies demonstrate their own specific currency structure. According to the FATF (2014a), “...virtual currency is a digital representation of value that can be traded” online and operates “...as a medium of exchange; and/or a unit of account; and/or a store of value” (p. 4). Virtual currencies do not have legal tender status in any state or territory and are not supplied or guaranteed by any authority.<sup>80</sup> These instruments operate based on the broad agreement and/or consensus of a community of users (FATF, 2014a). Some systems that are primarily focused on providing banking services in conjunction with virtual currencies were also coded under this category. The services these systems provide are referred to here as crypto-banking.

The data on virtual currencies exhibits a largely informal characterisation of these MVT systems. It indicates that, with few exceptions, virtual currencies do not adhere to FATF / UNSCR 1373 guidelines. Such systems are private in terms of their financial status. Most virtual currencies exhibit non-conformity to the rules of any state. With the exception of those that are tethered to a fiat currency, such as the US Digital Coin, the data shows that virtual currencies are generally not underwritten by states. The data reveals that systems-based trust forms a consistent marker among most virtual currencies. Virtual currency transactions are traceable. Transaction costs are low in this category. The data also shows high speed transactions are a consistent feature. However, virtual currencies generally do ensure the application of accepted policy in terms of a KYC regime or ongoing customer due diligence. The above observations of virtual currencies refer to Appendix 3.7.

### ***Virtual Currencies: Crypto-banking***

Service providers that interweave conventional banking services with virtual currency trading and transactions are rare, and those in operation are in their infancy. The data shows a wholly formal characterisation of these remittance systems. The researcher is aware of only one banking institution recognized as fully compliant with UNSCR 1373 mandated FATF

---

<sup>80</sup> The US Digital Coin (USDC) was coded under this category for the sake of ease of organization. Readers should note that some digital coins are generated under the direction of a state entity and are therefore tethered to a fiat-backed currency and do not fall within this definition provided by the FATF (2014a; 2019).

guidelines, called 'Bitwala'. In contrast, this marker is contested for all others, which are not recognized as banking institutions but as MVT service providers. Bitwala aside, such service providers were not found to be subject to a private source of rules.

Half of the systems in this category were assessed as 'contested' in relation to conformity to rules of the Nation-State. Crypto-banking operations rely on trust built into their systems, and only one (i.e. Bitwala) was found to be underwritten by government guarantee. Such systems provide for a high level of transaction traceability, low remittance costs, and high-speed transactions. In contrast to virtual currencies, these payment platforms exhibit consistency in terms of compliance with KYC and CDD policies and processes. The above observations of virtual currencies refer to Appendix 3.7.

### **Minor Remittance Systems**

This category consists of remittance systems that were coded but were found to have minor structural significance. These are essentially remittance outliers that inform this research data in minor and less significant ways. With only a few exceptions, MVT systems in this category exhibited broadly consistent markers. All but a few systems showed characteristics that align with the formal marker, adherence to FATF / UNSCR 1373 guidelines, conformity with Nation-State rules, systemic trust, high level traceability, low cost and high-speed transactions. Moreover, all but a few minor remittance systems are found to adhere to KYC and CDD requirements. This category exhibited minor inconsistencies in terms of transaction cost and transaction speed, with two defunct criminal systems contributing the only deviation in terms of traceability. The above observations of virtual currencies refer to Appendix 3.8.

### **Summary of 21<sup>st</sup> Century Remittance Characteristics**

Since the introduction of UNSCR 1373 we can summarise that there are five main features that describe notable change. The first relates to the way in which conventional banking has altered its remittance systems by incorporating Blockchain technology. This has had the effect of lowering the cost of trust, whilst also allowing for a more accurate system of verification. Conventional banking systems are now more easily trusted, and their features more readily used. The second feature is the highly visible broadening of remittance pathways. This changes the nature of the GRE's effectiveness through the increased number of remittance service options, associated with an equally broadening number of differences in terms of remittance procedures, guidelines, and expectations. Given that these newer and broader

remittance options now also enjoy much faster transactional speeds, the effectiveness of the associated AML/CFT policies look less robust in a post-9/11 framework.

In the post-9/11 timeframe remittances look different. They are treated differently, described by the FATF differently, and discussed along variable and differentiated lines. They are underpinned by the overarching feature of post-9/11 money transfers insofar as they can be characterized as far more complex in terms of reporting, operations, and efficacies.

## **Emerging Themes in 21<sup>st</sup> Century Remittances**

In this next section, there is a discussion of the different ways that remittances have changed since the introduction of UNSCR 1373. This discussion takes into consideration the broader remittance features, their conformity (or lack thereof) to UNSCR 1373, the traceability and verification of money movement, and the ability to identify people and system of influence directly or indirectly within the broader remittance environment. These differences have previously been referred to as remittance markers (see Table 7).

The discussion and analysis of these post-9/11 features shows alignment with previously discussed features of the English School. In particular, this discussion views the FATF reports since the introduction of UNSCR 1373 as an evolving narrative that reveals the changeability of FATF policy for the purpose of key remittance controls as new MVT pathways have evolved and developed. Thus, this discussion is important because it shows that whilst there was a previously historical explanation for the need for the control of informal MVTs, there is also a contemporary narrative that mirrors the same aims and objectives that are the subject of this thesis. Specifically, this provides additional analysis and support for the central claim that UNSCR 1373 (once mandated) forms a reliance upon the continuation of a Global Trust Conflict.

## **Insights From Contemporary Global Remittance Structures**

The English School (ES) conceives of trust through a more holistic lens than the simplified focus from UNSCR 1373. This school of thought recognizes the existential condition of uncertainty that pervades all human affairs (Booth & Wheeler, 2008; Hurrell, 2007). Trust and uncertainty have co-dependencies upon each other. Trust is needed when uncertainty brings change. This implies that trust often does not exist in its entirety outside of uncertain conditions (Adler & Barnett, 1998; Booth & Wheeler, 2008). Seen through this lens, trust is a means by which to cope with risk and uncertainty in *all* human affairs, rather than primarily those which have received international notoriety. Based on the somewhat skewed



narrative that can be derived from post-9/11 FATF reporting, UNSCR 1373 sharpened focus on the need to stamp out informal money transfers shows an error in terms of balance that contributes to the notion of a global trust conflict. In this way, the question of who to trust and to what extent is treated, from an ES perspective, as a critical issue which is equally relevant in both the political and personal spheres of life (Booth & Wheeler, 2008).

Human affairs, such as remittances, have always been characterized by the question of trust and uncertainty. It is this human factor that has not been adequately accounted for in the policy driving the Global Regulatory Effort. Thus, it is necessary that the UNSCR 1373 regime address the issue of trust and uncertainty in an overarching manner. This then looks beyond its legalistic focus on state actions and cooperation in order to account for the plurality of cultural values reflected in the large number of remittance systems that exist in modernity.

The FATF reports from 2001 to 2020 depict a constant focus on informal banking practices that are referred to by the FATFs lexicon as ‘underground banking’, which highlight these practices as somehow inappropriate or unsavoury. In combination with an analysis of the vastly increased range of remittance pathways in 2020, an emerging theme in support of the central claim of this thesis gains clarity.

## **Trends in Remittance Coding**

To determine a contemporary point of comparison to previous discussions about UNSCR 1373, a data collection was undertaken to identify and describe the complete set of remittance options as they appear in 2020. An extensive literature search of secondary data allowed for the collection of remittance systems and to characterize their differences. A discussion and analysis are shown in the following section.

Over 100 remittance systems ( $n=120$ ) were identified and analysed from January 2020 to April 2020. They were grouped according to their broad operational format largely in line with the FATF typology (see Table 7). These groups were as follows: Internet Based Payment (IBP) systems, *hawala* and other similar service providers (HOSSPs), real-time gross settlement (RTGS) platforms, prepaid cards, conventional systems, virtual currencies, and minor remittance systems. Additionally, bank-centric mobile payment systems and mobile network operator (MNO) payment systems were incorporated into the internet-based payment systems group.

Remittance systems were coded according to themes selected by the researcher. These themes align with those remittance markers described in the literature and summarised in Table Eight. They refer to characteristics of MVT systems judged to be relevant to the role of the

global trust conflict, which is the primary focus of this thesis. The fully expanded representation of the codes applied to the data set are outlined in Appendix 3.1. Those remittance markers that were collected included the following seven general areas of value.

1. A point in time to distinguish between historical and modern 21<sup>st</sup> century MVT systems.
2. Whether it is 'informal' or 'formal' (*an indicator as to each system's tendency to conformity or non-conformity with the relevant power/authority/institution*).
3. Three codes on conformity to different sources of rules (*UNSCR 1373, Private Authority, or Nation-State*).
4. Four codes on sources of trust and confidence (*People, Systems, Religions, and Government underwriting*).
5. The traceability, the cost (*whether high or low*), and the transaction speed (*high: instant or < one day, low: 2-5 days or more*).
6. Human trust, using a Know Your Customer (KYC) approach.
7. Organizational trust, by means of ongoing Customer Due Diligence (CDD).

These value areas are derived from remittance markers as discussed in the section below. They provide an accurate and contemporary lens through which to re-evaluate the global regulatory standards for money transfers and to draw comparisons and assessments of their circumstances in consideration of UNSCR 1373.

### **Conformity to UNSCR 1373**

One of the codes used to evaluate the 120 remittance systems was 'Conformity to UNSCR 1373 Rules'. Some themes that emerged were as follows: certain *hawala* or similar service providers (HOSSPs) that are regulated in the developed world also partner with unregulated agencies in the developing world (sometimes under the same brand). This issue was highlighted by the FATF (2013) as a major weak point in the Global Regulatory Effort (GRE). Additionally, particular prepaid cards were found to be regulated and accepted at the state level but allowed for local and international movement of value without identification of users (FATF, 2013a).

This trend of non-conformity with UNSCR 1373 rules is also observable in relation to conventional financial systems (i.e. banks) and virtual currencies (e.g. Bitcoin, Ethereum etc.). It is widely understood that misconduct and breaches of international AML/CFT rules are a common occurrence in conventional financial institutions (e.g. Global Financial Crisis

2007/2008). The same is true, if not as significant, of virtual currencies (e.g. Silk Road, eGold, Liberty Reserve, etc.).

## Traceability

The traceability of remittance systems has been a point of concern for the GRE since it began in late 2001 (Passas, 2016). This issue relates to documentation practices and whether transfer details are accurately recorded and retained at both ends of a money transfer. This includes taking and retaining complete and accurate identification details from the client, operator and receiver. Without these details the MVT system is considered non-compliant because it is very difficult for authorities to trace transactions, which significantly increases the risk that the MVT system will be misused (FATF, 2012-2019; 2013; Passas, 2016).

The coding process identified two forms of MVT system that are affected by traceability problems: HOSSPs and Prepaid Cards. Coding highlighted that traditional MVT systems in their 'promissory' and 'pre-9/11' forms<sup>81</sup> make tracing transactions very difficult. However, post-9/11 it is contested as to whether transactions are traceable because some operators will have registered and taken steps towards compliance, while others will not be due to a variety of compliance barriers such as; high costs, limited knowledge and understanding of regulations, and commercial imperative etc. (Smith, 2012).<sup>82</sup> In their traditional form, *hawala* or similar service providers are less concerned about the means to trace transactions and more vigilant about the trustworthiness of a potential client (Cook & Smith, 2013). Moreover, client confidentiality for traditional MVT systems is very important. Generally, operators will keep minimal and encoded notes on each transaction and will limit their risk exposure based on how well they know their customer (Passas, 1999; Maimbo, 2004).

A unique approach to Western Union (WU) was taken when coding for HOSSPs. This is because different standards of traceability, as well as overall regulatory compliance, exists depending on the destination of a WU money transfer. Coding was separated into three types:

---

<sup>81</sup> The traditional *hawala*, *hundi* and *fei ch'ien* systems were coded in three different operational formats; 'promissory', 'pre-9/11' and 'post-9/11'. The 'promissory' form reflects early modes of remittance via promise and trust-based notes. The 'pre-9/11' type refers to remittances that evolved to take advantage of electric telegraph technology following its invention and worldwide adoption from the late 19<sup>th</sup> Century CE onwards. The 'post-9/11' type reflects early 21<sup>st</sup> Century CE remittance practices, which adapted to take advantage of the digital revolution to facilitate near instantaneous cross-border transfers and in late 2001 became the focus of mandatory global regulation under UNSCR 1373.

<sup>82</sup> Previous research has identified eight significant barriers to AML/CFT regulatory compliance for MVT systems. These are identified in order of significance as follows; culturally insensitive regulatory measures, limitation of knowledge and understanding, allure of large profits, time/money and the lack of resources, commercial imperative, familial and trust networks, informal environment, and informal legacies (Smith, 2012, p. 53).

‘promissory telegram’, ‘Global South’ and ‘Global North’. The promissory telegram emerged in 1871 CE and facilitated instant as well as fully traceable money transfers (Western Union, 2019). Research conducted in 2011 and 2012 revealed that money sent from the less regulated Global South into a highly controlled state within the Global North is treated seriously by WU operators (Cook & Smith, 2011; Smith, 2012). In contrast, transfers in the opposite direction tend to omit the identification details of the receiver (Cook & Smith, 2011; Smith, 2012). These observations align with regular official warnings to avoid sending money via WU to people they do not know (Scamwatch, 2018; Western Union, 2020). As a result of court action by the US Dept. of Justice against WU in 2017, the global remittance giant agreed to pay US\$586m in reparations for processing over 100,000 transactions for WU agents and others engaged in global consumer fraud schemes (Western Union Remission, 2020). The WU money transfer network has proven to be a significant avenue for funds stemming from illicit activities, which have primarily flowed into the Global South. This is important evidence of the continuing inefficacy of the blueprint UNSCR 1373 approach, particularly in the Global South, wherein non-compliant remittance practices remain the norm (FATF, 2013).

Some prepaid cards were also found to be operating in a regulatory grey area in terms of traceability. It is possible to anonymously purchase Visa, Mastercard, and Accor Hotels gift cards with up to \$500 in value, which can then be used internationally (Mastercard, 2020; Visa, 2020; Accor Hotels, 2020). Additionally, anonymous use of prepaid smart cards is also possible, although not across state borders, in Japan (Suica), South Korea (T-Money), Hong Kong (Octopus Card), and to a lesser extent in the city of London, UK (Oyster Card). These systems are designed primarily to facilitate ease of access to public transport across multiple providers. However, the Suica, T-Money, and Octopus smart card systems also allow users to purchase goods and services at a wide variety of participating merchants. Anonymous use of prepaid card remittance systems in otherwise highly regulated economies reflects a level of culturally-aligned risk acceptance not enjoyed by HOSSP stakeholders and their clients.

An example of this was the use of prepaid debit cards by directors of a Fortune-500 e-commerce company to anonymously fund a disturbing campaign of harassment in response to criticism published by an online news website. In 2020, a representative of the US Dept. of Justice (USDoJ) in Massachusetts reported that six high ranking eBay executives had been arrested and charged with conspiracy to commit cyberstalking (USDoJ, 2020; CBS Boston, 2020; Washington Post, 2020; Metrowest Daily News, 2020). It is alleged that these company directors planned and executed a three-phase harassment operation against a married couple

employed as editors of the online news platform called *EcommerceBytes*,<sup>83</sup> which had published content that was critical of eBay (USDoJ, 2020). The alleged prolonged effort to psychologically unhinge the middle-aged couple involved cyberstalking, physical surveillance, and a number of shocking packages<sup>84</sup> sent anonymously using funds loaded onto prepaid debit cards<sup>85</sup> (Boston Herald, 2020; Information Age, 2020). This example highlights that the culturally-aligned risk-acceptance of anonymity for prepaid cards up to a certain value is a regulatory anomaly, particularly when considered next to the stringent identification requirements imposed on HOSSPs.

### Money Transfer Costs

Fees related to money transfers were coded in line with the broadly accepted standard put forward by the World Bank (2019). If the fee amounted to less than five percent of the transacted sum, then it was coded as ‘low cost’. If the fee charged exceeds ten percent, then it was coded as ‘high cost’. The global average fee for sending US\$200 to a lower-middle income country (LMIC) through a conventional bank was the highest at 10.9% in the first quarter of 2019, whereas the average for remittance systems was 7% for the same period (World Bank, 2019).

Fees for internet-based payment systems were largely coded as low cost, with only a few primarily merchant-focused service providers coded into the high-cost bracket (e.g. Hyperwallet, Global Reach Partners, MoneyCorp). The majority of HOSSPs were coded into the low-cost bracket, with the few Western-aligned systems in this category in the high-cost range (i.e. Western Union [all three types], Bill of Exchange, and *Foenus Nauticum* [risk dependent, between 4-12%]). The majority of conventional financial institutions, including all but one of five Islamic banks assessed, coded into the high-cost category. All virtual currencies fell into the low-cost category. All prepaid cards fell into the low-cost bracket; however, it was common for users to be charged an initial five-dollar fee to cover the cost of a physical card.

---

<sup>83</sup> EcommerceBytes is a news and information source commonly used by online sellers operating on a variety of sales platforms (Yiacoumi, 2020).

<sup>84</sup> A bloody mask made from the skin of a pig’s face, live cockroaches, maggots, spiders, and a book on how to deal with the loss of a spouse are just a few examples of the disturbing items sent to the editor’s residence.

<sup>85</sup> Some rechargeable Mastercard and Visa prepaid debit cards require client ID and registration in the US, however non-rechargeable gift cards of the same brands do not and can be used anonymously (Mastercard, 2020; Visa, 2020).

## Trust

Four categories of trust were identified as prevalent when codifying remittance systems: People, System, Government, and Religion. These headings arose as key sources of trust based on a review of the literature and reports on money transfer systems and regulation (de Goede, 2018; Demirguc-Kunt et al., 2018; Inshyn et al., 2018; Martin, 2017; Nabilou, 2019; Passas, 2020; Thompson, 2011; Wilks, 2020). As such, each trust type was identified as a primary source of trust for a remittance service. For example, the majority of internet-based payment systems, virtual currencies, and prepaid cards were coded into the ‘Trust (System)’ group. This means that trust is generated principally as a result of the way these remittance systems are designed to function. In other words, the system has automated controls and measures set up to ensure transactions are facilitated and finalized as promised or required under contract.

Most *hawala* or similar service providers (HOSSPs) were found to place trust primarily in people. Being coded into the ‘Trust (People)’ category means that the system relies on the ethical action of individuals who have a responsibility to facilitate transactions in line with norms and regulations. In the case of the three core traditional MVT systems, *hawala*, *hundi*, and *fei ch’ien*, their ‘promissory note’ and ‘pre-9/11’ forms clearly fell into the ‘Trust (People)’ category. However, this is contested in their ‘post-9/11’ form. This is because the adoption of UNSCR 1373 mandated normative change in all MVT systems, which from a regulatory standpoint has served to shift the acceptable source of trust from ‘people’ to ‘system’.

Conventional remittance systems had the most variety in terms of sources of trust. The majority of Western-style remittance providers were coded into the Trust (System) and Trust (Government) categories. Modern banking practices now incorporate blockchain transaction settlement systems that use cryptographic algorithms to finalize remittances securely and autonomously between banking institutions. One example of this is the Australian payments platform called Osko, which is run by a company called BPAY (2020). The advent of blockchain and its integration into the global financial infrastructure has resulted in secure real-time payments becoming the new normal in the Global North. Conventional remittances were also coded into the ‘Trust (Government)’ group because historically the largest conventional banking institutions have on many occasions been considered ‘too big to fail’. As a result, these banks have been saved from collapse by the state. The most significant example of this in modernity was the US Government bailout in response to the global financial crisis of 2007/2008 (Williams, 2010).

Islamic banks appear to rely on different forms of trust compared to conventional banks. A review of the largest Islamic financial institutions highlighted that, whilst traditionally their primary sources of trust are religion and people, competition from Western-style banks may have disrupted this norm. Historically, Islamic financial institutions would lend money without *riba* (i.e. usury or interest) through profit and loss sharing agreements (Khan, 2013). However, the role of profit and loss sharing contracts within this sector appears to have diminished significantly worldwide. Research suggests that globally most Islamic lending arrangements have come to implicitly incorporate interest (Beck et al., 2010; Chong & Liu, 2009; Khan, 2013; Wilson, 2012). This may be due to the heightened risk of profit and loss sharing in comparison to that associated with long and medium-term lending practices of conventional banks (Yousef, 2004). Additionally, the conventional banking sector appears to be challenging Islamic banks to collectively loosen such restrictions in order to remain competitive (Syakhroza et al., 2019).

Moreover, some scholars have contested the traditional Islamic view that interest constitutes *riba*. This position holds that Islamic financial practices have developed generally to align interest with the principles of Islam as long as it is a purposeful loan (i.e. it has intrinsic utility), and it facilitates a return based on shared risk that is tied to real profit or loss (Mauro et al., 2013). Interestingly, research conducted in 2019 has linked the competitive influence of conventional Western-style banking to decisions within the Islamic finance sector, which have arguably further diminished the role of religious principles. According to Syakhroza et al. (2019), a study of the largest Islamic financial institutions in over 20 countries worldwide revealed that in instances where a traditional Islamic bank introduces a controversial practice (e.g. financial derivatives), it will be met with strong opposition from its counterparts.

However, when so-called ‘outsiders’<sup>86</sup> reflect strong competition, it is not uncommon for commercial imperative to take precedence over Islamic principles. The mindset implied by this, argues Syakhroza et al. (2019), is to do what is necessary to counteract the threat posed by ‘evil’ capitalistic outsiders. It is based on these observations that the sources of trust for Islamic banking institutions were found to be contested across three categories, as the evidence suggests they may be coming to rely more heavily on trust in the system in lieu of trust in people and religion.

---

<sup>86</sup> A conventional bank that also provides Islamic financial services, as juxtaposed by ‘insiders’ which are traditional Islamic banks.

## **Client Identification**

Three aspects of remittance systems were coded in relation to client identification. They were Traceability, Know Your Customer (KYC), and Customer Due Diligence (CDD). Given that trends in traceability have been discussed previously, this section deals with trends in KYC and CDD. Both of these concepts can be seen as core elements of the regulatory standards for money or value transfer systems, as mandated by UNSCR 1373 (UNSC, 2001). Trends in relation to KYC and CDD were apparent in the coding of HOSSPs, prepaid cards, conventional systems, and virtual currencies.

The Australia specific ‘know your customer’ policy reflects a more personal approach to the initial stages of the overall CDD process set out by the FATF (2012-2019; AUSTRAC, 2020). In essence, KYC is a requirement that MVT operators collect and verify the identity of all clients prior to providing money transfer services. This is a formalized process that precedes an additional less formal requirement that operators ensure they are aware of each client’s transfer habits. This informal aspect of KYC is intended to promote client/operator familiarity so that agents take notice of any unusual or suspicious activity (FATF, 2012-2019; AUSTRAC, 2020). In contrast, AUSTRAC (2020a) treats CDD as an ongoing set of processes that is focused on enabling operators to generate and analyse detailed transaction information. These enhanced CDD methods should improve the identification and reporting of abnormal activity, as well as aid in the detection and management of high-risk clients (AUSTRAC, 2020a).

## **KYC/CDD in HOSSPs**

Knowing your customer or client familiarity is a historically consistent feature of traditional MVT systems (Cook & Smith, 2011). The coding process revealed that KYC has remained an important risk management tool for frontline retail HOSSPs. However, as to whether operators accurately record, store, analyse and make such information available to regulatory authorities is another matter. In this context, traditional MVT systems in their ‘promissory’ and ‘pre-9/11’ forms coded in the negative for CDD. However, post-9/11 *hawala*-like MVTs coded as contested in line with IMF (2011) and FATF (2013) findings, which highlight the limited efficacy of MVT regulation globally. Hybridised traditional/digital HOSSPs, such as iRemit/MoneyGram/M-Pesa, coded positively for CDD. Previous research that assessed Western Union operations in some countries within the Global South suggests that this HOSSP reflects an outlier. This is because the evidence indicates that KYC and CDD processes are generally not adhered to and regulatory oversight is often unreliable (Cook & Smith, 2011; Smith, 2012; Western Union Remission, 2020).



### **KYC/CDD in Prepaid Cards**

The coding process revealed that KYC/CDD standards for most non-rechargeable prepaid cards are poor. However, rechargeable prepaid debit cards that work as a prepaid credit card do incorporate identity verification in line with FATF policy (FATF, 2013a). Visa and Mastercard gift cards are able to be used anonymously across borders without great difficulty. A simple internet search is enough to source the knowledge necessary to breach standard geolocation restrictions on gift cards. Most sites recommend using a fake address, VPN (such as Tor), a PayPal account and a prepaid SIM card/phone (Its Tactical, 2013; VPN University, 2019). Whether the suggested processes work to enable funds transfers for goods or services anonymously across state borders is a matter for future research. However, just the fact that domestic money laundering is easily achieved with certain gift card MVT systems, and in amounts that can be used to cause serious harm (see previous section; Traceability), highlights the paradoxical approach to prepaid cards next to traditional and hybridised MVTs. The coding process also found that within the Pacific region, Accor Hotels gift cards can be purchased in \$100 and \$200 amounts and used anonymously at the chain's Australian, New Zealand and Fijian facilities (Accor Hotels, 2020).

### **KYC/CDD in Conventional Systems**

The track record of many conventional MVT systems in terms of KYC/CDD obligations has been less than ideal during the first two decades of the 21<sup>st</sup> century. The coding process found that it is contested as to whether the majority of large conventional banking institutions adhere to the customer due diligence requirements mandated by UNSCR 1373. This is because there are many recent examples of such institutions knowingly or negligently breaching CDD rules. The following examples are presented in support of this finding.

Extensive misconduct was revealed as a result of an Australian Royal Commission into the banking, superannuation, and financial services industry conducted in 2018/2019 (Commonwealth of Australia, 2019). The Commissioner notably criticised key Australian banking institutions and their brokerage firms for cultivating an ethos of 'profit at any cost' (Commonwealth of Australia, 2019). In 2018, the Commonwealth Bank of Australia (CBA) agreed to pay a AU\$700 million fine in part for a breach of its CDD obligations. This followed the introduction of a new type of ATM called Intelligent Deposit Machines (IDMs), which processed cash deposits and made those funds instantly available for transfer. Criminals were able to easily launder millions because the bank had believed that their existing controls for ATMs were sufficient (The Conversation, 2018).

Issues with CDD were also found to stem from the provision of bonuses based on sales performance. For example, multiple mortgage brokers have been fired for falsifying letters of employment to satisfy Westpac's lax CDD requirements on new loan applications (The Guardian, 2018). In late 2019, Westpac was also accused of breaching Australian AML/CFT laws in over 23 million transactions<sup>87</sup> made via the bank's micropayment service called LitePay. Additionally, it is alleged that the bank did not conduct appropriate CDD on 12 customers and knowingly ignored these clients' transactions to SE Asia that were red flagged by the bank as likely to be linked to child exploitation (Bloomberg, 2019). The regulator AUSTRAC has since flagged unreported suspicious transactions by an additional 272 of Westpac's clients, which have been noted as making transactions that are similar in pattern to those of the original 12 customers. It is expected that Westpac will end up receiving a fine totalling approximately AU\$900 million (SMH, 2020).

International examples of non-compliance with CDD rules are similarly easy to find. In 2016, US bank Wells Fargo was fined US\$185 million for pressuring employees to meet unreasonable sales targets, who then created millions of new accounts for customers without their knowledge (Forbes, 2020). The bank has since settled both civil and criminal lawsuits to the cost of US\$2.7 million, and more recently had to pay an additional US\$3 billion fine to square the ledger with regulators for the 2016 mass sales fraud (Forbes, 2020).

In early 2018, bank U.S. Bancorp was fined US\$613 million and forced to give up US\$453 million in revenue for multiple wilful AML/CFT compliance breaches (Reuters, 2018). US regulators reported that between 2009 and 2014 the bank intentionally limited the number of suspicious transactions generated to coincide with very low staffing levels and concealed this from authorities. Moreover, the bank opted to process third party Western Union remittances throughout the five-year period despite knowing that those transfers would be unmonitored (Reuters, 2018).

The extent of the blatant disregard for laws governing financial practices on the part of conventional banking and financial institutions is extensively documented, yet still seems unfathomable. There are so many examples that to dive much deeper would detract from the research at hand. If readers need further convincing that conventional banking and financial organizations have repeatedly placed profit before their legal obligation to carry out effective CDD, the case of JP Morgan Chase and Bernie Madoff is an invaluable example. In essence, one of America's largest banks has paid out over US\$36 billion in fines and settlements for

---

<sup>87</sup> The alleged breaches occurred between 2013-2019.

wilfully ignoring and actively supporting massive investments fraud perpetrated by former NASDAQ chair Bernie Madoff (Chaitman & Gotthoffer, 2015). The bank's CEO at the time facilitated this crime in order to take advantage of the billions in funds Madoff deposited, but never invested, and further the company's speculative London-Whale venture (Forbes, 2016). That the operation concealed its high-risk trading in synthetic credit derivatives from regulators, which eventually collapsed due to losses totalling at minimum US\$6.2 billion in 2012 is noteworthy (USS, 2013). Significantly, the case reveals a deep seated symbiosis between Wall Street and Washington DC prior to and during then US President Obama's administration. Chaitman & Gotthoffer (2015) posit extensive evidence to support their claim that US regulators failed to ensure that financial and AML/CFT laws are fully enforced in this instance. This was primarily because Wall Street firms are heavily invested in law enforcement and the election campaigns of certain members of the House Financial Services Committee and Senate Banking Committee (Chaitman & Gotthoffer, 2015; Forbes, 2016).

### **KYC/CDD in Virtual Currencies**

Meeting KYC/CDD obligations for virtual currencies is more complex than in other contexts because of the fact that client/service provider relations are purely online (Salami, 2018). The FATF (2014a) has highlighted the potential increased risk of money laundering and terrorism financing associated with MVTs via virtual currencies, and notes that the risk varies depending on the functionality of the currency and the efficacy of CDD measures in place. Through the coding process focused on virtual currencies it was found that, although all transactions are traceable, it is contested as to whether the KYC/CDD measures employed by virtual asset service providers (VASPs) are effective. Like cash and certain prepaid cards, virtual currencies can be obtained and exchanged anonymously with basic knowledge and the right tools (Campbell-Verduyn, 2018; Nabilou, 2019).

However, whether full transparency and control is a necessary feature of blockchain transactions remains a valid question, particularly given that the anonymity of cash transactions has been the norm throughout history, as well as the evident ability of law enforcement to clamp down on the misuse of virtual currency (e.g. Silk Road, Liberty Reserve, e-Gold etc.) (FATF, 2014a; UPI, 2020). That determining where to draw the line for global financial governance of MVT systems in terms of liberty versus security is a matter of trust is an important aspect underlining the central claim of this research.

## **Virtual Currencies Vs. Conventional Systems**

Comparing the findings of coding between virtual currencies and conventional systems highlighted notable differences. The majority of conventional systems are formal, whereas informality was more prominent for virtual currencies. In terms of conformity to particular sources of rules, conventional systems broadly align with private rules, aside from Islamic banking systems that conform to state rules. Virtual currencies also coded as in alignment with private rules with a few notable exceptions (i.e. Facebook's Libra, Ripple [XRP], and the US Digital Coin). Most conventional systems coded as contested regarding conformity to UNSCR 1373 rules, whereas in this regard most virtual currencies coded as not conforming. The majority of conventional systems placed trust in their system and government, with Islamic banks coding as contested across three categories (i.e. people, system, and religion). In contrast, with few exceptions virtual currencies source of trust lies in the system. Other significant differences include; high cost in conventional systems versus low cost for virtual currencies, broadly instant (or up to 24 hours) for virtual currency transactions across borders versus generally slower international transactions for conventional systems (i.e. 2-5 business days).

## **HOSSPs Vs. Conventional Systems**

Next to conventional systems, HOSSPs showed less coherence across the coded categories. Historically, HOSSPs have generally functioned based on private rules. However, since the adoption of UNSCR 1373 such systems have been required to apply global rules as interpreted by states, replacing any pre-existing rules, whereas, with the exception of Islamic banks, conventional systems were found to generally adhere to private rules. Conformity to UNSCR 1373 rules and Nation-State rules was found to be contested for most HOSSP and conventional systems. The aforementioned shift in the source of rules for HOSSPs has also changed the norm in terms of sources of trust. For modern conventional systems, it was found that trust is sourced from the system and backed up by government guarantee. On the other hand, HOSSPs that have traditionally sourced trust primarily from people were coded as contested between the 'people' and 'system' categories. The traceability of the three traditional HOSSPs in modernity was found to be contested, however hybridised MVTs were broadly coded as traceable. Most conventional transactions were also found to be traceable.

The fees associated with HOSSPs were found to be low, with Western Union the notable exception. Fees for conventional cross-border transactions were found to be in the high category, charging 10% or more. Another point of difference was speed, with HOSSP transactions broadly coded as being completed within 24 hours next to conventional systems,

which generally complete international transfers in two or more business days. Lastly, HOSSPs were found to largely be very effective at ensuring KYC requirements are met because it has historically been a central feature of risk mitigation for traditional MVT agents. However, on the traditional side of HOSSPs the carrying out of ongoing CDD was coded as contested as financial intelligence analysis is a very new area of expertise not generally practiced by such agents. In contrast, it was found that it is contested as to whether conventional systems carry out KYC and CDD as a result of the many instances where such institutions have knowingly or negligently failed to comply with such regulatory requirements.

### **Broader Trends in Remittance Coding**

Two types of remittance systems displayed a high level of coherence and consistency across the coded themes: internet-based payment (IBP) systems and gross payments/settlements platforms. The IBPs data showed only minor deviation among a few systems in relation to transaction cost and speed (see Appendix 3.2). The data on gross payments/settlements platforms highlighted a broad trend of stability, except in relation to their conformity to Nation-State rules. This reflects ongoing concerns among states that such platforms are moving billions in funds every day beyond sovereign oversight (Thompson, 2011). This finding also relates to global concerns regarding traditional MVT systems, such as *hawala* and *hundi*, highlighting a notable contradiction in the logic driving the implementation of a global regulatory standard for MVT systems (Thompson, 2011).

A notable level of regulatory inconsistency and contested points were observed in a few categories. The highest level was in the *Hawala* and Other Similar Service Providers (HOSSPs) category (see Appendix 3.3), followed by conventional systems (see Appendix 3.6), prepaid cards (see Appendix 3.5) and virtual currencies (see Appendix 3.7). That the limited efficacy of the Global Regulatory Effort (GRE) is not only obvious from the results observed in the HOSSPs category is noteworthy. The adoption of UNSCR 1373 was followed by at least two years of heightened concern regarding the risk of misuse of specifically traditional MVT systems (Abu Dhabi Declaration, 2002).<sup>88</sup> In fact, the results of the coding process reveal that the conventional banking systems that were, albeit by proxy, internationally assumed to be the

---

<sup>88</sup> However, although pejorative media attention to systems like *hawala* has all but receded, the FATFs (2002) response to international and expert legitimisation of *hawala*-like systems was only to mention the event without detailing the Declaration and then reinforce its pre-existing policy stance. That the significance of this meeting and the resulting Declaration was not recognized by the FATF is reflected in its unaltered lexicon and largely unchanged policy towards traditional MVT systems.

most legitimate providers of financial services appear to be as, if not more, worthy of a high level of risk perception.

Prepaid gift cards that are readily available in many developed countries can be used anonymously and across state borders. However, the threat perception attached to these instruments appears lower for regulatory authorities than less commonly known MVT systems. Disruptive virtual currencies are also a focal point of regulatory threat awareness but are also a good example of a category that has a comparative, if not greater, threat potential next to HOSSPs.

The data analysed highlighted a global trend in terms of the predominant type of trust identified within each category. The trend constitutes a broad shift towards systems-based trust. This was found to be significant in relation to the following remittance markers; IBP, conventional systems, RTGS, prepaid cards, virtual currencies, and minor remittances. As such, it is a key finding of this research that there is an observable and significant shift in trust away from human-centred and institutionalized sources of trust.

## **Chapter Four Conclusions**

### **Retroactive Findings on Terminology**

The following findings are drawn from analysis of changes to the FATF's typology of remittances over time. The data was gathered from reports published between 2000 and 2020 and was collated to form a dialogue (see Appendix 4.1). When the FATF reinterpreted the term 'New Payment Methods' in 2010, it retroactively excluded systems previously characterized as 'extensions' of banking payments systems. This motif was also apparent in relation to the reinterpretation of the terms 'Internet Payments Services' and 'Mobile Payments'. The New Payments Methods category is treated as high risk by the FATF (2010). The result was to decouple the risk profile of bank-linked retail payments from other designated high risk payment methods.

Analysis reveals that reinterpretation of key Financial Action Task Force terms has in effect limited the social potential of virtual currencies and reinforced the global financial *status quo*. The FATF's 2014 report on virtual currencies marked the reinterpretation of the terms 'e-money' and 'virtual currency' (FATF, 2014a). The FATF adapted its definitions to ensure that only fiat-backed forms of digital value could be treated as real currency by states. The designation 'e-money' became a regulatory safe haven for digital fiat-backed representations of value, while the term 'virtual asset' replaced the term 'virtual currency' without explanation

or justification (FATF, 2014a). The FATF later cemented this change by adding it to the global regulatory standards (FATF, 2012-2019), while claiming with little explanation that the changes made were fit-for-purpose and needed no adjustment (FATF, 2019).

Contemporaneously, the FATF (2019) sought to justify altering its conception of virtual currencies. The reasons stated were a need for clarity on the relevant regulations on such instruments and service providers, a need to establish a fair market for service providers, a need to enhance the capacities of all states to mitigate the threat of terror financing and money laundering in this context, and the need to act in defence of the “...integrity of the global financial system” (FATF, 2019, p. 6). It is concerning that no accompanying explanation was given as to how these shifts in official terminology support the stated justifications for action. That the FATF only sought to explain the reasons for these changes while contiguously formalising them is another example of global financial governance without clear consensus.

Designated as ‘assets’, virtual currencies are to be treated primarily as property by states. With the focus being on ownership rather than its social role as a medium of exchange (i.e. a social institution), a few implications arise. First, states can easily tax any capital gains made by investors, which limits the potential competition to fiat currency posed by any given virtual currency. Second, people who convert their fiat currency into digital assets are therefore primarily considered investors. This is an implicitly limited conception next to the social potential of virtual currencies, because in reality these systems have many practical use-cases beyond shared ownership of an asset (Buterin, 2013; Gaggioli, 2018; Nakamoto, 2008; Treblmaier, 2019). Indeed, the first iteration of the term ‘virtual currency’ was in part a characterisation of such systems as dependent on “...agreement with the community of users” (FATF, 2014a, p. 4). Based on these points it is clear that the designation ‘asset’ given to virtual currencies is inaccurate. This is because it fails to account for the human factor, which is an inalienable aspect of such systems (Martin, 2009; Thompson, 2011) and international society (Bull, 2002; Hurrell, 2007).

Lastly, the designation ‘asset’ for virtual currencies also serves to reinforce the global financial *status quo* at the elite level. This is because by definition this policy shift assumes that control over state currencies and economic policies must be retained by Central Banks. These points challenge the FATFs position that its designation of virtual currencies as virtual assets is required in order to defend the “...integrity of the global financial system” (FATF, 2019, p. 6). Rather, this action is more accurately characterized by the suppression of otherwise viable and highly competitive potential alternatives to the entrenched and monolithic central banking system.

Analysis of the FATFs evolving dialogic relating to remittance systems provides important insights that further define the social ramifications of UNSCR 1373. This outwardly risk-focused governance regime has been significantly undermined as a result of policy-based cultural bias in favour of conventional banking systems. The significance of the FATFs partiality in this context is expressed as the institutionalisation of trust disparities that have formed along cultural lines. This in part characterizes the Global Trust Conflict, in that the emergence of anti-competitive regulatory policies has created new, and further entrenched existing<sup>89</sup> barriers to regulatory efficacy and compliance for the GRE. The implications of these findings are discussed in detail in Chapter Five.

### Findings on Coding

Results from the manual coding of over 100 remittance systems ( $n=120$ ) identified two key trends. These are a multifaceted trend of regulatory inconsistency between remittance systems, and a globally significant shift away from human-centred and institutionalized trust processes.

The findings in relation to ‘Conformity to UNSCR 1373’ (Appendix 3.1) are twofold. First, the Financial Action Task Force’s (2013) finding that some *Hawala* Or Similar Service Providers (HOSSPs) form *ad-hoc* partnerships that allow them to transfer value to unregulated money transfer agencies is significant. It highlights that the traditional foundation of HOSSP practices remains more closely aligned with its informal roots, despite significant international investment in the Global Regulatory Effort (GRE) to drive change. This is indicative of a non-consistent approach to money transfer systems worldwide. This imbalance occurs in developed and developing states but has received little attention from the FATF. This is despite clear examples that highlight the trend in regulated banking (Chavkin, 2019; ICIJ, 2016; 2019; 2020) and transfer systems such as Western Union (Cook & Smith, 2011; Reuters, 2018; Smith, 2012; Western Union Remission, 2020).

The second key finding highlights regulatory incongruities in both conventional banking and virtual currencies. The significance of non-conformity was more pronounced in conventional Western-style MVT systems, yet was still notable across virtual currencies. Conventional bank-related MVTs exhibited a generally high level of non-conformity, symptomatic of a high risk of money laundering and terrorism financing. This draws attention to the FATF and their administration of regulatory risks in the formally regulated end of the

---

<sup>89</sup> This refers to the eight barriers to regulatory compliance identified in previous research (Smith, 2012), and detailed in Chapter Five.



financial sector. These findings show that there is contested ground between domestic and international value transfer norms. As long as the FATF effort continues to mitigate risk in informal MVT systems while disregarding formalized financial risks the Global Trust Conflict (GTC) will persist and remain a key barrier to regulatory compliance. Clearly there is a focus on specific value transfers when the FATF should have a uniform approach to the regulation of the movement of money.

In terms of traceability issues, HOSSPs and prepaid cards were the most notable areas of concern. Many HOSSPs became licensed and moved towards compliance, yet a number of providers either partnered with licensed agencies or moved underground entirely. The findings of the remittance data set clearly demonstrate that the GTC has divided HOSSPs into two groups. The first group consists of those with an appetite to surmount the same compliance obligations required of large conventional banking institutions. The second group consist of those that cannot or will not comply. The data highlights these two polar opposites in regulatory compliance. It further underlines a lack of regulatory consistency, in particular regarding the issue of traceability and traditional MVT systems.

The finding relating to regulatory non-consistency is also relevant to prepaid cards. Some prepaid cards, in particular Mastercard and Visa gift cards, were also found to operate in a regulatory ‘grey’ area in terms of traceability.<sup>90</sup> Notably this is due to a presumption of trust rather than implicit distrust. There is a culturally aligned and accepted level of risk that is in practice with such commercial credit instruments, which is less acknowledged elsewhere in places where identity and traceability are implied. This is evident based on the limited attention given to this issue by the FATF (2013a). It is emphasized by the ongoing unheeded provision of anonymous and potentially cross-border MVT services via gift cards up to a value of \$500 (Mastercard, 2020; Visa, 2020). This further adds to the evidence of regulatory inequity generated by the Global Trust Conflict against *hawala*-like remittances.<sup>91</sup>

The data on trust in this chapter provides valuable insights about the Global Trust Conflict. The FATF standards shift the way in which trust is dealt with. For example, there is a shift away from human-centred trust processes to more operational and technology-driven trust systems. Whereas *hawala*-like MVT systems are traditionally structured to derive trust from

---

<sup>90</sup> These gift cards in no way identify the holder of the card value, even though Visa and Mastercard are deemed ‘traceable’ in terms of MVTs.

<sup>91</sup> The only exception in the *hawala*-like category is the Western Union service, which until recently enjoyed very limited regulatory risk for remittance flows from the Global North to the Global South (Western Union Remission, 2020).

people (i.e. reputation), conventional bank-like MVT systems have responded quickly to the advent of blockchain technology, incorporating it into their existing payments platforms. This is in part to remain competitive. The use of blockchain has had the effect of reducing the cost of trust (Berg et al., 2019; Fleischmann & Ivens, 2019; Chen & Bellavitis, 2019). Despite this, the fees associated with conventional banking systems have remained relatively high next to other MVT systems (World Bank, 2019). As a result, the data on money transfer systems indicates multiple segments wherein there is an observable shift in trust away from institutionalized sources.

### **Findings on Global Trust**

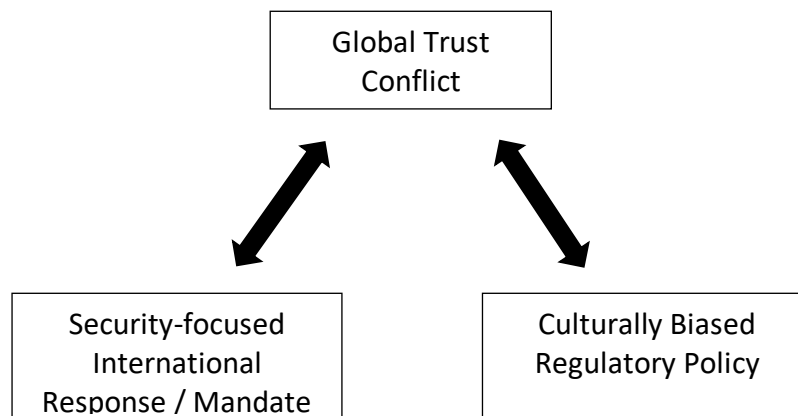
The emerging clarity from the following two key findings hold important understandings about the nature of the GTC. Firstly, the systematic redefinition of terminology by the FATF indicates a high-threat risk perception of certain MVT systems. The resulting regulatory policies underpinning the Global Regulatory Effort (GRE) are focused away from efficacy and on security instead. This heightened threat awareness relating to HOSSPs and virtual currencies was repeatedly underscored by the analysis of published FATF reports (FATF, 2002a; 2003a; 2003b; 2005; 2006; 2010; 2010b; 2013; 2014a; 2016b; 2019; 2020).

There has been a growing deficit of global trust during the first two decades of the 21<sup>st</sup> century (Passas, 2016; UN, 2018). The risks associated with conventional banking and financial institution operations have received only a small fraction of the FATFs attention (FATF, 2010a; 2016b).<sup>92</sup> Moreover, the data on changes in the FATFs regulatory lexicon has been progressively adapted to align policy with the interests that value centralized financial trust close to the inter-government organization. In this sense the data indicates that the FATFs policy favours highlighting unconventional and emergent risk associated with particular remittance methods and systems. It does this whilst justifying the cursory attention on systems aligned with formalized banking institutions.

---

<sup>92</sup> Notably, part of the limited attention given to the conventional financial sector is in relation to the risk-enhancing practice of terminating or limiting financial services to MVT systems. This may even extend to entire regions or states in order to avoid risk rather than measure and mitigate if identified. This is referred to as de-risking and is commonly carried out as a result of correspondent banking processes, which cross-border MVT services often rely on settle their accounts (FATF, 2016b).

**Figure 6.** *The Global Trust Conflict as Constitutive Effect*



The second finding on global trust relates to cultural bias observed in FATF policy. This thesis hypothesised the existence of a Global Trust Conflict in pursuit of understanding the international regulatory response to the threat of terrorism via UNSCR 1373. Based on the data examined in this research, the GTC exists as a constitutive effect<sup>93</sup> of the properties observed in the international response via UNSCR 1373, and the administration of the GRE via the FATF (Figure 6). These ‘social kinds’ are best understood as external discursive structures that constitute, or produce and define, the Global Trust Conflict.

One of these structures was identified as ‘Culturally Biased Regulatory Policies’ (Figure 6). Cultural bias in favour of formalized banking and its associated MVT systems was found to influence the FATFs design of remittance regulations. The second property is ‘Security-focused International Response / Mandate’ (Figure 6). This structure is reflected in the institutionalisation of distrust of ‘other’ remittance systems via UNSCR 1373. These external discursive structures produce and define the GTC in that they reflect the points of origin for issues of trust that pose challenges in terms of the efficacy and compliance of the Global Regulatory Effort.

The central claim of this research is that the Global Trust Conflict is the most significant barrier to regulatory efficacy and compliance. The significance of addressing this conflict is found in the implicit acknowledgement of the less-recognized social aspects of the Global Regulatory Effort.

---

<sup>93</sup> This refers to constitutive theorizing, which has been used by scholars to explain and understand hypothesized objects of social science without the need to account for dependent and independent variables. Social kinds that are conceived of in this way are often largely constitutive of, but not necessarily caused by, external discursive structures (i.e. broad or complex ideas or social structures). This allows analysis focused only on the interdependencies that generate and define the theorized social kind (Wendt, 1999, p. 87).

## **Chapter Five: Conceptualising the Modern Global Trust Conflict**

## Introduction

This chapter consists of a detailed explanation of global trust. It makes the argument that demonstrates the significance of structure in relation to trust distribution. It does this by means of four case studies. These case studies look at the Libra Reserve, the cashless society movement, the Great Reset agenda, and Central Bank Digital Currencies. The chapter details the form of trust expressed by UNSCR 1373 and in doing so it defines the Global Trust Conflict (GTC).

When the UN Secretary General addressed the UN General Assembly in September 2018, he diagnosed the world with “...a bad case of Trust Deficit Disorder” (UN, 2018, p. 1). He went on to posit; “Trust is at a breaking point. Trust in national institutions. Trust among states. Trust in the rules-based global order... Trust in global governance is also fragile, as 21st-century challenges outpace 20th-century institutions and mindsets” (p. 1). This apt assessment conveys a sense of the broader significance of the GTC addressed in this research.

As an inalienable element of society (Bull, 2002), trust issues have been a persistent feature of the diverse political landscapes subject to the UN Security Council Resolution (UNSCR) 1373 regime. While it has remained a point of concern throughout international society (UN, 2018), the regulatory implications of conflicting notions of trust and other social factors have not warranted attention from the Financial Action Task Force (FATF). For example, UNSCR 1373 appeared to target informal MVTs in systems like *hawala*, whilst cryptocurrencies have not received the same level of consideration. However, the FATF have committed time and resources to ensuring that global financial governance standards for cryptocurrencies work to limit competition, and reinforce the global financial *status quo* (FATF, 2014a; 2019).

Cryptocurrency stakeholders have raised concerns about the current regulatory path prescribed by the FATF. A primary issue highlighted by these community representatives is the potential for regulatory overreach (Inshyn et al., 2018). Despite the voiced unease, the global regulatory body has set rules that apportion trust to some service providers, while addressing others with distrust and more stringent controls<sup>94</sup> (FATF, 2012-2019; 2019; 2019b).

---

<sup>94</sup> This refers to the public consultation that occurred at the May, 2019 FATF Private Sector Consultative Forum in Vienna (FATF, 2019b). It was reported that the issues and warnings raised by some of 300 blockchain remittance stakeholders in attendance were not acknowledged or acted on (CoinDesk, 2020). The FATFs response, or lack thereof, to the issues raised by these money or value transfer (MVT) stakeholders is comparable to that experienced by operators of traditionally informal remittance systems in the wake of the 9/11 attacks in 2001 (FATF, 2012-2019; UNSC, 2001).

That the FATFs approach appears to follow the same anti-competitive path of governance, which has thus far characterized its regulation of remittances, highlights the ongoing role of the GTC. Authors focused on the potential shape of global financial governance as a result of the contemporary trend towards widespread adoption of blockchain systems reveal two contrasting perspectives (Cacciatori, 2020).

Many authors contributed to the creation of the blockchain technology that made peer-to-peer electronic cash systems known as cryptocurrencies viable. These began with the inclusion of time-stamped online transactions (Bayer et al., 1993), and were further reinforced by a succession of cryptocurrency creators (Choo, 2015). In the decade since the genesis of the first viable cryptocurrency, known as Bitcoin, the social role and significance of blockchain and Distributed Ledger Technology (DLT) has steadily become more defensible and apparent (de Caria, 2019; Treiblmaier, 2019). While scholarly works in the social sciences are increasingly giving attention to cryptocurrencies, there is a paucity of International Relations research in this area (Cacciatori, 2020).

The lack of attention paid to the significance of cryptocurrency from an institutional perspective reflects the knowledge that virtual currencies have flown under the radar of International Relations scholarship. This is particularly noteworthy because blockchain is increasingly influential in terms of inter-state diplomacy, power distribution, and relations between states and non-state actors (Cacciatori, 2020). For example, one of the institutional implications of blockchain is the potential for currency denationalisation (Eichengreen, 2019), which highlights potential challenges for state sovereignty and the constitution of the Modern States system.

Blockchain raises questions about the potential for a decline in the sovereign states and their well-established currency controls<sup>95</sup> (Hickey, 2020; Taskinsoy, 2018). This position has been attributed in part to the US post-war positioning within international society (McDowell, 2020). Some commentators have argued that a projected decline of USD supremacy was supported by the adoption of cryptocurrencies by Iran and Venezuela in 2018 to avoid tight US sanctions (Ratna, 2020; Shuster, 2018). Whilst these examples may appear minor in comparison with larger economies, they demonstrate the ability for states to avoid the dominant

---

<sup>95</sup> The broad significance of the dollar, and the inimitable connection US financial firms share with the leading Central Bank of the world, the Federal Reserve, provides American institutions with relatively unfettered "...access to finance". This provides them with a competitive edge over all other states, allowing them to seize large shares of global markets, create significant profit margins, generate jobs for US workers, and finance the Nation's bureaucracy (Norrlof et al., 2020, p. 6).

financial regulatory will of state superpowers such as the US. In Iran, in particular, the legalisation of bitcoin transactions became an effective method of side-stepping the remittance controls mandated by UNSCR 1373 (Pierracini, 2018; McDowell, 2020). The use of these digital technologies in this manner raises issues that are significant in terms of potential for change in the shape and nature of international order.

The English School perspective highlights two important factors that relate to the institutional issues associated with cryptocurrency. Under this paradigm the existence of multiple social realities<sup>96</sup> at the international level is fundamental (Bull, 2002; Hurrell, 2007; Buzan, 2004; Dunne, 1998). The first perspective in this context is the possibility of a transition to a digitally-influenced ‘world society’ (de Caria, 2019), which is a form of social order in which individuals are considered sovereign over states (Buzan, 2004). This observation is based on the notion that individuals are attracted to cryptocurrencies in part because they serve to limit the extent of state monetary control (de Caria, 2019). The second point of view is that of states and the realist international system<sup>97</sup> underpinning UNSCR 1373, whose authorities often claim that they will always retain a central role in the creation, supply, and control over cryptocurrencies (Cacciatori, 2020). Understanding this suggests that the Global Trust Conflict reflects a growing tension between a technology-enabled institutional shift and the centralized state control of currencies and financial norms.

The UN Secretary General’s diagnosis of a global ‘trust deficit disorder’ in his 2018 speech has become increasingly significant (UN, 2018). Evidence of this disorder became gradually more obvious following the Global Financial Crisis (GFC) of 2007/2008. This is primarily due to progressively substantial instances exposed of misconduct and corruption, enacted by some of the world’s largest financial institutions<sup>98</sup> (Associated Press, 2020; Commonwealth of Australia, 2019; ICIJ, 2016; Naylor, 2006; Passas, 2016).

The introduction of blockchain technology, cryptocurrencies and stablecoins represent a counterpoint to the potential for global market control and dominance once posed by the

---

<sup>96</sup> As such, there are three key spheres of social order: International System (Realism), International Society (Rationalism), and World Society (Revolutionism) (Bull, 2002).

<sup>97</sup> Here the structure is the international system, and realism is the core paradigm in understanding the creation of the Modern State system with the primary influences attributable to Hobbes and Machiavelli (Bull, 2002; Hurrell, 2007).

<sup>98</sup> In 2020, international economic authorities advised the public of a coming ‘Great Reset’ that would, if left unchallenged, entirely centralize the global economy (World Economic Forum, 2020a; 2020b; IMF, 2020). This agenda is a symbiosis of two Liberal Internationalist projects, which are: the Cashless Society agenda (World Economic Forum, 2020), and Central Banking Digital Currencies (CBDCs) (World Economic Forum, 2020a).

concept of “A Great Reset” (IMF, 2020; World Economic Forum, 2020b). Stablecoins are tied to fiat currency and stable commodities and are therefore designed as a stable store of value. Examples include US Digital Coin (USDC) (Coinbase, 2020) and the Tether platform (Tether, 2020).

To understand the influence of cryptocurrencies it is essential to consider them in the wider context of what is referred to as Distributed Ledger Technologies (DLT). Digital Ledger Technologies are best described as a shared ledger of individual transactions, whose acceptance is replicated, publicly shared and synchronised across multiple locations as a trusted database (Treiblmaier, 2019). They are most commonly underpinned by the existence of blockchain technology as a proof of their immutable qualities. They represent a centralized database of digitally trusted transactions (Maniff & Marsh, 2017).

The World Economic Forum (2015) predicts that by 2027 approximately ten percent of the world’s gross domestic product will be virtualized on blockchain and DLTs. The wide range of institutional capabilities leading to this predicted outcome are being enabled by Blockchain 2.0, which is a secondary and software-based layer on top of the transactions-based technology of Blockchain 1.0 (Schrepel, 2019). A key feature of such platforms are smart contracts which, via decentralized financial platforms such as the Ethereum platform, have improved efficiency and reduced costs associated with negotiating contracts (Chen & Bellavitis, 2019; Seidel, 2018). The increasing trend of cryptocurrency adoption globally demonstrates that the value and demand for low-cost, secure, and decentralized trust provision services for money or value transfers (MVT) is significant (Cacciatori, 2020).

### **Purpose and Argument**

The purpose of this chapter is to understand the nature and implications of the Global Trust Conflict (GTC) through a 21<sup>st</sup> century lens, which includes modern digital and emergent cryptographically verifiable currencies (cryptocurrencies). To achieve this, the chapter sets out to define three conditions of the Global Trust Conflict. Defining the first requires understanding trust in the context of the UNSCR 1373 and FATF-led global regulatory regime. To address the second condition, the chapter seeks to make sense of emergent remittances that are secured and enhanced by cryptographic blockchain and smart contract technologies in relation to the GTC.

The third condition is to consider the UNSCR 1373 form of trust in the context of an evolving global monetary order, in which technologies that digitalize and decentralize trust herald a new era of remittances and financial governance challenges. Emergent blockchain



technologies appear very likely to limit the capacity for liberal solidarism to achieve such a hierarchical approach to the regulation of the global economy (Wilks, 2020). As such, an understanding of the social significance of blockchain technologies stands to further elucidate the nature of trust issues affecting the Global Regulatory Effort (GRE). It is argued in this chapter that the generational shift in institutional technology facilitated by blockchain-based decentralized financial systems is a central feature of the GTC.

This chapter also expands on and strengthens the argument that the Global Trust Conflict exists as a constitutive effect of securitized global governance mandate (UNSCR 1373) and institutionalized cultural bias (i.e. FATF standards and policies). The argument put forward in this regard is that these external discursive social structures set the conditions for trustworthiness and legitimacy in all MVT systems. However, this liberal solidarist form of trust reflects a culturally recessed lens, through which regulatory goals and risk perceptions are set primarily in alignment with the values and interests of an entrenched global financial *status quo*.

### **Trust and UNSCR 1373: Filling the Void with Blockchain**

In the context of this research, it is apparent that blockchain has in part emerged to fill the void in global trust created via adherence to the UNSCR 1373 regulatory mandate. Thus, it is useful to consider the institutional significance of blockchain in relation to the GTC. This analysis addresses the first condition of the GTC, which is to define the form of trust expressed by UNSCR 1373.

Until the emergence of blockchain networks, the world was reliant on third parties to provide trusted and secure networks to facilitate the digital remittance of currency, assets and other forms of value (Adams et al., 2017). To ensure the security of electronic transactions and avoid double-spending, banks and financial institutions designed centralized networks with private transaction ledgers. Top-down control over the validity of every transaction was a technologically dependent necessity, which positioned private banking and financial institutions as the primary providers of trust for the formalized global economy (Chen & Bellavitis, 2019). The high level of public trust granted to these institutions, of which government guarantees and the partnership of most states with the Federal Reserve central banking system are major features, has conveyed great power and wealth (Anan'ich et al., 1992; Cassis et al., 2009; Ferguson, 2009; Vitali et al., 2011; Henderson, 2020).

The indefinite extension of quantitative easing programs run by central banks following the Global Financial Crisis (GFC) of 2007/2008 has contributed significantly to public distrust

(Campbell-Verduyn, 2018). The GFC did irreparable damage to the reputation of Wall Street and formal banking institutions worldwide. Public sentiment was particularly severe after the controversial decision to use US government funds to bail out offending institutions, which cumulatively amounted to trillions (Forbes, 2015). Most disconcerting was that Iceland was the *only* state to hold offending bank executives accountable, resulting in just 29 executives jailed (Huffpost, 2016).

If any more examples are needed as to how global trust in international centralized financial institutions could deteriorate so far, one need only consider the findings of the ‘Panama Papers’ by the International Consortium of Investigative Journalists (ICIJ) (ICIJ, 2020). These records were leaked to journalists from whistle-blowers working at a powerful, yet discreet legal firm called ‘Mossack Fonseca’ (MF) headquartered in Panama. More than 11.5 million records, consisting of over 40 years of data, included value transfers and legal processes that revealed the significance of flaws in the international regulation of financial institutions.

The ongoing ICIJ (2019) investigation comprises a collaborative work by more than 350 correspondents from around 80 nations. One finding of this consortium was that the Mossack Fonseca firm set up shell companies and accounts in known tax havens to hide the assets of at least “...140 politicians, as well as celebrities, drug dealers, alleged arms traffickers, and the global elite” (para. 4). This includes the Russian President Vladimir Putin, who obscured the movement of around \$2 billion through underground banks and shell-companies (ICIJ, 2019). Putin was not the only world leader implicated in alleged money laundering activities. Other heads of state previously implicated in financial crimes by the ICIJ investigation include Chinese Communist Party leader Xi Jinping, former Ukrainian President Petro Poroshenko, and former British Prime Minister David Cameron (ICIJ, 2016).

Additionally, the ICIJ investigation also implicated multiple large formal banking institutions in financial crimes (ICIJ, 2016). This includes the Hong-Kong and Shanghai Banking Corporation (HSBC) and the Union Bank of Switzerland (UBS), which were identified as primary facilitators of the money laundering and tax evasion services peddled by offshore financial firms like Mossack Fonseca (ICIJ, 2016). The Panama Papers show that since 1970 over 500 banks have acted as intermediaries for Mossack Fonseca (ICIJ, 2019). It was found that MF took advantage of regulatory gaps that have provided *licit* concealment methods for the ownership of assets via all-but untraceable shell-companies and tax havens (ICIJ, 2019).

In light of the FATFs culturally-aligned tunnel-vision for risks in ‘other’ money or value transfer systems, the findings of the ICIJ investigation are revealing. Indeed, the role of major formal banking institutions in the leveraging of regulatory gaps to engage in large-scale international money laundering and financial crime raises significant red flags. Additionally, the implication of key global elite figures in this context adds weight to the position that the FATFs blindness to risk in formalized financial systems is a key point of weakness for the GRE.

The advent of decentralized public-ledger blockchain platforms that distribute trust can in part be understood as an answer to increasing global public distrust of centralized formal financial institutions (Associated Press, 2020; Naylor, 2006; Hurrell, 2007; Passas, 2016). The emergence of cryptocurrencies was a significant development in the evolution of the Global Trust Conflict. An understanding of the philosophy underpinning the arrival of blockchain technologies is possible from a post made on the P2P foundation forum (Nakamoto, 2009). Emphasising the issue of trust, it stated;

The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve. We have to trust them with our privacy, trust them not to let identity thieves drain our accounts. Their massive overhead costs make micropayments impossible. (para. 2)

These arguments indicate that an attempt to provide a viable, more efficient and trustworthy alternative to established banking and financial systems underpinned the inception and emergence of blockchain-based cryptocurrencies. It also highlights the intended social agency of blockchain systems (Nakamoto, 2009).

There is a growing pace of change observable in the structures of the global economic system due to blockchain networks (European Central Bank, 2020; Fleischmann & Ivens, 2019; World Economic Forum, 2015; 2018). In essence, this reflects a shift away from the predominance of *centralized* remittance networks (private/permissioned), to an increasing balance of *decentralized* blockchain-based remittance and smart contract platforms (public/permissionless) (Berg et al., 2019; Schrepel, 2019).<sup>99</sup> Extant features of formalized banking institutions are centralized authority over the validity of transactions (i.e. private ledger), and therefore centralized trust. In contrast decentralized authority via community

---

<sup>99</sup> The term ‘centralize’, means to “Concentrate (administrative powers) in a single centre instead of distributing them” (Oxford Illustrated Dictionary, 1976, p. 264).

consensus is a core design feature of blockchain platforms, and therefore distributed trust (Adams et al., 2017; Chen & Belevitis, 2019). These approaches to financial trust provision are not opposed in terms of use-cases and the demand for service. However, they are both representations of competing notions of trust that hold significance for the future of remittances and trust provision services.

To an extent, liberal international projections about the future of trust provision services for financial arrangements support this view. The World Economic Forum (2018) posited that during the period leading up to the year 2030, “Fintech will transform traditional banks and insurance companies, with the emergence of newly decentralized entities providing liquidity and new financial services in a disintermediated way” (p. 6). This position emphasizes the reformation of old financial organizations, but does not consider the growing role of decentralized structures, which is indicative of the extent of liberal internationalist policy bias toward centralized structures for financial trust. As such, blockchain-based cryptocurrencies and smart contracts begin to show signs that they represent the only significant institutional challenge to the Federal Reserve central banking system (World Economic Forum, 2018; Berg et al., 2019; Vergne, 2020).

Policy bias towards centralized structures for financial trust permeates the liberal international global economic agenda, from the design of UNSCR 1373 (UNSC, 2001), in FATF regulatory policy for remittances (FATF, 2012-2019), in the policy positions of the IMF and World Bank in response to state adoption of Bitcoin as legal tender,<sup>100</sup> to the promotion of Cashless Society, The Great Reset and Pandemic Preparedness by the World Economic Forum (Schwab & Malleret, 2020).<sup>101</sup> This research has found that within each of these projects the broad focus of the agenda has been the promotion of deeper public/private partnerships in centralized private-order structures for trust. In the same way, the UNSCR 1373 regime has centralized the sovereign authority, and therefore public trust, of all states within a hierarchical non-state order (UNSC, 2001; UN, 2016). As such, it is apparent that the liberal solidarist approach to the Global Regulatory Effort represents a high-level investment of global public trust into a non-state, hierarchical structure that operates on centralized trust.

This section of the chapter has defined the form of trust expressed by the UNSCR 1373 regime. In terms of a global view, the UNSCR 1373 form of trust aligns with the liberal solidarist paradigm. Thus, it is defined by coercive and culturally-recessed governance policies

---

<sup>100</sup> See later section on ‘Decentralized Digital Trust and Pluralism’.

<sup>101</sup> See later section on ‘Efforts to Maintain Centralized Trust in Global Finance’.

that are motivated and justified by the security of certain financial systems, and the distrust of ‘others’. In terms of structure, the UNSCR 1373 form of trust represents a non-state, hierarchical order that operates on and prioritises centralized structures for financial trust. Under these structures unilateral authority and control over transactions, and unrestricted data transparency are operational norms.

In modernity, the capabilities of distributed ledger technology mean that functional barriers to such an authoritarian governance approach have been reduced (Schwab & Malleret, 2020). However, the emergence of blockchain technologies that enable decentralized digital trust-based remittance systems can be seen as a response to the Global Trust Conflict. In both philosophy and practice, decentralized blockchain systems fill the void in global public trust left by the failures of centralized structures for global financial trust (Chen & Bellavitis, 2020).

### **Emergent Remittance Systems: Blockchain Technology**

The modern approach to financial trust is tied to blockchains (PwC, 2020; World Economic Forum, 2020c). It does this in order to embed trust in things that everyone agrees cannot change. In other words, the transparent immutability of a blockchain ledger is a 21<sup>st</sup> century ‘anchor’ for financial trust. In this sense, blockchains assist us to reach collective agreement about what we *do* trust, in order to more easily identify those things that we *cannot* globally agree on to trust collectively (Schrepel, 2019; Treiblmaier, 2019). Blockchain helps to establish a new benchmark from which communities, authorities, and their financial systems can mutually seek consensus on aspects of trust.

The potential implications of general adoption of decentralized money or value exchange are particularly significant in terms of institutional development. Distributed ledger platforms, referred to by the FATF as Distributed Ledger Technology (DLT), attempt to replicate the benefits of blockchain as part of their operational scope of capabilities (FATF, 2019). They are commonly understood to have lower transaction expenses next to systems that operate on a conventional centralized banking ledger (Chen & Bellavitis, 2019; Fleischmann & Ivens, 2019). However, an institutional distributed ledger platform retains a form of centralized authority and control, which arguably compromises the immutability granted by blockchain and has a relatively broader scope of vulnerabilities and risks (Schrepel, 2019a; Vergne, 2020).

Broad acceptance of blockchain technology, argues Berg et al. (2019), will therefore create competition where previously there was little or none. Other scholarly investigations that consider the systemic implications of interaction between blockchain and institutional

structures also support this expectation (Chen & Bellavitis, 2020; Seidel, 2018; Schrepel, 2019a; Wilks, 2020). Whilst Berg goes even further to argue that this blockchain-driven competition will lead to more significant institutional adaptation, there are few (if any) suggestions that it will not drive change at this level. The European Central Bank (ECB, 2019) posits that stablecoins are likely to become drivers of institutional change. This perspective aligns with that of the World Economic Forum (2018). These liberal international institutions promote stable digitalized representations of fiat value, commonly called ‘stablecoins’, which are regulated rather than volatile and independent from centralized market environments (Table 8).

**Table 8.** *Bitcoin Vs. Stablecoin*

Bitcoin	Stablecoin
Unregulated	Regulated
Price Volatile	Non-volatile
Used for trading and exchange	Used for storing value, payment and exchange
Limited supply / fixed schedule	No limited supply / fixed schedule

*Source: Adapted from Bitdeal (2020) and European Central Bank (2020).*

Blockchain technologies support a general theme that might be best described as a decentralized model of organization enabled by ‘algorithmic authority’ (DuPont, 2018). It is alternatively aligned with the decentralized applications (DApps) and distributed autonomous organizations (DAO), as explained by Davidson et al. (2018), which embody software-based self-executing smart contracts. These multiple descriptors for organizational change align with the known operational effects of these institutional technologies, which are ‘disintermediation’, organizational ‘dehierarchialisation’, and increased community facilitation of the ‘institutional infrastructure’ required to generate and maintain trust (Berg et al., 2019). Should blockchain platforms move towards general adoption these are the key trends that could characterize the resulting institutional change.

Blockchain is regarded as a transformative technology that has a broad range of implications for society beyond trust-provision for value transfers (Fleischmann & Ivens, 2019;

Taylor et al., 2020; Vergne, 2020). This is because it constitutes a new generation of digital innovation and institutional change facilitated by distributed trust (Chen & Bellavitis, 2019; Schrepel, 2019; 2019a). In this sense it describes a move from ‘central authority’ to ‘community consensus’, or from top-down control to decentralized governance (Adams et al., 2017, p. 417). Although this is not the case for all blockchain systems, this technical development emerged under a banner of decentralisation (Cocco et al., 2017; Treiblmaier, 2019; Satoshi, 2009; Haber & Stornetta, 1991). It is argued here that this emerging benchmark for financial trust is significant because it is symptomatic of a Global Trust Conflict, which is in part reflective of a shift away from the top-down institutionalized trust that facilitated 20<sup>th</sup> century remittances.

### **Defining Blockchain and Distributed Ledger**

Due to the long history of cryptography, it is difficult to pinpoint a beginning. However, the creation of viable blockchain and distributed ledger<sup>102</sup> technologies (DLTs) took root based on a paper by Haber & Stornetta (1991). This work looked at a system for preventing the time-stamps on digital documents being tampered with (Haber & Stornetta, 1991). The work of many other contributors, including Bayer et al. (1993), formed the bedrock for the creation of the first viable public blockchain platform called Bitcoin (Crypto-Current, 2020).

The white paper on this pioneer public blockchain system was published by the pseudonymous individual or group named Satoshi Nakamoto (Cascarilla, 2015; Nakamoto, 2008). Blockchain is so-called because it describes the process by which transfers, hash codes, and nonces (a single-use cryptographic code), are assembled into blocks of data that are ‘chained’ together, each marked with a unique hash of the preceding block (Treiblmaier, 2019). The Bitcoin proposal and its eventual successful start-up in 2009 proved it was possible to use existing technologies to create a cryptographically protected<sup>103</sup> and publicly distributed ledger. This ledger would facilitate secure and unaltered data on peer-to-peer transactions, which are validated by a decentralized consensus mechanism functioning across a distributed network (Adams et al., 2017; Cocco et al., 2017). Once verified, the shared ledger of transactions

---

<sup>102</sup> It is important to include the term ‘distributed ledger’ next to blockchain because not all decentralized systems operate on a blockchain (e.g. IOTA and Tangle). The key benefits of using a distributed ledger over blockchain are enhanced transaction volume and speed (Treiblmaier, 2019).

<sup>103</sup> The most commonly employed cryptographic verification processes are Proof of Work (PoW) (e.g. Bitcoin) and Proof of Stake (PoS) (e.g. Ethereum 2.0) (Zhang & Lee, 2020).

constitutes a series of interlinked blocks that are immutable (Fleischmann & Ivens, 2019). This is how the term ‘blockchain’ was coined.<sup>104</sup>

Blockchain transactions are commonly described as pseudo-anonymous or pseudonymous. This is because the transparency of transactions is guaranteed by open distribution and access to the ledger, without revealing the identities of users (Adams et al., 2017). Pseudo-anonymity is significant for this research because the value of anonymity has conventionally been in opposition to the traceability of value transfers.<sup>105</sup>

The key innovation of the Bitcoin<sup>106</sup> platform was the unique decentralized approach it took to mitigating the risk of ‘double-spending’, which facilitated the immutability of a publicly distributed ledger (Adams et al., 2017). The double-spending problem refers to the issue of coin recipients being unable to determine whether a previous holder of the coin had also spent it (Campbell-Verduyn, 2017). Until blockchain emerged, the conventional solution to the risk of double-spending has been to employ a centralized and trusted authority to scrutinize and validate every transaction (bank or other financial institution) (Nabilou & Prüm, 2019). However, next to decentralized finance, with its reduced costs and potential social benefits, the centralized approach is characterized as costly, wasteful and less secure (Chen & Bellavitis, 2019; Li et al., 2020).

## Blockchain Structures

Blockchain and distributed ledger systems exist in both decentralized and centralized formats. The degree to which the structure of a blockchain fits these two patterns is reflected in how its transaction ledger is governed (Berg et al., 2019; Schrepel, 2019). Figure 7 depicts the organizational scope of blockchain platforms, which are; Public, Semi-private, and Private.

---

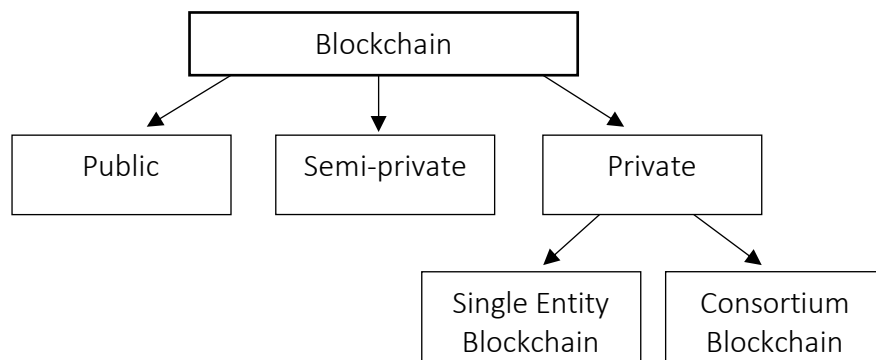
<sup>104</sup> The International Standards Organization (ISO) (2020) has set out the key terms and definitions for blockchain systems worldwide. It defines the term ‘blockchain’ as a “...distributed ledger with confirmed blocks organized in an append-only, sequential chain using cryptographic links. Blockchains are designed to be tamper resistant and to create final, definitive and immutable ledger records” (note 3.6).

<sup>105</sup> Notably, the culturally embedded value of client confidentiality and limited traceability of traditional remittances (such as *hawala* or *hundi*) were key reasons for, under the Global Regulatory Effort led by UN Security Council Resolution (UNSCR) 1373, designating such systems as at a high risk of misuse (FATF, 2003; Thompson, 2011; UNSC, 2001).

<sup>106</sup> Bitcoin was the pioneer platform of blockchain cryptocurrencies that has characterized the first era of blockchain, referred to as ‘blockchain 1.0’ (Schrepel, 2019).



**Figure 7. Public vs Private Ledger**



*Source: Schrepel, 2019, p. 291.*

A public blockchain is fully decentralized, open and accessible to anyone. This is consistent with Navari (2018) in terms of the possibility that cryptocurrencies facilitate a non-state driven version of global order. There are few restrictions on who can participate in the validation of transactions (community consensus) (Buterin, 2015). Buzan's (1993) view of World Society under three possible structures is an important consideration for the impact of blockchain-driven change. This type of platform substitutes trust in a centralized authority with the trust embedded in the blockchain via financial incentives, cryptographic authentication, and distributed consensus (Li et al., 2020; Campbell-Verduyn, 2020). This trust is distributed, meaning it "...flows laterally between individuals" with no prior trust-building needed (Botsman, 2017, p. 257). Bitcoin and Ethereum are prime examples of public type blockchain platforms (Chen & Bellavitis, 2019). In one sense states might end up in competition (Cacciatore, 2020), since these blockchain driven systems lay the technological foundations for world society.

A 'semi-private' blockchain operates under the authority of a single organization, broadcasts its ledger publicly, while restricting access to 'qualified' users (Schrepel, 2019; Buterin, 2015). There are two types of private centralized blockchain platforms, 'consortium' and 'single-entity' (Schrepel, 2019). The distinction between the two is in the source of trust for the platform. A consortium reflects a partially decentralized blockchain system on which control over the validity of transactions is shared by a number of trusted nodes. Whereas on semi-private and single entity platforms trust is derived from a centralized authority, which aligns closely with that of conventional banking and settlement platforms. The nature of access and read/write permissions is case-specific for all private platforms (Adams et al., 2017; Buterin, 2015). This reflects the clear distinction made by Bull (2002) between a system of states and a society of states, and highlights the importance of what Jackson (1992, p. 271)

describes in terms of “recognition, association, membership, equality, equity, legitimate interests, rights, reciprocity, customs and conventions”. Jackson’s description of the “normative vocabulary of human conduct” underscores the difference between a state system and a system that encompasses society (Jackson, 1992).

**Table 9.** *Types of Blockchain Structures*

<i>Platform</i>	<i>Public</i>	<i>Semi-Private</i>	<i>Single Entity</i>	<i>Consortium</i>
<i>Access</i>	Permissionless	Qualification	Membership	Membership w/ Co-founders
<i>Format</i>	Decentralized	Centralized / Distributed User- base Post-launch	Centralized / Private	Partially Decentralized / Private
<i>Purpose</i>	Innovate	Support Established Systems / New Service	Support Established Systems / New Service	Enhance Network Synergy
<i>Governance</i>	Community Consensus	Central Authority	Central Authority	Closed- Community Consensus

*Source: Adapted from Schrepel, 2019, p. 292.*

Table 9 provides an outline of the common features of the four different types of blockchain structures. The table sets out platform features (far left column) under four headings, which are; Access, Format, Purpose, and Governance. Notably, only public platforms that lack a source of central authority over the ledger operate as innovators in the field. Whereas all private-type platforms are inward looking and either aim to provide support to established systems and new services, or improve network interactions between its members. Table 9 also highlights how Harber and Stornetta’s (1991) public-type platform holds key institutional advantages over privately structured systems. There are two things to consider. The first is the innovative potential as a result of open access, low infrastructure, transaction and trust costs due to its decentralized format (Davidson et al., 2017; Adams et al., 2017). The second is to consider a much lower possibility of anti-competitive or unilateral practices as a result of governance via community consensus only (Schrepel, 2019). These blockchain structures are reflected in the writing of Jackson (2001) where he draws an important connection with human and individual access to public platforms. He highlights the need to reconceptualize international order in terms of a human science rather than a behavioural or policy-based approach.

## **Blockchain: Trustless by Design - Trustworthy in Practice?**

Decentralized and public ledger blockchain systems are ‘trustless’ by design, but also function to generate trust via consensus. The notion that a blockchain system is trustless refers to the cryptographic processes by which transactions are validated or invalidated (Taylor et al., 2020). The International Standards Organization (ISO) refers to trust in this context as “the degree to which a user or other stakeholder has confidence that a product or system will behave as expected by that user or other stakeholder (ISO 22739: 2020). This definition captures the social context of trust in relation to cryptocurrencies, in which users generally benefit from community consensus-based governance processes.

The two primary processes in this context for major platforms are Proof of Work (PoW) (e.g. Bitcoin) and Proof of Stake (PoS) (e.g. Ethereum 2.0) (Zhang & Lee, 2020). For public blockchain systems, these transaction validation processes form the basis for what is termed ‘crypto-economics’ (Schrepel, 2019). In relation to core Blockchain 1.0 processes, this term refers to the economic incentives that generate participation and the fulfilling of the cryptographic verification process, and therefore trust. In terms of Blockchain 2.0 this is also the case. However, this term also holds relevance in relation to the potential for institutional change stemming from platforms like Ethereum, which has facilitated the creation of decentralized financial institutions (Chen & Bellavitis, 2019). This has become possible via ‘institutional crypto-economics’ (Berg et al., 2019; Davidson et al., 2017).

With a rapidly increasing level of adoption, it is expected that blockchain will drive broad institutional change, particularly within global financial systems (European Central Bank, 2020; World Economic Forum, 2018). It is repeatedly acknowledged that blockchain systems commonly facilitate and motivate disintermediation (World Economic Forum, 2020c; Treiblmaier, 2019; Nabilou, 2019; Nabilou & Prüm, 2019; Adams et al., 2017; Chen & Bellavitis, 2019). This refers to the effect of removing or reducing the need for trusted third-party transaction authenticators, which can improve efficiency, reduce costs, and distribute trust equally across the nodes and/or users of the shared network (Fleischmann & Ivens, 2019; Schrepel, 2019). Thus, blockchain systems generate institutional change because they alter and often constrain the scope of expenses and benefits that define a competitive market (World Economic Forum, 2019).

An increasingly developed decentralized financial sector on platforms like Ethereum speaks to the capacity for blockchain technology to be trustless in design, and yet relatively trustworthy in practice (Buterin, 2015). A point of relevance in this context is the role of

blockchain and smart contracts in the facilitation of open source and complex financial products and services in permissionless markets (Chen & Bellavitis, 2020; Schrepel, 2019). Thus, it is a key finding of this research that an important feature in support of maturing decentralized financial services is the innate resistance of such platforms and applications to monopoly power, and thus to the influence of regulatory cultural bias and securitisation.

## **On Trust Distribution and the Decentralisation of Modern Finance**

The development of Distributed Ledger Technology has taken only a decade to reach a ‘Cambrian’ phase of increasing growth and diversity (Peck et al., 2017; Adams et al., 2017). This secondary phase marks the transitional acceptance of increasingly stable and capable blockchain-based platforms, thus moving beyond what was possible on the first generation of blockchain technology which enabled Bitcoin (Schrepel, 2019).

One of the most innovative developments of next generation blockchain is decentralized finance (DeFi). Decentralized finance is defined by the International Standards Organization as a broad term used in reference to financial services (banking, trading, insurance) provided by decentralized applications<sup>107</sup> (ISO, 2020). These software applications can facilitate banking and financial services with greater accessibility, efficiency and security, while operating with lower costs, via smart contracts (Chen & Bellavitis, 2019; Vergne, 2020).

The International Standards Organization (2020) defines a smart contract as a computer program stored in a distributed ledger system where financial and contractual outcomes are recorded on the ledger. As such, smart contracts may embody ‘terms’ in a legal contract, which constitutes an ‘enforceable’ requirement (ISO, 2020). These are digital agreements or contracts provided by ‘decentralized Applications’ (dApps) designed to automatically resolve when specific conditions are met (Chen & Bellavitis, 2019; Maesa & Mori, 2020).

These services most commonly operate on a platform with a publicly distributed ledger and permissionless access, such as Ethereum (Buterin, 2013). However, similar services may also operate on private and permissioned platforms like Central Bank Digital Currencies (Fernandez-Villaverde et al., 2020). This section of the research argues that these two distinctly structured approaches to financial services can be understood as holding contested positions on trust. This constitutes a worldwide values-based technological race that broadly reflects tension between centralized/private structures and decentralized/public structures for trust,

---

<sup>107</sup> Commonly referred to as ‘dApps’.

representative of platforms built on distributed ledger and blockchain technologies respectively.

### **Ethereum and Decentralized Finance**

The invention of programmable smart contracts<sup>108</sup> marks the development of emergent remittance technologies beyond the constraints of the first generation of blockchain (i.e. Bitcoin). Moving from ‘Blockchain 1.0’, a foundational settlement layer for cryptocurrencies, to ‘Blockchain 2.0’<sup>109</sup> introduced a secondary and software-based layer of utility. The primary centre of activity and development in this space is the smart contract platform called ‘Ethereum’ (see Table 10 below), which has facilitated the emergence of the majority of decentralized finance applications often referred to as ‘DeFi’ services (Buterin, 2013; Beck et al., 2016). As of the first quarter of 2021, the DeFi ecosystem reach a total market capitalisation of more than USD \$53 billion (Consensys, 2021). This figure encompasses the full range of decentralized financial activities conducted via the Ethereum platform, which includes stablecoins, lending, borrowing, prediction markets, margin trading, payments, insurance, gaming, and Non-Fungible Token (NFT) marketplaces (Consensys, 2021).

The maturing decentralized financial sector is a case-in-point on the capacity for blockchain technology to be trustless in design, and yet trustworthy in practice (Consensys, 2021). In general terms, this is significant because DeFi services exist within an open ecosystem that is highly innovative and resistant to monopoly power (Chen & Bellavitis, 2019; Schrepel, 2019a). In this way the open finance movement has widened the scope of what is possible in terms of digital value creation and transfer. Indeed, the apparent stability of DeFi services highlights that centralized financial institutions are no longer necessary as trusted intermediaries to facilitate and arbitrate even the most complex financial arrangements (Meegan, 2020). However, the capacity for trustless resistance to monopoly power is most significant for this research because it also constitutes design-based resistance to regulatory securitisation and cultural bias.

---

<sup>108</sup> Smart Contracts have become significant because they facilitate collaborations and transactions that take place without an institutionally recognized intermediary.

<sup>109</sup> Blockchain 2.0 or ‘layer 2’, refers to the platforms that enable smart contracts designed specifically to facilitate financial services. Ethereum is the most well-known layer 2 platform, others include; Neo, Tron, Tezos, and Hyperledger (Maesa & Mori, 2020; Schrepel, 2019). There is also another layer of development referred to as ‘Blockchain 3.0’. This is a third and ancillary software layer designed to accommodate the wide range of other areas of application such as government, health, science, literacy, culture and art (Schrepel, 2019).

## The Promises of Decentralized Finance

There are five properties that constitute the key promises of Decentralized Finance (DeFi) services for the future of remittances. These are decentralisation, innovation, interoperability, borderlessness, and transparency (Chen & Bellavitis, 2019; Schrepel, 2019; Buterin, 2013). The term ‘promise’ is appropriate because it refers to the potential of such projects, and not features guaranteed by blockchain-based DeFi applications. Indeed, when it comes to decentralized finance there is still a measure of trust required beyond what the trustless technical design capacity of blockchain systems has enabled. The properties reflect five potential benefits of the DeFi services enabled by layer two blockchain technology (Table 10).

**Table 10.** *The Promises of Decentralized Finance*

Aspects of Promise
Decentralisation
Innovation
Interoperability
Borderlessness
Transparency

*Source: Chen & Bellavitis (2019, pp. 3-4).*

### ***Decentralisation***

The most prominent promise of DeFi is the ‘decentralisation’ of financial services. The authority to provide trust provision services for financial, legal and other contractual matters has conventionally been the remit of state-licensed financial institutions (Chen & Bellavitis, 2019; de Caria, 2019). Formal financial intermediaries aim to lower transfer costs and improve network efficiency by using their authority and control over the validity of transactions and acting as trusted contract mediators and enforcers (Benston & Smith, 1976). However, as these institutions grow, they can emerge as a dominant force in the market that wields an imbalanced level of influence and profit share. This phenomenon has been referred to as ‘monopoly power’, which in this context refers to systems in which authority is centralized and limited to authorised accounts (Chen & Bellavitis, 2019; Schrepel, 2019a).

In contrast, the decentralized design of DeFi service applications fosters ‘disintermediation’ (Table 10). This means to reduce or remove the need for a central trusted entity (i.e. a third party) to validate and facilitate transactions (ISO, 2020). The removing of

financial ‘middle men’ from the process means that these services can lower transfer costs and still generate network effects,<sup>110</sup> while also circumventing the large overhead expenses and the relative higher risk of network security breach (Schrepel, 2020).

DeFi applications can also avoid the need to address the demonstrably high risk of corruption and anti-competitive practices associated with centralized platforms (Catalini & Gans, 2019; Passas, 2016). Thus, when a decentralized blockchain platform reaches market dominance, the issue of monopolized authority and control is less significant. This is the case for two reasons. First, the ultimate governing authority over the blockchain is community consensus (Fleischmann & Ivens, 2019). Second, no one entity is likely to be capable of attaining a controlling share of the significant resources needed to monopolize and control the network (Schrepel, 2020; Siedel, 2018).

### ***Innovation***

The introduction of blockchain technology to the world of global finance has coincided with a significant increase in the pace and drive of innovation. The perceived value of innovation on the Ethereum platform was highlighted when the global market capitalisation of decentralized financial services increased twenty-fold in less than 12 months (BTC Markets, 2020). The high rate of innovation in this context suggests that similar platforms will reach higher levels of adoption. This is expected as the scope of its programmable capabilities expands and matures, despite its dominant market position (see Figure 8 below) (European Central Bank, 2020; FSB, 2019).

Centralized platforms often begin with a positive attitude towards open development. However, this position has regularly shifted to authoritative and controlled governance as public exposure peaks and the value of the platform declines (Rietveld et al., 2019). In other words, the nature of the relationship shifts from ‘attract’ to ‘extract’ for users, and from ‘cooperate’ to ‘compete’ for third parties. This is because it is easier for the platform to remain competitive by focusing on the extraction of value (data) from its remaining users, and working to compete with its third parties for exposure and profit (Rietveld et al., 2019).

A notable example of this paradigm can be found in the business approach employed by Amazon, wherein it operates a two-tier system of product sales. This occurs via its own retail arm where vendors sell their products to Amazon for resale, or it creates its own products that are sold in its digital marketplace (Adi, 2021). It has allegedly wielded its massive market

---

<sup>110</sup> The term ‘network effects’ refers to the phenomenon whereby the value of any given product or service increases as more users interact or invest in it.

power in multiple instances to take over or push competitors out of the market and take advantage of its third-party retailers. In regard to the latter, internal documents reveal that Amazon describes its third-party retailers as ‘internal competitors’ (Nadler & Cicilline, 2020, pp. 267-268). Many third-party participants have reported receiving ill-treatment and abuse from Amazon, for example many reported incidents like this led the German market regulator to initiate an investigation. According to the Bundeskartellamt (2018), third-party retailers on the German Amazon marketplace had allegedly experienced abuse in terms of:

...liability provisions to the disadvantage of sellers, in combination with choice of law and jurisdiction clauses, rules on product reviews, the non-transparent termination and blocking of sellers’ accounts, withholding or delaying payment, clauses assigning rights to use the information material which a seller has to provide with regard to the products offered and terms of business on pan-European despatch. (para. 3)

The CEO of Amazon Jeff Bezos confirmed that this type of treatment of its third-party sellers was normal when questioned about whether the company views them internally as competition (Nadler & Cicilline, 2020). It is apparent that Amazon abuses its position of power and its third-party retailers are all but forced to accept it, primarily because there are no other viable avenues to conduct their business (Adi, 2021; Nadler & Cicilline, 2020). Other examples of centralized platforms working to compete with its business clients to extract higher levels of profit and exposure at their expense include cases such as Microsoft versus Netscape (Hoffman, 2017), and Facebook versus Zynga (Gannes, 2010).

In contrast, the all but limitless design potential of the Ethereum platform is more significant than it may appear. Allowing open and permissionless creation of applications on the Ethereum platform has significantly limited barriers and risks for developers and thus spurred innovation (Buterin, 2013). This organic and unfettered approach to innovation has permitted an open ecosystem of decentralized financial services to develop, fostering genuine competition via distributed trust (Beck et al., 2016).

This open ecosystem built on distributed trust was permanently reinforced when the Ethereum community of developers published the source code for the platform under public licence in 2020 (The Crypto Sight, 2020; Free Software Foundation, 2007). Consequently, there is a high level of certainty provided in terms of the future stability of Ethereum, and therefore DeFi services. This is because public licensing means no individual or entity can seize legal authority and control over the platform (Chen & Bellavitis, 2019; Rietveld et al., 2019). For comparison, centralized finance institutions commonly expend significant effort and resources to protect trade secrets and patent, copyright, as well as trademark their innovations (Rietveld et al., 2019). The example set by Ethereum reflects an openness to



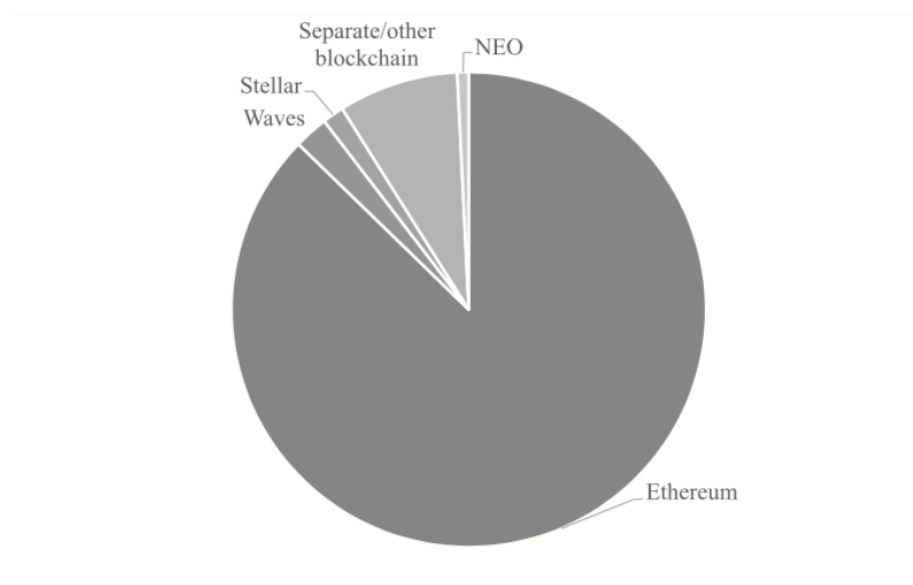
sharing in the interest of financial innovation for all, which is a major market advantage over established competitors that operate on centralized trust structures.

### ***Interoperability***

Another effect of decentralized finance is enhanced interoperability (Shrepel, 2019). Centralized financial systems generally function with very low levels of interoperability (Vergne, 2020). This is because such systems often function largely within a narrow network of pathways, relying on correspondent banking relationships with intermediaries that increase costs and reduce efficiency (Vergne, 2020). Conversely, platforms that host DeFi services have a generally higher level of interoperability because they operate according to open-source standards on publicly distributed blockchain ledgers (Cocco et al., 2017).

Greater interoperability means that value flows can occur unfettered across diverse services and boundaries, which may serve to enable an internet of value (Chen & Bellavitis, 2020). This also represents the basis for the realisation of Web 3.0 (Maesa & Mori, 2020), where the risks and barriers to online money or value transfers between peers, businesses and institutions are significantly reduced (Treiblmaier, 2019). All decentralized finance applications on the Ethereum platform have a high level of interoperability. As of 2019, this accounted for 87% of all DeFi services (Chen & Bellavitis, 2019) (Figure 8). The quest for full interoperability between dissimilar platforms that host DeFi services is an ongoing challenge, which has been taken up by other blockchain platforms including Polkadot and Cosmos (Chen & Bellavitis, 2019).

**Figure 8.** *Distribution of DeFi Services Among Platforms*



*Source: Chen & Bellavitis, 2019, p. 3.*

## ***Borderlessness***

Blockchain-based decentralized financial services have the potential to minimise or overcome long standing barriers to financial inclusion that have been enhanced by UNSCR 1373. This research has found that bias along cultural lines is observable in the design of FATF regulations for MVT systems. This issue has been exacerbated by the fact that centralized financial institutions are resource and infrastructure dependent, meaning that they are generally unsuited to unstable environments with poor infrastructure (Thompson, 2011). Consequently, formalized financial services in many regions of the Global South are unaffordable or inaccessible. Such institutions have also fostered a poor reputation for failure and corruption throughout the Global South over many generations (Austin et al., 2017; Cook & Smith, 2011).

Conventional banking and finance institutions are always tethered to a particular physical location and therefore a particular fiat currency as well (Vergne, 2020). This means that such an institution cannot be considered borderless, in part because any transnational transfer of value is comparatively inefficient next to decentralized financial operations (Chen & Bellavitis, 2019). This refers to the unviability of inter-bank micro-transactions due to relatively high upkeep and processing fees, as well as regulatory costs incurred by intermediary banking institutions (Chen & Bellavitis, 2019). Previously the only alternative to the favoured formalized financial institutions of the Global North were MVT systems made illicit by UNSCR 1373 (i.e. *hawala*, *hundi*, *fei ch'ien* etc.) (Martin, 2009). These traditionally informal MVT systems share common ground with decentralized financial services in that their operational structures are defined in-part by their asymmetry to that of the formalized financial services sector.

The borderlessness of decentralized value transfer services equates to less transactional friction, meaning lower costs and faster transfers internationally. Achieving these outcomes for transnational remittances has been an ongoing goal for international organizations such as the G20 (GPFI, 2016) and the World Bank (2019). In 2014 the World Banking Group set the challenging goal of realising Universal Financial Access. It aimed to provide the estimated 2 billion unbanked adults globally with access to financial services by 2020 (World Bank, 2021). The data released in 2017 revealed only marginal improvement to the global number of unbanked adults, a reduction to 1.7 billion, and as of early 2021 no further data had been submitted (World Bank, 2021). This can be attributed in part to the practical and economic limitations of financial inclusion goals that rely on centralized financial structures (Schrepel, 2019a; Vergne, 2020). Meanwhile, disintermediated and borderless avenues of transnational

value transfer are increasingly accessible and competitive next to centralized remittance systems (Chen & Bellavitis, 2019; Schrepel, 2019a).

### ***Transparency***

Enhanced transparency is another promise of decentralized finance. A centralized structure for financial or any other trust-related service would be quite vulnerable were it to have high levels of transparency like that which can be achieved via a decentralized system (Chen & Bellavitis, 2019). Because centralized networks operate on a permissioned private ledger, rather than a permissionless and publicly distributed ledger, trust is placed in a centralized entity. Therefore, access must be restricted to authorised users, or the system could be compromised (Berg et al., 2019; Schrepel, 2019a). This is because each node in a distributed private ledger network is ultimately governed by its centralized source of authority. As such, if just one node on a centralized ledger network is hacked it would likely allow network-wide access and control. Such a breach represents a systemic vulnerability that could lead to failure, which requires significant risk mitigation investment such as ongoing systems and network security testing (Li et al., 2020; Taylor et al., 2020).

Decentralized financial services usually have a higher level of transparency compared to their centralized counterparts. In part this is because the encrypted public distribution of the transaction ledger ensures that security or operational incidents are easily discovered (Treiblmaier, 2019). Another relevant factor is that the source code for most DeFi services and their blockchain platforms are published and accessible to anyone (Rietveld et al., 2019). The availability of comprehensive data on DeFi activity is a major advancement for both researchers and users (Schar, 2021), whereas generally formalized banking and financial data is inaccessible or spread across many proprietary databases. The overcoming of this structural barrier reflects the potential for preventative rather than purely reactive measures to deal with crises or issues before they become systemic (Schar, 2021).

The centralized structure of trust built into formalized financial institutions ensures that unilateral network authority and control are innate and necessary (Vergne, 2020). Some of the risks stemming from this opaque control format are “...exploitation, exclusion, and discrimination” (Schrepel, 2019a, p. 306). The distributed and transparent structure of trust and authority built into the foundations of decentralized financial platforms can reduce or negate these risks (Chen & Bellavitis, 2019; Schrepel, 2019a). This can be seen as a structural advantage over centralized structures for financial trust. However, this advantage is not a

guarantee as has been highlighted by some commentators in the DeFi space (Blec, 2021; Schar, 2021).

Despite major advantages over centralized financial systems, risks still exist which reveal that transparency in theory does not necessarily equate to transparency in practice for every DeFi project (Schar, 2021). One issue is that the high speed of innovation and the increasing complexity of blockchain platforms and smart contract applications stand as major barriers to transparency. The fact that few data analysts and even fewer DeFi participants can evaluate the technical aspects to make an informed security assessment adds to the transparency challenge in this space (Schar, 2021). This is a transparency barrier that could diminish in significance over time as the number of analysts and participants increases, and the general level of technical knowledge and experience improves.

Issues have also been raised by a concerned DeFi participant regarding a lack of transparency from project developers (Blec, 2021). This commentator has penned multiple public letters calling for complete transparency in relation to dishonest conduct and opacity relating to security concerns (Blec, 2021). In two instances Blec has highlighted opacity around the existence of undocumented admin keys that would allow developers or a malicious agent to unilaterally drain liquidity as well as control or alter the smart contract system. The projects identified include Aave on the Polygon network (Blec, 2021a) and Alpha Homora v2 (Blec, 2021b). Developer responses to the concerns raised by Blec have so far been limited or not forthcoming (Blec, 2021; 2021a; 2021b).

These examples highlight that while technological developments may significantly enhance the capacity for security and transparency next to centralized finance, the human factor will remain a prominent vector for risk. Indeed, the fact that these issues can be identified by individuals and raised publicly with project developers is a significant step forward in the world of finance. However, the deeper significance of this finding is that it highlights the persistent relevance of the human or social factors across both historical and modern financial governance landscapes. In other words, social factors will remain relevant into the next generation of remittances that can facilitate the virtualisation of public trust.

## **Stablecoins**

One of the limits of decentralized financial services has been its reliance on cryptocurrencies, which often experience price volatility (Chen & Bellavitis, 2019). The unstable value of cryptocurrencies means that they are less suited to functioning as money. To

effectively function, currency is conventionally expected to operate as a reliable medium-of-exchange, store-of-value, and unit-of-account (Moin et al., 2019; Mita et al., 2020).

So-called ‘stablecoins’ are designed with the aim of fulfilling these roles for the increasingly digital global economy. There are another two aspects of commonality among all stablecoins (Bullmann et al., 2019). The first consistent feature is the use of distributed ledger or blockchain technologies to enable the use of smart contracts. The second constant is a reliance on the existence of an open market to seize arbitrage<sup>111</sup> opportunities and thereby stabilize its price (Bullmann et al., 2019).

**Table 11.** *Stablecoin Typology*

	Issued on Receipt of:	Collateralized by:	Structure:
Tokenised Funds	Cash/Deposits/E-money	Cash/Deposits/E-money or other secure/low-risk/liquid assets	Centralized
Off-chain Collateralized	Assets held by a responsible intermediary	Assets held by a responsible intermediary	Centralized
On-chain Collateralized	Cryptocurrency stored on the distributed ledger	Cryptocurrency stored on the distributed ledger	Decentralized
Algorithmic	Cryptocurrency (or given away) <sup>112</sup>	No collateral (value = market expectation of future value)	Decentralized

*Source: Adapted from Bullmann et al. (2019) and Mita et al. (2019).*

The classification of stablecoins (Table 11) is based on what acts as collateral for its value. This is useful in order to underline the fact that some approaches involve an accountable intermediary, while other stablecoins do not (Bullmann et al., 2019). Following this trust-oriented approach, there are four categories of stablecoins. These are ‘tokenised funds’, ‘off-chain collateralized’, ‘on-chain collateralized’, and ‘algorithmic’ (Bullmann et al., 2019).

<sup>111</sup> Arbitrage is the real-time purchasing and trade of securities, currencies, or commodities in diverse markets or in derivative forms to benefit from differing prices for the same asset.

<sup>112</sup> The notion that an algorithmic stablecoin could be designed specifically to be ‘given away’ is not discussed in the ECB Crypto Assets Task Force report in any detail (Bullmann et al., 2019). It is raised but not discussed directly or with clarity by the ECB (2020) in its report generated in response to the findings of the Task Force. The reasons for, and potential risks associated with, the giving away of algorithmic stablecoin are not clear and could have implications in terms of economic stability and sovereignty (Hoffman et al., 2020).

Highlighting the type of structure employed by each system indicates how design is reflective of the distribution of trust within each system.

### **Tokenised Funds**

The tokenised funds format is the most common stablecoin, most of which are pegged to the US Dollar (Moin et al., 2019). The term ‘tokenised funds’ is a technical descriptor for stablecoins that are digital representations of fiat currency, most commonly backed by physical cash one-to-one (Bullmann et al., 2019). These systems need an accountable intermediary to issue, redeem, and hold the tokens it generates (Moin et al., 2019). Due to its relative simplicity this centralized approach may provide the most viable stablecoin format (European Central Bank, 2020). This is primarily because the tokens it generates are digital representations of existing currency. However, stability in this context is dependent on the level of trust that clients have in the organization which created the system (Bullmann et al., 2020).

Other issues of trust face stablecoins built on tokenised funds. For example, trust may become increasingly difficult to generate due to the limited transparency of the relevant regulatory controls in effect (Mita et al., 2019). As a result, there is a heightened potential that users will be exposed to fraud (James, 2019; 2021). Another barrier to trust generation in this context is the potential for unilateral action on the system as a result of its centralized format (Chen & Bellavitis, 2019; Schrepel, 2020).

The iFinex organization, which owns and closely manages the largest US Dollar pegged stablecoin is a relevant source of trust issues affecting the tokenised approach (Tether, 2020). The cause for distrust is found in the details and outcome of legal proceedings in New York, which speak to the implications of an alleged attempted cover up of major fraud on the large trading platform Bitfinex in 2017-2018 (Jakobson, 2021). According to New York Attorney General, Letitia James (2019), it is believed that the Bitfinex parent company ‘iFinex’ misused its authority over corporate and client funds, as well as the USDTether stablecoin, in an attempt to mask the fraudulent delivery of \$850 million to a Panamanian company called ‘Crypto Capital Corp.’. It is understood that Bitfinex executives failed to disclose the transfer made without assurance or contract, and proceeded to conduct a range of corporate transactions to fill the collateral gap. Allegedly this involved Bitfinex receiving approximately \$900 million in uncollateralized USDT (James, 2019).

Tether changed its terms of service in February of 2019 to state that its tokens were fully collateralized one-for-one with the USD (Bullmann et al., 2019). However, in a statement made by Bitfinex’s legal counsel a few months later, it was disclosed that Tether had only 74%

of its issued USDTether tokens collateralized (Jakobson, 2021; James, 2021; Moin et al., 2019). Scholarly research into the matter has since found with some confidence that the missing \$850 million was used to manipulate cryptocurrency markets during the 2017-2018 bubble (Griffin & Shams, 2020). This claim is the focus of multiple class-action civil lawsuits collectively seeking approximately \$1.4 trillion in damages (Jakobson, 2020).

Bitfinex announced in early 2021 that its previously undisclosed so-called ‘loan’ from Tether has been fully repaid (Bitfinex, 2021). The New York Attorney General’s case against iFinex was settled by agreement within weeks of that announcement without criminal charges being laid (James, 2021). Despite this, there are many features of the iFinex case that reinforce the claim made in this research that trust conflicts are the most significant barrier to regulatory compliance and efficacy around systems by which money or value is transferred. A key outcome was the banning of any services provided by Bitfinex and Tether throughout the state of New York. This act reflects a stern rebuke of the deceptive and fraudulent conduct of iFinex, which Attorney General James (2021) detailed in a press release. It reports that iFinex “made false statements” about the collateralization of USDTether, “...recklessly and unlawfully covered up” significant financial losses, which “...obscured the true risk investors faced” (para. 1-2).

The report also highlights that the operators and entities involved were ‘unregulated’, ‘unlicensed’, and found in the “...darkest corners of the financial system” (James, 2021, para. 2). Another major outcome is that Bitfinex and Tether are required to regularly report on the central functions of their businesses, including details on the separation of client and corporate accounts as well as fiat and cryptocurrency accounts. This also requires Tether to publicly and accurately disclose information on the collateralization of its stablecoins, inclusive of any loans or assets transferred between any of its associated agencies (James, 2021). Additionally, these companies are required to improve transparency on the details of any non-bank third-party remittance facilitators for the movement of its client’s value. The parent-company iFinex was fined \$18.5 million (James, 2021). Investigations by the US Dept. of Justice have led to the partial seizure of the missing funds and multiple arrests (Jakobson, 2019). This example is demonstrative of how the centralisation of authority and control within financial operations leaves their clients open to major risks such as money laundering, fraud and misconduct (Associated Press, 2020; ICIJ, 2016; 2019; 2020; Griffin & Shams, 2020).

The US Digital Coin (USDC) has ensured that a similar incident is highly unlikely to occur by having its holdings regularly and independently verified (Ante et al., 2020). Storing the collateral in cash at levels that allow redemption at any time is a major cost for tokenised

funds, which encourages organizations to centralize their holdings in one institution. To address this issue, USDC collateral is held in many banking institutions worldwide (Moin et al., 2019; Coinbase, 2020). This partially decentralized approach is more difficult and costly than the more common centralized arrangement (Mita et al., 2019). However, the extra cost and effort can be justified in the long term because transparency builds trust and confidence in the ongoing viability of the stablecoin.

### **Off-Chain Collateralized**

The second stablecoin type is ‘off-chain collateralized’. This refers to the typical procedure on such systems wherein users enter a smart contract with an accountable intermediary (Bullmann et al., 2019). Similar to tokenised funds, this model legally requires a trusted centralized financial institution to issue the stablecoin, take custody of the collateral, and redeem tokens for the original collateral on demand. The ‘off-chain’ descriptor refers to the system’s design to accommodate any type of collateral that is not virtualized, or cannot be digitised and stored on the blockchain such as commodities and real estate (Moin et al., 2019). Centralized authority and control is a functional requirement of this system type, which is reflective of the structure of trust and the nature of the governance challenges faced.

The majority of stablecoin systems (i.e. tokenised and off-chain) rely on intermediaries due to formalized financial regulations for dealing in fiat payments and securities settlements (Bullmann et al., 2019). This observation highlights that there is likely to remain a dynamic yet ongoing role for commercial financial institutions. Although these centralized and authoritative structures reflect evident points of compliance weakness, in practice they form vital bridges between the established world of formalized finance and the emergent global cryptocurrency ecosystem (Berg et al., 2019; Chen & Bellavitis, 2019; Pernice et al., 2019). As such, trusted financial intermediaries will continue to play an important role in the global economy as it evolves.

### **On-Chain Collateralized**

The third stablecoin type is ‘on-chain collateralized’, also sometimes referred to as ‘crypto-collateralized’ stablecoins (Bullmann et al., 2019). This approach enables the creation, stabilisation, issuance and redemption services financial arrangements to be wholly or partially decentralized (Mita et al., 2020). This model uses cryptocurrencies as collateral, which is recorded on the blockchain ledger and held in the custody of the client. Users also directly interact with the smart contract they initiated, and take responsibility for maintaining the proper



level of collateralization underpinning the stablecoins issued to them (Bullmann et al., 2019). There are very few of these stablecoin systems in operation due to the significant complexity of stabilisation via volatile cryptocurrencies.

One prominent example of this format in practice is the ‘Multi-Collateral Dai’ system, which was developed by the Decentralized Autonomous Organization called ‘MakerDAO’ (2017). Under this stablecoin model, trust is built into the automated system. Trust is also generated by via interactions with users as they manage their smart contracts and engage in the governance process, which operates based on distributed consensus (Moin et al., 2019).

### **Algorithmic**

The ‘algorithmic’ mode is also a decentralized stablecoin system format. The term is used in reference to the decentralized algorithm by which the price stabilisation process is automated via smart contracts, and without collateral (Zhao et al., 2021). By controlling the supply of available stablecoins, following a similar process to that used by central banks, an algorithmic stablecoin attempts to maintain price-parity with a single nominated currency, asset or other form of value (Bullmann et al., 2019).

Data on the issuance and redemption of these stablecoins is conveyed via exchange platforms and financial data providers (in jargon ‘oracles’) to the relevant smart contract (Bullmann et al., 2019). Decentralized financial arrangements such as this rely on financial inducements to form the basis for trust in the accuracy of the data provided by oracles. The sum of such measures is sometimes referred to as ‘crypto-economics’ (Berg et al., 2019; Davidson et al., 2017).

If the price of a stablecoin of this type moves above parity the smart contract automatically generates more coins and distributes them. When the price of the stablecoin falls below parity, the smart contract automatically reduces supply in order to steadily raise the price back to one-to-one (Mita et al., 2020; Pernice et al., 2019). In essence most stablecoins operate in this way, however there are some notable divergences in method that have given rise to multiple forms of algorithmic stablecoin.

Research in this area identifies two emergent forms of algorithmic stablecoin, and one novel approach (Mita et al., 2019; Moin et al., 2019; Zhao et al., 2021). These are ‘Rebase’, ‘Seigniorage Share’, and ‘Partial Collateral’ respectively. The term ‘Rebase’ refers to the stabilisation process by which stakeholders are either allocated newly minted coins, or the appropriate percentage of coins are destroyed (in jargon ‘burned’) from the platform’s reserves.

This process is repeated routinely, most commonly once a day at a specified time (Mita et al., 2019; Zhao et al., 2021).<sup>113</sup>

The second format, Seigniorage Share, commonly involves two cryptocurrencies. A coin representing the pegged currency and a token that represents a share or bond. These promissory tokens are voluntarily exchangeable via decentralized auction for more stablecoins, which forms part of the financial incentivization of user participation in the stabilisation process (Mita et al., 2019; Moin et al., 2019).<sup>114</sup>

The ‘Partial Collateral’ format is a novel approach that employs a ‘fractional-algorithmic’ method of stabilisation. This method is intended to be more stable and efficient by relying on a limited level of collateralization combined with an algorithmic stabilisation method (Zhao et al., 2021). The potential of this approach is in the reduction of custody risks and the prevention of over-collateralization, which are challenges that have commonly affected decentralized stablecoin formats (Zhao et al., 2021).<sup>115</sup> However, states may act to prevent the inclusion of their fiat currency in such a system if it would diffuse their monetary sovereignty. Such a decision would align with action taken by European and US authorities following a similar proposal by the social media company Facebook to create an algorithmic multi-currency stablecoin called Libra (Libra Association, 2020).

Algorithmic stablecoins distribute trust in a variety of ways and are the closest decentralized financial applications in function to the central banks (Bullmann et al., 2019). Such operations pose a significant challenge for elite banking interests, whose economic influence historically attained global dominance via the Federal Reserve central banking system (Henderson, 2020). Ongoing developments in this area show promise for the viability of decentralized and entirely disintermediated stablecoin applications (European Central Bank, 2020). The promise of emergent culturally unaligned stable stores for digital value via stablecoins supports the central claim made in this thesis.<sup>116</sup> As such, the growing shift in public trust away from hierarchical financial institutions is further evidence for the existence of the Global Trust Conflict.

---

<sup>113</sup> One example of this system is an Ethereum-based stablecoin project called ‘Ampleforth’ (Kuo et al., 2019).

<sup>114</sup> Examples of this system in operation include Basis Cash (2020), USDx (Mita et al., 2019), and Celo (Kamvar et al., 2019).

<sup>115</sup> An example of this emerging format in operation is Frax Finance (Frax Finance, 2021).

<sup>116</sup> The central claim of this thesis is that a global trust conflict exists, which represents the most significant barrier to global regulatory efficacy and compliance efforts aimed at money or value transfer systems.

## **The Challenges of Centralized Trust**

The potential benefits of blockchain technologies for individuals, organizations and states stand in support of the growing global public shift away from the established institutionalized global finance structure. Individuals are granted permissionless access to digital currencies and blockchain platforms that can provide for pseudo-anonymous peer-to-peer transactions, as well as value storage, and wealth creation by seizing arbitrage opportunities (Berg et al., 2017; Chen & Bellavitis, 2019; Seidel, 2018). Organizations like the Ethereum community of developers and MakerDAO have been able to ensure that their platforms can never be the subject of a hostile takeover via decentralisation and public licensing of each platform's source code (Free Software Foundation, 2007; MakerDAO, 2017; The Crypto Sight, 2020).

States like Iran and Venezuela have used cryptocurrency specifically with the aim of avoiding the economic implications of international sanctions (Ratna, 2020; Shuster, 2018). Other states like El Salvador have chosen to adopt Bitcoin as legal tender (Campos, 2021; Sigalos, 2021) and diverge from the global economic rules and norms set by the FATF (2012-2019). It is apparent that blockchain technologies have provided individuals, organizations and states with opportunities to gain increased independence from the institutionalized structures of formalized global finance. Thus, an implication of this finding is the reopening of doors in the modern global economic order to pluralist norms and values.

There are economic risks and broad implications for the global economy as a result of such a development. Individual and organized criminality is not an uncommon issue in relation to use of pseudo-anonymous cryptocurrencies like Bitcoin (Choo, 2015; Wilks, 2020). Although, the capacity to enforce the law also highlights that such instances are not beyond the reach of law enforcement authorities to investigate and act on allegations or evidence of illegal activity (Treiblmaier, 2019; Vergne, 2020). Thus, there are risks that must be addressed to some degree for both formats of financial trust distribution (Berg et al., 2019; Seidel, 2018). However, a key part of the problem facing the Global Regulatory Effort is a policy-based tunnel-vision for risk (i.e. distrust) in traditionally informal and emergent remittance systems. This research has argued that this securitized approach has worked to the detriment of regulatory efficacy and compliance in formalized financial institutions.

It is useful, therefore, to highlight some disadvantages of structures in which trust is centralized next to the decentralized format. One issue is that centralized network security is expensive to achieve and maintain, and therefore more vulnerable to security breach next to

blockchain systems (Seidel, 2018; Treiblmaier, 2019). Another issue is the much higher potential for unilateral action on permissioned networks, which are also relatively opaque compared to systems that use a publicly distributed ledger (Mita et al, 2020; Schrepel, 2019a). This means that the cost of generating and maintaining trust on centralized systems is likely to be more costly by comparison with permissionless networks, which are most commonly governed by distributed consensus (Chen & Bellavitis, 2019; Moin et al., 2019; Treiblmaier, 2019). These are facets of modern transaction cost economics, referred to as ‘crypto-economics’ in the context of cryptocurrencies, which highlights the institutional significance of distributed trust (Adams et al., 2017; Berg et al., 2019; Seidel, 2018; Vergne, 2020).

Another shortcoming for centralized systems versus decentralized structures is their comparatively low rate of innovation and limited capacity for adaptation to disruptive change (Seidel, 2018). Partially this is due to structural inertia as large hierarchical bodies tend to take time to change course. This inertia can be understood in terms of time taken to evaluate actions, assess risks, test scalability and profitability, protect intellectual property, and normalize change (Berg et al., 2019). In contrast, the rate of innovation on decentralized permissionless platforms is commonly only limited by technical issues, community consent, and demand for service (Berg et al., 2019; Vergne, 2020). Therefore, should a need arise for a particular service motivated community members will innovate towards meeting that need via a decentralized platform as few barriers exist that would prevent it (Chen & Bellavitis, 2019).

Another disadvantage in this context is that the level of trust or risk-appetite required to seize opportunities is more difficult to justify (Vergne, 2020). Consequently, monopolistic market practices that add certainty to growth and profit projections become more appealing for centralized financial systems. These disadvantages culminate in a tendency towards business decisions that are anti-competition or anti-trust (Berg et al., 2019; Schrepel, 2019a). They thereby prevent or severely limit the potential for organic trade and innovation, which by contrast underpins the entrepreneurial ecosystems made possible by decentralized blockchain platforms such as Ethereum (Buterin, 2015). Therefore, the generally higher risks and costs associated with operating centralized structures is reflective of a structural disadvantage next to decentralized blockchain-based systems (Treiblmaier, 2019; Chen & Bellavitis, 2019; Seidel, 2018; Vergne, 2020; Wilks, 2020).

## **Efforts to Maintain Centralized Trust in Global Finance**

Despite the challenges facing financial structures built on centralized trust, some interests have attempted to adapt and counter the disintermediating effects of blockchain networks. Four key instances of this have been identified as forming a part of major investments aimed at retaining or seizing centralized authority and control within the increasingly digital global economy. The first case study example discussed is the attempted global stablecoin called ‘Libra’ proposed by the social media company Facebook (Libra Association, 2020).

Other initiatives include the international movements for a ‘Cashless Society’ (Athique, 2019; Thomas, 2019; World Economic Forum, 2020) and ‘The Great Reset’ (IMF, 2020; Schwab & Malleret, 2020; World Economic Forum, 2020b). Additionally, Central Bank Digital Currencies (CBDCs) retain a centralized structure of authority and control in the global economy (Bouchaud et al., 2020). The Global Trust Conflict is in part reflected in a contest that constitutes a question of authority and control over the prevailing nature of financial trust provision services in the global economy.

### ***Libra: The Global Stablecoin***

A white paper detailing the first plan for the Libra project was published in June 2019 (Rrustemi & Tuchschnid, 2020). The stated purpose of the project is to “...enable a simple global payment system and financial infrastructure that empowers billions of people” (Libra Association, 2020, p. 1). The Libra Reserve stablecoin was put forward as Facebook’s global solution to the access and cost-related challenges facing cross-border remittances (Brühl, 2020). Working to provide banking and financial services to the unbanked and underserved in an effort to tackle poverty and economic inequality are worthy goals (Libra Association, 2020). However, considered in detail the project appears to be more driven by gaining profit, financial authority and control, than addressing global socio-economic challenges (Khan & Goodell, 2019; Schrepel, 2020; Zetzche et al., 2019).

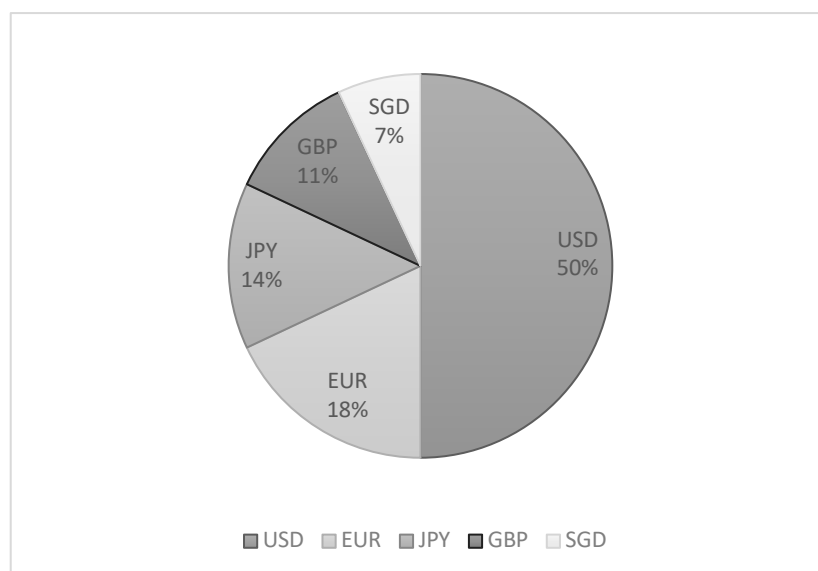
Centralized trust is a key feature of the Libra project and as such serves to demonstrate the significance of the challenges that limit the viability of similarly structured financial systems (Khan & Goodell, 2019; Read & Schafer, 2020). If the project becomes operational, Libra Association members would form a private consortium operating a permissioned distributed ledger network (Libra Association, 2020). The swift and critical global regulatory response to this project suggests that authorities held significant concerns in terms of perceived

risks to financial trust and sovereignty posed by global stablecoins (FSB, 2020; Libra Association, 2020; Schrepel, 2020).

The Libra project began with failures that did not serve to inspire public trust. Some scholars criticised a lack of transparency in its white paper. Analysis of Libra 1.0 highlighted that the document did not include details of a limited liability Swiss company called ‘Libra Networks’ (Zetzche et al., 2019). Its role is believed to have been to seek financial service licenses and was established two months prior to publication of the white paper (Read & Schafer, 2020). Under Swiss law ‘associations’ are designated as not-for-profit and are not legally able to receive or engage in or facilitate profitable commerce (Zetzche et al., 2019). The white paper contradicts the law, indicating that the not-for-profit Libra Association would receive fees and dividends that would in part be redistributed to its corporate members (Read & Schafer, 2020).

The trust underpinning the Libra project is centralized within the Libra Association and its corporate membership (Read & Schafer, 2020). The Libra Association was founded in October of 2019 by 21 corporate members that include technology firms Calibra, Spotify, Vodafone, Coinbase, Anchorage, as well as venture capitalists and not-for-profit organizations. Each of these companies is required to invest a minimum of US\$10 million and would maintain and develop the platform (Brühl, 2020). However, notable partners left the project after its announcement due to concerns that emerging regulatory requirements could not be met. Companies that backed out of the project included Visa, Mastercard, eBay and PayPal (Read & Schafer, 2020).

**Figure 9.** *Planned Collateralization of the Libra Reserve*



*Source: Adapted from Libra Association, 2020.*

The Libra Reserve was at first intended to be only a single global stablecoin backed by multiple low volatility assets including major fiat currencies (Brühl, 2020). In this format the stablecoin is closest in form to the ‘tokenised funds’ category (Read & Schafer, 2020). Figure 9 depicts the planned distribution of fiat collateral that would back the Libra Reserve stablecoin (Libra Association, 2020). Under the proposal approximately two-thirds of collateral would be held in US Dollar (USD) (50%) and the Euro (EUR) (18%) (Figure 9).

Inspiration for the Libra project is found in anti-competitive systems built on distrust. Facebook’s interest in borderless remittances relates to its efforts to integrate digital payments into its encrypted messaging service called WhatsApp (Khan & Goodell, 2019). As such, Libra reflects a desire to repeat the significant profits made by its equivalent in China called WeChat (Rrustemi & Tuchschnid, 2020). WeChat operates as a social media and digital messaging service that incorporates a digital remittance system. It is a subsidiary of the technology firm called Tencent, which is known for creating the first operational digital social credit score system (Sithigh & Siems, 2019). Permissioned distributed ledger networks form the foundations for this system, which aims to assign each citizen a level of trust based on data gathered from mass high-tech surveillance, including data from social media platforms and financial service applications (Rrustemi & Tuchschnid, 2020). Consequently, all citizens are assumed to be unworthy of trust, which justifies holistic data collection and monitoring by the state.

For Chinese society the result is dire, as the Chinese state and authorised companies have gained unfettered access to both financial and personal data in real-time (Sithigh & Siems, 2019). This data is made more accurate by the ability to use big data analytics across financial and social media data streams to triangulate commercial and political targets (Khan & Goodell, 2019). The Libra project’s conceptual progenitor WeChat is a useful example to highlight the dangers associated with social media and financial organizations that attempt to create a centralized global stablecoin. The significance of these risks is reflected in the Libra Reserve platform’s potential to become a global currency for payments, which is intended to be conjoined with the data of an approximated 3.3 billion Facebook users (Facebook, 2020).

The European response to the announcement of the Libra project was twofold. A Crypto-Assets Task Force was set up via the European Central Bank (ECB) (Bullmann et al., 2019). The bank used this independent assessment of the regulatory considerations and risks associated with stablecoins, along with internal analysis, to inform its policy position (European Central Bank, 2020). The European Commission sent a questionnaire to the Libra Association and its related parties. This formal request for further information was described

as establishing an investigation into “...potential anti-competitive behaviour” (Schrepel, 2020, p. 161). The regulator considered aspects of the Libra Reserve project to be anti-trust, and therefore potentially a threat to the economic sovereignty of Europe.

The Libra Reserve case provides insight regarding the risks associated with globally instituted anti-trust structures that threaten already diminished state sovereign monetary controls following the adoption of UNSCR 1373. This is relevant to the Libra 1.0 plan to become fully decentralized at some point in the future (Libra Association, 2020). This reflects a common regulatory concern that decentralized and wholly disintermediated finance on blockchain projects lack a legally accountable entity via which to enforce regulatory policy (Bullmann et al., 2019; Brühl, 2020). However, the risks in this case are arguably higher because the transition would only occur after an undetermined period of time operating as a centralized and largely opaque global financial platform (Libra Association, 2020).

In either format, the European Central Bank (2020) would be faced with significant challenges in its role as economic regulator for Europe. Without a means by which to regulate the level of EUR used to collateralize the Libra Reserve currency basket, the European economy would be vulnerable to price shocks and foreign interference (Adachi et al., 2020). Analysis by the ECB indicates that in an extreme case scenario such an event could either hyper-inflate or severely limit the buying power of multi-currency stablecoin holders (European Central Bank, 2020). This would limit the effectiveness of its own monetary policies aimed at improving domestic economic stability (European Central Bank, 2020).

The Libra project was stripped down in April 2020 and renamed to ‘Diem’ following focused international regulatory scrutiny (Libra Association, 2020; CNet, 2020). The Association highlighted four focal points of the adjustments made following extensive regulatory scrutiny. These are the addition of a range of single-currency pegged stablecoins next to the original multi-collateral stablecoin design, enhanced ‘safety’ for the payment system via an improved framework for regulatory compliance, remaining a permissioned system, and designing robust ‘protections’ into the Libra Reserve stablecoin (Libra Association, 2020). Although these changes serve to reduce the risks raised by regulators (FINMA, 2020), they do not remove the vulnerability to foreign interference or the potential for state monetary sovereignty to be undermined (Libra Association, 2020).

From a macroscopic perspective, if a project like Libra were to become operational the risks would be relevant for any state whose currency became pegged to a global stablecoin. Such a scenario would risk allowing all trust vested in the global economy to converge into a monolithic structure beyond that instituted by the Federal Reserve Central Bank system (Khan



& Goodell, 2019; Schrepel, 2020). It is clear that trust is a defining issue in this context. In summary, the key trust issues raised by the Libra Reserve project are; the potential for monopolistic and borderless economic structures, an existential breakdown in privacy and trust, diminished state monetary sovereignty, and the risk of foreign interference in state economies (European Central Bank, 2020; Schrepel, 2020). In line with these findings, the ECB stated that there is a low likelihood that a borderless multi-currency stablecoin would become used worldwide as a payments system (European Central Bank, 2020).

### ***Cashless Society***

Another ideological corollary to the Libra Reserve paradigm can be found in the transnational push for a so-called ‘cashless society’. This investigation into the demonetisation movement draws on observations from the abrupt phasing out of large denomination notes in India in 2016. It also reflects on the value of financial anonymity as trust in the face of security-focused efforts to enable the centralisation of financial trust via the digitisation of state economies.

The significance of the movement becomes apparent when reflecting on the narratives employed to sell the benefits and highlight the perceived necessity for a cashless society. This type of monetary policy has also been referred to as ‘demonetisation’ or ‘the war on cash’ (Athique, 2019; Fabris, 2019). The supposed benefits cited include financial inclusion, reducing poverty (CGAP, 2011), and enabling central banks to enforce policies to bring about a true negative interest rate (Athique, 2019; Rogoff, 2014; Ingves, 2018). Pandemic risk reduction (i.e. COVID-19) has also been cited in relation to limiting the potential for viral spread via currency (Schwab & Malleret, 2020; Zero Hedge, 2020). Most significant has been a desire to address security concerns related to criminal use of cash or the ‘black economy’ (Athique, 2019; Australian Government, 2018; Black Economy Taskforce, 2017; Department of Treasury, 2020; Ingves, 2018; Rivera, 2019; Rogoff, 2014). The criminal use of cash is one of the most commonly cited reasons for going cashless, and thus the securitisation of economic policy can be seen as a core aspect of the movement.

In terms of transnational cooperation and resources, the effort to bring about a cashless society is expansive. Among the list of liberal international proponents of a cashless global economy are international financial organizations and authorities, including; the World Bank, multiple development banks and NGOs,<sup>117</sup> the International Monetary Fund (IMF) and the

---

<sup>117</sup> Including, but not limited to; African Development Bank, Credit Suisse, European Investment Bank, International Finance Corporation, KFW Bankengruppe, Investment Fund for Developing Countries,

World Economic Forum (Athique, 2019; Forbes, 2016a; Nabilou & Prüm, 2019; World Economic Forum, 2020; Yanagawa & Yamaoka, 2019). In concert with this, international media and some law enforcement authorities have acted with increasing suspicion in relation to events that have identified large stores of cash during the two decades since the 9/11 attacks (Athique, 2019; Naylor, 2006; Passas, 2016).<sup>118</sup>

International political and academic exposure of the ‘threat’ posed by cash has been put forward by the work of Kenneth Rogoff (2017). Over the last 30 years Rogoff has been at the forefront of research on the matter. His 2017 book, entitled “*The curse of cash: How large-denomination bills aid crime and tax evasion and constrain monetary policy*”, is an indicator of the risk perception underlying the cashless movement (Rogoff, 2017). In 1998, Rogoff argued that the EU€500 bill and the US\$100 bill were largely enablers of criminal activity. Beyond this ambit claim, the essence of his macro-economic position is that cash generates increased remittance costs, which distorts the normative scope of commercial activity (Athique, 2019; Rogoff, 2014).

It is important to understand the nature of the use of cash in the Indian economy to fully grasp the significance of demonetisation in this context. This research has highlighted the long history of the informal economy around the *hundi* remittance system, which was traced back to the Vedic epoch of Ancient India around 1500-500 BCE (Jain, 1929). During the latter half of this period, indigenous banking became common practice and complex informal financial arrangements using *hundi* to loan, remit and exchange value as a cash-like promissory note has persisted into modernity (Jain, 1929; Krishnan, 1959; Martin, 2012). These broadly cash-based financial norms are therefore deeply embedded in the culture of India and are particularly important for people of low to middle socio-economic status. Indeed, as of 2018 at least 72% of payments in India were made in cash (RBI, 2020).

The introduction of demonetisation in India impacted the informal economy most significantly in particular agriculture, construction labourers, and small business (George et al., 2020). This is estimated to have affected up to 400 million people that are predominantly poor (George et al., 2020). The sudden announcement by the Indian Government in late 2016 to phase out 500/1000 Rupee notes was done under a banner of addressing corruption and crime

---

International Fund for Agricultural Development, Italian Agency for Cooperation and Development, Netherlands Development Finance Company (CGAP, 2011; CGAP, 2020).

<sup>118</sup> Since 2001 the FATF (2016) have mandated under Recommendation 20 that states legislate to ensure suspicious transactions are reported as part of Customer Due Diligence requirements for all money transfers. This rule has been at the center of regulatory authorities concerns regarding the use of large amounts of cash.

(Athique, 2019). At that time, these notes were the highest in value and accounted for 86% of currency in circulation (George et al., 2020). The decision was taken by Indian Prime Minister Narendra Modi despite the contrasting findings of a white paper commissioned by the Indian Government in 2012 (Ministry of Finance, 2012). It showed that illicit funds were primarily created by accounting fraud, and most large stores of criminal money were found in real estate, precious metals, and anonymous corporate investments (Ministry of Finance, 2012). Indian demonetisation policy aligned with that advocated for by the liberal international cashless society movement, which prioritised ideologically grounded solutions to the criminal use of cash over localized evidence-based findings.

Some research indicates that the health consequences of this agenda for the Indian people were significant (Enara & Gowda, 2018). Data collected from Indian hospitals suggests that there were immediate and ongoing mental health implications for many people in relation to this cashless society experiment (Enara & Gowda, 2018). Patients attending emergency departments were experiencing issues that were expressed in the context of stress relating to demonetisation, including; "...relapse of substance abuse, acute stress reaction, adjustment disorders and suicidal ideations" (Enara & Gowder, 2018, p. 8). This research indicates that middle class citizens with psychiatric co-morbidities were the most severely affected by demonetisation.

Later research supports these observations through systematic analysis of data on health and finance across multiple hospitals prior to and in the wake of demonetisation (George et al., 2020). Limited access to cash translated contiguously to difficulties accessing health services in emergencies (George et al., 2020). Issues included an inability to travel, to access medicines, and health services due to payment barriers resulting from a lack of cash and the predominantly low use of costly digital payment services in India (Enara & Gowda, 2018; Khan, 2016). An increased number of heart attack cases, mental health crises, and deaths were also reported (George et al., 2020). However, reports were pronounced in some hospitals but not in others. They did not look for correlation in the data between individual or regional socio-economic status and related health incidents (George et al., 2020). This notable gap produced a deficit finding in terms of a link between demonetisation and public health incidents.

Media reports on the health implications of sudden demonetisation suggest that many people experienced severe impacts including death. One report indicates that approximately 105 Indian citizens died in relation to issues stemming from demonetisation (Ibrahim, 2018). These deaths fit into four categories: bank queues, medical issues and costs, social issues and costs (i.e. educational and familial situations), and suicide (i.e. financial stress). For example,

many people died waiting in queues at banks for multiple days, whether to exchange demonetised currency or withdraw their pension. A bank manager and multiple banking staff died due to the stresses of working long hours to address significant demand (Dogra, 2016). An 18-month-old child also died after her parents were unable to pay for medicine with demonetised currency (Dogra, 2016).

These are just a few examples of reported acute health incidents and mortality in connection with the Indian cashless society experiment, which some commentators argue are likely to be significantly under reported (Dogra, 2016; Ibrahim, 2018). This appears to be the case for two reasons. First, it is apparent that an official and holistic understanding of the socio-economic consequences of demonetisation in India has not yet been sought or grasped (George et al., 2020). However, media (Dogra, 2016; Ibrahim, 2018; Khan, 2016) and academic reports (Athique, 2019; Enara & Gowda, 2018) suggest that it caused significant stress and disrupted business and finance-related social norms throughout India. Second, state-commissioned research into the health outcomes linked to demonetisation considered data in relation only to the impacts on hospitals overall, which saw patient attendance broadly reduced. Indeed, it did not consider the role of demonetisation in this trend except to highlight an increase in digital money transfers via hospitals (George et al., 2020).

The significant socio-economic implications of the demonetisation agenda were apparent to key financial commentators (BBC, 2016). News media citing the opinions of a former Chair of the Reserve Bank of India and a former World Bank Chief Economist, indicated that the demonetisation project supported three core outcomes (BBC, 2016). First, the withdrawal of large notes would not have an effect on criminal funds in the long term. Secondly, the strategy would cause a significant economic slump. Additionally, the policy would have a disproportionately negative impact on the impoverished (BBC, 2016). Based on the observations made here, these predictions are shown to be largely accurate (Athique, 2019; Enara & Gowda, 2018; George et al., 2020; RBI, 2020). It is apparent that to a high degree the negative socio-economic implications of the Indian demonetisation experiment were predictable.

In contrast, demonetisation had a series of positive outcomes for the state. This deliberative economic crisis resulted in a reduction in the amount of circulating currency, which in-turn reduced inflation to create cheaper credit and increased tax revenue while reducing digital transaction costs (Athique, 2019; RBI, 2020). Demonetisation also generated major monetary gains for corporate sponsors of the agenda. Digital payments in India experienced a marginal increase in 2017, but had a 50% increase by 2018, and reached almost

three times the 2017 volume in Lakh by 2019 (RBI, 2020). The three hospitals with digital payments infrastructure saw a 35% increase that persisted post-demonetisation (George et al., 2020). A major corporate benefactor of this policy was the primary digital transactions platform in India ‘PayTM’. It was a prominent collaborator in this demonetisation regime and one of many organizations that entered into and benefited from close public/private partnerships in support of the state’s Digital India initiative (Thomas, 2019). The example set by demonetisation in India once again highlights the role of public/private partnerships and the risks posed in terms of lost public trust, and thus the concurrent socio-economic impacts of liberal solidarist approaches to financial governance.

**Table 12.** *Assumed Benefits vs. Apparent Risks of Going Cashless*

Benefits	Risks
May Reduce Crime	Old Age and Low Education (Barriers to Adoption)
Convenience (Payment Methods)	Low Financial and IT Literacy (Barriers to Adoption)
May Constrain Black Markets	Clash with Pre-Existing Financial Norms
Increased Pace of Digital Innovation	Increased Risk of Cyber Crime
May Lower Risk to Personal Safety	Heightened Risk to Anonymity/Confidentiality Norms
Reduced Remittance Costs	Threats to Public Trust

*Source: Adapted from Fabris (2019, p. 57).*

Table 12 is a summary of the assumed benefits versus risks that become apparent with a review of the cashless society literature (Arvidsson, 2019; Athique, 2019; Beer et al., 2016; Fabris, 2019; Nabilou & Prüm, 2019; Passas, 2016; Rivera, 2019; Rogoff, 2017; World Economic Forum, 2020). The benefits are described as ‘assumed’ because such outcomes are yet to be proven and are instead grounded in projection. Six benefits are set out in Table 12, which are; potential crime reduction, more convenient payment methods, potential constraining of illicit transactions, faster pace of digital innovation, potential improvement of personal safety, and reduced remittance costs. From a purely benefits-focused perspective, the implications of a cashless society would seem to justify the international pressure to transition. The risks include two key barriers to adoption (old age and low education, low financial and technological literacy). They also include conflict with pre-existing financial norms, increased cyber-crime risks, heightened risk to anonymity/confidentiality norms, and threats to public trust. Significant challenges exist, which due to issues of trust are likely to offset the projected benefits of a switch to purely cashless trade.

A perceived opportunity to reduce crime and improve the cost-efficiency and profitability of digital remittances are clear motivators for states and financial institutions in terms of going cashless (Fabris, 2019; Rogoff, 2017). States gain access to more accurate financial records, improving their ability to address money laundering and terrorism financing threats while increasing tax revenue (Arvidsson, 2019). Financial industry gains the ability to run their costly centralized financial operations with a much higher profit-margin. Aside from increased remittance flows, it is also relevant in terms of a significant reduction in expenditures on cash handling, store-front human resources and infrastructure (World Economic Forum, 2020). In practice demonetisation policy looks augured towards economic outcomes for government, banks and financial organizations rather than society as a whole.<sup>119</sup> This represents a unilateral shifting of economic risk from the state and its licensed financial institutions onto everyday citizens. Indeed, the sudden introduction of the policy without public notice preceded a breakdown of trust throughout India (Athique, 2019; Fabris, 2019).

The trust implications of this event reveals that the push to go cashless shares common ground with the implications of UNSCR 1373 for clients and operators of traditionally informal MVT systems (Passas, 2006; Smith, 2012). The Indian demonetisation experiment highlights how the securitisation narrative tends to dominate liberal solidarist financial governance agendas (Fabris, 2019). Securitisation was applied to justify placing the ideological ideal before the social reality. It did this by emphasising a supposed existential threat to the security and stability of social order. Thus, governance policy was applied while sidestepping the political pressure to address the foreseeable social implications of policy implementation.

### ***Cashless Society and Anonymity as Trust***

The 2016 Indian cashless society experiment highlights the role of anonymity or confidentiality as a consistent principle of commerce and trade, and therefore the functionality of society (Coleman, 1988; Lewis & Wiegert, 1985; Weatherford, 1997). Cash or fiat currency has historically formed the normative basis for anonymity or confidentiality in trade and commerce (Huck et al., 2007). Efforts to dispose of cash-based trade therefore innately seek to deanonymize financial activities. As such, the issue of trust and the importance of its role becomes significant as states and/or corporate interests stand to gain much from the knowledge

---

<sup>119</sup> One report contends that, within one month following demonetisation in India PayTM had more than 20 million additional users sign up for their digital wallet. As a result, the company's founder and President, Vijay Shekhar Sharma, then emerged as India's youngest billionaire (Android Authority, 2018).

that can be gleaned if holistic financial transparency were to become the norm (Schwab & Malleret, 2020).

The value of anonymity is a defining feature of demonetisation in India. In 2018, an undercover journalist posing as a Hindu priest recorded a conversation with the Senior Vice President of PayTM (Android Authority, 2018). The video appeared to reveal that the PayTM executive acknowledged the release of its client's personal information and data to the state following a direct request from the Prime Minister's office (Android Authority, 2018). The details of this incident align with reported attempts to identify people in rural areas who had been throwing rocks at law enforcement officers (The Wire, 2018). The PayTM company rejected the allegations without directly addressing the sting footage (Cobrapost, 2018). This case study is an example of how the value of anonymity is grounded in trust.

**Figure 10.** *The Value of Anonymity is Trust*

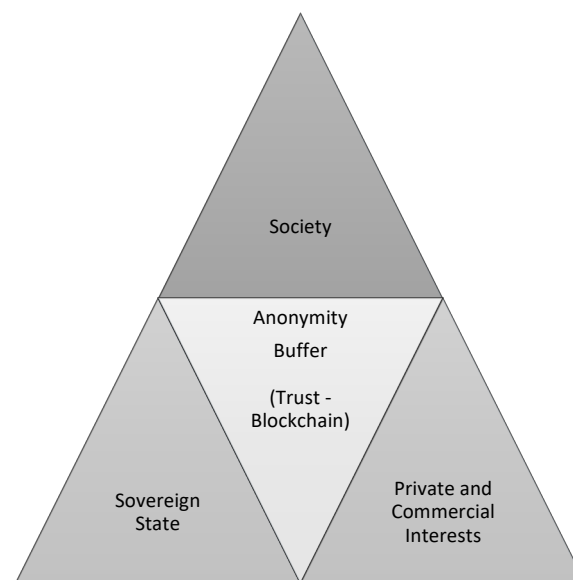


Figure 10 is a depiction of the role of anonymity as a necessary principle on which the functionality of society rests. The value-proposition underpinning anonymous payments or confidential financial services stands above the need to address the criminality or social defection enabled by cash and cash-like exchange in society (Booth & Wheeler, 2008; Kahn, 2018). It forms a shield or buffer behind which the trust necessary for society to function can propagate (Booth & Wheeler, 2008; Kahn, 2018). Cash-based anonymous exchange and confidentiality in finance acts as a trust-based buffer between the agencies of sovereign power, private and commercial interests, and individuals. The access to and use of cash as well as pseudonymous cash-like cryptocurrencies, provides individuals with a buffer between their

ideas/actions and the scrutiny and potential malfeasance of state authorities and other interests (Kahn et al., 2005; Wilks, 2020).

From an English School perspective, a theoretical basis for this argument is found in Booth and Wheeler's (2008) exposition of the problem in International Relations known as the 'security dilemma'. A core element of that account is the Prisoners' Dilemma,<sup>120</sup> which is a hypothetical framework for considering the problem of cooperation between opponents (Axelrod & Keohane, 2018; Jervis, 1985; Oye, 1985). In short, the premise is that two individuals are detained on the same grounds and interrogated. The interrogator provides them both with a set of options each with a different outcome, and they must decide how to act (see footnote 125). According to Booth & Wheeler (2008) "...the choice each [prisoner] faces is whether to trust the other in circumstances in which they cannot communicate" (p. 84). If there is enough trust between them, they will both choose not to confess and be released (option 3). However, if one of the detained individuals does admit guilt and incriminates the other, then the one who decided not to confess will be penalized heavily (option 1) (Booth & Wheeler, 2008).

This thought experiment applies game theory to play out the dilemmas of cooperation (trust) or turning traitor (defect), when neither side can perceive what the other is contemplating (Booth & Wheeler, 2008). The most positive outcome (freedom) for both individuals is only possible if there is sufficient trust between them. However, in the absence of trust the most logical decision is to defect. As such, a shorter prison term is guaranteed without risking the more significant penalty, although to do so also discards the possibility of being released in short order. Without the confidence of knowing what the other detainee is going to do, a decision to admit guilt is the most preferred outcome in an instance where the game is played out only once (Booth & Wheeler, 2008). A succession of one-shot instances of the Prisoners' Dilemma, in which individuals employed defection tactics each time, reflects the subtleties of mistrust that produced repeated lost chances for cooperation between the US and Soviet Russia during the Cold War (Jervis, 1985; Larson, 2000).

However, the work of Axelrod & Hamilton (1981) revealed that in circumstances where the Prisoners' Dilemma was played out in repeated instances, the potential for cooperation

---

<sup>120</sup> In a typical game of Prisoners' Dilemma (PD), two captives that have been detained for the same crime, are held apart and not allowed to come into contact. Both detainees have not admitted to their crime, and the interrogator provides them with a variety of options: (1) if one admits their guilt while the other does not, and the one who confessed implicates the other, that individual will receive a lighter sentence while the other will receive a much more significant term of incarceration, (2) if each of the individuals admit their guilt, both will get a shorter term of incarceration, (3) if neither admit guilt, they are both released (Booth & Wheeler, 2008).



between enemies became more likely. This finding was based on Rappoport's 'tit-for-tat' solution, which was the winning strategy in an iterated Prisoners' Dilemma tournament for which Axelrod had invited social scientists to submit computer programs (Booth & Wheeler, 2008). This solution was effective because it always began an interaction from a position of cooperation or mutual trust, and then took a reciprocal approach to the previous action of its opponent (Axelrod & Dion, 1988). If it met a cooperative program, an honest round of reciprocal cooperation would ensue, and both would achieve high scores. Whereas, if the program met a distrusting counterpart (i.e. that program had defected in the previous round) it would reciprocate by defecting. If a defeated program changed to a cooperative strategy following its repudiation, then tit-for-tat would also alter its approach to reciprocate (Axelrod & Dion, 1988).

The role of iteration in the Prisoners' Dilemma experiment was accounted for and understood under the term 'shadow of the future' (Axelrod & Hamilton, 1981). This term was applied to convey that a framework existed for realising the possibilities of mutual cooperation between enemy agents in situations where their shared circumstances are considered unlikely to change significantly in the short term. This is what Axelrod & Hamilton (1981) explained as amplifying the shadow of the future. From this position they argued that reciprocal cooperation can be reliably established if the participants can operate around an inherent risk of reprisal against another's decision to defect (Booth & Wheeler, 2008).

The iterative Prisoners' Dilemma was compared to the 'live-and-let-live' arrangement experienced across the Western Front trenches of World War I (Axelrod & Hamilton, 1981). It was observed that individual soldiers on both sides often sought to benefit from acts of mutual reciprocity rather than shoot-to-kill methods. To ensure that the threat of speedy reprisals to defection was cemented into reality, opposing soldiers would demonstrate their restraint through harmless yet skilful acts of marksmanship (Booth & Wheeler, 2008). Through the Prisoners' Dilemma framework, the significance of context is highlighted in defining the prospects for cooperation among distrusting or opposing parties that are unable to engage in direct communication with each other (Booth & Wheeler, 2008).

It is in this way that the iterative Prisoners' Dilemma can be seen to form a theoretical foundation for viewing the value of anonymity in finance and trade as grounded in trust (Figure 10). Under a holistically centralized structure for trust in finance and trade, there is no context for reciprocal cooperation between distrusting parties that are not in direct communication (i.e. individuals, organizations, and the state). This refers to the hypothetical situation proposed by liberal solidarist interests in which the cashless society becomes a reality, and states and

corporate entities form deep public/private partnerships to use distributed ledger technologies as a means of holistically centralising financial trust (Schwab & Malleret, 2020). However the disintermediation of essential financial services, such as money or value transfers via pseudo-anonymous decentralized public blockchain platforms, provides the iterative context in which stable cooperation through mutual reciprocation between distrusting parties can occur. This crucial *context* is depicted in Figure 10 as the ‘anonymity buffer’ that is constitutive of the framework for ‘Trust’ underpinning a functional society, which decentralized public ‘Blockchain’ platforms support by design.

Anonymity or confidentiality, sometimes referred to as ‘counter-party anonymity’, reflects one of the essential elements of a traditional payments service (Leinonen, 2016). There is an innate need for trust between actors in order to allow value to flow between parties and trade to occur (Kahn, 2018). It is apparent that the role of counter-party anonymity provided by cash and cash-like digital value exchange (i.e. peer-to-peer) serves in part to minimise the level of trust required to enable trade, and therefore also supports the ongoing functionality of society by minimising trust barriers (Kahn, 2018). However, it is apparent that when the anonymity buffer is non-existent, the agency of the state and/or private and corporate interests is unimpeded, and trade is more difficult. In the long term the potential loss of trust in such circumstances may lead to economic and societal breakdown (Booth & Wheeler, 2008). Therefore, it is a key finding that without cash or at minimum a pseudo-anonymous means of remitting value, society is less likely to exist or persist.

Certain interests will take advantage of unmitigated access to financial and personal information. This is generally motivated by political, commercial, or corrupt and criminal ends (Hoffman et al., 2020; Kahn, 2018; Leinonen, 2016; Vergne, 2020). Indeed, access to cash and cash-like currencies means that money may be laundered, terrorism may be financed, and tax evasion may persist, just as it has in the formalized banking and financial industry before and after the adoption of UNSCR 1373 (ICIJ, 2019; 2020; IMF, 2011).

When compared to such risks, the macro-level challenges posed by a potentially anti-trust and wholly centralized structure for global finance are not as easily grasped. However, when understood in terms of a Global Trust Conflict that undermines the viability of international society, it is evident that such risks are more likely to be existential (Cacciatore, 2020; Kahn, 2018; Khan & Goodell, 2019; Settle, 2020; Wilks, 2020).

The financial norm of counter-party anonymity is significant for global order and international society due to the potential for stablecoin systems to globalize. This is because to allow state, private and commercial interests unmitigated access to financial and personal data

across borders would be to risk foreign interference and exposure to economic shocks (Cacciatore, 2020; Hoffman et al., 2020; Wilks, 2020). Unless guarded against, such a circumstance would likely diminish state sovereignty and significantly affect local economic and social norms.

A relevant example of a stablecoin system with the potential to globalize and pose such threats to other states is found in China. It is connected to the Chinese social credit system, which is one part of the state's Central Bank Digital Currency (CBDC) called the 'Digital Yuan' or 'Renminbi' (Auer et al., 2020; Khan & Goodell, 2019; Síthigh & Siems, 2019). This system forms part of China's economic model, under which all citizens in certain regions are holistically surveilled by state authorities and subjected to authoritative governance measures (Khan & Goodell, 2019).

The apparent willingness of certain states and private/corporate interests to breach the trust underpinning society in the name of security and/or profit speaks to the significance of the Global Trust Conflict. The importance of anonymity is also highlighted as a core financial principle that must feature in any effort to address the Conflict. Due to its close relation to trust, and thus society, it is a key finding that the norm of counter-party anonymity constitutes sovereign acceptance of a minimum level of opacity separating the personal or political agency of individuals from the monitoring activities of private interests and states (Booth & Wheeler, 2008; Leinonen, 2016).

### ***The Great Reset***

A desire to maintain centralized trust structures for financial institutions is also apparent in the plan for a 'Great Reset' of the global economy. This worldwide initiative advocates for a global economic reset as a long-term solution to a variety of systemic social crises (Schwab & Malleret, 2020). These crises constitute a growing host of social, economic, health and environmental crises facing the world, and have formed the fundamental drivers for the global financial governance policy positions underpinning the Great Reset (Costello et al., 2020). The World Economic Forum (WEF) is the leading institutional body behind the policy movement, with assistance from the International Monetary Fund (IMF), and the Asian Development Bank (Asian Development Bank, 2021; IMF, 2020; World Economic Forum, 2015a; 2016; 2017; 2020b).

The World Bank has remained largely silent on this topic. The exception is the International Finance Corporation<sup>121</sup> (IFC), which published the work of a guest author on the need for a shift towards stakeholder capitalism in response to the COVID-19 pandemic (Buckholtz, 2020). However, the Asian Development Bank expressed strong support for the Great Reset agenda (Ordinario, 2021). There are rising tensions between the USA and China in contemporary world politics (Schwab & Malleret, 2020). This rivalry is understood to be in part defined by competition over financial trust distribution. This will have broad implications for global monetary order, particularly in terms of the predominant shape of structures for financial trust provision services (Cacciatore, 2020; Norrlof et al., 2020; Vergne, 2020).

The World Economic Forum's Founder and Executive Chair, Professor Klaus Schwab is the leading proponent of the Great Reset agenda. At the core of Schwab's argument is the notion that the Reset is a necessary solution to the profit-driven and socially insensitive norms underpinning the established global economy (Schwab, 2019; 2020; Schwab & Malleret, 2020). In this way the agenda constitutes a call to transition from the established norms of 'shareholder' capitalism (e.g. Western world), or 'state' capitalism (e.g. China), to a system of 'stakeholder' capitalism (Schwab, 2019). The goal being to reinvent global commerce so that it is guided by the interests of stakeholders before profits and shareholders. It is claimed that this would begin to rebuild public trust in the global economy and its institutions by ensuring corporations perceive themselves as part of the communities they invest in (Schwab, 2019), shifting the norms of capitalism so that its organizations are led by socially sensitive, inclusive, and stakeholder-oriented goals (Schwab, 2019; Schwab & Malleret, 2020).

The call for a normative shift in the global economy towards stakeholder capitalism is grounded in the apparent general lack of public trust. Trust has been a persistent issue of significance at the beginning of the 21<sup>st</sup> century consistent with the impacts of post-9/11 global financial governance securitisation (UNSC, 2001), the Global Financial Crisis of 2007-2008 (Campbell-Verduyn, 2018; Forbes, 2015), and the Panama Papers (ICIJ, 2016; 2019). The UN Secretary General to the General Assembly in 2018, made the observation that the world is suffering from a systemic case of 'Trust Deficit Disorder' (UN, 2018, p. 1) (see section on *'Filling the Void in Global Trust'*). This aligns with the perspective of the WEF, which cites

---

<sup>121</sup> It is noteworthy that the IFC, the private financing arm of the World Bank Group, has been at the center of a US Supreme Court ruling that has effectively nullified the Bank's total legal immunity as an international organization. The IFC financed a coal powerplant in Mundra, India, which it is alleged caused pollution that damaged the property and livelihoods of a local fishing community. The decision means that other US-based international organizations can be held liable for the negative impacts of development projects that they finance (Chavkin, 2019).

the 2020 results of the Edelman Trust Barometer global survey (Edelman, 2020; Schwab & Malleret, 2020). The survey found that state, media, corporate, non-government organizations and institutions were unethical and incompetent (Edelman, 2020).

In 2021, Edelman released a survey with similar results except for a finding that only corporations were both ethical and competent (Edelman, 2021). The survey results align with the WEF's position that deeper public-private partnerships, and a normative shift in corporate governance towards stakeholder capitalism, constitute the only means of rebuilding global public trust (Schwab, 2019). Schwab (2019) argued that 'stakeholder capitalism' "...positions private corporations as trustees of society, and is clearly the best response to today's social and environmental challenges" (para. 2). With the emergence of the COVID-19 coronavirus pandemic, Schwab moved to enhance his position on the need for the Great Reset. He argues that a higher level of global public trust centralized within private corporations that enter into deep public-private partnerships is necessary to recover from the SARS-Cov-2 pandemic (Schwab & Malleret, 2020).

In 2020, the World Economic Forum warned that there is a major risk of a dystopic outcome in line with major technological shifts that have been enhanced by the COVID-19 pandemic (Schwab & Malleret, 2020). The essence of this warning is that holistic centralized global control and authority over money or value transfers is a real possibility (Schwab & Malleret, 2020). Similar to the impact of UNSCR 1373, but to a greater degree, such a development would have a systematic and overriding influence on all pre-existing financial norms and values worldwide (Cacciatore, 2020; Siedel, 2018; Vergne, 2020; Wilks, 2020). If realized, this would also reflect a total breakdown of societal trust, cultural plurality and sovereignty for most states and their citizens (Schwab & Malleret, 2020). The emergence of highly competitive, immutable, permissionless, and decentralized avenues for simple and complex financial arrangements stands as a clear and present barrier to the realisation of a monolithic digitalized global economic order (Cacciatore, 2020; Chen & Bellavitis, 2019; Schrepel, 2019; Buterin, 2013).

The Great Reset agenda is one of the many facets of a Global Trust Conflict that repeatedly intersects with liberal solidarist policy agendas. Like the push for a cashless society, the Great Reset agenda has come to form a nexus with the liberal solidarist governance agenda to address the COVID-19 pandemic (Schwab & Malleret, 2021). The common themes of this nexus are the promotion of financial securitisation and deeper public/private partnerships, which together pushes for state investment in centralized private-order governance structures as the framework for a digitalized globalist new world order.

## ***Central Bank Digital Currencies***

Historically, the centralisation of financial trust within commercial banking institutions has regularly been found to have enabled substantial incidents of corruption, profiteering, economic instability, and in extreme cases the failure of states (Austin et al., 2017; Henderson, 2020; Naylor, 2014; Vincent, 2014). These incidents have caused significant socio-economic strife and fostered a culturally-embedded distrust of such institutions (Austin & Sugihara, 1993; Austin et al., 2017; Cook & Smith, 2011; Thompson, 2011). This is most noticeable throughout the Global South where traditionally informal MVT systems have been the most efficient and reliable financial service providers (Cook & Smith, 2011). Blockchain-based cryptocurrencies and decentralized finance (DeFi) will become genuine competitors for conventional banking and finance operations (Chen & Bellavitis, 2019; Wilks, 2020). Alternatively, some organizations and states are moving to further centralize financial trust via Central Bank Digital Currencies (CBDCs) (Atlantic Council, 2021; Boar et al., 2020).

There are three recognized types of CBDC system. These are ‘wholesale’, ‘general purpose’, and ‘hybrid’ systems that combine the functionality of both formats (Allen et al., 2020). The wholesale format addresses inter-bank payments and settlements to fill a role similar to that of the SWIFT and CHIPS systems (Auer et al., 2020). A ‘general purpose’ or ‘retail’ CBDC reflects a project aimed at creating a publicly accessible means for individuals and businesses to hold and exchange digitised legal tender and debt products issued by a central bank (Allen et al., 2020). This approach will give rise to significant socio-economic risks and governance challenges.

A general purpose CBDC can serve to position a central bank as the primary financial intermediary, thereby superseding most front-line services provided by commercial banks (with the exception of investments) (Fernandez-Villaverde et al., 2020). It is possible to design a general purpose CBDC to gain the technical benefits desired by the state as well as the trust required for society to function and persist (Auer et al., 2020). However, alongside the significant fiscal and technical requirements that must be met, there must also be a broad and ongoing willingness in society to trust that the system is fully secure and will not be misused (Allen et al., 2020). This issue of trust reflects a tension between transparency and privacy that is inherent to all general purpose CBDC projects (Boar et al., 2020).

General purpose CBDC systems promise to provide major enhancements to a state’s economic capabilities (Bouchaud et al., 2020). For example, such a system could radically

improve a state’s capacity to tackle governance issues like money laundering, terrorism financing, and allow it to institute novel policy controls (e.g. achieving true negative interest rates) (Allen et al., 2020; Fernandez-Villaverde et al., 2020). Other motivating factors for states to issue a general purpose CBDC may include significantly increasing transaction efficiency via network effects, seizing a larger tax base, creating a contingency for banking and other MVT systems in crisis, and financial inclusion (Bouchaud et al., 2020). Nonetheless there are a range of risks that states must face if making the leap to invest and legislate to create a CBDC.

**Table 13.** *Five Risks of General Purpose CBDCs*

Major CBDC Risks
Disintermediation of Commercial Banking
Undefined Scope of Government Role and Limits to Innovation
Increasing Scope of Financial Risks
Technical Weaknesses and Core Design Flaws
Loss of Privacy (Trust)

*Source: Adapted from Allen et al. (2020) and Auer et al. (2020).*

Table 13 sets out the five main risks associated with general purpose CBDCs. The first risk vector is the potential for a high level of disintermediation of the commercial banking sector beyond that already likely as a result decentralized finance (Allen et al., 2020; Auer et al., 2020). Most projects in development appear to be leaning towards a dual layer structure in which the central bank operates the base functions of the system (Atlantic Council, 2021; Bank of England, 2020). Established commercial banks and finance businesses would be intermediaries operating on the second layer via which services would be provided to clients.

The potential for a CBDC system to have a wide scale disintermediating effect on commercial banking is made more plausible by two points. First, such a platform would take advantage of Distributed Ledger Technology, which can facilitate very low cost or frictionless money or value transfers (Vergne, 2020). Second, central banks have the option to incorporate interest-bearing accounts (Bouchaud, 2020).

The second risk refers to the difficulties posed by the undefined level of government involvement. The design of most, if not all, CBDC systems is closed and permissioned. This means only approved entities would be able to examine the source code and innovate on a secondary software layer for smart contract applications (Bank of England, 2020). In order for ongoing innovation to occur despite the significant barrier posed by permissioned access, investors would need well defined, balanced and consistent government regulation (Allen et al., 2020). This would help to ensure the ongoing efficiency and security of CBDC operations while limiting barriers to innovation. However, regulatory creep and the influence of commercial interests pose a significant risk of undermining that consistency over the long term (Fernandez-Villaverde et al., 2020).

The third major risk concerns the competence of government regulators to maintain the knowledge and capacity to recognize and swiftly respond to an increasing scope of risk (Allen et al., 2020; Auer et al., 2020). Regulators are likely to face significant challenges as market pressures to adapt generate cause for ongoing innovation, which will also create new financial risks that require new tools and expertise to address (Allen et al., 2020). Even given a commitment to considerable ongoing effort and investment, CBDC regulators may struggle to match the demands set by such a high pace of change (Auer et al., 2020).

The fourth source of risk is from technical vulnerabilities and flaws in the core design of a CBDC system (Allen et al., 2020). Central Bank Digital Currency platforms are experimental projects and as such there are a broad and undefined range of vulnerabilities and design flaws that can affect them (Auer et al., 2020). Due to the scale and the centralized structure of a CBDC system, the potential significance of a security breach is much greater next to decentralized systems (Bank of England, 2020). Thus, the stakes are high as a technical failure or exploited weakness is more likely to constitute a major socio-economic incident as the majority of financial trust will be tied up in the CBDC (Bouchard et al., 2020).

The fifth risk is the potential for a loss of privacy, and therefore trust. A CBDC system is not designed to ensure complete privacy for transactions and user identity (Allen et al., 2020). This is because states are commonly concerned with instituting regulatory policy that prioritises security and financial stability (Nabilou & Prum, 2019). This involves setting a



minimum standard of compliance with rules designed to detect and prevent crime such as money laundering and terrorism financing (Yanagawa & Yamaoka, 2019). Under a CBDC system that is designed to be wholly transparent to state authorities, such regulation would be simple and easily employed to detect criminal activity and enforce the rule of law (Allen et al., 2020). However, even if attempted with principled intent such a CBDC system would still lead to systemic exploitation of financial data and human rights abuses (Allen et al., 2020; Hoffman et al., 2020). This is because the CBDC would facilitate holistic granular surveillance of individuals by the state, and likely also by private interests via banking or finance organizations. An example of this approach in practice is the Chinese CBDC entitled the Digital Currency/Electronic Payments (DC/EP) system or Digital Yuan<sup>122</sup> (Allen et al., 2020; Auer et al., 2020; Hoffman et al., 2020).

Under circumstances where privacy and trust are values intended to be upheld by CBDC designers, the state needs to take a proactive and balanced approach to transparency and privacy (Allen et al., 2020; Bouchaud et al., 2020). The Swedish central bank's 'e-krona' project<sup>123</sup> is a CBDC system that is designed with these values in mind (Riksbank, 2021). The retail CBDC design proposal provides for transaction transparency between individuals, their chosen financial intermediary, and the Riksbank (Allen et al., 2020). However, identity privacy is maintained by restricting identification data from being accessed or stored by the central bank. As such, the e-krona would be issued by the Riksbank but held in account-based wallets by a commercial intermediary (Riksbank, 2021). Low value prepaid cards are being considered to enable anonymous token-based peer-to-peer transfers, thereby facilitating cash-like transactions without use of an identity-linked wallet (Auer et al., 2020). Large transactions must be made via the account-based wallets managed by intermediaries. These entities would retain responsibility for compliance and reporting requirements (i.e. Know Your Customer and Customer Due Diligence) (Allen et al., 2020). Trust is apparent in the proposed design of the e-krona CBDC because it aims to separate access to identifying information among individual commercial intermediaries, rather than allowing the state transparent access to identifiable financial data. Trust is also reflected in the plan to allow cash-like peer-to-peer transfers via

---

<sup>122</sup> The token used by the DC/EP carries the denomination 'renminbi' (RMB) and is sometimes referred to as the Digital Yuan. It is characterized by a focus on security with strict controls that extend beyond the level commonly observed in Western-style banking (Allen et al., 2020). It takes a controlled approach to anonymity, where data privacy is maintained between individuals and businesses but is made wholly transparent to the intermediary bank and the central bank (Auer et al., 2020).

<sup>123</sup> As of 2021 the project has achieved functionality as a wholesale CBDC, but the retail aspect remains in the pilot phase, with research ongoing and no decision yet made as to whether to issue an e-krona to the general public (Riksbank, 2021).

token-based prepaid cards (Riksbank, 2021). The e-krona retail CBDC is demonstrative of an effort to design a partially centralized economic structure that aims to balance transparency with trust.

Central Bank Digital Currencies represent another means by which centralized structures for financial trust are likely to be retained in the modern global economy. A 2020 survey of central banks by the Bank for International Settlements (BIS) revealed that a majority (80%) of central banks are engaged in some work related to CBDCs (Boar et al., 2020). This does not mean those central banks necessarily anticipate issuing a digital currency. The same survey found that 70% of central banks consider it unlikely that it will issue any form of CBDC in the foreseeable future (Boar et al., 2020). In contrast, only 10% of respondents, all emerging market economies, indicated that they are ‘very likely’ or ‘likely’ to issue a CBDC in the short-to-medium term (three to six years) (Boar et al., 2020). There is a shared understanding among advanced economies that the long-term risk to state sovereignty posed by both localized and globalized CBDCs is significant (Hoffman et al., 2020).

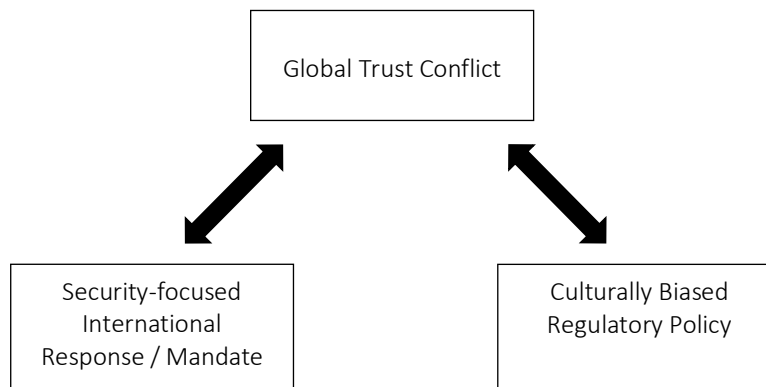
## **The Global Trust Conflict as a Constitutive Effect**

Chapter Four found that the Global Trust Conflict (GTC) can be defined and understood as a constitutive effect<sup>124</sup> of two external discursive structures (Figure 11). The first is the ‘Security-focused International Response and Mandate’ (i.e. UNSCR 1373 and UNSCR 1368). The second is ‘Culturally Biased Regulatory Policy’ that constitutes a biased position towards ‘other’ remittance norms and systems. This finding was identified within the global regulatory standards designed and administered by the Financial Action Task Force (FATF). This segment of the chapter elaborates on these two defining aspects of the GTC.

---

<sup>124</sup> This refers to constitutive theorizing, which has been used by scholars to explain and understand hypothesized objects of social science without the need to account for dependent and independent variables. Social kinds that are conceived of in this way are often largely constitutive of, but not necessarily caused by, external discursive structures (i.e. broad or complex ideas or social structures). This allows analysis focused only on the interdependencies that generate and define the theorized social kind (Wendt, 1999, p. 87).

**Figure 11.** *The Global Trust Conflict as Constitutive Effect – Revisited*



### **Security-Focused and Globally Mandated Response**

The focus on security justified the short and opaque design and adoption of United Nations Security Council Resolution (UNSCR) 1373, which mandated the cooperation and compliance of all states while only consulting a few of the most powerful Nations (Talmon, 2005; UNSC, 2001). The nature of this process was necessitated by the emotive rhetoric that underlined the adoption of UNSCR 1368 (UNSC, 2001a). This resolution reflected an urgent call to action to meet an existential threat to global peace and security, which was framed as an immoral and uncivilized ‘other’ (UNSC, 2001a). The supposed ‘evil’ actors threatening the world were claimed to be enabled by an extensive network of underground bankers, then characterized by some as ‘Quartermasters of Terror’ (Bush, 2001c; News, 2001). In essence, this branded all traditionally informal *hawala*-like remittance systems as aligned with the 9/11 hijackers and as supporters of terrorism and criminality in general.

Traditionally informal remittance systems have been facilitating long distance trade for thousands of years (Bromberg, 1942; Dixit, 2012; Kuhrt, 2008; Van De Mierop, 2015). However, prior to the 9/11 terror attacks the ancient informal methods and instruments of cross-border remittance were largely unknown or misunderstood in the Global North (Passas, 1999). The shock and horror of the events of that day led to an outpouring of international grief and sorrow, which served to galvanise global public will to act swiftly (Bush, 2001; UNSC, 2001a).

The Global Trust Conflict started to take form when all states were warned by then-U.S. President Bush within hours of the attacks. Bush (2001) gave the Nations of the world an ultimatum when he stated “Either you are with us, or you are with the terrorists. From this day forward, any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime” (p. xvii). Any state that may have thought to take issue with the design and adoption of UNSCR 1373 would have had to weigh its concerns with the possibility

of becoming an enemy of the United States. This would also mean facing the likelihood and socio-economic implications of being labelled a supporter of terrorism (Bush, 2001).

This left the majority of states without a viable avenue by which to challenge the mandatory standardisation of global financial norms under UNSCR 1373. As a consequence, the bulk of states adopted the security-focused approach mandated by the UN Security Council (IMF, 2011). However, some states<sup>125</sup> did express concerns to the UN General Assembly. Collectively these criticisms aligned to challenge the legitimacy of the Security Council's action, and contest the potential efficacy of a coercive global governance regime that is unaltered by the perspectives of many of its intended state participants (UNGA, 2001; 2001a; 2001b; 2001c). The Security Council did make an effort to consult and reach consensus in at least two later instances, wherein action entailed significant implications for the broader UN membership (Olivier, 2004; Talmon, 2005). However, as of late 2020 the security-focused approach mandated by UNSCR 1373 remains unaltered and without a foreseeable conclusion. One consequence of this is that multiple valid challenges to the legitimacy and potential efficacy of the Global Regulatory Effort have not been addressed. Thus, the Global Trust Conflict is found in part to be constitutive of a security-focused international response. This finding is reflective of the unfounded assumptions relied on to justify a mandatory global financial governance regime for money or value transfer systems. In essence, wielding distrust of an 'other' as the justification for failing to address the diverse and complex social factors that the implementation of the UNSCR 1373 regime has entailed.

### **Cultural Bias in FATF Regulatory Policy**

One of the key findings of Chapter Four identified a lack of impartiality within Financial Action Task Force (FATF) policies that address remittance systems. The data set consisted of FATF reports on remittance systems published between 2001 and 2020. A dialogic of remittance terminology was formed that allowed the researcher to conduct an analysis of the shifts in the FATFs conception of money transfers (FATF, 2002a; 2003a; 2003b; 2005; 2006; 2010; 2010b; 2013; 2014b; 2016b; 2019; 2020). Analysis revealed multiple instances of definitional shifts within the FATFs remittance typology that reflect bias in favour of Western-style regulated banking and financial systems.

---

<sup>125</sup> States that made statements critical of the UN Security Council's opaque action in this context were Costa Rica (UNGA, 2001), Yugoslavia and Ghana (UNGA, 2001a), Japan and India (UNGA, 2001b), and Guatemala (UNGA, 2001c).

These changes in the FATFs remittance dialogic embody important features of the Global Regulatory Effort. Observing how bias is reflected in these definitional shifts provides useful insights that add depth to an understanding of the trust exemplified by UNSCR 1373. The following key indicators of culturally-aligned regulatory bias were identified within FATF policy documents on New Payment Methods (FATF, 2006; 2010) and Virtual Currencies/Virtual Assets (FATF, 2014; 2019). Analysis of these shifts in the FATFs remittance lexicon highlights trust disparities along cultural lines that are anti-competition and therefore anti-trust.

In 2010, the FATF excluded remittance systems linked to banking institutions from their previous designation as high risk ‘New Payment Methods’<sup>126</sup> (FATF, 2006; 2010). This decoupling of the risk-profile of bank-related transfer systems reflects an inherent bias along cultural lines. This is because no explanation is given for the FATFs move to downgrade the perceived level of risk associated with banking and financial institutions. In this case, the FATFs policy action served reduced the exposure of banking systems to regulatory scrutiny, and therefore minimised compliance costs, whereas traditional and emergent remittance systems remain at a competitive disadvantage due to their designation as high-risk services (FATF, 2010). The bias highlighted in this instance reveals a deepening disparity of regulatory trust, which is built into FATF policies that constitute disparate implications for remittance systems split along cultural lines. Remittance systems that are treated as high risk yet desire to be licensed are immediately disadvantaged as cultural outsiders. This is because their operations fall outside of the regulatory safe space held by cultural insiders (i.e. services tethered to Western-style banking institutions). This undermines the capacity for market ‘outsiders’ to compete with its ‘insiders’, which is detrimental to trade and society. Governance in this form creates conditions that favour monopolistic financial and commercial structures, also known as anti-trust or anti-competition (Francois et al., 2010; Schrepel, 2019a; 2020).

Other indicators of bias in the remittance dialogic were found in FATF reports that addressed emergent digital forms of remittance. In this research these systems are referred to as ‘virtual currency’, ‘cryptocurrency’ or ‘emergent remittance systems’.<sup>127</sup> The reinterpreted terms in this context were ‘e-money’ (FATF, 2006; 2014a), and ‘virtual currency’ (FATF,

---

<sup>126</sup> This also occurred in relation to the terms ‘Internet Payment Service’ and ‘Mobile Payments’, which became ‘Mobile Payment Services’ in 2010 (FATF, 2006; 2010).

<sup>127</sup> This is because these terms are found to more accurately describe these systems next to the FATFs flawed conception of such systems as ‘virtual assets’. The FATFs preferred term, and its overly simple definition, do not accurately represent or adequately engender the nuance and diversity of the emerging blockchain-based MVT sector.

2014) which later became ‘virtual asset’ (FATF, 2019). These definitional shifts both constitute anti-trust, but are each significant for different reasons. First, the reinterpretation of the term ‘e-money’ requires that all states ensure only digital objects of value tethered to fiat currencies (i.e. issued by a central bank) can legally be treated as a medium of exchange (FATF, 2014a). Secondly, adopting the designation ‘asset’ for all non-fiat digital forms of value means that the inherently complex social role of decentralized cryptocurrencies (i.e. as a medium of exchange) is reduced merely to ‘ownership’ (FATF, 2019). This adjustment was made despite previously recognising that one of the key features of virtual currencies is that they are operationally dependent on “...agreement with the community of users” (FATF, 2014a, p. 4). Therefore, it is clear that the broad-scope designation ‘asset’ given to virtual currencies is inaccurate. This is because it fails to account for the human factor, which is an inalienable aspect of decentralized cryptocurrencies (Cacciatore, 2020; Wilks, 2020).

Lastly, the designation ‘asset’ for virtual currencies also serves to reinforce the global financial *status quo*. By definition this policy shift implies that authority and control over state-backed currencies will be retained by central banking institutions (FATF, 2019). The measure of this implicit flaw in the Global Regulatory Effort (GRE) was revealed by the adoption of the cryptocurrency Bitcoin as legal tender by the state of El Salvador (Sigalos, 2021; Strike, 2021). The state adoption of Bitcoin as legal tender adds significant weight to criticism of the FATFs largely unexplained policy position,<sup>128</sup> which led to the inaccurate designation of virtual currencies or cryptocurrencies as ‘assets’.<sup>129</sup> In doing so, the FATF disregarded the potentially complex social role of cryptocurrencies as a medium of exchange, and reshaped financial regulations in the interests of the Federal Reserve Central Bank system. Therefore, it is a key finding of this research that the purposive scope of the FATFs management of the UNSCR 1373 regime extends beyond its stated global security mandate, to the suppression of remittance competition and the reinforcement of the global financial *status quo* in practice.

In this light, what began as an idealized conflict pitting the defenders of international peace and security against the criminal underground of terrorist financiers is given new form.

---

<sup>128</sup> The FATF do not explain how this policy shift works to maintain an equitable regulatory environment for all service providers worldwide. Moreover, the FATFs reasoning fails to explain how defining virtual currencies as assets serves either to enhance the implementation of the FATF Standards or ensure the optimal protection of the global financial system (FATF, 2019).

<sup>129</sup> The justifications provided are as follows. Firstly, “...to further clarify the application of the FATF Standards to VA [virtual asset] activities and VASPs [virtual asset service providers]”. Secondly, “...to ensure a level regulatory playing field for VASPs globally”. Third, “...to assist jurisdictions in mitigating the ML/TF [money laundering/terrorism financing] risks associated with VA activities”. Last, to defend the “...integrity of the global financial system” (FATF, 2019, p. 6).

That is, as a more practical conflict of trust between two camps of normatively legitimate remittance providers. On one side, the GRE approaches services linked to Western-style banks as low-risk ‘remittance insiders’, whose financial norms and values align with the interests of the most powerful states (i.e. central banking institutions). This is contrasted by the external view of the GRE which is publicly driven by distrust on security grounds but in reality is promulgated by culturally-aligned bias, that in practice constitutes an anti-trust approach to regulation for the broader plurality of ‘remittance outsiders’. These two positions are core features of the Global Trust Conflict (GTC), which is embedded in the liberal solidarist regime initiated by UNSCR 1373 and expressed in the design and review of FATF regulatory policies.

Considered as a constitutive effect of two external discursive structures (see Figure 11 above), the defining features of the GTC become clear. First, the risk-centric structure of the international response has, via a security-focused narrative of distrust of an ‘other’, in practice reflected institutional indifference to the complex range of social factors that inevitably effect the global implementation of the regime (Dean et al., 2013; Passas, 2006). The relevant factors include; community consent, community consensus, cultural difference, and cultural context (Bull, 2002; Hurrell, 2007). Secondly, culturally-aligned bias in favour of systems aligned with the global financial *status quo* reflects the institutionalisation of anti-competition or anti-trust international financial norms along cultural lines.

It is a key finding of this research that the GTC represents a major governance failure that has institutionalized an unequal market for remittances globally. This Conflict permeates the GRE and stands as a direct challenge to the legitimacy of the accepted security-focused narrative of the UNSCR 1373 regime. It is on this basis, in part, that this research argues and ultimately finds that the GTC constitutes the most significant barrier to regulatory compliance and efficacy.

## **Clarity on Features of the Global Trust Conflict**

This section of the chapter reflects on the findings of this research in order to provide further clarity and conclusions on the features of the Global Trust Conflict (GTC). The topics covered are; anti-pluralism via institutionalized distrust, flawed governance economics and anti-trust, decentralized digital trust and pluralism. It concludes with a discussion in support of the central claim of this research, which is that the GTC constitutes the most significant barrier to the regulatory efficacy of, and compliance with, the Global Regulatory Effort.

## **Anti-pluralism via Institutionalized Distrust**

This value conflict was institutionalized as a result of the opaque knee-jerk design and adoption of United Nations Security Council Resolution (UNSCR) 1373, which occurred without broad international consensus (Talmon, 2005; UNSC, 2001). This research has previously found that the UNSCR 1373 regime is ideologically aligned with liberal solidarism. In line with that finding, it was also observed that the UNSCR 1373 regime has coerced most states and remittance providers to choose between compliance and legitimacy, or non-compliance and illegitimacy. For weaker states, the choice was all-but made for them (Rosand, 2004). In this way, the coercive liberal solidarist approach has undermined core pluralist norms (i.e. sovereign independence and strict non-intervention), thereby subordinating state sovereignty over localized norms and values to private-order institutions (Clapton, 2009; Talmon, 2005). There the rules, technical complexity, and resource heavy requirements of effective participation favour the most powerful states and their interests (Hurrell, 2007).

Additionally, the weakening of pluralist norms that underpin state sovereignty constitutes the legitimization work of globalization (Coutin et al., 2002). This is due to the inherent negative implications of coercive global financial norm standardisation for cultural diversity (Booth & Wheeler, 2008). Cultural diversity is an essential feature of international society wherein states constitute the ‘least-bad’ containers for cultural difference (Hurrell, 2007; Wheeler & Dunne, 1996). As such, the realisation of UNSCR 1373 is reflective of liberal solidarist efforts to minimise the potential for inter-state trust (i.e. pluralism), and in-turn maximise state investment of public trust in private-order hierarchical institutions (Booth & Wheeler, 2008; Clapton, 2009; Hurrell, 2007). It is on this basis that this research confirms Clapton’s (2009) characterisation of post-Cold War liberal solidarist global governance as “...distinctly anti-pluralist” (p. 6).

From a front-line perspective, opting for compliance and legitimacy under the UNSCR 1373 regime allows a traditionally informal remittance provider to continue operating legally and more securely. This is due to the enhanced transparency afforded to regulatory authorities (FATF, 2012-2019). However, past research in this context has found that achieving compliance means overcoming a range of costly, technically complex and resource-heavy hurdles<sup>130</sup> (Smith, 2012). The project identified eight significant barriers to compliance that

---

<sup>130</sup> The eight significant barriers to regulatory compliance are as follows; 1. Culturally Insensitive Regulatory Measures, 2. Limitation of Knowledge and Understanding, 3. Allure of Large Profits, 4. Time, Money and the Lack of Resources, 5. Commercial Imperative, 6. Familial and Trust Networks, 7. Informal Environment, 8. Informal Legacies (Smith, 2012, p. 48).



can be understood in this research as symptomatic of the GTC. This is primarily because they stem from a security-based insensitivity to cultural context embedded in the UNSCR 1373 regime (Smith, 2012). The existence of these barriers is also an indicator of the flawed economic incentivization employed by the regime.

### **Deficient Governance Economics**

Another aspect of the Global Trust Conflict is the trend of de-risking. De-risking refers to circumstances where financial services are terminated on the basis of a bank's 'risk appetite' (Campbell-Verduyn et al., 2021; FATF, 2015; de Goede, 2012; Malakoutikhah, 2020). It may be practiced on a scale of three tiers, which are; on a case-by-case basis (i.e. individual clients), wholesale (i.e. by sector or customer base), and by region (i.e. geographic area) (de Goede, 2012; Grima et al., 2020). The most common targets for de-risking are money or value transfer systems, non-profit organizations (e.g. charities), and military industry (Malakoutikhah, 2020).

De-risking is most often practiced by third-party correspondent banks (Campbell-Verduyn et al., 2021; FATF, 2015; World Bank, 2018). Contributing factors include increasing costs attributed to anti-money laundering and counter terrorism financing regulations, as well as the potential for large fines due to compliance failures that may bring an institution into disrepute (FATF, 2016). As such, de-risking can be understood as a method underpinned by the commercial imperative to maximise cost efficiencies by limiting exposure to risk (de Goede, 2018; World Bank, 2018). One implication of this practice is financial exclusion, which from a governance perspective is a preliminary step to reliance on high-risk unregulated financial services (Malakoutikhah, 2020).

The FATF (2016b) consider the issue of de-risking largely in terms of misapplied regulatory advice or profit-seeking behaviour. The G20 look at the problem in terms of financial instability, as development and growth are threatened by reduced monetary flows across state borders (HSC & ECNL, 2018). The World Bank's perspective is that such organizations need to look beyond their margins and reputations to be "...good global citizens" by "...providing a public service" (HSC & ECNL, 2018, p. 12). These institutional perspectives imply that the logic behind a decision to de-risk runs counter to the interests of the global economy, thereby indicating that the problem lies with correspondent banks that are being 'bad global citizens'. However, these positions do not account for the fact that the economics of the financial regulatory landscape have been significantly altered by the securitization of global financial governance (Campbell-Verduyn et al., 2021; de Goede, 2018).

As such, the institutional responses to the issue of de-risking highlight that FATF regulatory policies are viewed as fixed, which sets the expectation that rule-takers must comply and make the economics work or take the financial loss for the supposed greater good.

In a similar vein, the FATF has noted that many regulated *hawala*-like remitters retain service arrangements with unregulated counterparts across state borders (FATF, 2013). FATF regulatory policy mandates that all banking and financial institutions must accept the increased reputational risk and compliance obligations associated with service provision to *hawala*-like remittance agencies (FATF, 2012-2019). This regulatory inefficacy is reflective of the GTC in that the institutionalized distrust of ‘remittance outsiders’ also significantly increased compliance resource requirements and costs for ‘remittance insiders’ (FATF, 2001-2008; 2012-2019). The fact that compliance costs are met with avoidance even by highly resourced and regulated banking institutions indicates that the rules and norms mandated under the UNSCR 1373 regime rely on an unsound approach to economic incentivization. In light of this, it is clear that the GTC has motivated non-compliance and regulatory risk avoidance by remittance stakeholders on both sides of the value conflict.

The issues of regulatory efficacy and legitimacy come to the foreground when seen in the light of insider and outsider non-compliance motivated by the Global Trust Conflict. The findings of Passas (2006) are relevant in this context, where he identifies “...fact-free policy making” reflective of insensitivity to cultural and socio-economic issues in the regulatory approach mandated by UNSCR 1373 (p. 315). From an English School perspective clarity can be drawn from the pluralist-solidarist debate, which contributed an understanding of the importance of the link between setting and action (Dunne, 2005; Wheeler, 2000). The essence of this is captured by Skinner’s (2002) verdict that “...any course of action will be inhibited to the degree that it cannot be legitimized” (p. 156). Acumen is vital in this regard in order to grasp the subtleties of normative change (Dunne, 2005; Finnemore & Sikkink, 1998). As such, the UNSCR 1373 regime would benefit in terms of efficacy and legitimacy if its policies accounted for the commercial imperatives of its participants.

The deficient incentivization of this regime’s governance economics can be seen as a defining aspect of the Global Trust Conflict. The findings in this context highlight the need for a viable mode of economic incentivization to motivate regulatory efficacy and compliance more effectively for all regime participants.

## Decentralized Digital Trust and Pluralism

Another implication of the GTC is as a motivator for the emergence of blockchain technology that enables cryptocurrencies and decentralized finance. The capacity of decentralized public blockchain to provide for distributed trust, pseudo-anonymity, transparency, immutability and permissionless access can limit key risks associated with centralized structures for financial trust (Chen & Bellavitis, 2019; Seidel, 2018; Vergne, 2020). This includes unilateral action and monopolisation, as well as discriminatory and predatory practices such as demonetisation and deplatforming (Schrepel, 2019a). This is in part made achievable by building the cryptographic base for cost-efficient trust into the structures and processes of value transfer and remittance (Seidel, 2018; Vergne, 2020; Wilks, 2020). Therefore, it is apparent that decentralized blockchain technology is resistant to the effects of institutionalized cultural bias by design. As such, the rise of permissionless and decentralized digital money or value transfer systems can be understood in part as a response to the GTC.

The adoption of the founding cryptocurrency ‘Bitcoin’ as legal tender in the state of El Salvador provides another example in which the influence of the GTC can be observed (Sigalos, 2021). El Salvador does not have its own fiat currency and operates a largely cash-based economy reliant on the US Dollar, which in the past has left the state open to economic shocks caused by fiat currency inflation (Strike, 2021). With the addition of a globally traded, trust-based and decentralized cryptocurrency as legal tender, El Salvador stands to gain access to fiscal levers that were previously unattainable without the creation of a central bank (Campos, 2021). For blockchain optimists this move may hold promise in terms of economic efficiencies and resilience, as well as global accessibility, security, and increased sovereign independence (Strike, 2021). In relation to these points, such states have historically been at a major economic disadvantage next to nations entrenched in the formalized Federal Reserve Central Banking system (Austin et al., 2017; Singer, 2010).

The move was not well received by the International Monetary Fund (IMF, 2021). The response of the IMF was to claim that to adopt ‘cryptoassets’ as a national currency constitutes an ‘inadvisable shortcut’, which poses significant risk in terms of macroeconomic stability and integrity. It also cites consumer protection and environmental risks (IMF, 2021). Although the issues highlighted could be difficult to address, it may be that like correspondent banks some states consider the evident risks associated with following the liberal solidarist line on financial governance (i.e. centralized financial trust) to be more significant and more difficult to address (Chavkin, 2019; ICIJ, 2016; 2019; 2020; Passas, 2016). Indeed, states may consider the

potential benefits enough to outweigh the risks just in terms of regained sovereign independence and improved accessibility to the global economy (Strike, 2021).

The World Bank's response to El Salvador's plan was also negative. It rejected a request for assistance from the state of El Salvador to bring its Bitcoin adoption plan to fruition, citing "...environmental and transparency shortcomings" (Campos, 2021, para. 3). This is despite the state's publicised plan to use renewable geothermal energy to power its Bitcoin mining operations (Reuters, 2021). The World Bank provided no further explanation for its decision (Campos, 2021).

The basis for the IMF's and World Bank's concerns regarding environmental impact are unclear. If it is about carbon emissions due to power consumed by the Bitcoin mining process globally, the available data indicates that the institution's concerns are misplaced (Bendiksen & Gibbons, 2019). Research published on Bitcoin energy use in 2019 reveals that approximately 74% of the electricity consumed by the mining process worldwide is renewable (Bendiksen & Gibbons, 2019). Indeed, the mining of Bitcoin will function on any form of power available. Therefore, as the world shifts to renewable energy sources so will Bitcoin mining (Bendiksen, 2021).

In terms of transparency, Bitcoin affords users a limited form of anonymity, commonly referred to as 'pseudo-anonymity' (Adams et al., 2017). However, dealing with criminality enabled by Bitcoin transactions is not beyond the capabilities of appropriately equipped regulatory authorities (Luu & Imwinkelried, 2016; Gagneja, 2020; Sater, 2020). This is apparent from the successful intervention in the case of the Silk Road (UPI, 2020) and many other examples in which US law enforcement authorities have successfully applied chain analysis methods (Sater, 2020). In contrast to conventional wisdom, the fact that the Bitcoin transaction ledger is publicly distributed means it is much easier to track criminal activity in comparison to closed banking systems. This can be achieved, Sater (2020) posits, via chain analysis and conventional policing to target criminal activities without the need to collectively violate the privacy and trust underpinning society.

In this light the reality of the IMF's and World Bank's concerns appear not to be based entirely in evidence. Given the decentralisation of public trust enabled by cryptocurrencies like Bitcoin (Vergne, 2020), it is likely that the negative response is informed by potential long-term implications for the shape of the global monetary order (Cacciatore, 2020; Wilks, 2020). Through the El Salvador example, the Global Trust Conflict can be seen as reaching a heightened level of macro-economic significance. This is because the predominant influence

of centralized structures for trust in the global economic system (i.e. central banks etc.) may be effectively challenged by state decisions to grant fiat status to cryptocurrencies like Bitcoin.

## **Global Trust Conflict: The Most Significant Regulatory Barrier**

A significant development in the Global Trust Conflict occurred in early 2019 when the World Bank was stripped of its legal immunity (ICIJ, 2019a). The decision was made by the US Supreme Court with an all-but unanimous vote.<sup>131</sup> This case reached the Supreme Court due to the claims made by an Indian fishing community that pollution from a coal powerplant financed by the World Bank had negatively impacted their livelihoods. This is a prime example of breached trust in connection to the centralized institutions of the liberal global monetary order. Significantly, the International Consortium of Investigative Journalists (2019a) reported that the ruling may “...open other American-based international organizations to the threat of lawsuits” (p. 1). The General Counsel<sup>132</sup> for the Indian fishing community stated that legal immunity does not advance the development goals pursued by international organizations, rather they are led to be ‘careless’ (ICIJ, 2019a). The potential for greater legal accountability among liberal international institutions holds promise in terms of opportunities to restore trust internationally through a commutative justice process (i.e. reciprocal recognition of rights and duties) (Bull, 2002).

The Global Trust Conflict has evolved significantly since its institutionalisation in late 2001. At that time the UN Security Council was already widely criticised as an outdated and unrepresentative international body (Bianchi, 2006; Happold, 2003; Kuziemko & Werker, 2006; Rosand, 2004; Talmon, 2005). Indeed, this aspect of global order was only strengthened by the adoption of UNSCR 1373. This is because it mandated global rules based on a very narrow cultural scope for what constitutes justice, and thus trustworthiness, in relation to money or value transfers.

This form of solidarism was made possible by the extensive public/private partnerships of a predominantly liberal international civil society (Clapton, 2009; Ikenberry, 2010). In this regard, Francois et al. (2010) postulated that “...liberal market forces can only work when built

---

<sup>131</sup> The case (17-1101) was heard in relation to a law passed in 1945 that granted immunity relative to that afforded to foreign governments under US law. The Court set out to decide how the 1945 law was impacted by a 1976 ruling, which excluded the commercial activities of foreign governments from that immunity (Supreme Court of The United States, 2019). It was reported that this decision will not affect the United Nations, or the IMF, because immunity is granted under their respective charters (ICIJ, 2019a).

<sup>132</sup> Marco Simon, EarthRights International (ICIJ, 2019a).

on the give and take of a functioning civil society” (p. 31). However, a society is fundamentally reliant on trust to function (Bull, 2002; Booth & Wheeler, 2008), and the post-Cold War agency of liberal internationalism followed by post-9/11 liberal solidarism has evidently diminished the pluralist values of sovereign independence and strict non-intervention in international relations (Booth & Wheeler, 2008; Clapton, 2009; Dunne, 2010; Norrlof et al., 2020; Talmon, 2005; UN, 2018).

The trust that was once required for diplomacy and cooperation between independent sovereign states was summarily discarded by the post-9/11 liberal solidarist mandate for states to trust in the UN Security Council (UNSC, 2001) and the FATF (2012-2019). It is a key finding of this research that the Global Trust Conflict instituted by the UNSCR 1373 regime reflects a continuation of a post-Cold War trend of anti-pluralism (Clapton, 2009). This aligns with the predominance of anti-trust that permeates the liberal structures of global economic order in modernity (Wilks, 2020). This finding calls into question the legitimacy, and therefore trustworthiness, of the liberal international institutions via which the agency of liberal market forces is shaped and instituted (Ikenberry, 2010).

This research has shown that the Global Regulatory Effort is not representative of the full scope of interests that make up the pluralist political reality of international society. In essence, this is because the structures set up to govern the global economy are securitized, coercive and anti-trust, which has contributed significantly to the creation of an unequal market for remittances internationally. Early acceptance of the UNSCR 1373 regime’s inflexibility to cultural difference was publicly justified by distrust of an all-but unknown ‘other’. However, over time that fear has dissipated with broader scholarly awareness of the historical legitimacy of traditionally informal remittance systems. Considered together with an understanding of the social significance of emergent remittances built on distributed digital trust, the Global Trust Conflict is revealed to be a major mis-step of the liberal solidarist attempt at global financial governance. In this light, there is a clear need for the international response to be altered in order to unravel the knot of security-focused distrust and cultural bias that pervades the Global Regulatory Effort. Therefore, the Global Trust Conflict stands as the most significant barrier to regulatory efficacy and compliance.

## Chapter Five Conclusions

The Global Regulatory Effort is understood herein as implicitly grounded in the claim that it serves a just cause to maintain international peace and security in the face of global terrorism (*vis-à-vis* the 9/11 terror attacks on the USA) (UNSC, 2001). Conversely, this research has shown that this liberal solidarist approach to remittance regulation was hastily formed, and expressed as security-focused rhetoric that institutionalized rules based on a distrust of ‘other’ norms and values along cultural lines. This chapter has expanded upon this finding to provide the reader with a broader understanding of the Global Trust Conflict, including as it is informed by emergent remittance technologies that challenge the global financial *status quo*. The findings of this chapter support the central claim of this research, thereby making a strong case for the existence of the Global Trust Conflict, which in practice constitutes the most significant barrier to regulatory efficacy and compliance for the Global Regulatory Effort.

This chapter set out to define three conditions of the Global Trust Conflict. The first was to address the question, what is the form of trust reflected in UNSCR 1373? The second condition was to make sense of emergent remittances that are secured and enhanced by cryptographic blockchain and smart contract technologies in relation to the Global Trust Conflict. The third condition was to understand the form of trust evoked by UNSCR 1373 in the context of an evolving global monetary order, in which technologies that digitalize and decentralize trust herald a new era of remittances and financial governance challenges. The following findings define the Global Trust Conflict with respect to these three conditions.

### Findings on Trust and UNSCR 1373

This section of the chapter reflected on the void in global public trust left by numerous incidents of formal banking and financial crime, and how the emergence of blockchain-based remittances in modernity can be seen as an attempt to fill that void. It also identified the form of trust represented by the liberal solidarist attempt at global financial governance via UNSCR 1373.

Historically, the global economy has relied on centralized structures for financial trust. This meant that top-down control over the validity of every transaction was a technologically dependent necessity, which positioned private banking and financial institutions as the primary providers of trust and thus conveyed to them great power and wealth. Over time trust in these structures has dwindled as the Global Financial Crisis of 2007/2008 saw a major increase in global public debt, while very few of the financial executive culprits were held accountable.

Major international investigations revealed rampant tax avoidance and money laundering by the global elite, including multiple heads of state and celebrities, as well as multiple large formal banking institutions. These observations served to add weight to the Chapter Four finding, which was that the FATFs blindness to risk in formalized financial systems is a key point of weakness for the Global Regulatory Effort.

The extensive evidence of financial crimes facilitated by formalized financial institutions was then contrasted with the ethos of blockchain-based decentralized cryptocurrencies. The arguments explored indicated that blockchain systems constitute an attempt to provide a viable, more efficient and trustworthy alternative to established banking and financial systems. It also highlighted the intended social agency of blockchain systems. In this context, it was found that the advent of decentralized public-ledger blockchain platforms can in part be understood as an answer to increasing global public distrust of centralized and formal financial institutions.

The essence of the finding above is an observed shift away from the predominance of *centralized* remittance networks (private/permissioned). To an increasing balance of *decentralized* blockchain-based remittance and smart contract platforms (public/permissionless). This finding was qualified by two secondary findings. First, that both private and public structures for financial trust provision are not opposed in terms of use-cases and the demand for service. Second, both formats are representations of competing notions of trust that hold significance for the future of remittances and trust provision services.

It was observed that liberal international projections about the future of remittances support the notion that blockchain technology will facilitate a systemic shift in how global public trust is structured. However, it was found that the policy projection of the World Economic Forum focused only on the reformation of existing financial structures, and ignored the potential for decentralized and publicly distributed structures for financial trust. This blindness to the potential application of decentralized structures built on publicly distributed trust was found to be an indicator of the extent of liberal internationalist policy bias towards centralized trust structures. Consequently, it was found that public blockchain-based cryptocurrencies and smart contracts begin to show signs that they represent the only significant institutional challenge to the Federal Reserve Central Bank system.

Policy bias towards centralized structures for trust was highlighted as a key point of focus across multiple liberal internationalist projects examined in this research. It was found that within each of those projects the broader focus of the agenda was the promotion of deeper public/private partnerships under centralized private-order structures for trust. It was observed



that this is also the case for UNSCR 1373, which has centralized the sovereign authority, and therefore public trust, of all states under a hierarchical non-state order. As such, it was found that the liberal solidarist approach to the Global Regulatory Effort represents a high-level investment of global public trust into a private-order, monolithic structure that is built on centralized trust.

The findings of this section of the chapter served to define the form of trust expressed by the UNSCR 1373 regime. It did this in terms of philosophy and structure. In terms of ‘philosophy’, it was found that the UNSCR 1373 form of trust aligns with liberal solidarism. Thus, it is defined by a coercive deepening of public/private partnerships, and culturally recessed policies that are motivated by the security of certain financial systems and the distrust of ‘others’. In terms of structure, it was found that the UNSCR 1373 form of trust represents a non-state, hierarchical order that prioritises and operates on centralized structures for financial trust, under which unilateral authority and control over transactions with unrestricted data transparency are operational norms.

### **Findings on Emergent Remittances**

This section of the chapter sought understanding in relation to the emergence of blockchain technology and its role in terms of trust and governance. It was observed that in modernity financial trust has become tied to blockchain systems, and that the capacity for transparent immutability of a blockchain ledger is a 21<sup>st</sup> century ‘anchor’ for that trust. Thus, the significance of this technology extends beyond remittances to the facilitation of governance applications that might help to establish a new benchmark from which communities, authorities, and their financial systems can mutually seek consensus on aspects of trust.

The technology has been applied in two forms that were identified, blockchain ledger and distributed ledger networks. Distributed ledger systems aim to replicate some of the benefits of blockchain networks, such as automated instant transactions and lower costs. While this is a positive development for conventional financial institutions, their distributed ledger systems retain a centralized structure of authority and control. It was observed that in this format the capacity for immutability demonstrated by blockchain is compromised. As such, distributed ledger systems have a comparatively broader scope of systemic vulnerabilities and risks next to decentralized blockchain technologies.

Analysis of the scholarly literature highlighted that increased competition would force institutional change that is likely to follow broad adoption of cryptocurrencies. It was found that liberal international institutions consider that broad adoption of digitalized value will be

more significant in terms of stablecoins, rather than volatile decentralized cryptocurrencies. It was observed that if broad adoption of blockchain and distributed ledger technologies became a reality, three key operational effects would characterize the institutional change that would follow. These were disintermediation, structural dehierarchisation, and growing community-based provision of the institutional infrastructure required to generate and maintain trust.

Consideration of the transformative potential of blockchain revealed that the implications for society go far beyond trust provision for digital value transfers. This was observed based on the innovation potential of blockchain, which can facilitate decentralized permissionless systems that can securely and publicly distribute trust. It was found that this reflects a shift in social capabilities in which technology might facilitate change from a predominance of centralized authority or top-down control, to community consensus or decentralized structures for societal governance.

In a similar fashion to the decentralized structure of blockchain systems, the development of such systems cannot be traced back to a single source. The development of the first viable blockchain cryptocurrency known as Bitcoin occurred only due to the work of many contributors. The solving of key problems that had hampered earlier attempts to digitalize value in a decentralized way, such as double-spending, allowed Bitcoin to ensure the immutability of open yet cryptographically protected peer-to-peer transactions, which are validated by decentralized consensus among networked participants.

Public blockchains were found to have two key institutional advantages over conventional centralized financial systems. The first was the great potential for innovation, which is derived from permissionless access and low infrastructure, transaction and trust costs facilitated by decentralized structure. The second is the relatively lower possibility of anti-competitive or unilateral practices as a result of governance via community consensus only.

In light of these observations, it was found that there is a high likelihood that these advantages will generate change primarily through disintermediation. This means the effect of removing or reducing the need for trusted third-party transaction authenticators. It is in this way that increased competition is an expected implication of blockchain systems, in that they alter and often constrain the scope of expenses and incentives that define a competitive market.

It was found that the maturation of an emergent decentralized financial sector is a case in point on the capacity for blockchain technology to be trustless in design, and yet trustworthy in practice. This is because DeFi services exist within a blockchain-enabled open ecosystem

that is highly innovative and resistant to monopoly power, and thus to the influence of regulatory cultural bias and securitisation.

### **Findings on Trust Distribution and Decentralized Finance**

Five promises of Decentralized Finance (DeFi) were identified. These were decentralisation, innovation, interoperability, borderlessness, and transparency. These promises generally overlap with the benefits of public blockchain systems. However, for this research the promises of borderlessness and transparency are most noteworthy.

In terms of borderlessness, it was observed that conventional financial institutions are tied to physical locations and due to relatively high upkeep, processing fees and regulatory costs incurred by intermediary banking institutions, micro-transactions are unviable. It was also noted that, prior to decentralized financial services, traditionally informal money or value transfer systems (i.e. *hawala*, *hundi*, *fei ch'ien* etc.) were the only alternative avenues of cross-border remittance. Thus, it is a key finding that traditionally informal remittance systems share common ground with blockchain-based decentralized financial services in that their operational structures are asymmetrical to that of formalized financial organizations.

The promise of transparency also provided relevant findings for this research. It was observed that next to centralized financial systems, the level of transparency that blockchain-based decentralized financial systems can achieve is significant. Whereas comprehensive accessibility to the source codes and data of closed financial networks was observed to be difficult and often impossible, the openness of decentralized financial systems means high level access to application source codes and transactions is the norm. As such, the overcoming of this structural barrier reflects the potential for preventative rather than purely reactive measures to deal with crises or issues before they become systemic.

It was found that decentralized finance holds a structural advantage in terms of reducing or negating risks that commonly undermine centralized systems (i.e. exploitation, exclusion and discrimination). However, the literature revealed that transparency in theory does not necessarily equate to transparency in practice for every DeFi project. This reflects the potential for transparency failures due to technical and human factors. With regard to both factors, the high speed of innovation reflects a state of play in which the development of increasingly complex platforms and smart contract applications is ongoing. This constitutes an early-stage transparency barrier due to the limited number of analysts and participants that can evaluate such technical systems; however, this is likely to become less significant over time.

The issue of transparency was also highlighted with regard to the conduct of DeFi project developers, which in two instances had not disclosed the existence of admin keys. These systems control keys would allow developers or a malicious agent to unilaterally drain liquidity as well as control or alter the smart contract system. In this context, two key findings were made. First, while the technological developments of decentralized finance may significantly enhance the capacity for security and transparency next to centralized financial structures, the human factor will remain a prominent vector for risk. Secondly, despite the prominence of the human risk vector, it is a key finding that the capacity for any individual or agent to identify and raise public awareness of such issues is a significant and unprecedented development in the hitherto opaque world of finance.

### **Findings on Stablecoins**

The chapter also investigated the emergence of stablecoins. These relatively stable digital representations of value are designed to function more effectively as money by comparison with cryptocurrencies. Four types of stablecoin systems were discussed, of which two were centralized (tokenised funds, off-chain collateralized) and two decentralized (on-chain collateralized, algorithmic) in structure (see Table 11). It was observed that just like cryptocurrencies, some stablecoins have accountable intermediaries while others do not.

Examples like the Tether ‘tokenised funds’ stablecoin served to reinforce the fact that centralized structures for financial trust often create the conditions under which clients are exposed to major risks such as money laundering, fraud and misconduct. Whereas the US Digital Coin provided a good example of how primarily centralized structures for trust can be designed to remain viable by harnessing the enhanced trust generated by decentralized and transparent governance. The other stablecoin system format discussed was ‘off-chain collateralized’. It was observed that such systems form bridges between the established and emergent arms of the global economy. It was found that despite the clear and present risks, centralized structures for financial trust are likely to retain a vital role in the global economy as it evolves.

The chapter also looked at stablecoin systems that are decentralized in structure, which were ‘on-chain collateralized’ and ‘algorithmic’. It was observed that innovation in this context is promising for the viability of decentralized and entirely disintermediated stablecoin applications. It was found that the promise of emergent culturally unaligned stable stores for digital value supports the central research claim, in that the growing shift in public trust away

from a predominance of hierarchical financial institutions is further evidence for the existence of the Global Trust Conflict.

### **Findings on the Challenges for Centralized Trust**

The chapter then looked at the challenges of centralized trust. Due to the potential benefits of blockchain and decentralization, it is apparent that individuals, organizations, and states are afforded opportunities to gain increased independence from the centralized financial systems that have historically dominated the global economy. As such, blockchain systems hold promise for modern global order in terms of opportunities to recapture international and local trust-based norms that reflect in part the essential advantages of social order under pluralism.

It is apparent that there are genuine risks associated with both centralized and decentralized formats of trust distribution. Although it is not uncommon to find that decentralized cryptocurrencies have been misused by individuals and criminal organizations, the fact that legal prosecution can occur highlighted that such instances are not beyond the reach or capability of law enforcement authorities to address. This forms part of the argument for the central claim of this research, in that tunnel vision for risk in traditionally informal and emergent remittances has worked to the detriment of regulatory efficacy and compliance in formalized financial institutions.

Some of the disadvantages of centralized structures next to decentralized systems for trust were highlighted. First, network security for centralized systems is relatively costly to achieve and maintain, which was indicative of greater vulnerability by comparison with blockchain systems. Second, a greater likelihood of unilateral action on permissioned centralized systems was identified, which was indicative of higher costs associated with generating and maintaining trust. It was found that these two disadvantages reflect on aspects of modern transaction cost economics, also referred to as ‘crypto-economics’ in terms of cryptocurrencies, which highlighted the institutional significance of distributed trust.

The third shortcoming of centralized structures is the comparatively low rate of innovation and adaptation to disruptive change. This was understood in terms of structural inertia constituted in part by time needed to evaluate action, assess risks, test scalability and profitability, protect intellectual property, and normalize change. The fourth disadvantage highlighted was that the risk-appetite or level of trust required to seize opportunities is more difficult to justify, which tends to make monopolistic market practices that add certainty to growth and profit projections more appealing for centralized structures. In other words, anti-

trust or anti-competition business practices serve to prevent or severely limit organic trade and innovation, whereas organic trade and permissionless innovation define the entrepreneurial ecosystems of decentralized platforms like Ethereum. It was found that the generally higher risks and costs associated with operating centralized systems constitutes a structural disadvantage next to decentralized systems.

### **Findings on Efforts to Maintain Centralized Trust**

Some international efforts to maintain a predominance of centralized structures for global financial trust were also explored. The cases explored were Facebook's attempted multi-currency global stablecoin called 'Libra', the 'Cashless Society' movement, 'The Great Reset' agenda led by the World Economic Forum, and 'Central Bank Digital Currencies'. Each of these examples represent an attempt to build financial structures under which global public trust could be highly centralized, allowing for holistic data collection and top-down control.

### ***Findings on the Libra Reserve***

The first example explored was the Libra Reserve global stablecoin proposed by the social media corporation Facebook. The project was described as an effort to tackle issues like poverty and financial exclusion by providing access to simple cross-border remittances at low cost. However, when the project announced its intent to begin operations it was swiftly subject to the attention of global financial regulatory authorities. This was seen to be suggestive of the significance of the risks posed to financial trust and sovereignty by global stablecoins like the Libra Reserve.

The literature revealed multiple instances in which the Libra Association had breached Swiss law. It also indicated that the Libra Reserve would centralize trust within a structure wholly controlled by the Association and its large multinational corporate members. Further investigation highlighted that the Libra Reserve system was inspired by a system run by two Chinese state-owned companies called Tencent and WeChat. It was observed that WeChat runs a social media and digital messaging platform that incorporates a remittance function. It was also noted that it is a subsidiary of the state-owned technology firm Tencent, which is known for creating the first ever digital social credit score system. The Chinese social credit score system is built on a permissioned distributed ledger network and its goal is to assign each citizen a level of trust based on data gathered from mass high-tech surveillance, social media platforms and financial service applications. It was found that the implications of such a system are grounded in distrust. This is because all citizens subject to it are automatically assumed by

authorities to be unworthy of trust, which justifies ongoing holistic data collection and monitoring.

Discussion highlighted that with unfettered access to personal and financial data enabled via centralized structures for trust, the state and private interests can use big data analytics to accurately triangulate commercial and political targets. A key observation in this context was that the Libra Reserve global stablecoin was to become conjoined with the data of all Facebook users worldwide, totalling approximately 3.3 billion. As such, WeChat formed a useful point of reference for highlighting the dangers associated with any attempt to create a centralized global stablecoin.

With the WeChat framework as its conceptual progenitor, the attempted creation of the Libra Reserve stablecoin raised significant concerns for regulatory authorities. The European Commission began its investigation into the Libra project based on concerns relating to anti-competition and diminished economic controls that could impact the sovereignty of Europe. The European Central Bank found that its inability to regulate the level of EUR used to collateralize the Libra Reserve multi-currency basket meant that the European economy would be vulnerable to price shocks and foreign interference. Despite changes made to the Libra Reserve proposal that reduced the risks raised by regulators, it was observed that they were not enough to mitigate the risk of foreign interference or the potential for European monetary sovereignty to be undermined.

The Libra Reserve case highlighted risks that would be significant for any state whose currency became pegged to a global stablecoin. It was found that, if such a system became operational, it would risk allowing all trust vested in the global economy to converge into a monolithic structure beyond that instituted by the Federal Reserve Central Bank system. As such, trust was found to be the defining issue for each of the key risks identified, which were monopolistic and borderless economic structures, an existential breakdown in privacy and trust, diminished state monetary sovereignty, and foreign interference in state economies.

### ***Findings on Cashless Society***

The Cashless Society agenda to demonetize or conduct a ‘war on cash’ was investigated because it represents an ideological corollary to the global trust conflict paradigm identified in this research. The movement is driven by claims that cash is a barrier to poverty reduction and financial inclusion and is necessary to reduce risk relating to pandemics and address the criminal use of cash. It was also observed that the cashless movement is backed by highly resourced liberal international financial institutions and non-government organizations. It is

also supported by long term suspicion cast on the use or holding of large amounts of cash via international media organizations, law enforcement authorities, and widely published academic works. It was observed that the criminal use of cash is one of the most commonly cited reasons for going cashless. It was found that the securitisation of economic policy can be seen as a core aspect of the cashless society movement.

The investigation focused on experimentation in India in which the state abruptly announced in 2016 that it would phase out 500 and 1000 Rupee notes under a banner of addressing corruption and crime. It was observed that the policy decision was estimated to have affected 400 million predominantly poor people, and that at the time those notes were both the highest in denomination and made up the large majority (86%) of currency in circulation. Moreover, it was apparent that the decision to demonetize in this way contrasted with the findings of a white paper previously commissioned by the Indian Government, which found that illicit funds were primarily created by accounting fraud, and most large stores of criminal money were found to be tied up in real estate, precious metals, and anonymous corporate investments.

The implications of demonetisation in India were observed as having significance for public health and the economy. For the former, the available evidence revealed immediate and ongoing mental health implications specific to demonetisation as expressed by patients treated in the wake of the sudden policy announcement. It was observed that substance abuse reversion, critical stress reaction, ‘adjustment disorders’ and suicidal thoughts were the main issues experienced. The most severe cases in this context were found in middle class patients with psychiatric co-morbidities.

Further evidence from systematic data analysis around large hospitals detailed negative health outcomes stemming from demonetisation. Issues included an inability to travel, to access medicines, and health services due to payment barriers resulting from a lack of cash and the predominantly low use of costly digital payment services in India. It was found that this research did not look for correlation in the data between individual or regional socio-economic status, and therefore left a significant gap in the analysis that produced an overall negative finding in terms of a link between demonetisation and public health impacts.

This finding was further strengthened by evidence of at least 105 deaths linked to demonetisation in India. The deaths were categorised in four ways, bank queue mortalities, medical issues and costs, social issues and costs (i.e. educational and familial situations), and suicide (i.e. financial stress). It was observed that the rate of mortality in relation to demonetisation has likely been significantly under reported. This was found to be apparent



based on two points. First, because a holistic understanding of the socio-economic consequences of demonetisation has not yet been grasped. However, anecdotal and academic reports suggest that it caused significant stress and disrupted business and finance-related social norms throughout India. Second, official research into the health outcomes linked to demonetisation considered data in relation only to the impacts on hospitals overall, which saw patient attendance broadly reduced but did not consider the role of demonetisation in this trend.

Insights via media reports highlighted expert opinions on demonetisation that contrasted with the logical purpose of the agenda put forward by the Indian government. These experts predicted a negligible impact on criminal funds in the long term, a major economic slump, and that demonetisation would have a disproportionately negative impact on the impoverished. It was observed that, with the possible exception of the significance of an economic downturn, the expert predictions have since turned out to be accurate. Moreover, the economic benefits for the Indian government and its corporate partners in its Digital India project were observed to be significant.

It was observed that the Indian demonetisation experiment is a relevant example of how the securitisation narrative applies to the global agenda for a cashless society. Like the design and adoption of UNSCR 1373, the ideal was placed before reality to emphasize a need for security that allowed authorities to institute a governance plan without being called on to account for its social implications. It was found that in practice demonetisation policy appears to have instead been augured towards economic outcomes for government, banks and financial organizations. The experiment unilaterally shifted economic risk from the state and its licensed financial institutions onto everyday citizens, which together with its sudden announcement and swift implementation, preceded a breakdown of trust throughout India. It was a key finding that the social implications of the Indian demonetisation experiment share common ground in terms of trust with the implications of UNSCR 1373, particularly regarding traditionally informal MVT systems.

Analysis of the available cashless society literature and other sources provided for a summary of the assumed benefits versus the apparent risks (Table 12). It was observed that if focused purely on the assumed benefits of going cashless, the international pressure to transition might seem justifiable. But considered along with a holistic assessment of the apparent risks it becomes clear that significant challenges exist, particularly in terms of trust, which likely off-set the projected benefits of a switch to purely cashless trade. Thus although states and corporate economic interests are served in the short-to-medium term, it was found

that to go cashless swiftly and without addressing the social implications is to risk greater and potentially existential issues for order and society in the long term.

Like the implementation of UNSCR 1373 policy for MVT systems, it is apparent that the cashless agenda has been broadly approached from a security-focused perspective. Indeed, the focus on security has meant that a holistic and accurate assessment of the broad social implications of demonetisation policy has not been a point of concern for the proponents and authorities working to implement it. As such, the cashless society movement can be seen to share common ground with the social implications of other liberal solidarist policies in practice, specifically in terms of securitisation and disregard for pre-existing norms and values.

### ***Findings on Cashless Society and Anonymity***

This finding was followed by observations on the significance of the Indian demonetisation experiment in terms of the historically pervasive role of anonymity as a principle of commerce and trade. It was observed that efforts to dispose of cash-based trade therefore innately seek to deanonymize financial activities. As such, anonymity was observed to be directly relevant to the issue of trust as states and/or private interests stand to gain much in terms of resources and power via holistic financial transparency. In this regard, anonymity featured as a notable principle in relation to the implications of demonetisation in India. In particular, it was observed that the state's corporate remittance provider 'PayTM' allegedly released client data illegally at the request of the Prime Minister's office, which sought to identify individuals believed to have thrown rocks at law enforcement. It was observed that such incidents are not uncommon, which provided the frame for considering the value of anonymity as trust.

In Figure 11 the role of anonymity as a trust-based buffer between the agency of state and private interests, and the norms and values of a society was depicted. It was observed that the access to and use of cash as well as pseudonymous cash-like cryptocurrencies, provides individuals with a buffer between their ideas/actions and the scrutiny and potential malfeasance of ideologically aligned authorities and interests. It was found that the Indian demonetisation example revealed how in the absence of cash, or cash-like digital money or value transfer services, society is unlikely to exist or persist. It was observed that this is because when the anonymity buffer is non-existent, the agency of the state and/or private and corporate interests is unimpeded, and the resulting loss of trust may lead to societal breakdown.

It was then observed that the financial norm of anonymity is significant for international society in part due to the potential for stablecoin systems to globalize. The chapter highlighted

the example of the Chinese social credit system, which is linked to the state's Central Bank Digital Currency the 'Digital Yuan' or 'Renminbi'. Under this system all citizens in certain regions of China are holistically surveilled by state authorities and subjected to authoritative governance measures. It was observed that if should such a system were to become globalized it is likely that the resulting exposure to economic shocks, in effect foreign interference, would diminish state sovereignty and enable a foreign state to affect local economic and social norms. In this light, the latent global implications of entirely disposing of cash or cash-like remittances become clearer. It was found that anonymity is a core financial principle underpinning public trust that therefore represents an essential feature of any effort to address the Global Trust Conflict identified in this research. Moreover, due to its close relation to trust and therefore society, it is a key finding that the norm of financial anonymity constitutes an accepted minimum level of opacity separating the personal or political agency of individuals from the monitoring activities of private interests and the state.

### ***Findings on The Great Reset***

The chapter also looked at the World Economic Forum (WEF) led plan for a Great Reset of the global economy. The plan was proposed as a long-term solution to major social, economic, health and environmental issues that are seen as key drivers for the global financial governance policy positions underpinning the Great Reset. It was observed that the WEF is being assisted in this project by the IMF with strong support from the novel China-based Asian Development Bank.

It was also noted that the Great Reset narrative has been framed by rising geopolitical tensions between the USA and China. It was highlighted that in the context of this research, that rivalry is understood to be in part defined by competition over financial trust distribution. It was observed that the outcome of this conflict is likely to have broad implications for the global monetary order, particularly in terms of the predominant shape of structures for financial trust provision services.

The arguments of the most vocal proponent of the Reset, WEF Founder and Executive Chair Professor Klaus Schwab, point to the social insensitivity of capitalist norms motivated by profit in the interest of shareholders. As such, it was observed that the Great Reset represents a call to transition from the established norms of 'shareholder' capitalism (e.g. Western world), or 'state' capitalism (e.g. China), to a system of 'stakeholder' capitalism. The point is to shift the norms of capitalism so that its organizations are led by socially sensitive, inclusive, and stakeholder-oriented goals.

It was then observed that this push for a Great Reset of the global economy in the interests of stakeholders is framed by a dearth of global public trust in the key institutions of global order. Survey results cited by Schwab were outlined that reflected a broad public perception of the state, media, corporate, and non-government organizations as unethical in 2020. A similar survey conducted by the same organization in 2021 expressed comparable results; however, it found that only corporations were considered both ethical and competent. It was found that the survey results align with the WEFs position that deeper public/private partnerships, and a normative shift in corporate governance towards stakeholder capitalism, constitute the only means of rebuilding global public trust. Additionally, the emergence of the COVID-19 coronavirus pandemic was used by Schwab to further support the Great Reset initiative. In this regard, it was observed that the WEF's solution in both contexts reflects a call for a higher level of global public trust centralized in private corporations that form deep public/private partnerships with the state.

It was observed that the World Economic Forum's next significant policy development for the Great Reset agenda (in 2020) included a dystopic warning. This was in relation to major technological shifts that in the Forum's view were enhanced by the COVID-19 pandemic. In essence, the Forum argued that holistic centralized global control and authority over money or value transfers is a real possibility. It was observed that, similar to the impact of UNSCR 1373 but to a greater degree, such a structure would likely have a systematic and overriding influence on all pre-existing financial norms and values worldwide. Moreover, if realized, this would also reflect a total breakdown of societal trust, cultural plurality and independent sovereignty for most states. However, it was found that the emergence of highly competitive, immutable, permissionless, and decentralized avenues for simple and complex financial arrangements stands as a clear and present barrier to the realisation of a monolithic digitalized global economic order.

It was observed that the Great Reset agenda is one of the many facets of a Global Trust Conflict that this research has found repeatedly intersects with liberal solidarist policy agendas. As such, it was found that the Great Reset, Cashless Society, and the international public health agenda on pandemic preparedness and the COVID-19 pandemic, form a nexus of global governance policy around the promotion of deeper public/private partnerships. This serves to push states to invest in centralized private-order governance structures to counteract the need for deeper trust between otherwise sovereign independent Nation-States.

### ***Findings on Central Bank Digital Currencies***

The investigation into efforts to maintain centralized structures for financial trust focused on plans to create Central Bank Digital Currencies (CBDCs). Three general forms of CBDC were identified, which were wholesale, general purpose (or retail), and hybrid. The main focus of the investigation was the general purpose or retail format. It was observed that although it is possible to design a retail CBDC so that the trust needed for society to function is retained. However significant fiscal and technical requirements must be met in addition to the generation of a broad and ongoing willingness in society to trust that the system is fully secure and will not be misused. The crux of this challenge was found to be predominantly an issue of trust that constitutes a tension between transparency and privacy that is inherent to all general purpose CBDC projects.

A range of potential benefits for states stemming from retail CBDC systems were observed. These benefits included enhanced governance capacities that would make it easier to address money laundering and terrorism financing, as well as facilitate new policy levers (e.g. achieving true negative interest rates). Other benefits identified were greatly increasing transaction efficiency, seizing a larger tax base, and creating a contingency for banking and other MVT systems in crisis, and financial inclusion.

The investigation also identified five key risks of retail CBDCs (Table 13). The first was the disintermediation of commercial banking. This was observed to have a high likelihood of being realized for two reasons, which were the use of distributed ledger technology to facilitate very low cost or frictionless remittances and central banks can provide interest-bearing accounts to their clients. The second risk identified was the undefined scope of government role and limits to innovation. It was observed that the design of most, if not all, CBDC systems is a closed and permissioned format, which means only approved entities would be able to examine the source code and innovate on the secondary software layer of the platform. It was observed that although it is possible to allow for innovation on a closed platform, the likelihood of state regulatory creep and the influence of commercial interests pose significant challenges over the long term. The third risk identified was the increasing scope of financial risks, which questioned the ability of state regulators to recognize and react in a timely manner to emerging risks to the CBDC platform. The fourth risk was identified as technical weaknesses and design flaws, which was concerned with the relative vulnerability of centralized networks next to their decentralized counterparts. It was observed that the stakes

are high due to the technical challenges posed by the scale of such systems, where system failure or an exploited weakness is likely to be a major socio-economic incident.

The fifth risk identified was the loss of privacy (trust). It was observed that, even if attempted with principled intent a CBDC system would still pave a road toward systemic exploitation of financial data and human rights abuses. This is because the CBDC would facilitate holistic granular surveillance of individuals by the state, and likely also by private interests via banking or finance organizations. It was observed that a relevant example of this in practice is the Chinese CBDC called the Digital Currency/Electronic Payments (DC/EP) system or Digital Yuan.

The chapter then considered what was needed under circumstances where privacy and trust are values intended to be upheld by CBDC designers. It was observed that the state needs to take a proactive and balanced approach to transparency and privacy, such as that attempted by the Swedish central bank's e-krona project. This retail CBDC system aims to facilitate transaction transparency between individuals, their chosen financial intermediary, and the Riksbank, but maintains identity privacy by preventing identity data from being accessed or stored by the central bank. The central bank would be the issuer of the currency, but it would only be held in the account-based wallets of the client's selected intermediary. Moreover, the system may also facilitate anonymous peer-to-peer remittances via low-value token-based prepaid cards. Large transactions would occur via the identity-linked wallets of commercial intermediaries, which would be responsible for compliance and reporting requirements. It was observed that multiple aspects of the centralized e-krona system appear to facilitate the balance between transparency and privacy (trust) necessary for society to function. However, it was found that a decision to issue a general purpose CBDC remains a technical experiment fraught with risks that ought not to be taken lightly.

In conclusion, it was observed that CBDCs represent another means by which centralized structures for financial trust are likely to be retained in the modern global economy. Reflecting on a 2020 survey by the Bank for International Settlements, it was observed that while 80% of respondent central banks indicated they were conducting work related to CBDCs, very few (30%) anticipated issuing a digital currency in the foreseeable future, and only 10% indicated it was very likely or likely to issue a CBDC in the next three to six years (all emerging market economies). It was found that the state of play in this context suggests that there is a shared understanding among advanced economies that the long-term risk to state sovereignty posed by both localized and globalized CBDCs is significant.

## Findings on the Global Trust Conflict

This research has identified eleven key features of the Global Trust Conflict (Table 14). The findings that underpin each of these features are detailed in the following two sections, beginning with the Global Trust Conflict as a constitutive effect. The findings on its other defining features are then highlighted.

**Table 14.** *Eleven Features of the Global Trust Conflict*

Global Trust Conflict <i>as constitutive effect</i>	
Security-focused international response / mandate	Culturally biased regulatory policy
Aligned with liberal solidarism	
Coerced choice for MVT systems: compliance/legitimacy or non-compliance/illegitimacy	
The legitimization work of globalization	
Anti-pluralist – inter-state trust minimisation	
Deficient economic incentivization	
Motivator of non-compliance and regulatory risk avoidance by insiders and outsiders	
A motivator for the rise of permissionless and decentralized digital money or value transfer systems	
Macro-economically significant	
The most significant barrier to regulatory efficacy and compliance	

## **Findings on the Global Trust Conflict as Constitutive Effect**

On the first external discursive structure of the Global Trust Conflict, the ‘Security-focused International Response/Mandate’, this chapter found the following. First, that the focus on security aligned with international media reports and pre-existing conventional wisdom about traditionally informal remittance systems. This served to affiliate such systems with terrorism and criminality in a broad stroke. The shock and horror of the 9/11 terror attacks galvanised international will to act fast, thereby justifying the rushed opaque design and adoption of UNSCR 1373 and its global regulatory mandate.

Second, in this context the leadership of the United States under President Bush cemented value conflict as the basis for the international response. Bush put a line in the sand that threatened US hostility for any state that may have thought to stand apart from the global economic standardisation mandate. In taking this stance, the US foreshadowed its intent to take a coercive approach and thereby marked the inception of the Global Trust Conflict in global politics. This aspect of the Conflict is grounded in liberal solidarism that, through UNSCR 1373, wielded distrust of an ‘other’ as the justification for failing to address and account for the diverse complexity of social factors (i.e. pluralism) that the implementation of the regime unavoidably entailed.

On the second external discursive structure of the Global Trust Conflict, ‘Culturally Biased Regulatory Policy’, the findings are as follows. Shifts in the FATFs remittance lexicon over time revealed trust disparities along cultural lines that are anti-competition and therefore anti-trust. In other words, regulatory strictures operate to the detriment of ‘remittance outsiders’ (i.e. ‘others’, cultural outsiders, high-risk/low-trust), and the concurrent advantage of ‘remittance insiders’ (i.e. cultural insiders inhabit a ‘regulatory safe space’, low-risk/high-trust). This aspect of the liberal solidarist approach creates conditions that favour monopolistic financial and commercial structures.

Cultural bias in FATF policies also extended to the redefining of blockchain-based emergent remittances in line with the liberal solidarist trend of inter-state trust minimisation. As such, this shift resolved in favour of centralized institutional trust. In this context two points are key. The reinterpretation of the designation ‘e-money’ to mean fiat-tethered digital forms of value alone presumed to dictate that states introduce law that ensures only central bank-issued currencies be treated as a medium of exchange. Secondly, adopting the designation ‘asset’ for all non-fiat digital forms of value means that the inherently complex social role of decentralized cryptocurrencies is reduced purely to ‘ownership’. This research has found that



the designation ‘asset’ for cryptocurrencies is inaccurate because, in line with the observed trend of trust minimisation, it fails to encompass the intrinsic human or social core of decentralized cryptocurrencies and financial services.

The measure of this implicit flaw in the Global Regulatory Effort is informed by the adoption of the cryptocurrency Bitcoin as legal tender by the state of El Salvador. This move further highlighted the bias in, and inaccuracy of, FATF policies relating to emergent remittances. Therefore, it is a key finding of this research that the purposive scope of the FATFs management of the UNSCR 1373 regime extends beyond its stated global security mandate, to the suppression of remittance competition and the reinforcement of the global financial *status quo* in practice. This also constitutes the institutionalisation of anti-competition or anti-trust norms along cultural lines.

### **Findings on Features of the Global Trust Conflict**

The research found that the UNSCR 1373 regime is framed by liberal solidarism, which is a coercive modern approach to global financial governance underpinned by liberal internationalism. This appeared as the culmination of post-Cold War global governance and other transnational efforts to minimise the need for inter-state trust (i.e. pluralism). In-turn this maximised state investment of public trust in private-order hierarchical institutions. This came into being through the adoption of UNSCR 1373, which mandated the participation and cooperation of all states with those institutions.

The liberal solidarist shift from consent to coercion-based governance negatively affected cultural diversity. This refers to the weakening of the pluralist norms of sovereign independence and strict non-intervention by UNSCR 1373, which constitutes the legitimization work of globalization. This is the case because international financial norm standardisation means state borders are no longer viable containers for cultural difference. This insensitivity to cultural context has been identified in previous research as a significant barrier to regulatory compliance for traditionally informal remittance systems in Australia. These findings align the Global Trust Conflict (GTC) with Clapton’s (2009) characterisation of the post-Cold War liberal international approach to global governance as “...distinctly anti-pluralist” (p. 6).

Flawed economic incentivization was also found to be a defining feature of the Global Trust Conflict. Multiple observations underpin this finding. Analysis of the institutional responses to the issue of de-risking revealed that they view FATF regulatory policies as fixed. In this way the expectation is set that the rule-takers (i.e. correspondent banks in this context)

must comply and make it work or take the financial loss for the assumed greater good of the global economy.

Flawed economic incentivization was also observed to be reflected in the tendency for traditionally informal remittance agencies to retain service relationships with unregulated remittance providers across state borders. It was found that it is reflective of the GTC in that the institutionalized distrust of ‘remittance outsiders’ also significantly increased compliance resource requirements and costs for ‘remittance insiders’. The fact that compliance costs are met with avoidance even by highly resourced and regulated banking institutions indicates that the UNSCR 1373 regime takes a flawed approach to economic incentivization. Moreover, it is clear that the GTC has motivated non-compliance and regulatory risk avoidance by remittance stakeholders on both sides of the value-conflict. The findings in this context highlighted the need for a viable mode of economic incentivization to motivate regulatory efficacy and compliance more effectively for all regime participants.

This research has linked the Global Trust Conflict to the emergence of decentralized digital structures for financial trust, which holds significant promise for the future of remittances and global financial governance. The research found that decentralized digital systems built on publicly distributed trust have the capacity to address long standing governance challenges. It was observed that key risks for centralized trust structures, such as unilateral action, monopolisation, and discrimination/predation, can be effectively mitigated via the structural advantages of automated blockchain networks and smart contracts. The research found that the rise of permissionless and decentralized digital money or value transfer systems is in part reflective of a logical response to the existence of the GTC.

The adoption of Bitcoin as legal tender by the state of El Salvador is a point of divergence from the liberal solidarist agenda for centralized global financial governance. If successful, this could prove significant for the shape of the global monetary order into the future. The negative responses of the IMF and World Bank to the state’s decision support this observation. Divergence from the liberal solidarist agenda for centralized global financial governance is a major step for any state to take. However, it was found that such a decision is reflective of the heightened level of macro-economic significance reached by the GTC. This is because the predominance of centralized structures for trust in the global economy may be challenged by state decisions to grant fiat status to decentralized public cryptocurrencies.

The removal of the World Bank’s legal immunity by the US Supreme Court raised the potential for holding liberal international institutions legally accountable for the socio-economic implications of their actions. This is significant because it holds promise for

international society in terms of potential opportunities to restore trust through a commutative justice process (i.e. reciprocal recognition of rights and duties).

It is a key finding of this research that the Global Trust Conflict instituted by the UNSCR 1373 regime reflects a continuation of a post-Cold War trend of anti-pluralism. As such, this research calls into question the legitimacy, and therefore trustworthiness, of the liberal international institutions via which the agency of liberal market forces is shaped and enacted. It is via these structures that the GTC was initiated. This research found that there is a clear need for the international response to be altered in order to unravel the knot of security-focused distrust and cultural bias that pervades the Global Regulatory Effort. Therefore, the Global Trust Conflict stands as the most significant barrier to regulatory efficacy and compliance.

## Chapter Six: Conclusions and Recommendations

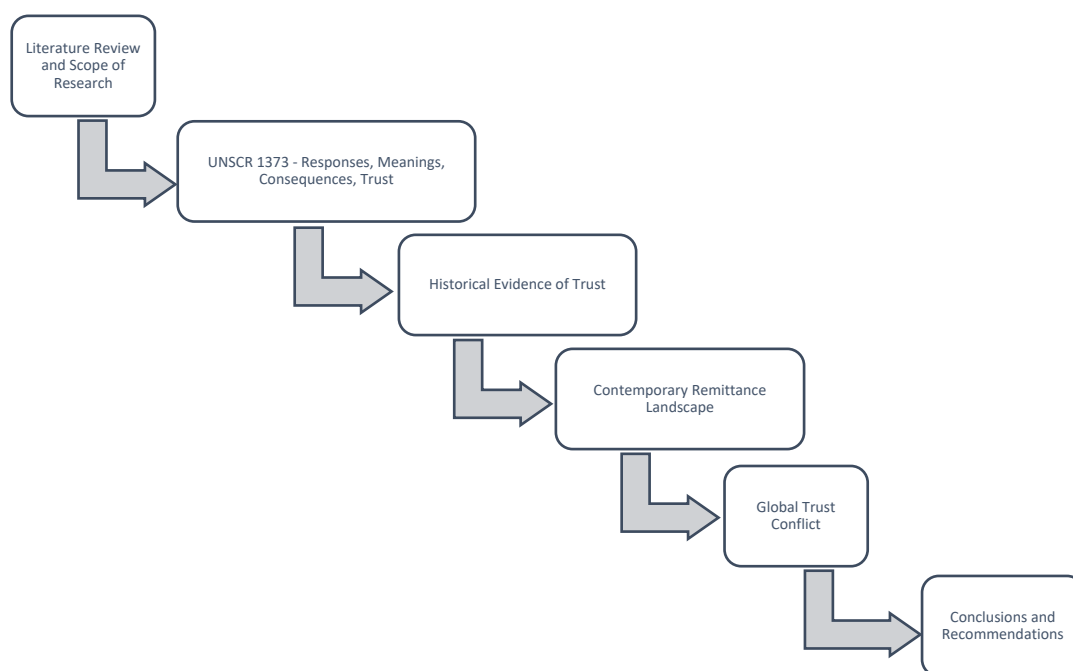
*In 2001, the world was so concerned about an informal money transfer, such that an Iranian might send to a taxi-driver in downtown New York, that an act of global terrorism justified a knee-jerk and mandatory international response. In 2021, the same money transfer could be made digitally, efficiently and without the need to interact with anyone. Despite this fact, the regulatory approach mandated by UN Security Council Resolution 1373 has remained all-but unchanged. Consequently, its regulatory legacy is that of increased costs and rising money laundering and terrorism financing risks. The Global Trust Conflict demonstrates a perceived failure to account for the innate human element that underpins any given global governance regime.*

### Statement of Claim

This thesis has considered the barriers to globally acceptable regulatory compliance in terms of the movement of money and its consequences. Its central claim is that there is a Global Trust Conflict, and that this conflict remains unresolved at the Nation-State level and into globally significant spaces where the fluidity of value transfers and money is perceived as a limitation to the pursuit of peace and global security.

From design to adoption, the process of instituting UN Security Council Resolution 1373 occurred over a 15-day period in 2001 following the September 11 attacks on the United States. The design process was limited to the input of the 15 states that held a seat on the UN Security Council. It might have been argued in the past that the threat posed by global terrorism to international peace and security justifies the opaque design and swift adoption of the collective action mandate. However, in hindsight the 15 days of closed international negotiations was evidently inadequate for such a significant and unprecedented shift in the approach to global financial governance. The answer as to why the UN Security Council Resolution 1373 was rushed through to adoption with the input of only 15 out of over 90 UN member-states can be best understood through this research regarding the Global Trust Conflict as a constitutive effect. This means that this Conflict is reflected in two external and discursive features of the liberal solidarist regulatory approach, which depict a focus on security and a focus on cultural difference.

**Figure 12. Thesis Roadmap**



This thesis has been divided into six parts (Figure 12). The first chapter detailed the nature and scope of the research. The second chapter established the meaning of trust as expressed by the core regulatory directive in the form of the UN Security Council Resolution 1373. The third chapter explored the historical evidence of the role of trust in traditionally informal remittance systems. The fourth chapter considered data on modern remittances to provide a snapshot of the regulatory landscape and trust in that context. The fifth chapter clarifies the concept and role of the Global Trust Conflict as a barrier to regulatory efficacy and compliance. In this sixth chapter the hypotheses underpinning this thesis are discussed. Drawing upon the major findings of this research, the conclusions that emerge in answer to the key research questions are established.

## **Discussion of Key Findings and Linkages with the Hypotheses**

### **Understanding the contest**

The decision to invoke the UN Security Council Resolution 1373 global directive brought about a value conflict between those affected by actions such as the 9/11 attacks, and a range of countries who held informal and different monetary transfer systems that might be perceived as dangerous. To understand globally acceptable regulation about the way money or value transfer systems interact, the challenge has been to follow a system that is acceptable to most,

if not all, of the contributing Nation-States that are a part of the application of the UN Security Council Resolution 1373 regime.

### **Hypothesis 1**

*The global regulatory standard for money or value transfers (MVTs), mandated under United Nations Security Council Resolution (UNSCR) 1373, has initiated a Global Trust Conflict.*

Hypothesis 1 considered the idea that UNSCR 1373 had brought about a Global Trust Conflict in terms of the reliance upon the movement of money and value transfers. The relevant findings are set out below.

The study showed that the adoption of UN Security Council Resolution 1368 marked the emergence of a narrative of distrust, based on which coercive global economic rules would be established. This description shared common ground with that which was applied as justification for the imperialist expansion of the European Society of States. This discovery provided a historical reference point for a state-led and coercive public/private globalization movement. That movement was grounded in a trust conflict narrative, which was designed to overwrite the pre-existing norms and values of cultural outsiders. The narrative of distrust that underpins the Global Trust Conflict emerged with the adoption of UNSCR 1368

The adoption of UNSCR 1373 advanced a hierarchical approach to international relations grounded in Western-centric norms and values. This developed from a focus on global security, rather than mutual Nation-State interests. It ignored the mutual interests of cross-border participants who were major stakeholders in the movement of financial value systems. This exclusion of wider stakeholders was clearly accentuated by the paucity of time (15 days) taken to put UNSCR 1373 into play. It is a key finding that the prominence of undeveloped and risk-oriented characterisations of traditionally informal MVT systems validated the move to institutionalize distrust of such systems via UNSCR 1373. This was to the exclusion of everyday money transfers that occurred with regularity.

This study highlighted several design flaws in UNSCR 1373 that precluded a commitment to the purposes and principles enshrined in the UN Charter. The obfuscation of principles such as ‘self-determination of people’ and the ‘sovereign independence of states’ are notable omissions. Similarly there was a lack of affirmation of other principles that included the need for global respect for human rights in combination with international cooperation. This part of the research determined the Resolution as ‘in error’ in its inability to acknowledge the key inclusion of its own principles. The lack of affirmation that trust requires shared ground

between conflicting parties within the global financial order is peculiar. It shows incongruence with the majority of UN resolutions which acknowledge international collaboration. The UNSCR 1373 regime is a by-product of an overly simple and unfeasible approach to the moral dilemmas of international politics.

Through analysis of the literature on stablecoins, it was found that the promise of emergent culturally unaligned and stable stores for digital value supports the central research claim. The basis for this finding was an apparent growing shift in public trust away from a predominance of hierarchical financial institutions, which was found to embody further evidence for the existence of the Global Trust Conflict. The findings set out here support the first research hypothesis, which is that the adoption of UNSCR 1373 initiated a Global Trust Conflict.

## **Hypothesis 2a**

*The Global Trust Conflict constitutes a value-conflict of two parts: (Part A)*

*A clash caused by mandatory adoption of a Western values-based normative framework for all money or value transfer systems (i.e. UNSCR 1373), and the diverse range of values underpinning culturally embedded norms in traditional MVT systems.*

Hypothesis 2 considered the idea that the Global Trust Conflict was reflected in a value conflict expressed in two ways. The first part envisaged a clash between a formalized prescriptive rules framework based in Western values, and the diverse pre-existing norms and values that are culturally embedded in traditionally informal money or value transfer (MVT) systems. The relevant findings are detailed below.

This research has found that the lack of transparency and the haste with which UNSCR 1373 was drafted and adopted is a source of lost legitimacy and efficacy for the Global Regulatory Effort. This was in part a failure to account for the intrinsic diversity of cultural contexts in which the UNSCR 1373 regime would be implemented. These findings indicate that the UNSCR 1373 regime is challenged by an insensitivity to cultural difference. This is essentially an understanding of a regime that has applied a blueprint of governance rules that were implemented without broad stakeholder approval.

The adoption of the UNSCR 1373 regime marked a divergence in the global order from the essentially pluralist political reality of international society, which took place under the banner of liberal solidarism. As such, the UNSCR 1373 regime is a cornerstone of the post-

Cold War liberal international legacy of Western interventionism, and its disregard for the pluralist roots of international society (i.e. power politics and cultural diversity).

It was also found that the regime took a hierarchical approach based on an institutional mandate rather than the mutual interests of stakeholders and participants. As such, the adoption of UNSCR 1373 entrenched a coercive structure for global financial governance grounded in Western-centric norms and values.

It was found that there is a clearly evident understanding of MVT practices that have developed over a long history of practice. This constitutes a key aspect of a viable solution to the Global Trust Conflict.

It was also found that informal financial practices of MVT systems have not disappeared from modern trade and commerce. Based on observations of the organization and role of private interests in the expansion of a European Society of States, the research found that informality in financial systems is not necessarily a barrier to globally legitimate agency.

The research also concluded that the principles of stable society (trust, contract, promise, security) align with the normative legacy of traditionally informal remittance practices.

## **Hypothesis 2b**

*The Global Trust Conflict constitutes a value-conflict of two parts: (Part B)*

*A conflict over the prevailing nature of trust provision services for money or value transfers that includes high-speed/low-cost blockchain platforms for financial exchanges. The issue of trust in this context reflects a question of authority and control over value transfers such as virtual trusted systems.*

Hypothesis 2b considered the idea that the Global Trust Conflict was reflected in a value conflict expressed in another form. This secondary question theorized a clash over the predominant format of structures for the provision of financial trust throughout a global economy increasingly built on digital trust. In this context, trust reflected an issue that was expected to define the nature of authority and control over money or value transfers.

Some of the research outcomes that informed hypothesis 2b reflected on the practical extent of the disconnect between the stated goals of the Global Regulatory Effort, and the shape of the policy structures that underpin it. This was found via an analysis of shifts in terminology and accepted definitions observed in FATF policy documents on remittance systems.

Analysis of the evolution of the FATFs remittance dialogic revealed cultural bias in favour of formalized banking systems. This was reflected in shifts that downplayed the social



significance of virtual currencies that decentralize trust, while emphasising associated risks. Other changes observed in the dialogic served to decouple the risk profile of formal remittance modes (built on centralized trust) from high-risk categories. These findings highlighted the rise of anti-trust regulations for non-bank remittances, which generated new trust-based barriers and further entrenched existing barriers to regulatory efficacy and compliance.

Conclusions that inform hypothesis 2b were also gained from analysis of coding data on modern remittance systems. The research identified a multifaceted trend of regulatory inconsistency between remittance systems. As such, the institutional risk focus was on informal and emergent remittances, whereas a relative vacuum of risk awareness existed regarding formalized banking and financial systems.

It was also concluded that the Global Trust Conflict created a division of traditionally informal remittances into two groups. The first, those agencies with an appetite to surmount the same compliance requirements expected of Western-style banking systems. The second group was identified as those that cannot or will not comply with regulations. These findings were identified through a process of analysis based on the post-UNSCR 1373 narratives and can be further identified in the changing discourse of FATF recommendations.

In a contemporary sense, the use of digital value in the form of pre-paid cards that operate in a regulatory grey area highlight the imbalance of trust applied to some transfer systems over others. This is particularly evident with regards to Mastercard and Visa gift cards. The presumption of trust, rather than implicit distrust, reflects a culturally aligned and accepted level of risk that is in practice with such commercial credit instruments. This grey area is less acknowledged in contexts where identity and traceability are implied. This finding adds to the evidence of unequal regulation generated by the Global Trust Conflict.

A further research finding was an observable and significant shift in trust away from human-centred and institutionalized sources. This was expressed across multiple segments of the coding data as a broad preference for systems-based trust. Additionally, the research found that the goals of global regulatory policy for remittances remain grounded in distrust and anti-trust, and thus aimed at security rather than efficacy.

A key finding of this research concludes that the Global Trust Conflict is a constitutive effect of two external discursive structures. The first was the mandatory/securitized international response, and the second was culturally biased regulatory policies. These structures were found to be the defining points of origin for trust conflict.

It was found that a lack of impartiality affecting the design and implementation of FATF remittance regulations has created an anti-competitive, and therefore anti-trust market

for international remittance flows along cultural lines. The research showed that the role of this coercive regulatory approach has been in part to give primacy to its ideological ideals via securitisation and coercion. This was an attempt to avoid the need to account for the pluralist political reality of international society.

Post-9/11 MVT behaviour highlighted the advent of decentralized public-ledger blockchain platforms that distribute trust in the form of immutable financial proofs. This can partially explain the increasing global public distrust of centralized formal financial institutions. At the same time it reflects a shift away from the predominance of *centralized* remittance networks, which is private and permissioned in terms of structure. To an increasing balance of *decentralized* blockchain-based remittance and smart contract platforms. Such behaviour is primarily public and permissionless in terms of structure.

As new forms of emergent remittances appeared it was found that, due to their retention of a centralized structure for authority and control, distributed ledger systems have a comparatively broader scope of systemic vulnerabilities and risks next to decentralized blockchain technologies.

The literature showed that there was increased competition that would force institutional change in order to follow broad adoption of cryptocurrencies. This was in contrast to liberal international institutions that considered the broad adoption of digitalized value to be more significant in terms of stablecoins. It was found that if broad adoption of blockchain and distributed ledger technologies became a reality, three key operational effects would characterize the institutional change that would follow. These were disintermediation, structural dehierarchisation, and growing community-based provision of the institutional infrastructure required to generate and maintain trust.

It was observed that the innovative potential of blockchain extends far beyond the provision of trust for money or value transfers. This stems from its capacity to facilitate decentralized permissionless systems that publicly and securely distribute trust. This suggests that there is a shift in social capabilities in which technology might facilitate change from a predominance of centralized authority or top-down control, to community consensus or decentralized structures for societal governance.

Two notable institutional advantages were identified in public blockchains versus conventional centralized financial systems. The first was the significant potential for innovation due to permissionless access and low infrastructure, transaction and trust costs facilitated by decentralized structure. The second was the relatively lower possibility of anti-competitive or unilateral practices as a result of governance via community consensus only.

This finds that, due to the institutional advantages of public blockchain, it is highly likely that disintermediation would be the primary driver of institutional change. The impact of removing or reducing of the need for trusted third-party transaction authenticators formed the basis for this finding. This is because increased competition is an expected effect of blockchain systems, which alter and often constrain the scope of expenses and incentives that define a competitive market.

The literature indicated that the maturation of an emergent decentralized financial sector is a case in point on the capacity for blockchain technology to be trustless in design, and yet trustworthy in practice. It was observed that decentralized finance (DeFi) services are significant in general terms because they exist as part of an open blockchain-enabled ecosystem that is highly innovative and resistant to monopoly power. It is a key finding that the capacity for trustless resistance to monopoly power is significant for this research because it also constitutes design-based resistance to regulatory securitisation and cultural bias.

### **Increased Transparency**

The research found that traditionally informal MVT systems share common ground with decentralized financial services in that their operational structures are asymmetrical to that of formalized financial services. It was observed that unlike closed centralized financial systems the level of transparency that blockchain-based decentralized financial systems can achieve is significant, wherein open access to application source codes and transactions is the norm. It was found that the overcoming of this structural barrier reflects the potential for preventative rather than purely reactive measures to deal with crises or issues before they become systemic.

The literature revealed that decentralized finance holds a structural advantage in terms of reducing or negating risks that commonly undermine centralized systems (i.e. exploitation, exclusion and discrimination). Reflecting on the potential for transparency failures due to technical and human factors, it was observed that transparency in theory does not necessarily equate to transparency in practice for every DeFi project. The high speed of blockchain innovation was observed to reflect a state of play in which the development of increasingly complex platforms and smart contract applications is ongoing. It was found that this constitutes an early-stage transparency barrier due to the limited number of analysts and participants that can evaluate such technical systems. However, it was noted that this barrier may become less significant over time as the number of analysts and participants increases, and the general level of technical knowledge and experience improves.

Multiple examples depicted DeFi project developers who did not publicly disclose the existence of admin keys, which potentially allowed for the unilateral draining of liquidity as well as the control or alteration of the smart contract system. Findings showed that while the technological developments of decentralized finance might significantly enhance the capacity for security and transparency next to centralized financial structures, the human factor will remain a prominent vector for risk. It further showed that despite the prominence of the human risk vector, the capacity for any individual or agent to identify and raise public awareness of such issues is a significant development in the world of finance. It is a key outcome that demonstrates the deeper significance of the persistent relevance of human and/or social factors across both historical and modern financial governance landscapes.

### **Challenges for Centralized Trust**

The results of this study show that stablecoin systems form bridges between the established and emergent arms of the global economy. It was found that despite the clear and present risks, centralized structures for financial trust are likely to retain a vital role in the global economy as it evolves. Whilst stablecoins demonstrate bonds and connections within the global economy, there are other challenges in terms of global trust.

It was observed that via blockchain and decentralization, individuals, organizations, and states are afforded opportunities to gain increased independence from the centralized financial systems that have historically dominated the global economy. Thus, it was found that blockchain systems hold promise for the reconstitution of global order in terms of opportunities to recapture international and local trust-based norms that reflect in part the essential advantages of social order under pluralism.

It was observed that there are genuine risks associated with both centralized and decentralized formats of trust distribution, and blockchain systems are not immune to legal recourse to misuse via appropriately equipped authorities. It was found that tunnel vision for risk in traditionally informal and emergent remittances has worked to the detriment of regulatory efficacy and compliance in formalized financial institutions.

Multiple disadvantages of centralized structures emerged from the literature. These included higher costs associated with achieving and maintaining network security, which indicated such networks are comparatively vulnerable next to blockchain systems. They showed a greater likelihood of unilateral action on permissioned centralized systems, indicative of higher costs associated with generating and maintaining trust. This indicated that disadvantages are reflective of aspects of modern transaction cost economics, also referred to

as ‘crypto-economics’ in terms of cryptocurrencies, which highlighted the institutional significance of distributed trust.

A further disadvantage of centralized structures was the comparatively low rate of innovation and limited capacity for adaptation to disruptive change. This was understood in terms of structural inertia constituted in part by time needed to evaluate action, assess risks, test scalability and profitability, protect intellectual property, and normalize change.

Additionally one significant disadvantage was the struggle for centralized structures to justify the risk-appetite or level of trust required to seize opportunities. This tends to make monopolistic market practices (that add certainty to growth and profit projections) more appealing for centralized structures. Overall, the generally higher risks and costs associated with operating centralized systems are reflective of a structural disadvantage next to decentralized blockchain-based systems.

### **Hypothesis 3**

*Understanding the nature and implications of the Global Trust Conflict could enhance the efficacy of the global regulatory effort aimed at MVT systems.*

Hypothesis 3 was posed to draw out findings on the nature and implications of the Global Trust Conflict that inform how the efficacy of the Global Regulatory Effort could be improved.

In terms of a trust-based global view, this research found that UN Security Council Resolution (UNSCR) 1373 is constitutive of a form of trust that aligns with liberal solidarity. Thus, it is defined by coercive and culturally recessed policies that are motivated by the security of certain financial systems and the distrust of ‘others’. In terms of structure, UNSCR 1373 applies a form of trust which represents a non-state, hierarchical order that operates on and prioritises centralized structures for financial trust, via which unilateral authority and control over transactions with unrestricted data transparency are operational norms. This conclusion is based on the last 20 years of narrative and is equally recognisable in the emergent discourse with relation to trust in the use of cryptocurrencies.

### **On Efforts to Maintain Centralized Trust**

The Global Regulatory Effort is focused on security and remains socially and culturally insensitive. It was found that the swift and critical regulatory response to the announcement of the Libra Reserve global stablecoin was suggestive of the perceived significance of risks it posed in terms of financial trust and sovereignty.

Four case studies showed examples of centralized trust. This included trust within a structure wholly controlled by the Libra Association and its large multinational corporate members. Examples such as the state-owned media and remittance system called WeChat showed as a source of inspiration for the global stablecoin. The WeChat platform formed a nexus point for big data analytics that merged personal and financial data streams. This assigned each citizen a level of trust based on data gathered from surveillance. The implications of such a system are grounded in distrust, in that all citizens subject to it are automatically assumed by authorities to be unworthy of trust, which justifies ongoing holistic collection and monitoring of data.

The Libra Reserve case highlighted risks that would be significant for any state whose currency became pegged to a global stablecoin. Multiple research findings are described. If such a system became operational, it would risk allowing all trust vested in the global economy to converge into a massive structure beyond that instituted by Central Banking systems. This case demonstrated trust as the defining issue for key risks posed by global stablecoins, which were monopolistic and borderless economic structures, an existential breakdown in privacy and trust, diminished state monetary sovereignty, and foreign interference in state economies.

### **On Cashless Society**

Demonetisation experiments such as the India case depicted the issues of a cashless society movement. It drove claims to perceived outcomes, such as financial inclusion, reduced poverty, and the enablement of true negative interest rates. Both WEF and IMF describe cashless outcomes including pandemic risk reduction. These themes highlighted the push to address the criminal use of cash as a reason for going cashless. It was found that the securitisation of economic policy could be seen as a core aspect of the cashless society movement.

Both media reports and medical reports have linked demonetisation to widespread acute health incidents. The resulting limited access to cash, as well as the predominantly low use of digital payments in India, prevented people from traveling to health services and accessing medicines in emergencies. Such experiments depict under-reporting and a lack of understanding in terms of socio-economic reasoning. In their place the study found significant stress, mortalities, and disrupted business and finance-related social norms throughout India. Economic commentators on India accurately predicted a high degree of negative socio-economic impact from the Indian demonetisation experiment.

The example set by the cashless society agenda in India highlighted the role of public/private partnerships and the risks posed in terms of lost public trust, which appear concurrent with the socio-economic impacts of liberal solidarist approaches to financial governance. A perceived opportunity to reduce crime, and improve the efficacy of digital value transfers, represents a unilateral shifting of economic risk from the state and its licensed financial institutions onto everyday citizens. In this sense policies introduced in this way depict a breakdown of trust.

Like the implementation of UN Security Council Resolution 1373 policy for MVT systems, the cashless agenda has been broadly approached from a security-focused perspective. The focus on security has meant that a holistic and accurate assessment of the broad social implications of demonetisation policy has not been a point of concern for the proponents working to implement it. As such, it was found that the cashless society movement shares common ground in terms of social implications with other liberal solidarist policies.

### ***On Cashless Society and Anonymity***

The emergent cashless society agenda has highlighted the role of anonymity or confidentiality as a consistent principle of commerce and trade, and therefore the functionality of society. It was found that the issue of trust becomes significant with an understanding that states and/or corporate private interests stand to gain much in terms of power and knowledge that can be gleaned if complete transparency were to be achieved. The value of anonymity is grounded in trust.

This study finds that the role of anonymity can be understood as a vital principle on which the functionality of society rests. The value-proposition underpinning anonymous payments and confidential financial services stands above the need to address the criminality or social defection enabled by cash and cash-like exchange in society. It forms a shield or buffer behind which the trust necessary for society to function can propagate. In this sense cash-based anonymous exchanges can be seen to act as a trust-based buffer between the agencies of sovereign power, private and commercial interests, and individuals. The use of cash, as well as pseudonymous cash-like cryptocurrencies, provides individuals with a buffer between their actions and the potential malfeasance of state authorities.

This study showed that under a holistically centralized structure for trust in finance and trade there was no *context* for reciprocal cooperation between distrusting parties that are not in direct communication (i.e. individuals, organizations, and the state). However, disintermediated essential financial services, such as money or value transfers via pseudo-

anonymous decentralized public blockchain platforms, were found to provide the iterative context in which stable cooperation through mutual reciprocation between distrusting parties can occur. This crucial context is depicted in Figure 10 as the ‘anonymity buffer’ that is constitutive of the framework for ‘Trust’ underpinning a functional society, which decentralized public ‘Blockchain’ platforms support by design.

The literature showed that under a holistically centralized structure for trust in finance and trade there is no *context* for reciprocal cooperation between distrusting parties that are not in direct communication (i.e. individuals, organizations, and the state). However the disintermediation of essential financial services, such as money or value transfers via pseudo-anonymous decentralized public blockchain platforms, provides the iterative context in which stable cooperation through mutual reciprocation between distrusting parties can occur. This suggests a framework for ‘trust’ underpinning a functional society, in which decentralized public ‘blockchain’ platforms support through design.

There is a need for trust between actors in order to allow value to flow between parties and trade to occur. When the anonymity buffer is non-existent, the agency of the state and/or private and corporate interests is unimpeded, trade is more difficult, and the long-term loss of trust may lead to economic and societal breakdown. It is a key finding that without cash (or at minimum a pseudo-anonymous means of remitting value), society is less likely to exist or persist.

The financial norm of counter-party anonymity is significant for global order and international society due to the potential for stablecoin systems to globalize. Access to financial and personal data across borders forms a risk of foreign interference and exposure to economic shocks. Such a circumstance would likely diminish state sovereignty and significantly affect local economic and social norms.

The Chinese social credit system, associated with the ‘Digital Yuan’ or ‘Renminbi’, provides an example of a stablecoin system with the potential to globalize and pose a threat to the sovereignty of other states. This can be observed through the latent global implications of entirely disposing of cash or cash-like remittances. The willingness of states and private/corporate interests to breach the trust underpinning society speaks to the significance of the Global Trust Conflict.

## **On the Great Reset**

The World Economic Forum’s ‘Great Reset’ is a plan for the global economy to maintain a predominance of centralized structures for financial trust. This initiative advocates



for a global economic reset that is intended to create global financial governance policy positions. This idea has been posited to solve a variety of social-finance challenges and has the additional backing of the IMF and the Asian Development Bank. It is defined by competition over the prevailing shape of structures for financial trust provision services. The Great Reset is grounded in observances of a general lack of public trust in the state, the media, the corporate sector, and institutions worldwide. This research showed move towards a policy of deeper public-private partnerships, and a normative shift in corporate governance towards stakeholder capitalism, as the only means of rebuilding global public trust.

The significance of the loss of public trust is important. It demonstrates the challenge for global trust because the Great Reset agenda has diminished. In a similar fashion to the implications of UNSCR 1373 but broader in scope and significance, such a loss of trust would have a systematic influence on pre-existing financial norms and values worldwide. This would also reflect a breakdown of societal trust, cultural plurality and sovereignty for most states and their citizens. In contrast the emergence of highly competitive, immutable, permissionless, and decentralized avenues for simple and complex financial arrangements represents a clear and present barrier to the potential realisation of a monolithic digitalized global economic system.

Although the Great Reset is as yet untested, it is a finding of this research that these interwoven policy threads serve to push states to invest in centralized and hierarchical governance structures as the framework for a digitalized globalist new world order.

### **On Central Bank Digital Currencies (CBDCs)**

Some forms of digital currency point towards a move towards centralized control. It showed that some organizations and states are moving to further centralize financial trust via Central Bank Digital Currencies (CBDCs). Three forms of CBDCs were identified as proponents of digital products and services rendered by a central bank. In this sense, CBDCs indicate a likelihood to give rise to significant socio-economic risks and governance challenges.

A general purpose CBDC can put a central bank into position as the primary financial intermediary of an economy. It was also noted that it is possible to design a general purpose CBDC to gain the technical benefits desired by the state as well as the trust required for society to function and persist. It was found that, aside from significant fiscal and technical requirements, a broad and ongoing willingness in society to trust that the system is fully secure and will not be misused is a key necessity for such a scenario to eventuate and persist. This

finding was based in the understanding that trust issues in this context reflect a tension between transparency and privacy that is inherent to all general purpose CBDC projects.

The literature showed that the economic capabilities of states that invest in a general purpose CBDC could be significantly enhanced. These improvements included governance challenges posed by money laundering and terrorism financing, as well as possible economic policy and taxation enhancements. This study identified a range of risks regarding CBDCs. This included disintermediation of commercial banking and a loss of privacy and trust.

### **On the Global Trust Conflict as a Constitutive Effect**

It was a key finding of this research that the purposive scope of the FATFs management of the UNSCR 1373 regime extends beyond its stated global security mandate. It does this through the suppression of remittance competition and the reinforcement of the global financial *status quo* in practice.

The findings of this research established that the Global Trust Conflict is a constitutive effect of two external discursive structures. First, a ‘Security-focused International Response and Mandate’ to address the threat of money laundering and terrorism financing. This was observed to reflect institutional indifference to the complex range of social factors that effected the global implementation of the regime. The second structure was ‘Culturally Biased Regulatory Policy’, which was found to operate in favour of remittance systems associated with the global financial *status quo* while prohibiting ‘other’ remittance norms and systems. This was found to reflect the institutionalisation of anti-competition or anti-trust norms along cultural lines.

The study found that the cultural bias expressed via FATF policies was reflected in the redefining of blockchain-based emergent remittance systems to align with the liberal solidarist trend of inter-state trust minimisation. Definitional change was observed to have shifted in favour of centralized institutional trust, via which the FATF either ignored or rejected the fundamental social and pluralist features of cryptocurrencies. This finding was based in multiple key observations. The reinterpretation of the designation ‘e-money’ to mean fiat-tethered digital forms of value dictated that only central bank-issued currencies may be treated as a medium of exchange. When the FATF adopted the designation ‘asset’ for all non-fiat digital forms of value, it meant that the inherently complex social role of decentralized cryptocurrencies was reduced purely to ‘ownership’. Additionally, it was found that applying the term ‘asset’ to cryptocurrencies is not accurate and aligns with the trend of trust

minimisation, in that it fails to encompass the intrinsic human or social core of decentralized cryptocurrencies and financial services.

A key finding of this research was that the Global Trust Conflict represents a major governance failure that has institutionalized an unequal market for remittances globally. This Conflict permeates the Global Regulatory Effort and highlights the issue of legitimacy because it stands as a direct challenge to the accepted security-focused narrative of the UNSCR 1373 regime.

### **Clarity on Features of the Global Trust Conflict**

The research found that the UNSCR 1373 regime is framed by liberal solidarism. It depicts liberal solidarist efforts to minimise the potential for inter-state trust (i.e. pluralism). This in turn maximised state investment of public trust in private-order hierarchical institutions.

The study found that the adoption of UNSCR 1373 negatively affected cultural diversity as pluralist norms of sovereign independence and strict non-intervention were undermined. It was observed that this also constitutes the legitimation work of globalization as international financial norm standardisation means state borders are no longer viable containers for cultural difference. These findings, which highlight regulatory insensitivity to cultural context, were observed to align with the post-Cold War trend of anti-pluralist global governance identified in the literature.

It is a key finding that the Global Trust Conflict is in part defined by an imperfect form of economic incentivization. This was reflected in multiple observations. It includes the de-risking practices of correspondent banks, which also provided a finding that the responses of liberal international institutions embodied avoidance of any responsibility for addressing the normative economic consequences of governance securitisation. Indeed, analysis of the institutional responses to the issue of de-risking revealed that they view FATF regulatory policies as fixed. In this way, the expectation is set that the rule-takers (i.e. correspondent banks in this context) must comply and make it work or take the financial loss for the assumed greater good of the global economy.

Another indicator of imperfect economic incentivization shows in the tendency for traditionally informal remittance agencies to retain service relationships with unregulated remittance providers across state borders. The basis for this finding was reflected in the Global Trust Conflict, where the institutionalized distrust of ‘remittance outsiders’ also significantly increased compliance resource requirements and costs for ‘remittance insiders’. In this context, the research found the Global Trust Conflict has motivated non-compliance and regulatory risk

avoidance by remittance stakeholders on both sides of the value-conflict. There is a clear need for a viable mode of economic incentivization to motivate regulatory efficacy and compliance more effectively for all regime participants.

As such, three key findings are made. Firstly, the rules and norms mandated under the UNSCR 1373 regime relied on an imperfect approach to economic incentivization, which is a defining aspect of the Global Trust Conflict. Secondly, the UNSCR 1373 regime would benefit in terms of efficacy and legitimacy if its policies accounted for the commercial imperatives of its participants. Thirdly, a significant implication of the Global Trust Conflict has been its role as a driver of non-compliance and regulatory risk avoidance by remittance stakeholders on both sides of the value-conflict.

Decentralized digital systems built on publicly distributed trust were found to have the capacity to address long standing governance challenges associated with centralized trust structures. This is linked with observations indicating that the structural advantages of blockchain and smart contracts provide the design capacity to mitigate major risks associated with centralized trust structures. These include unilateral action, monopolisation, and discrimination/predation. This study found that the rise of permissionless and decentralized digital money or value transfer systems is in part reflective of a logical response to the existence of the Global Trust Conflict.

The state decision to adopt Bitcoin as legal tender in El Salvador reflected divergence from the liberal solidarist agenda for centralized global financial governance. The research found that the decision was an indication of a heightened level of macro-economic significance reached by the Global Trust Conflict. This is important because it shows that the predominance of centralized structures for trust in the global economy could be challenged by state decisions to grant fiat status to decentralized public cryptocurrencies.

### **Global Trust Conflict: The Most Significant Barrier**

It was a key finding of this research that the liberal solidarism instituted by the UNSCR 1373 regime reflects a growing trend of anti-pluralism and anti-trust that permeates the global economic order in modernity. This calls into question the legitimacy and trustworthiness of the institutions via which the agency of liberal market forces is shaped and regulated.

The Global Trust Conflict was revealed by this research to be a major mis-step of the liberal solidarist attempt at global financial governance. It was found that there is a clear need for the international response to be altered in order to unravel the knot of security-focused

distrust and cultural bias that pervades the Global Regulatory Effort. Therefore, the Global Trust Conflict is the most significant barrier to regulatory efficacy and compliance.

## **Conclusions**

The implications of the general failure of trust in modern international politics are echoed in that of the Global Trust Conflict affecting the Global Regulatory Effort. The role of trust as a pillar of pluralist international society, wherein commutative justice is the norm, has been progressively diminished as the liberal international structures for global order have become increasingly entrenched during the 20<sup>th</sup> century. When the UN Security Council adopted UN Security Council Resolution (UNSCR) 1373, a swift transformation in the structures of international order began. This marked a shift from a fundamentally pluralist international society, albeit challenged by globalization, hegemony and Western interventionism, onto a securitized path of coercive liberal solidarism as the platform for standardized global financial governance. The following conclusions establish that the Global Trust Conflict is the most significant barrier to regulatory efficacy and compliance.

The first research hypothesis postulated that the adoption of UN Security Council Resolution (UNSCR) 1373 initiated a Global Trust Conflict. This theory was established by the following conclusions. The narrative of distrust, which has a historical precedent and underpins the Global Trust Conflict, emerged with the adoption of UNSCR 1368. The adoption of UNSCR 1373 advanced a hierarchical approach to international relations grounded in Western-centric norms and values. A focus on global security, rather than the mutual interests of all stakeholders, institutionalized distrust of traditionally informal MVT systems. This distrust was validated by the prominence of undeveloped and risk-oriented characterisations of such systems.

Based on the second hypothesis, the study theorized that a Global Trust Conflict constitutes a value-conflict of two parts. The first part conceived of the Conflict as defined by a clash caused by the mandated adoption of a Western values-based normative framework for all remittance systems. The study sought to understand the implications of a convergence of discordant notions. This was in the form of two things; trust underpinning formalized global financial governance standards, and the diverse values that underpin the culturally embedded norms of traditionally informal MVT systems. This theory was established by the following conclusions.

The practice of money or value transfer norms that demonstrate a Global Trust Conflict was established by historical evidence. This has been diluted by the coercive practices that

have emerged from UNSCR 1373. Despite this, it is clear that informal financial practices of MVT systems have not disappeared from modern trade and commerce. This research established that informality in financial systems is not necessarily a barrier to globally legitimate agency. As viewed through the lens of the English School, the principles of stable society (trust, contract, promise, security) evidently align with the normative legacy of traditionally informal remittance practices.

The second part of hypothesis two proposed that the Global Trust Conflict would also constitute a clash over the prevailing nature of trust provision services for remittance systems. This included high-speed/low-cost blockchain systems that facilitate financial services. This theory was initially established by changes in the FATF's remittance dialogic, which demonstrated the rise of anti-trust regulations focused on non-bank remittances. Indeed, the focus on non-bank risk in FATF policy existed in a relative vacuum for risks in formal banking and financial systems. This study concludes that the goals of global regulatory policy for remittances remain grounded in distrust and anti-trust, and thus aimed at security rather than efficacy.

This study also demonstrated a significant shift in trust away from human-centred and institutionalized sources. A significant aspect of this move to systems-based trust is the advent of decentralized public-ledger blockchain platforms that distribute trust. The emergence of these systems is explained as a reflection of the increasing global public distrust of centralized formal financial institutions. This marked a shift away from the predominance of *centralized* remittance networks (private/permissioned structure), to an increasing balance of *decentralized* blockchain-based remittance and smart contract platforms (public/permissionless structure) in the global economy. This showed the significance of structure in relation to trust distribution in financial systems.

The third hypothesis theorized that understanding the nature and implications of the Global Trust Conflict could enhance the efficacy of the Global Regulatory Effort aimed at money or value transfer systems. This needed to define the form of trust expressed by UNSCR 1373 in order to accurately grasp the features of the Global Trust Conflict. In terms of philosophy, the research established that UNSCR 1373 is constitutive of a form of trust that aligns with liberal solidarism. This is demonstrated by the coercive deepening of public/private partnerships and culturally recessed policies, which are motivated by the security of certain financial systems and the distrust of 'others'. In terms of structure, UNSCR 1373 applies a form of trust which represents a non-state, hierarchical order that operates on and prioritises centralized structures for financial trust. This preference means that unilateral authority and

control over transactions with unrestricted data transparency are operational norms. This conclusion is grounded in an analysis of the last 20 years of socio-economic and global financial governance narratives, and is equally recognisable in the emergent discourse with relation to trust in the use of cryptocurrencies.

The research established that the Global Trust Conflict (GTC) is defined by 11 main features. The Global Trust Conflict is a constitutive effect of the mandatory and security-focused international response (i.e. UNSCR 1373), and culturally biased regulatory policies. These are the primary sources of trust conflict affecting the Global Regulatory Effort and are the first two features of the GTC. Thirdly, it is aligned with liberal solidarism. Fourth, the GTC coerced MVT systems to choose between formalized compliance/legitimacy and non-compliance/illegitimacy. Fifth, the GTC has worked to legitimate globalization through securitisation, which served to justify avoidance of the need to address the complex range of human factors that inevitably affect governance implementation. Sixth, the Conflict is a major implication of anti-pluralism driven by liberal internationalist policies and agendas, which motivate the minimisation of inter-state trust in favour of deeper public/private partnerships grounded in private-order hierarchical institutions.

The seventh feature of the Conflict is the deficient economic incentivization of governance measures mandated by UNSCR 1373. This showed that the Global Regulatory Effort would likely benefit in terms of efficacy and legitimacy if its policies accounted for the commercial imperatives of its participants. The eighth feature of the GTC is its role as a motivator of non-compliance and regulatory risk avoidance by both remittance insiders (i.e. bank-linked remittances) and remittance outsiders (i.e. non-bank remittances).

The ninth feature is the GTC as a source of inspiration for the rise of permissionless and decentralized digital money or value transfer systems. This study established that blockchain and decentralization are institutionally significant developments in the world of finance. This is because they work to drive disintermediation and reintroduce competition to a monopolized market via reduced costs, permissionless access and crypto-economics grounded in distributed trust. Decentralized finance also demonstrates key advantages in terms of achieving and maintaining balance between the need for transparency and privacy, whereas tension between these aspects is an inherent and persistent challenge for centralized financial structures.

The ninth feature of the GTC is also significant in terms of social order and society. This study also showed that anonymity is a core financial principle that serves as a vital shield behind which the trust necessary for society to function can propagate. This concludes that

without cash or at minimum a pseudo-anonymous means of remitting value, the ongoing functionality of society is threatened. This research established that blockchain and decentralized finance provide the means and opportunities for individuals, organizations, and states to gain increased independence from the centralized financial systems that have historically dominated the global economy. Thus, blockchain systems hold promise for the reconstitution of global order in terms of opportunities to recapture international and local trust-based norms, which reflects some of the essential advantages of social order under pluralism.

The tenth defining feature of the GTC is that it is macro-economically significant. The research established that the Global Trust Conflict represents a major governance failure that institutionalized an unequal market for remittances globally. As such, the decision by the state of El Salvador to institute Bitcoin as legal tender demonstrates a willingness to counteract the GTC by seizing opportunities for increased economic efficiencies and resilience, as well as global accessibility, security, and sovereign independence. This concludes that the Global Trust Conflict has reached a high level of macro-economic significance, in that the predominant influence of centralized structures for trust in the global economy may be effectively challenged by State decisions to grant fiat status to cryptocurrencies like Bitcoin.

The eleventh feature of the GTC is its role as the most significant barrier to regulatory efficacy and compliance. This research established that the liberal solidarist approach instituted by UNSCR 1373 reflects a growing trend of anti-pluralism and anti-trust that permeates the global economic order in modernity. This shows that the legitimacy and trustworthiness of the institutions via which the agency of liberal market forces is shaped and regulated is questionable. In conclusion, the Global Trust Conflict is a significant flaw in the liberal solidarist attempt at global financial governance. This research established that its implications are complex for international society and societies in general. Thus, it is clear that alterations to the Global Regulatory Effort are necessary in order to address a prevalence of security-focused distrust and cultural bias at its core. Therefore, this thesis has demonstrated that the Global Trust Conflict is the most significant barrier to regulatory efficacy and compliance for the Global Regulatory Effort aimed at money or value transfer systems.



## Recommendations

This thesis establishes a strong claim for the existence of a Global Trust Conflict which represents a barrier to the efficacy of the Global Regulatory Effort. It is aimed at securing the trusted movement of money. This claim is informed by the documented understanding of the research hypotheses, and it acknowledges the need for change and reform to better reduce those financial and regulatory aspects that facilitate global trust conflicts within the broad spectrum of money value transfer systems. This thesis makes the following recommendations.

**Recommendation 1:** This study provides for the suggestion that the policy approach of the FATF integrate a nuanced understanding of cultural, social, financial, and technological differences that is global in scope in order to reduce the asymmetrical application of its regulatory advice. This recommendation suggests that a more culturally and socially inclusive approach would allow a wider selection of Nation-States to interact more knowledgeably about the trust-based interactions of MVTs, regardless of fiat systems, value tethers, and virtual currency systems.

**Recommendation 2:** This study provides for the suggestion that UN Security Council Resolution 1373 be amended to address and promote all MVT risks in terms of global trust, irrespective of individual transfer mediums, technologies, platforms, and future systems of money movement.

**Recommendation 3:** This study provides for the suggestion that the policy approach guiding the Global Regulatory Effort be grounded in transparency about, and minimise the dominant influence of, Global North-aligned commercial interests in its governance policy and processes. This would reflect recognition of the value of trust and the role of distrust driving the modern trend of financial disintermediation.

**Recommendation 4:** This study provides for the suggestion that the UN Security Council Resolution 1373 be amended to include a requirement that the action which is mandated by the regime should align with the purposes and principles of the United Nations Charter.

**Recommendation 5:** This study provides for the suggestion that States should consider challenging the global regulatory course set via the Global Trust Conflict for decentralized public cryptocurrencies to create rules that recognize, rather than undermine, their evident social advantages over centralized structures for trust. Action in this context should emphasize the inherently social roles of cryptocurrency, including as a medium-of-exchange and as platforms of distributed trust that can facilitate effective governance.

## Future Research

The implications of the Global Trust Conflict for the future of remittances are significant. As such, amid this technological shift it is possible that some states may find just cause and a viable path to return to the core institutions of international society by which public trust at the heart of social order is generated and maintained. In the case of El Salvador, the nation has taken an initial step towards reclaiming its economic sovereignty. In adopting Bitcoin as legal tender, the state has effectively undermined the FATFs policy assumption that central banks will remain the only issuers of fiat currencies. It is quite likely that, if successful, other states will follow El Salvador's lead which, motivated by the increasingly damaged reputations of liberal solidarist institutions, could lead to a return to a predominance of pluralist norms as the predominant mode of international relations.

Such an eventuality highlights the long-term structural implications of blockchain technology for global economic order. As such, future research should consider whether the capacity to publicly decentralize digital trust may also hold promise in terms of addressing key deficiencies in international politics, such as managing unequal power, sensitivity to cultural context, and norm dynamics. The possible implications for international society are reflected in the potential role of blockchain technologies to enable a more representative, and therefore legitimate and effective, range of platforms for international relations and global financial governance. Part of the challenge for such platforms reflects the need to ensure the adequate capture of shared and common interests, and the effective mediation of cultural diversity and value conflict (Hurrell, 2007). Such a project should also consider the eventuality that such technologies may lay the foundations for a more hierarchical and hyper-centralized global economic order (Cacciatore, 2020).

## References

- Aathava, K. K., & Jothilakshmi, M. (2016). Veththam to Vethathiri Yogam. *International Journal of Yoga and Allied Sciences*, 5(1), 64-70
- Abu Dhabi Declaration on Hawala. (2002). Retrieved from: <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/Hawala-conf.pdf>
- Accor Hotels. (2020). Gift Cards: Frequently Asked Questions. Retrieved June 26th, 2020, from <http://accorhotels.com.au/giftcards/faq>
- Acquisti, A., Dingledine, R., & Syverson, P. (2003). *On the economics of anonymity*. Paper presented at the International Conference on Financial Cryptography, Berlin, Heidelberg.
- Adachi, M., Cominetta, M., Kaufmann, C., & van der Kraaij, A. (2020). A regulatory and financial stability perspective on global stablecoins. *Macroprudential Bulletin*, 10.
- Adams, R., Parry, G., Godsiff, P., & Ward, P. (2017). The future of money and further applications of the blockchain. *Strategic Change*, 26(5), 417-422.
- Adler, E., & Barnett, M. (1998). Chapter 13: Studying security communities in theory, comparison, and history. In E. Adler & M. Barnett (Eds.), *Security Communities* (Vol. 1, pp. 413-441). Cambridge: Cambridge University Press.
- Alexandroff, A. S., & Cooper, A. F. (Eds.). (2010). *Rising States, Rising Institutions: Challenges for Global Governance*. Washington: Brookings Institution Press.
- Anan'ich, B., Fursenko, A., Sylla, R., Wilkins, M., Cameron, R., & Bovykin, V. (Eds.). (1992). *International Banking 1870-1914* (Vol. 1). New York: Oxford University Press.
- Android Authority. (2018). Did India's Paytm Share User Data With The Government? Retrieved July 26th, 2020, from <https://www.androidauthority.com/did-indias-paytm-share-user-data-with-the-government-870102/>
- Anstey, V. (1952). *The Economic Development of India* (Vol. 1). London: Longmans, Green and Company.
- Ante, L., Fiedler, I., & Strehle, E. (2020). The influence of stablecoin issuances on cryptocurrency markets. *Finance Research Letters*, 101867.
- Aquique, M. (1974). *Economic History of Mithila*: Abhinav Publications.
- Aradau. (2008). Forget equality? Security and liberty in the "war on terror". *Alternatives: Global, Local, Political*, 33(3), 293-314.
- Arunda, C. O. (2015). *The Influence of Innovation on Competitive Advantage: A Case of Mpesa*. (Masters of Business Administration), United States International University, Africa. Retrieved from <http://erepo.usiu.ac.ke/handle/11732/579>
- Arvidsson, N. (2019). *Building a Cashless Society: The Swedish Route to the Future of Cash Payments*: Springer Nature.
- Associated Press. (2020). Goldman Sachs Subsidiary Pleads to US Charges in 1MDB Probe. *US News*. Retrieved from The Epoch Times website: [https://www.theepochtimes.com/goldman-sachs-subsidiary-pleads-to-us-charges-in-1mdb-probe\\_3549113.html](https://www.theepochtimes.com/goldman-sachs-subsidiary-pleads-to-us-charges-in-1mdb-probe_3549113.html)
- Athique, A. (2019). A great leap of faith: The cashless agenda in Digital India. *New Media & Society*, 21(8), 1697-1713.
- Atlantic Council. (2021). The Rise of Central Bank Digital Currencies. *Atlantic Council CBDC Tracker*. Retrieved May 27th, 2021, from <https://www.atlanticcouncil.org/blogs/econographics/the-rise-of-central-bank-digital-currencies/>
- Austin, G., & Sugihara, K. (Eds.). (1993). *Introduction: Local suppliers of credit in the Third World, 1750-1960*: Palgrave Macmillan.
- Austin, G., Dávila, C., & Jones, G. (2017). The alternative business history: business in emerging markets. *Business History Review*, 91(3), 537-569.

- AUSTRAC. (2020). Customer Identification: Know your customer (KYC). Retrieved June 24th, 2020, from <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/customer-identification-know-your-customer-kyc>
- AUSTRAC. (2020a). Customer Identification and due diligence overview. Retrieved June 24th, 2020, from <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/customer-identification-and-due-diligence-overview>
- Australian Government. (2018). *Tackling the black economy: Government response to the Black Economy Taskforce Final Report*. Commonwealth of Australia Retrieved from <https://treasury.gov.au/sites/default/files/2019-03/Government-response-final.pdf>
- Axelrod, R., & Hamilton, W. D. (1981). The evolution of cooperation. *Science*, 211(4489), 1390-1396.
- Axelrod, R., & Dion, D. (1988). The Further Evolution of Cooperation. *Science*, 242(4884), 1385-1390.
- Axelrod, R., & Keohane, R. O. (2018). Achieving cooperation under anarchy: Strategies and institutions *Cooperation under anarchy* (pp. 226-260): Princeton University Press.
- Baker, R. D. (2014). The Implausibility of the Barter Narrative & Credit Money in Ancient Babylon. *Undergraduate Journal of Economics*, 1(1), 25-49.
- Bain, W. (2014). The Pluralist–Solidarist Debate in the English School. In C. Navari & D. Green (Eds.), *Guide to the English School in International Studies* (Vol. 1, pp. 159-169). Somerset, GB: John Wiley & Sons, Ltd. Retrieved from <http://ebookcentral.proquest.com/lib/murdoch/detail.action?docID=1564107>
- Baldwin Jr, F. N. (2003). Money laundering countermeasures with primary focus upon terrorism and the USA patriot act 2001. *Journal of Money Laundering Control*, 6(2), 105-136.
- Ballard, R. (2003). Hawala Transformed: Remittance-driven Transnational Networks in the post-Imperial economic order. Retrieved from: <http://www.casas.org.uk/papers/pdfpapers/transformed.pdf>
- Ballard, R. (2005). Coalitions of reciprocity and the maintenance of financial integrity within informal value transmission systems: The operational dynamics of contemporary hawala networks. *Journal of Banking Regulation*, 6(4), 319-352.
- Ballard, R. (2006). Hawala: criminal haven or vital financial network? *Newsletter of the International Institute of Asian Studies*, (October Issue), 8-9. Retrieved from: <http://archiv.ub.uni-heidelberg.de/savifadok/263/1/iashawala.pdf>
- Ballard, R. (2014a). Hawala and Hundi: Vehicles for the long-distance transmission of value. *Routledge Handbook of the South Asian Diaspora*, 53.
- Ballard, R. (2014b). Trust versus Contract as a means of securing the implementation of Value Transfers. Retrieved from Center for Applied South Asian Studies website: <http://www.casas.org.uk/papers/pdfpapers/trustvcontract.pdf>
- Banking Commission. (1971). *Report of the study group on indigenous bankers*. Bombay: Government of India Retrieved from <https://archive.org/details/dli.csl.428>.
- Bank of England. (2020). Central Bank Digital Currency: Opportunities, challenges and design. *A Discussion Paper*. Retrieved from: <https://www.bankofengland.co.uk/paper/2020/central-bank-digital-currency-opportunities-challenges-and-design-discussion-paper>
- Banjevic, B. (2006). *Ancient eclipses and dating the fall of Babylon*. Paper presented at the Astronomical Observatory, Belgrade.
- Baravalle, A., Lopez, M. S., & Lee, S. W. (2016). *Mining the dark web: drugs and fake IDs*. Paper presented at the 2016 IEEE 16th International Conference on Data Mining Workshops (ICDMW).

- Basham, A. L. (2008). *The wonder that was India* (Vol. 1). Michigan: Scholarly Publishing Office, University of Michigan.
- Basis Cash. (2020). Basis Cash Documentation. Retrieved March 3rd, 2021, from <https://docs.basis.cash/>
- Bayer, D., Haber, S., & Stornetta, W. S. (1993). Improving the efficiency and reliability of digital time-stamping *Sequences II* (pp. 329-334): Springer.
- BBC. (2016). India rupee ban: Currency move is 'bad economics'. Retrieved July 25th, 2020, from <https://www.bbc.com/news/world-asia-india-37970965>
- Beck, R., Stenum Czepluch, J., Lollike, N., & Malone, S. (2016). Blockchain—the gateway to trust-free cryptographic transactions. *Research Papers*, 153.
- Beck, T., Demirgüç-Kunt, A., & Merrouche, O. (2010). *Islamic vs. conventional banking: Business model, efficiency and stability*: The World Bank.
- Beer, C., Gnan, E., & Birchler, U. W. (2016). *Cash on trial*. Paper presented at The European Money and Finance Forum, University of Zurich.
- Bellamy, A. J. (Ed.). (2005). *International society and its critics* (Vol. 1). New York: Oxford University Press.
- Bendiksen, C., & Gibbons, S. (2019). The Bitcoin Mining Network *Trends, Composition, Average Creation Cost, Electricity Consumption & Sources*: CoinShares Research.
- Bendiksen, C. (2021). A Closer Look at the Environmental Impact of Bitcoin Mining. Retrieved June 22, 2021, from <https://coinshares.com/research/closer-look-environmental-impact-of-bitcoin-mining>
- Benston, G. J., & Smith, C. W. (1976). A transactions cost approach to the theory of financial intermediation. *The Journal of finance*, 31(2), 215-231.
- Berg, C., Davidson, S., & Potts, J. (2019). Capitalism after Satoshi: Blockchains, dehierarchisation, innovation policy, and the regulatory state. *Journal of Entrepreneurship and Public Policy*, 9(2), 152-164. doi: 10.1108/JEPP-03-2019-0012
- Bernstein, S., & Cashore, B. (2007). Can non-state global governance be legitimate? An analytical framework. *Regulation & Governance*, 1(4), 347-371.
- Bevir, M., & Rhodes, R. A. (2002). Interpretive theory. *Theory and methods in political science*, 1.
- Bevir, M., & Hall, I. (2020). The English school and the classical approach: Between modernism and interpretivism. *Journal of International Political Theory*, 1-18. doi: 10.1177/1755088219898883
- Bhargava, B. K. (1935). *Indigenous banking in ancient & medieval India* (pp. 313). Retrieved from Digital Library of India database. URL: <http://dli.serc.iisc.ernet.in/handle/2015/56803>
- Bhat, S. (2019). Love of cash hinders India's move to digital economy. *Technology News*. Retrieved from Reuters website: <https://www.reuters.com/article/us-india-demonetisation-idUSKBN1XO05J>
- Bianchi, A. (2006). Assessing the Effectiveness of the UN Security Council's Anti-terrorism Measures: The Quest for Legitimacy and Cohesion. *European Journal of International Law*, 17(5), 881-919. doi: 10.1093/ejil/chl032
- Bill of Exchange. (2020) *West's encyclopedia of American law*, (2<sup>nd</sup> ed.). Retrieved from <http://legal-dictionary.thefreedictionary.com/bill+of+exchange>
- Bitdeal. (2020). How Stablecoins Differ From Bitcoins? *Stablecoin Development*. Retrieved December 22nd, 2020, from <https://www.bitdeal.net/difference-between-stablecoin-and-bitcoin>
- Bitfinex. (2021). Bitfinex announces loan repayment to Tether [Press release]. Retrieved from <https://www.bitfinex.com/posts/600>

- Black Economy Taskforce. (2017). *Final Report*. Commonwealth of Australia Retrieved from [https://treasury.gov.au/sites/default/files/2019-03/Black-Economy-Taskforce\\_Final-Report.pdf](https://treasury.gov.au/sites/default/files/2019-03/Black-Economy-Taskforce_Final-Report.pdf)
- Blec, C. (2021). DeFi Watch. *In pursuit of total & complete transparency*. Retrieved July 17, 2021, from <https://defiwatch.net/>
- Blec, C. (2021a). Aave on Polygon has an admin key. Retrieved July 18, 2021, from <https://defiwatch.net/aave-on-polygon-has-an-admin-key/>
- Blec, C. (2021b). Alpha Homora v2 has a single-signer admin key. Retrieved July 18, 2021, from <https://defiwatch.net/alpha-homora-v2-has-a-single-signer-admin-key/>
- Blomfield, A. (2001, Nov 09). We are not bin Laden's bankers, says sheikh; Adrian Blomfield in Nairobi talks to Somalia's 'quartermaster of terror', Article. *Daily Telegraph (London, England)*. Retrieved from <https://link.gale.com/apps/doc/A79886943/STND?u=murdoch&sid=STND&xid=0c8d8fce>
- Bloomberg. (2019). Why Heads Are Rolling at Another Big Australian Bank. Retrieved July 1st, 2020, from <https://www.bloomberg.com/news/articles/2019-11-27/why-heads-are-rolling-at-another-big-australian-bank-quicktake>
- Booth, K., & Wheeler, N. (2008). *The Security Dilemma: Fear, cooperation, and trust in world politics* (Vol. 1). New York: Palgrave Macmillan.
- Booth, K. (2007). *Theory of world security*. Cambridge: Cambridge University Press.
- Boston Herald. (2020). Feds: Ex-eBay execs harassed Natick couple with live cockroaches, bloody pig mask. *Crime and Public Safety*. Retrieved from: <https://www.bostonherald.com/2020/06/15/feds-ex-ebay-execs-harassed-natick-couple-with-live-cockroaches-bloody-pig-mask/>
- Botsman, R. (2017). *Who can you trust?: how technology brought us together—and why it could drive us apart*: Penguin UK.
- Bouchaud, M., Lyons, T., Olive, M. S., & Timsit, K. (2020). Central banks and the future of digital money. *A ConsenSys Solutions White Paper*, 28. Retrieved from: <https://cdn2.hubspot.net/hubfs/4795067/ConsenSys-CBDC-White-Paper.pdf>
- Boulden, J., & Weiss, T. G. (2004). Whither terrorism and the United Nations? *Terrorism and the UN: before and after September 11*. Bloomington: Indiana University Press.
- Bowers, C. B. (2009). Hawala, money laundering, and terrorism finance: micro-lending as an end to illicit remittance. *Denv. J. Int'l L. & Pol'y*, 37, 379-420.
- BPAY. (2020). About Osko. *How does Osko work for you?* Retrieved June 16, 2020, from <https://osko.com.au/about-osko>
- Bromberg, B. (1942). The origin of banking: religious finance in Babylonia. *The journal of economic history*, 2(1), 77-88.
- Bronitt, S. (2008). Balancing Security and Liberty: Critical Perspectives on Terrorism Law Reform. In M. Gani & P. Mathew (Eds.), *Fresh perspectives on the war on terror* (Vol. 1). Canberra, ACT: ANU E Press.
- Brühl, V. (2020). Libra—a differentiated view on facebook's virtual currency project. *Intereconomics*, 55(1), 54-61.
- BTC Markets. (2020). Cryptocurrency Explained: What is decentralized finance? *Experts*. Retrieved January 4th, 2021, from <https://stockhead.com.au/experts/cryptocurrency-explained-what-is-decentralized-finance/>
- Buchanan, J. M. (1965). An economic theory of clubs. *Economica*, 32(125), 1-14.
- Buckholtz, A. (2020). Lessons for COVID-19-era CEOs. *IFC Insights*. Retrieved May 2nd, 2021, from [https://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/insights/covid-19-era-ceo](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/covid-19-era-ceo)

- Buitenhek, M. (2016). Understanding and applying Blockchain technology in banking: Evolution or revolution? *Journal of Digital Banking*, 1(2), 111-119.
- Bull, H. (1961). *The control of the arms race: disarmament and arms control in the missile age* (Vol. 2) New York: Frederick A. Praeger.
- Bull, H. (1966). The Grotian Conception of International Society. In H. Butterfield & M. Wight (Eds.), *Diplomatic Investigations: Essays in the Theory of International Politics* (pp. 51-73). Cambridge: Harvard University Press.
- Bull, H. (1972). International Relations as an academic pursuit. *Australian Journal of International Affairs*, 26(3), 251-265.
- Bull, H. (2002). *The anarchical society: a study of order in world politics*: Columbia University Press.
- Bull, H., & Watson, A. (1984). *The expansion of international society*. Oxford University Press, USA.
- Bullmann, D., Klemm, J., & Pinna, A. (2019). In search for stability in crypto-assets: are stablecoins the solution? *ECB Occasional Paper* (230).
- Bundeskartellamt. (2018). Bundeskartellamt initiates abuse proceeding against Amazon. Retrieved September 16th, 2021, from [https://www.bundeskartellamt.de/SharedDocs/Meldung/EN/Pressemitteilungen/2018/29\\_11\\_2018\\_Verfahrenseinleitung\\_Amazon.html;jsessionid=110B5438D486968E4EDF7B7B207811A5.1\\_cid362?nn=3600108](https://www.bundeskartellamt.de/SharedDocs/Meldung/EN/Pressemitteilungen/2018/29_11_2018_Verfahrenseinleitung_Amazon.html;jsessionid=110B5438D486968E4EDF7B7B207811A5.1_cid362?nn=3600108)
- Búrca, G. d. (2010). New Governance and Experimentalism: An introduction. *Wis. L. Rev.*, 227.
- Burchill, S. (2009). *Theories of international relations*. New York; Basingstoke, England: Palgrave Macmillan.
- Burgess, J. S. (1976). *The Guilds of Peking*. Taipei: Ch'eng-Wen Publishing Company.
- Bush, G. W. (2001). Address to a joint session of Congress and the American people. *Harv. JL & Pub. Pol'y*, 25, xviii.
- Bush, G. W. (2001a). Executive Order 13224. Retrieved February 19th, 2019, from <https://www.state.gov/j/ct/rls/other/des/122570.htm>
- Bush, G. W. (2001b). Fact Sheet on Terrorist Financing Executive Order. Retrieved February 26th, 2019, from <https://georgewbush-whitehouse.archives.gov/news/releases/2001/09/20010924-2.html>
- Bush, G. W. (2001c). President Announces Crackdown on Terrorist Financial Network [Press release]. Retrieved from <https://georgewbush-whitehouse.archives.gov/news/releases/2001/11/20011107-4.html>
- Buterin, V. (2013). Ethereum Whitepaper. *A Next-Generation Smart Contract and Decentralized Application Platform*. Retrieved from: <https://ethereum.org/en/whitepaper/>
- Buterin, V. (2015). On Public and Private Blockchains. Retrieved December 10th, 2020, from <https://blog.ethereum.org/2015/08/07/on-public-and-private-blockchains/>
- Buzan, B. (1993). From international system to international society: structural realism and regime theory meet the English school. *International Organization*, 47(03), 327-352.
- Buzan, B. (2004). *From international to world society?: English school theory and the social structure of globalization* (Vol. 95): Cambridge University Press.
- Buzan, B. (2010). Culture and international society. *International Affairs*, 86(1), 1-25.
- Buzan, B., & Little, R. (2002). 10 International systems in world history: remaking the study of international relations. *Historical Sociology of International Relations*, 200.
- Buzan, B., & Little, R. (2013). The historical expansion of international society. *Guide to the English school in international studies*, 59-75.
- Cacciatori, M. (2020). The English School, Cryptocurrencies, and the Technological Foundations of World Society. *Cambridge Review of International Affairs*, 33(4), 477-479. doi: 10.1080/09557571.2020.1785122

- Cameron, R. (1992). Introduction. In B. Anan'ich, A. Fursenko, R. Sylla, M. Wilkins, & V. Bovykin (Eds.), *International Banking 1870-1914* (Vol. 1, pp. 3-21). New York: Oxford University Press.
- Campbell-Verduyn, M. (2018). Introduction: What are blockchains and how are they relevant to governance in the global political economy? In M. Campbell-Verduyn (Ed.), *Bitcoin and Beyond: Cryptocurrencies, Blockchains, and Global Governance* (pp. 1-24). New York: Routledge.
- Campbell-Verduyn, M., Rodima-Taylor, D., & Hütten, M. (2021). Technology, small states and the legitimacy of digital development: combatting de-risking through blockchain-based re-risking? *Journal of International Relations and Development*, 24(2), 455-482.
- Campos, R. (2021). World Bank rejects El Salvador request for help on bitcoin implementation. *Business*. Retrieved from: <https://www.reuters.com/business/el-salvador-keep-dollar-legal-tender-seeks-world-bank-help-with-bitcoin-2021-06-16/>
- Carr, E. H. (1946). *The twenty years' crisis, 1919-1939: an introduction to the study of international relations*. London: Macmillan.
- Carr, J. L., & Landa, J. T. (1983). The economics of symbols, clan names, and religion. *The Journal of Legal Studies*, 12(1), 135-156.
- Cascarilla, C. G. (2015). Bitcoin, blockchain, and the future of financial transactions. *CFA Institute Conference Proceedings Quarterly*, 32(3), 18-24. doi: 10.2469/cp.v32.n3.5
- Cassis, Y., Cottrell, P., Fraser, M. P., & Fraser, I. L. (Eds.). (2009). *The world of private banking* (Vol. 1). New York: Ashgate Publishing Ltd.
- Catalini, C., & Gans, J. S. (2019). Some simple economics of the blockchain. *Rotman School of Management Working Paper No. 2874598, MIT Sloan Research Paper No. 5191-16*.: National Bureau of Economic Research.
- CBS Boston. (2020). 6 eBay Executives And Employees Charged With Sending Threats, Bloody Pig Mask To Natick Couple. Retrieved from CBS Boston website: <https://boston.cbslocal.com/2020/06/15/ebay-employees-arrested-u-s-attorney-andrew-telling-cyberstalking/>
- CGAP. (2011). The Allure of A Cashless Society. Retrieved from <https://www.cgap.org/blog/allure-cashless-society>
- CGAP. (2020). Our Members. Retrieved July 23rd, 2020, from <https://www.cgap.org/about/member-organizations>
- Chainalysis. (2020). The 2020 Geography of Cryptocurrency Report. *Analysis of Geographic Trends in Cryptocurrency Adoption, Usage, and Regulation* (pp. 3-8): Chainalysis.
- Chaitman, H. D., & Gotthoffer, L. (2015). *JPMadoff: The Unholy Alliance between America's Biggest Bank and America's Biggest Crook*: HeinOnline.
- Chen, Y., & Bellavitis, C. (2019). Blockchain disruption and decentralized finance: The rise of decentralized business models. *Journal of Business Venturing Insights*, 13, e00151.
- Cheok, C. K., Hing, L. K., & Lee, P. P. (2013). Chinese overseas remittances to China: The perspective from Southeast Asia. *Journal of Contemporary Asia*, 43(1), 75-101.
- Choo, K. R. (2008). *Money laundering risks of prepaid stored value cards*: Australian Institute of Criminology.
- Choo, K. R. (2015). Cryptocurrency and virtual currency: Corruption and money laundering/terrorism financing risks? *Handbook of digital currency* (pp. 283-307): Elsevier.
- Clapton, W. (2009). Risk and hierarchy in international society. *Global Change, Peace & Security*, 21(1), 19-35.
- CNet. (2020). Facebook's controversial cryptocurrency gets a new name: Diem. Retrieved February 9th, 2021, from <https://www.cnet.com/news/facebooks-controversial-cryptocurrency-gets-a-new-name-diem/>



- Cobrapost. (2018). Operation-136 II, Paytm. Retrieved November 8th, 2020, from <https://www.youtube.com/watch?v=lvj8hRD1GY4&feature=youtu.be>
- Cocco, L., Pinna, A., & Marchesi, M. (2017). Banking on Blockchain: Costs savings thanks to the blockchain technology. *Future internet*, 9(3), 25.
- CoinMarketCap. (2020). Market Capitalization (Cryptoasset, Aggregate). *Metric Methodologies*. Retrieved December 5th, 2020, from <https://support.coinmarketcap.com/hc/en-us/articles/360043836811-Market-Capitalization-Cryptoasset-Aggregate->
- Coinbase. (2020). Introducing USD Coin (USDC). *Stablecoin by Coinbase*. Retrieved December 22nd, 2020, from <https://www.coinbase.com/usdc>
- Coinbase. (2020a). Send money internationally for free. Retrieved December 22nd, 2020, from <https://www.coinbase.com/international>
- Coinbase. (2020b). Coinbase will suspend trading in XRP on January 19. Retrieved from <https://blog.coinbase.com/coinbase-will-suspend-trading-in-xrp-on-january-19-2e09652dbf57>
- CoinTelegraph. (2020). Coinbase announces it will suspend XRP trading as price drops another 10%. Retrieved December 29th, 2020, from <https://cointelegraph.com/news/coinbase-announces-it-will-suspend-xrp-trading-as-price-drops-another-10>
- Coleman, J. S. (1988). Social capital in the creation of human capital. *American journal of sociology*, 94, 95-120.
- Colford, C. (2012). Creating 'Shared Value': Delivering On Social Values. Retrieved from <https://blogs.worldbank.org/psd/creating-shared-value-delivering-on-social-values>
- Commission. (2004). 9/11 Commission Report *National Commission on Terrorist Attacks Upon the United States*. Retrieved from: <http://www.9-11commission.gov>
- Commonwealth of Australia. (2019). Final Report *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Vol. 1): Department of Prime Minister and Cabinet.
- Consensys. (2021). DeFi Report. *An analysis of Ethereum's decentralized finance ecosystem in Q1 2021*: Consensys.
- Cook, D. M., & Smith, T. (2010). *The Malarkey of Money Transfers: Overlooking E-Bay whilst the Hawaladars are Hunted*. Paper presented at the 1st Australian Counter-Terrorism Conference, Perth. <http://ro.ecu.edu.au/cgi/viewcontent.cgi?article=1001&context=act>
- Cook, D. M., & Smith, T. (2011). *Finance, fear, and family: issues of trust and the common ground with terrorist funding*. Paper presented at the 2nd Australian Counter-Terrorism Conference, Perth, W.A. <http://ro.ecu.edu.au/act/10>
- Costello, L., Kingston, A., Gal, O., Wise, J., Lawless, L. M., McFaul, R., . . . Chmielowski, A. (2020). The Great Reset. *Reshaping the Marketing Communications Industry to Serve People and Planet*. Retrieved from: <https://greatreset.com/>
- Coutin, S. B., Maurer, B., & Yngvesson, B. (2002). In the mirror: the legitimization work of globalization. *Law & Social Inquiry*, 27(4), 801-843.
- Cox, J. (2012). Canada and the Five Eyes intelligence community *Strategic Studies Working Group Papers*. Canada: Canadian International Council and the Canadian Defence & Foreign Affairs Institute.
- CPI. (2016). Mobile Currency in Kenya: th M-Pesa. Retrieved June 2nd, 2020, from <https://www.centreforpublicimpact.org/case-study/m-currency-in-kenya/>
- Crypto-Current. (2020). The History of Blockchain. *Blockchain News*. Retrieved December 22nd, 2020, from <https://crypto-current.co/history-of-blockchain/>
- Custom. (2020). Retrieved April 10th, 2018, from <https://www.merriam-webster.com/dictionary/custom>
- Das, S. K. (2006). *The economic history of ancient India*: Genesis Publishing Pvt Ltd.
- Dasgupta, P. (1988). Trust as a commodity. In D. Gambetta (Ed.), *Trust: making and breaking cooperative relations* (pp. 49–72). New York: Basil Blackwell.

- Dasgupta, P., & Serageldin, I. (1999). *Social capital: a multifaceted perspective*. Washington DC: The World Bank.
- Davidson, S., De Filippi, P., & Potts, J. (2017). Blockchains and the economic institutions of capitalism. *Journal of Institutional Economics*, 14(4). doi: <https://doi.org/10.1017/S1744137417000200>
- Dean, A., Thompson, E., & Keatinge, T. (2013). Draining the Ocean to Catch one Type of Fish: Evaluating the Effectiveness of the Global Counter-Terrorism Financing Regime. *Perspectives on Terrorism*, 7(4).
- de Caria, R. (2019). Blockchain-Based Money as the Ultimate Challenge to Sovereignty: Reflections from a Public Economic Law Perspective. *European Journal of Comparative Law and Governance*, 6(2), 131-145.
- de Goede, M. d. (2003). Hawala discourses and the war on terrorist finance. *Environment and Planning D: Society and Space*, 21(5), 513-532.
- de Goede, M. d. (2007). Underground money. *Cultural Critique*, 65(1), 140-163.
- de Goede, M. d. (2012). Chapter 4: Cash and the Circuits of Transnational Kinship in *Speculative Security: The politics of pursuing terrorist monies* (Vol. 1). Minneapolis, US: University of Minnesota Press.
- de Goede, M. d. (2018). Counter-Terrorism Financing Assemblages After 9/11 *The Palgrave Handbook of Criminal and Terrorism Financing Law* (pp. 755-779): Springer.
- Deloitte. (2018). Deloitte Trust Index - Banking 2018. Retrieved February 11th, 2020, from <https://www2.deloitte.com/au/en/pages/financial-services/articles/deloitte-trust-index-banking-survey.html>
- Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*: The World Bank.
- Department of Treasury. (2020). Black Economy. Retrieved July 22nd, 2020, from <https://treasury.gov.au/policy-topics/economy/black-economy>
- Derian, J. D. (Ed.). (1995). *International Theory: Critical Investigations* (Vol. 1). London: Macmillan Press.
- Dien, M. Y. I. (1997). Suftadja. In C. E. Bosworth, E. v. Donzel, W. P. Heinrichs, & G. Lecomte (Eds.), *The Encyclopaedia of Islam New Edition SAN-SZE* (Vol. IX, pp. 769-770). Leiden, The Netherlands: Brill.
- Dietrich, A., & Inalcik, H. (1971). Hawala. In B. Lewis, V. L. Menage, C. Pellat, & J. Schacht (Eds.), *The Encyclopaedia of Islam New Edition H-IRAM* (Vol. 3, pp. 283-285). London: Luzac & Co.
- Dunne, T. (1997). Colonial encounters in international relations: Reading Wight, writing Australia. *Australian Journal of International Affairs*, 51(3), 309-323.
- Dikshit, K. R., Champakalakshmi, R., Wolpert, S. A., Alam, M., Calkins, P. B., Schwartzberg, J. E., . . . Thapar, R. (2020). India: Early Vedic period and later Vedic period. Encyclopaedia Britannica, inc. Retrieved from <https://www.britannica.com/place/India/Early-Vedic-period>
- Dimmock, G., Bronskill, J., Mofina, R., & O'Neill, J. (2001, Nov 08). U.S. ties Ottawa business to Bin Laden network: Ottawa agent for worldwide money-transfer service denies 'quartermasters of terror' charge; 'we are not bad people,' says al-Barakaat agent: [final edition]. *The Ottawa Citizen*, p. A1 / Front. Retrieved from <http://libproxy.murdoch.edu.au/login?url=https://search-proquest-com.libproxy.murdoch.edu.au/docview/240504473?accountid=12629>
- Dixit, S. (2012). Ancient Indian attitude towards money lending in Brahmanical literature. *Proceedings of the Indian History Congress*, 73, 95-103.

- Dogra, B. (2016). With Reduced Access to Healthcare, Demonetisation Deaths Are Likely Far Higher Than Reported. *Health*. Retrieved from The Wire website: <https://thewire.in/health/healthcare-demonetisation-deaths>
- Dunne, T. (1995). The social construction of international society. *European Journal of International Relations*, 1(3), 367-389.
- Dunne, T. (1998). *Inventing international society: A history of the English School*: St. Martin's Press.
- Dunne, T. (2003). Society and hierarchy in international relations. *International Relations*, 17(3), 303-320.
- Dunne, T. (2005). System, State and Society: How Does It All Hang Together? *Millennium*, 34(1), 157-170.
- DuPont, Q. (2018). Experiments in algorithmic governance: A history and ethnography of “The DAO,” a failed decentralized autonomous organization. In M. Campbell-Verduyn (Ed.), *Bitcoin and Beyond* (Vol. 1, pp. 157-177). London and New York: Routledge.
- Edelman, D. J. (2020, January 19). Edelman Trust Barometer. *Research*. Retrieved May 18, 2021, from <https://www.edelman.com/trust/2020-trust-barometer>
- Edelman, D. J. (2021). Edelman Trust Barometer. *Trust*. Retrieved May 18, 2021, from <https://www.edelman.com/trust/2021-trust-barometer>
- Eichengreen, B. (2019). From commodity to fiat and now to crypto: what does history tell us? *NBER Working Paper*. Berkley, California: National Bureau of Economic Research.
- El Banna, B. N. (2011). Islamic Finance, Money Laundering and Terrorist Financing. *Global Financial Crime Review*. Retrieved from: <https://www.acamstoday.org/islamic-finance-money-laundering-and-terrorist-financing/>
- El Qorchi, M., Maimbo, S. M., & Wilson, J. F. (2003). Informal funds transfer systems: An analysis of the informal Hawala system, *IMF Occasional Paper* (Vol. 222). Washington: International Monetary Fund.
- Enara, A., & Gowda, M. R. (2018). The enigma of demonetization and the unexplored consequences. *Indian Journal of Psychiatry*, 60(1), 6.
- ESAAMLG. (2018). Who we are. Retrieved April 29th, 2020, from <https://www.esaamlg.org/index.php/about>
- EthHub. (2020). What is Ethereum? Retrieved December 5th, 2020, from <https://docs.ethhub.io/ethereum-basics/what-is-ethereum/>
- Eves, H. (1969). An introduction to the history of mathematics: Revised Edition. Holt, Rinehart and Winston.
- Fabris, N. (2019). Cashless society—the future of money or a utopia? *Journal of Central Banking Theory and Practice*, 8(1), 53-66.
- Facebook. (2020). FORM 10-K *Facebook Inc. Q4 Earnings Report* (pp. 38-59): United States Securities and Exchange Commission.
- FATF. (2001). Annual Report 2000-2001. Retrieved from: <http://www.fatf-gafi.org/publications/fatfgeneral/documents/fatfannualreport2000-2001.html>
- FATF. (2001-2008). FATF IX Special Recommendations. *Updated February 2008*. Retrieved from: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/ixspecialrecommendations.html>
- FATF. (2002). Annual Report 2001-2002. Retrieved from: <http://www.fatf-gafi.org/publications/fatfgeneral/documents/fatfannualreport2001-2002.html>
- FATF. (2002a). Guidance for financial institutions in detecting terrorist financing. Retrieved from: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidanceforfinancialinstitutionsindetec>  
tingterroristfinancing.html

- FATF. (2003). Annual Report 2002-2003. Retrieved from: <http://www.fatf-gafi.org/publications/fatfgeneral/documents/fatfannualreport2002-2003.html>
- FATF. (2003a). Combating the Misuse of Alternative Remittance Systems. *International Best Practices*. Retrieved from: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/internationalbestpracticescombatingtheabuseofalternativeremittancesystems.html>
- FATF. (2003b). Report on Money Laundering Typologies 2002-2003. *Financial Action Task Force on Money Laundering*. Retrieved from: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/moneylaunderingtypologies2002-2003.html>
- FATF. (2005). Money Laundering & Terrorist Financing Typologies 2004-2005. Retrieved from: [http://www.fatf-gafi.org/media/fatf/documents/reports/2004\\_2005\\_ML\\_Typologies\\_ENG.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/2004_2005_ML_Typologies_ENG.pdf)
- FATF. (2006). Report on New Payment Methods. Retrieved from: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/reportonnewpaymentmethods.html>
- FATF. (2010). Money Laundering through Money Remittance and Currency Exchange Providers. Retrieved from: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/moneylaunderingthroughmoneyremittanceandcurrencyexchangeproviders.html>
- FATF. (2010a). Global Money Laundering & Terrorist Financing Threat Assessment. *A view of how and why criminals and terrorists abuse finances, the effect of this abuse and the steps to mitigate these threats*. Retrieved from: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/globalmoneylaunderingterroristfinancingthreatassessment.html>
- FATF. (2010b). Money Laundering Using New Payment Methods. Retrieved from: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/moneylaunderingusingnewpaymentmethods.html>
- FATF. (2012-2019). International standards on combating money laundering and the financing of terrorism & proliferation. *The FATF Recommendations*, 130. Retrieved from: [www.fatf-gafi.org/recommendations](http://www.fatf-gafi.org/recommendations)
- FATF. (2013). The role of *Hawala* and other similar service providers in money laundering and terrorist financing. *FATF Report*. Retrieved from: <http://www.fatf-gafi.org/media/fatf/documents/reports/Role-of-hawala-and-similar-in-ml-tf.pdf>
- FATF. (2013a). Prepaid Cards, Mobile Payments and Internet-based Payment Services. *Guidance for a Risk-based Approach*. Retrieved from: <http://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-RBA-NPPS.pdf>
- FATF. (2013-2019). Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems. *Updated October 2019*. Retrieved from: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/fatf-methodology.html>
- FATF. (2014). Countries. Retrieved March 19th, 2015, from <http://www.fatf-gafi.org/countries/>
- FATF. (2014a). Virtual currencies. *Key definitions and potential AML/CFT risks*. Retrieved from: <http://www.fatf-gafi.org/media/fatf/documents/reports/Virtual-currency-key-definitions-and-potential-aml-cft-risks.pdf>
- FATF. (2015). FATF takes action to tackle de-risking. Retrieved October 23rd, 2018, from <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-action-to-tackle-de-risking.html>
- FATF. (2016). Who We Are. Retrieved June 28th, 2016, from <http://www.fatf-gafi.org/about/>

- FATF. (2016a). Money or Value Transfer Services. *Guidance for a Risk-Based Approach*. Retrieved from: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/rba-money-or-value-transfer.html>
- FATF. (2016b). Guidance on Correspondent Banking. Retrieved from: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/correspondent-banking-services.html>
- FATF. (2018). Annual Report 2017-2018. Retrieved from: <http://www.fatf-gafi.org/publications/fatfgeneral/documents/annual-report-2017-2018.html>
- FATF. (2019). Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers. Retrieved from: <http://www.fatf-gafi.org/media/fatf/documents/recommendations/RBA-VA-VASPs.pdf>
- FATF. (2019a). Remarks at AI & Blockchain Summit. Retrieved September 3rd, 2020, from <http://www.fatf-gafi.org/publications/fatfgeneral/documents/speech-digital-id-nov-2019.html>
- FATF. (2020). FATF Report to G20 on So-called Stablecoins. Retrieved from: [http://www.fatf-gafi.org/publications/virtualassets/documents/report-g20-so-called-stablecoins-june-2020.html?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/virtualassets/documents/report-g20-so-called-stablecoins-june-2020.html?hf=10&b=0&s=desc(fatf_releasedate))
- FATF. (2020a). 12 Month Review of Revised FATF Standards. *Virtual Assets and VASPs*. Retrieved from: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/12-month-review-virtual-assets-vasps.html>
- Faye, I., Triki, T., & Kangoye, T. (2013). The Islamic finance promises: Evidence from Africa. *Review of Development Finance*, 3(3), 136-151.
- FBI. (2003). Hijackers Timeline (Redacted). *9/11 Chronology Part 02 of 02*. Retrieved from: <https://vault.fbi.gov/9-11%20Commission%20Report/9-11-chronology-part-02-of-02/view>
- Feis, H. (1930). *Europe, the world's banker 1870-1914*. New York: Yale University Press.
- Ferguson, N. (2009). The rise of the Rothschilds: the family firm as multinational. In Y. Cassis, Cottrell, P., Fraser, M. P., & Fraser, I. L. (Ed.), *The world of private banking* (Vol. 1). New York: Ashgate Publishing Ltd.
- Fernandez-Villaverde, J. s., Sanches, D. R., Schilling, L., & Uhlig, H. (2020). Central Bank Digital Currency: Central Banking for All? *Banking & Insurance eJournal*. Retrieved from: [https://repec.bfi.uchicago.edu/RePEc/pdfs/BFI\\_WP\\_202004.pdf](https://repec.bfi.uchicago.edu/RePEc/pdfs/BFI_WP_202004.pdf)
- Finnemore, M., & Sikkink, K. (1998). International Norm Dynamics and Political Change. *International Organization*, 52(4), 887-917. doi: 10.2307/2601361
- Finkelstein, L. S. (1995). What Is Global Governance? *Global Governance*, 1(3), 367-372. doi: 10.2307/27800120
- Finlayson, A. (ed.), Bevir, M., Rhodes, R., Dowding, K., & Hay, C. (2004). The Interpretive Approach in Political Science: a Symposium. *The British Journal of Politics & International Relations*, 6(2), 129-164.
- Finlayson, A. (2007). From Beliefs to Arguments: Interpretive Methodology and Rhetorical Political Analysis. *The British Journal of Politics & International Relations*, 9(4), 545-563. doi: 10.1111/j.1467-856X.2007.00269.x
- FINMA. (2020). Libra Association: FINMA licensing process initiated [Press release]. Retrieved from <https://www.finma.ch/en/news/2020/04/20200416-mm-libra/>
- Finnemore, M., & Sikkink, K. (1998). International Norm Dynamics and Political Change. *International Organization*, 52(4), 887-917. doi: 10.2307/2601361
- Fleischmann, M., & Ivens, B. (2019). *Exploring the role of trust in blockchain adoption: an inductive approach*. Paper presented at the Proceedings of the 52nd Hawaii International Conference on System Sciences, Hawaii.

- Forbes. (2015). The Big Bank Bailout. Retrieved December 4th, 2020, from <https://www.forbes.com/sites/mikecollins/2015/07/14/the-big-bank-bailout/?sh=2563a49a2d83>
- Forbes. (2016). Is JPMorgan Chase America's Most Corrupt Bank? Retrieved July 2nd, 2020, from <https://www.forbes.com/sites/kotlikoff/2016/03/18/jp-morgan-chase-the-true-story-of-americas-most-corrupt-bank/#7af21ca943cf>
- Forbes, S. (2016a). Why Big Government Is Waging War Against Cash. Retrieved July 21st, 2020, from <https://www.forbes.com/sites/steveforbes/2016/03/01/the-great-cash-grab/#67360d924aed>
- Forbes. (2018). 35 Amazing Real World Examples Of How Blockchain Is Changing Our World. Retrieved December 4th, 2020, from <https://www.forbes.com/sites/bernardmarr/2018/01/22/35-amazing-real-world-examples-of-how-blockchain-is-changing-our-world/?sh=183c605b43b5>
- Forbes. (2020). Wells Fargo Forced To Pay \$3 Billion For The Bank's Fake Account Scandal. Retrieved July 1st, 2020, from <https://www.forbes.com/sites/jackkelly/2020/02/24/wells-fargo-forced-to-pay-3-billion-for-the-banks-fake-account-scandal/#6c3fe98e42d2>
- Frahm, E. (Ed.). (2017). *A Companion to Assyria*. Hoboken, United Kingdom: John Wiley & Sons, Incorporated.
- Frax Finance. (2021). Frax: Fractional-Algorithmic Stablecoin Protocol. Retrieved March 1st, 2021, from <https://docs.frax.finance/>
- Free Software Foundation. (2007). GNU Lesser General Public License v3.0 (Open Source Library of Code). GitHub. Retrieved January 29th, 2021, from GitHub. <https://github.com/ethereum/ethereum-org/blob/master/LICENSE>
- FSB. (2019). Decentralized financial technologies. *Report on financial stability, regulatory and governance implications*: Financial Stability Board.
- FSB. (2020). Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements. *Final Report and High-Level Recommendations*: Financial Stability Board.
- Fukuyama, F. (2013). What is governance? *Governance*, 26(3), 347-368.
- Gaggioli, A. (2018). Blockchain technology: living in a decentralized everything. *Cyberpsychology, Behavior, and Social Networking*, 21(1), 65-66. doi: 10.1089/cyber.2017.29097.csi
- Gagneja, K. (2020). Traceability of Cryptocurrency Transactions using Blockchain Analytics. *International Journal of Computing and Digital Systems*, 9(2), 159-165.
- Ganguly, M. (2001). A banking system built for terrorism. *Time Magazine*, 5.
- Gannes, L. (2010). Facebook vs. Zynga: The Turf War. Retrieved from <https://gigaom.com/2010/05/07/facebook-vs-zynga-the-turf-war/>
- Gärber, A. (1992). Islam, finanzielle Infrastruktur und wirtschaftliche Entwicklung. *Frankfurt ua*.
- George, T. K., Peter, J. V., Jeyaseelan, L., Yadav, B., Patole, S., Koshy, R. M., . . . Zachariah, A. (2020). The impact of demonetisation on the utilisation of hospital services, patient outcomes and finances: a multicentre observational study from India. *BMJ global health*, 5(9), e002509.
- Germain, R. D. (2007). Global finance, risk and governance. *Global Society*, 21(1), 71-93.
- Germain, R. (2014). The historical origins and development of global financial governance. In M. Moschella & C. Weaver (Eds.), *Handbook of Global Financial Governance* (Vol. 1, pp. 97-114). Abingdon: Routledge.
- Gesase, A. (2013). *The impact of mutual evaluation report on national anti-money laundering and combating the financing of terrorism strategy: the case of Tanzania*. (Master of Laws), University of the Western Cape, South Africa.

- Ghosh, A., Gupta, S., Dua, A., & Kumar, N. (2020). Security of Cryptocurrencies in blockchain technology: State-of-art, challenges and future prospects. *Journal of Network and Computer Applications*, 102635.
- Gong, G. W. (2003). Standards of civilization today. In *Globalization and Civilizations* (pp. 91-110). Routledge.
- Gonzalez-Pelaez, A., & Buzan, B. (2003). A viable project of solidarism? The neglected contributions of John Vincent's basic rights initiative [online]. *LSE Research Online*, 17(3), 321-339. Retrieved from: <http://eprints.lse.ac.uk/archive/00000166>
- Goudie, A. W., & Stasavage, D. (1998). A framework for the analysis of corruption. *Crime, law and social change*, 29(2-3), 113-159.
- Government Of India. (1931). *The Indian Central Banking Enquiry Committee Vol. I Part I Majority Report*. Calcutta: Central Publication Branch Retrieved from <http://dli.serc.iisc.ernet.in/handle/2015/36647>.
- Government Of India. (1931, a). *The Indian Central Banking Enquiry Committee Part II-- Minority Report*. Calcutta: Central Publication Branch Retrieved from <http://dli.serc.iisc.ernet.in/handle/2015/229272>.
- GPFI. (2016). G20 High-Level Principles for Digital Financial Inclusion. i-1. Retrieved from: <https://sdgs.un.org/publications/g20-high-level-principles-digital-financial-inclusion-30373>
- Graebner, C., Elsner, W., & Lascaux, A. (2017). Trust and social control: Sources of cooperation, performance, and stability in informal value transfer systems *ICAE Working Paper Series* (Vol. 62). Linz: Institute for Comprehensive Analysis of the Economy, Johannes Kepler University.
- Greif, A. (1989). Reputation and coalitions in medieval trade: evidence on the Maghribi traders. *The journal of economic history*, 49(4), 857-882.
- Greif, A., Milgrom, P., & Weingast, B. R. (1994). Coordination, commitment, and enforcement: The case of the merchant guild. *Journal of Political Economy*, 102(4), 745-776.
- Griffin, J. M., & Shams, A. (2020). Is Bitcoin really untethered? *The Journal of finance*, 75(4), 1913-1964.
- Griffith, R. T. H. (1895). Hymns of the Arthra Veda. *Book III, Hymn XV*. Retrieved April 15th, 2020, from <https://sacred-texts.com/hin/av/av03015.htm>
- Griffiths, M., Roach, S. C., & Solomon, M. S. (2008). *Fifty key thinkers in international relations*: Routledge.
- Grima, S., Baldacchino, P. J., Abela, J. M., & Spiteri, J. V. (2020). The Implications of Derisking: The Case of Malta, a Small EU State. *Journal of Risk and Financial Management*, 13(9), 216.
- Guardian News. (2016). Women bear the brunt as finances and families are undone by India's cash crisis. Retrieved July 25th, 2020, from <https://www.theguardian.com/global-development/2016/dec/22/india-cash-crisis-women-bear-brunt-finances-families-undone>
- Gubbay, M. M. S. (1927). Indigenous Indian Banking. *Journal of the Royal Society of Arts*, 58-74.
- Haber, S., & Stornetta, W. (1991). How to Time-Stamp a Digital Document, Crypto'90, LNCS 537: Springer.
- Hantrais, L., Allin, P., Kritikos, M., Sogomonjan, M., Anand, P. B., Livingstone, S., . . . Innes, M. (2020). Covid-19 and the digital revolution. *Contemporary Social Science*, 1-15.
- Happold, M. (2003). Security Council Resolution 1373 and the Constitution of the United Nations. *Leiden Journal of International Law*, 16(3), 593-610. doi: 10.1017/S0922156503001304
- Harris, L. J. (2015). Overseas Chinese remittance firms, the limits of state sovereignty, and transnational capitalism in East and Southeast Asia, 1850s–1930s. *The Journal of Asian Studies*, 74, 129-151. doi: 10.1017/S0021911814001697

- Haslam, N. O. (1998). Natural kinds, human kinds, and essentialism. *Social Research*, 291-314.
- Henderson, D. (2020). The Federal Reserve Cartel: The Eight Families. *Global Economy, History, Oil and Energy*. Retrieved from Centre for Research on Globalization website: <https://www.globalresearch.ca/the-federal-reserve-cartel-the-eight-families/25080>
- Hickey, W. (2020). The Blockchain and Westphalia: Digitalization Crosses Borders. *The Sovereignty Game* (pp. 121-131): Springer.
- Hjelmgaard, K. (2014). Push 'reset' button on world, WEF founder says. *News*. Retrieved from: <https://www.usatoday.com/story/news/world/2014/01/15/davos-world-economic-forum-pre-event-presser/4487561/>
- Hoffmann, S. (2003). World governance: beyond utopia. *Daedalus*, 132, 27.
- Hoffman, J. (2017). The History of the Browser Wars: When Netscape Met Microsoft. Retrieved December 5th, 2020, from <https://thehistoryoftheweb.com/browser-wars/>
- Hollis, M., & Smith, S. (1991). *Explaining and understanding international relations* (p. 102). Oxford: Clarendon Press.
- Holmes, M., & Wheeler, N. J. (2020). Social bonding in diplomacy. *International Theory*, 12(1), 133-161.
- Homayoun, S., Dehghantanha, A., Ahmadzadeh, M., Hashemi, S., & Khayami, R. (2018). Know abnormal, find evil: frequent pattern mining for ransomware threat hunting and intelligence. *IEEE transactions on emerging topics in computing*.
- Hoover, C. B. (1926). The sea loan in Genoa in the twelfth century. *The Quarterly Journal of Economics*, 40(3), 495-529.
- Hosenball, M., Langley, A., & Peraino, K. (2001). Attacking the Money Machine. *Newsweek Web Exclusive*. Retrieved March 5th, 2019, from <http://www.nbcnews.com/id/3067473/t/attacking-money-machine/#.XH3nxC2B3q1>
- HSC, & ECNL. (2018). At the Intersection of Security and Regulation. *Understanding the Drivers of 'De-Risking' and the Impact on Civil Society Organizations*. Retrieved from: [https://www.hscollective.org/assets/Uploads/Reports/8f051ee3cb/Understanding-the-Drivers-of-De-Risking-and-the-Impact-on-Civil-Society-Organizations\\_1.pdf](https://www.hscollective.org/assets/Uploads/Reports/8f051ee3cb/Understanding-the-Drivers-of-De-Risking-and-the-Impact-on-Civil-Society-Organizations_1.pdf)
- Huck, S., Lünser, G. K., & Tyran, J.-R. (2007). *Competition fosters trust*. University College London & University of Copenhagen. Retrieved from <https://discovery.ucl.ac.uk/id/eprint/14460/1/14460.pdf>
- Hudson, M. (2010). Entrepreneurs: From the Near Eastern Takeoff to the Roman Collapse. In D. S. Landes, J. Mokyr, & W. J. Baumol (Eds.), *The invention of enterprise: Entrepreneurship from ancient Mesopotamia to modern times* (Vol. 1, pp. 8-39). UK: Princeton University Press. Retrieved from <http://ebookcentral.proquest.com/lib/murdoch/detail.action?docID=483494>.
- Hughes, N., & Lonie, S. (2007). M-PESA: mobile money for the “unbanked” turning cellphones into 24-hour tellers in Kenya. *Innovations: technology, governance, globalization*, 2(1-2), 63-81.
- Huntington, S. P. (1993). The clash of civilizations? *Culture and Politics*, 99-118.
- Hurrell, A. (1993). International society and the study of regimes: a reflective approach. *Regime Theory and International Relations*, Oxford, 49-72.
- Hurrell, A. (2007). *On Global Order: Power, Values, and the Constitution of International Society* (Vol. 1). Oxford: Oxford University Press.
- Hurrell, A. (2017). Can the study of global governance be decentred? *Global Governance from Regional Perspectives. A Critical View*, 25-44.
- Husabø, E. J., & Bruce, I. (2009). *Fighting terrorism through multilevel criminal legislation: Security council resolution 1373, the EU framework decision on combating terrorism and their implementation in Nordic, Dutch and German criminal law*. Leiden - Boston: Martinus Nijhoff.



- Hymn 15: A merchant's prayer for success in his business (R. T. H. Griffith, Trans.). (1895) The Hymns of the Atharvaveda: Book 3. Retrieved from <https://sacred-texts.com/hin/av/av03015.htm>.
- Iannaccone, L. R. (1998). Introduction to the Economics of Religion. *Journal of economic literature*, 36(3), 1465-1495.
- Ibrahim, S. (2018). Financial genocide: How the demonetisation policy killed 105 people. *Root News*. Retrieved from: <https://medium.com/rootnews/financial-genocide-how-the-demonetisation-policy-killed-105-people-899b50f2f77e>
- ICIJ. (2016). Giant Leak of Offshore Financial Records Exposes Global Array of Crime and Corruption. Retrieved December 31st, 2020, from <https://www.icij.org/investigations/panama-papers/20160403-panama-papers-global-overview/>
- ICIJ. (2019). Panama Papers FAQ: All You Need to Know About The 2016 Investigation. Retrieved December 31st, 2020, from <https://www.icij.org/investigations/panama-papers/panama-papers-faq-all-you-need-to-know-about-the-2016-investigation/>
- ICIJ. (2019a). World Bank's Legal Immunity Stripped, Opening Door for Lawsuits. *Investigations / Evicted and Abandoned: The World Bank's Broken Promise to the Poor*. Retrieved from International Consortium of Investigative Journalists website: <https://www.icij.org/investigations/world-bank/world-banks-legal-immunity-stripped-opening-door-for-lawsuits/>
- ICIJ. (2020). The Panama Papers: Exposing the Rogue Offshore Finance Industry. Retrieved December 31st, 2020, from <https://www.icij.org/investigations/panama-papers/>
- Ikenberry, G. J. (2010). The three faces of liberal internationalism. In A. S. Alexandroff & A. F. Cooper (Eds.), *Rising states, rising institutions: challenges for global governance* (Vol. 1). New York: Brookings Institution Press.
- IMF. (2005). Approaches to a Regulatory Framework for Formal and Informal Remittance Systems: Experiences and Lessons. Retrieved from: <https://www.imf.org/external/np/pp/eng/2005/021705.pdf>
- IMF. (2011). Anti-money laundering and combating the financing of terrorism (AML/CFT). *Report on the Review of the Effectiveness of the Program*, 97. Retrieved from: <https://www.imf.org/external/np/pp/eng/2011/051111.pdf>
- IMF. (2020). The Great Reset. *Remarks to World Economic Forum, Kristalina Georgieva, Managing Director, IMF*. Retrieved November 23rd, 2020, from <https://www.imf.org/en/News/Articles/2020/06/03/sp060320-remarks-to-world-economic-forum-the-great-reset>
- IMF. (2020). The Great Reset. *Remarks to World Economic Forum, Kristalina Georgieva, Managing Director, IMF*. Retrieved November 23rd, 2020, from <https://www.imf.org/en/News/Articles/2020/06/03/sp060320-remarks-to-world-economic-forum-the-great-reset>
- IMF. (2021). Cryptoassets as National Currency? A Step Too Far. Retrieved from <https://blogs.imf.org/2021/07/26/cryptoassets-as-national-currency-a-step-too-far/>
- Inalcik, H. (1969). Capital formation in the Ottoman Empire. *The journal of economic history*, 29(1), 97-140.
- Information Age. (2020). Pig mask and funeral wreath in eBay cyberstalking. *Executives savagely bullied couple who were critical of the company*. Retrieved from Information Age website: <https://ia.acs.org.au/content/ia/article/2020/pig-mask-and-funeral-wreath-in-ebay-cyberstalking.html?ref=newsletter>
- Ingves, S. (2018). Going Cashless. *Finance & Development*, 55. Retrieved from: <https://www.imf.org/external/pubs/ft/fandd/2018/06/central-banks-and-digital-currencies/point.htm>

- Inshyn, M., Mohilevskyi, L., & Drozd, O. (2018). The issue of cryptocurrency legal regulation in Ukraine and all over the world: a comparative analysis. *Baltic Journal of Economic Studies*, 4(1), 169-174.
- ISO. (2020). Blockchain and distributed ledger technologies — Vocabulary *Terms and definitions* (ISO 22739:2020). ISO Online Browsing Platform: ISO.
- ISO. (2020a). Getting Big on Blockchain. *New International Standards for blockchain*. Retrieved December 8th, 2020, from <https://www.iso.org/news/ref2540.html>
- Its Tactical. (2013). How To Use Prepaid Debit Cards for Anonymous, Cash-like Digital Transactions. Retrieved June 26th, 2020, from <https://www.itstactical.com/digicom/privacy/how-to-use-prepaid-debit-cards-for-anonymous-cash-like-digital-transactions/>
- Jack, W., & Suri, T. (2010). The economics of M-PESA: An update. *Unpublished research paper, Georgetown University*.
- Jackson, P. T. (2004). Hegel's House, or 'People are states too'. *Review of International Studies*, 30(02), 281-287.
- Jackson, R. H. (1990). Quasi-states: International Relations, Sovereignty and the Third World: Cambridge: Cambridge University Press.
- Jackson, R. H. (1992). Pluralism in International Political Theory. *Review of International Studies*, 18, 271-281.
- Jackson, R. H. (2000). *The global covenant: human conduct in a world of states*. New York: Oxford University Press.
- Jain, L. C. (1929). *Indigenous banking in India* (pp. 314). Retrieved from Digital Library of India database. URL: <http://dli.serc.iisc.ernet.in/handle/2015/55083>
- Jakobson, L. (2020). Tether, Bitfinex face fourth market manipulation suit. Retrieved February 24th, 2021, from <https://modernconsensus.com/cryptocurrencies/tether-bitfinex-face-fourth-market-manipulation-suit/>
- Jakobson, L. (2021). Bitfinex repays \$750M Tether loan, but lawsuits remain. *Bitcoin, Regulation*. Retrieved from Modern Consensus website: <https://modernconsensus.com/cryptocurrencies/bitcoin/bitfinex-repays-750m-tether-loan-but-lawsuits-remain/>
- James, L. (2019). Attorney General James Announces Court Order Against "Crypto" Currency Company Under Investigation For Fraud [Press release]. Retrieved from <https://ag.ny.gov/press-release/2019/attorney-general-james-announces-court-order-against-cryptocurrency-company>
- James, L. (2021). Attorney General James Ends Virtual Currency Trading Platform Bitfinex's Illegal Activities in New York [Press release]. Retrieved from <https://ag.ny.gov/press-release/2021/attorney-general-james-ends-virtual-currency-trading-platform-bitfinexs-illegal>
- Jervis, R. (1985). From balance to concert: a study of international security cooperation. *World Politics*, 38(1), 58-79.
- JPMorgan Chase. (2019, updated February, 2021). J.P. Morgan Creates Digital Coin for Payments. *News & Announcements*. Retrieved March 12, 2021, from <https://www.jpmorgan.com/solutions/cib/news/digital-coin-payments>
- JPMorgan Chase. (2021). Insight Notes Linked to the J.P. Morgan Basket of Companies with Exposure to Cryptocurrency (Mar 2021) due May 5, 2022 *Structured Investments: JPMorgan Chase & Co.*
- Kahn, C. M. (2018). Payment systems and privacy. *Federal Reserve Bank of St. Louis Review*, 100(4).
- Kahn, C. M., McAndrews, J., & Roberds, W. (2005). Money is privacy. *International Economic Review*, 46(2), 377-399.

- Kamvar, S., Olszewski, M., & Reinsberg, R. (2019). Celo: A multi-asset cryptographic protocol for decentralized social payments. *Whitepaper*. Retrieved from: [https://storage.googleapis.com/celo\\_whitepapers/Celo\\_\\_A\\_Multi\\_Asset\\_Cryptographic\\_Protocol\\_for\\_Decentralized\\_Social\\_Payments.pdf](https://storage.googleapis.com/celo_whitepapers/Celo__A_Multi_Asset_Cryptographic_Protocol_for_Decentralized_Social_Payments.pdf)
- Kassa, W. D. (2015). Rethinking the 'No definition' consensus and the 'would have been' binding assumption pertaining to security council resolution 1373. *Flinders Law Journal*, 17(1), 127-154.
- Keal, P. (1995). 'Just backward children': International law and the conquest of non-European peoples. *Australian Journal of International Affairs*, 49(2), 191-206.
- Keene, E. (2002). *Beyond the anarchical society: Grotius, colonialism and order in world politics*: Cambridge University Press.
- Keene, S. (2007). Hawala and related informal value transfer systems—an assessment in the context of organized crime and terrorist finance: is there cause for concern? *Security Journal*, 20(3), 185-196.
- Kenoyer, J. M. (2005). Culture change during the Late Harappan period at Harappa: new insights on Vedic Aryan issues. In E. F. Bryant & L. L. Patton (Eds.), *The Indo-Aryan Controversy* (pp. 33-61). New York: Routledge.
- Keohane, R. O. (2011). Global governance and legitimacy. *Review of International Political Economy*, 18(1), 99-109.
- Khan, M. A. (2013). *What is wrong with Islamic economics?: analysing the present state and future agenda*: Edward Elgar Publishing.
- Khan, S. A. (2016). Cash and Care. *Demonetisation has affected people's ability to access health facilities*. Retrieved from: <https://indianexpress.com/article/opinion/columns/demonetisation-effect-currency-ban-hospitals-health-facilities-4429202/>
- King, G., Keohane, R. O., & Verba, S. (1994). *Designing Social Inquiry: Scientific inference in qualitative research*: Princeton University Press.
- Kissinger, H. (2012). *On China* (Vol. 1). New York: Penguin Press.
- Klein, B. (1985). Self-enforcing contracts. *Zeitschrift für die gesamte Staatswissenschaft. Journal of Institutional and Theoretical Economics*(141), 594-600.
- Kool, J. (2012). *The Old Assyrian Trade Network from an Archaeological Perspective*. (Bachelor Degree Archaeology of the Near East), Leiden University, Wassenaar. Retrieved from [https://openaccess.leidenuniv.nl/bitstream/handle/1887/19255/The%20Old%20Assyrian%20Trade%20\(4\).pdf?sequence=1](https://openaccess.leidenuniv.nl/bitstream/handle/1887/19255/The%20Old%20Assyrian%20Trade%20(4).pdf?sequence=1)
- Kramer, H. H., & Yetiv, S. A. (2007). The UN Security Council's Response to Terrorism: Before and after September 11, 2001. *Political Science Quarterly*, 122(3), 409-432.
- Kranton, R. E. (1996). Reciprocal exchange: a self-sustaining system. *The American Economic Review*, 830-851.
- Krasner, S. D. (1982). Structural Causes and Regime Consequences: Regimes as Intervening Variables. *International Organization*, 36(2), 185-205. doi: 10.2307/2706520
- Kratochwil, F. V. (1991). *Rules, norms, and decisions: on the conditions of practical and legal reasoning in international relations and domestic affairs* (Vol. 2): Cambridge University Press.
- Krishnan, V. (1959). *Indigenous Banking in South India* (Vol. 1). Bombay: Bombay State Co-operative Union.
- Kuhrt, A. (1998). The Old Assyrian merchants. In H. Parkins & C. Smith (Eds.), *Trade, Traders and the Ancient City* (Vol. 1, pp. 15-30). London: Routledge.
- Kuo, E., Iles, B., & Rincon-Cruz, M. (2019). Ampleforth: A New Synthetic Commodity. Retrieved from: <https://www.ampleforth.org/basics/>
- Kuran, T. (1995). Islamic economics and the Islamic subeconomy. *Journal of Economic Perspectives*, 9(4), 155-173.

- Kuziemko, I., & Werker, E. (2006). How much is a seat on the Security Council worth? Foreign aid and bribery at the United Nations. *Journal of Political Economy*, 114(5), 905-930.
- Labib, S. Y. (1969). Capitalism in medieval Islam. *The journal of economic history*, 29(1), 79-96.
- Landes, D. S., Mokyr, J., & Baumol, W. J. (Eds.). (2010). *The invention of enterprise: Entrepreneurship from ancient Mesopotamia to modern times*: Princeton University Press.
- Larson, D. W. (2000). *Anatomy of mistrust: US-Soviet relations during the cold war*: Cornell University Press.
- Lascaux, A. (2015). Crowding Out Trust in the Informal Monetary Relationships: The Curious Case of the Hawala System. *Forum for Social Economics*, 44(1), 87-107. doi: 10.1080/07360932.2014.954250
- Law Library. (2021). Bill of Exchange. *American Law and Legal Information*. Retrieved December 3rd, 2021, from <https://law.jrank.org/pages/4748/Bill-Exchange.html>
- Lee, I. (2021). The COO of Goldman Sachs says client demand for bitcoin is rising as the cryptocurrency flirts with record highs. *Money & Markets*. Retrieved March 12th, 2021, from <https://www.businessinsider.com.au/bitcoin-demand-from-clients-rising-goldman-sachs-coo-john-waldron-2021-3?op=1&r=US&IR=T>
- Leinonen, H. (2016). *Developing Future Payment Instruments*. Paper presented at the SUERF – The European Money and Finance Forum, Vienna and Zurich.
- Leonard, K. (1981). Indigenous Banking Firms in Mughal India: A Reply. *Comparative Studies in Society and History*, 23(2), 309-313. doi: 10.1017/S0010417500013323
- Leonard, K. (2013). Palmer and company: An Indian banking firm in Hyderabad State. *Modern Asian Studies*, 47(4), 1157-1184. doi: 10.1017/S0026749X12000236
- Lewis, J. D., & Weigert, A. (1985). Trust as a Social Reality. *Social forces*, 63(4), 967-985.
- Li, J., Liu, Y., & Ge, S. (2012). China's alternative remittance system: channels and size of "hot money" flows. *Crime, law and social change*, 57(3), 221-237.
- Li, X., Jiang, P., Chen, T., Luo, X., & Wen, Q. (2020). A survey on the security of blockchain systems. *Future Generation Computer Systems*, 107, 841-853.
- Libra Association. (2020). Libra Reserve Payment System. *White Paper*. Retrieved from: <https://www.diem.com/en-us/white-paper/#cover-letter>
- Linklater, A., & Suganami, H. (2006). *The English School of International Relations: A Contemporary Reassessment* (Vol. 1). Cambridge: Cambridge Studies in International Relations.
- Linklater, A. (2011). Prudence and principle in international society: reflections on Vincent's approach to human rights. *International Affairs*, 87(5), 1179-1191.
- Liu, H., & Benton, G. (2016). The Qiaopi trade and its role in modern China and the Chinese diaspora: Toward an alternative explanation of "transnational capitalism". *The Journal of Asian Studies*, 75(3), 575-594.
- Løkkegaard, F. (1950). *Islamic taxation in the classic period: with special reference to circumstances in Iraq*: Branner & Korch.
- Lopez, R. R. (2011). The Maritime Loan In the Carrera De Indias. *International Review of Ancient Rights*, 48(3e), 259-276.
- Luu, J., & Imwinkelried, E. J. (2016). The challenge of Bitcoin pseudo-anonymity to computer forensics. *Criminal Law Bulletin*, 52(1).
- Lyons, R., & Viswanath-Natraj, G. (2020). What Keeps Stablecoins Stable? *Microeconomics: General Equilibrium & Disequilibrium Models of Financial Markets eJournal*.
- Mac Síthigh, D., & Siems, M. (2019). The Chinese social credit system: A model for other countries? *The Modern Law Review*, 82(6), 1034-1071.
- Maesa, D. D. F., & Mori, P. (2020). Blockchain 3.0 applications survey. *Journal of Parallel and Distributed Computing*, 138, 99-114.

- MakerDAO. (2017). The Maker Protocol: MakerDAO's Multi-Collateral Dai (MCD) System. Retrieved from: <https://makerdao.com/en/whitepaper>
- Makinda, S. M. (2000). International society and eclecticism in international relations theory. *Cooperation and Conflict*, 35(2), 205-216.
- Maimbo, S. M. (2003). The Money Exchange Dealers of Kabul: A study of the hawala system in Afghanistan. (13). Retrieved from: <http://elibrary.worldbank.org/doi/pdf/10.1596/978-0-8213-5586-2>
- Maimbo, S. M. (2004). *The regulation and supervision of informal remittance systems: Emerging oversight strategies*. Paper presented at the seminar on current developments in Monetary and Financial Law.
- Maimbo, S. M., & Passas, N. (2005). The Regulation and Supervision of Informal Funds Transfer Systems. *Remittances*, 211.
- Malakoutikhah, Z. (2020). Financial exclusion as a consequence of counter-terrorism financing. *Journal of Financial Crime*, 27(2), pp. 663-682.
- Mallick, B. S. (1991). *Money, banking, and trade in Mughal India: currency, indigenous fiscal practices, and the English trade in 17th century, Gujarat and Bengal*. Jaipur: Rawat Publications.
- Mandate. (2020). *Collins english dictionary – complete and unabridged*, (12th ed.). Retrieved from <http://www.thefreedictionary.com/mandate>
- Maniff, J. L., & Marsh, W. B. (2017). Banking on Distributed Ledger Technology: Can It Help Banks Address Financial Inclusion? *Economic Review*, 1612387(102), 3.
- Martin, G. (2013). *Essentials of terrorism: Concepts and controversies*: Sage Publications.
- Martin, M. (2009). Hundi/hawala: the problem of definition. *Modern Asian Studies*, 43(4), 909-937. doi: 10.1017/S0026749X07003459
- Martin, M. (2012). *An economic history of Hundi, 1858-1978*. (Ph.D.), The London School of Economics and Political Science (LSE), Ann Arbor, United States. (U639900)
- Martin, M. (2015). Project codification: legal legacies of the British Raj on the Indian mercantile credit institution hundi. *Contemporary South Asia*, 23(1), 67-84. doi: 10.1080/09584935.2014.1000825
- Martin, M. B. (2013, January 16th). Between informality and formality: Hundi/Hawala in India. Blog Retrieved from <http://blogs.lse.ac.uk/southasia/2013/01/16/hundihawala-in-india/>
- Masciandaro, D., Takáts, E., & Unger, B. (2007). *Black finance: the economics of money laundering*: Edward Elgar Publishing.
- Massa, M., & Alessio. (2018). Change and continuity in the long-distance exchange networks between western/central Anatolia, northern Levant and northern Mesopotamia, c.3200–1600 BCE. *Journal of Anthropological Archaeology*, 49, 65-87. doi: <https://doi.org/10.1016/j.jaa.2017.12.003>
- Mastercard. (2020). Prepaid Cards: FAQ. Retrieved June 25th, 2020, from <https://www.mastercard.us/en-us/frequently-asked-questions.html#prepaid>
- Mauro, F. d., Caristi, P., Couderc, S. p., Maria, A. D., Ho, L., Grewal, B. K., . . . Zaher, S. (2013). Islamic Finance in Europe. *Occasional Paper Series*, (146). Retrieved from: <https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp146.pdf?50223aa58804d7b4f32f4f302534672d>
- Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of management review*, 20(3), 709-734.
- McBride, J. (2017, October 12th, 2016). Understanding the Libor Scandal. Retrieved June 9th, 2017, from <https://www.cfr.org/backgrounder/understanding-libor-scandal>
- McCusker, J. J., Cain, L. P., Engerman, S. L., Hancock, D., & Pomeranz, K. (Eds.). (2006). *History of world trade since 1450* (Vol. 1). USA: Thomson Gale.

- McDowell, D. (2020). Payments Power: The Overlooked Role of the Dollar as the Top International Payments Currency. *International Studies Perspectives*, 1(1), 12-18.
- Meegan, X. (2020). *Identifying Key Non-Financial Risks in Decentralized Finance on Ethereum Blockchain*. (Masters Thesis, Fintech), MIP Politecnico di Milano, Milan.
- Merchant, I. P. (2012). Empirical study of Islamic banks versus conventional banks of GCC. *Global Journal of Management and Business Research*, 12(20).
- Metrowest Daily News. (2020). Natick couple was targeted for months by 6 then-eBay employees. The employees face federal charges after an 'extensive' campaign of harassment. Retrieved from The Metrowest Daily News website: <https://www.metrowestdailynews.com/news/20200615/updated-natick-couple-was-targeted-for-months-by-6-then-ebay-employees-employees-face-federal-charges-after-extensive-campaign-of-harassment>
- Michaelsen, C. (2008). The Proportionality Principle in the Context of Anti-Terrorism Laws: An Inquiry into the Boundaries between Human Rights Law and Public Policy. In M. Gani & P. Mathew (Eds.), *Fresh perspectives on the war on terror* (Vol. 1, pp. pp. 109-126). Canberra: ANU E Press.
- Miller, S. E. (2010). The war on terror and international order: strategic choice and global governance. In A. S. Alexandroff & A. F. Cooper (Eds.), *Rising states, rising institutions: challenges for global governance* (Vol. 1). New York: Brookings Institution Press.
- Ministry of Finance. (2012). White Paper on Black Money. New Delhi: Government of India.
- Mita, M., Ito, K., Ohsawa, S., & Tanaka, H. (2019). *What is stablecoin?: A survey on price stabilization mechanisms for decentralized payment systems*. Paper presented at the 2019 8th International Congress on Advanced Applied Informatics (IIAI-AAI).
- Moin, A., Sirer, E. G., & Sekniqi, K. (2019). A classification framework for stablecoin designs. *arXiv preprint arXiv:1910.10098*.
- Moné, L. (2021). Which Governments are Researching CBDCs Right Now? [2021 Update]. Retrieved from <https://consensys.net/blog/enterprise-blockchain/which-governments-are-using-blockchain-right-now/>
- Morse, H. B. (1972). The Gilds of China with an Account of the Gild Merchant or Co-hong of Canton. 1909. *Reprint, Taipei: Ch'eng-wen Publishing Company*.
- Moser, T. (1997). The old testament anti-usury laws reconsidered: The myth of tribal brotherhood. *SSRN Electronic Journal*. doi: 10.2139
- Moshenskyi, S. (2008). *History of the weksel: Bill of exchange and promissory note*. New York: Xlibris.
- Munshani, K. (2009). Impossibility of regulating terrorist finance: A critical study of the nine special recommendations formulated by the Financial Action Task Force on anti-money laundering. *J. Islamic St. Prac. Int'l L.*, 5, 40.
- Murphy, C. C. (2015). Transnational counter-terrorism law: law, power and legitimacy in the 'wars on terror'. *Transnational Legal Theory*, 6(1), 31-54.
- Nabilou, H. (2019). How to regulate bitcoin? Decentralized regulation for a decentralized cryptocurrency. *International Journal of Law and Information Technology*, 27(3), 266-291.
- Nabilou, H., & Prüm, A. (2019). *Central banks and regulation of cryptocurrencies*. Review of Banking and Financial Law (Forthcoming). Working Paper. University of Luxembourg Law. Retrieved from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3421417#](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3421417#)
- Nadler, J., & Cicilline, D. (2020). Investigation of competition in digital markets: Majority staff report and recommendations *Subcommittee on antitrust, commercial and administrative law of the Committee on the judiciary* (pp. 450): US House of Representatives.
- Nakamoto, S. (2008). Bitcoin: A Peer-to-Peer Electronic Cash System. Retrieved from: <https://bitcoin.org/bitcoin.pdf>

- Nakamoto, S. (2008a). Code. Retrieved December 6th, 2020, from <https://satoshi.nakamotoinstitute.org/code/>
- Nakamoto, S. (2009). Bitcoin open source implementation of P2P currency. Retrieved December 4th, 2020, from <http://p2pfoundation.ning.com/forum/topics/bitcoin-open-source>
- Nance, M. T., & Cottrell, M. P. (2014). A Turn Toward Experimentalism? Rethinking security and governance in the twenty-first century. *Review of International Studies*, 40(02), 277-301.
- Navari, C. (2011). The concept of practice in the English School. *European Journal of International Relations*, 17(4), 611-630.
- Neal, L. (1990). The rise of financial capitalism: Cambridge: Cambridge University Press.
- Neal, L., & Quinn, S. (2001). Networks of information, markets, and institutions in the rise of London as a financial centre, 1660–1720. *Financial history review*, 8(01), 7-26.
- News, S. (2001, Nov 08). 'Quartermasters of terror' uncovered; global dragnet shuts down two alleged terrorist financing networks, one situated in ottawa store: [final edition]. *The Windsor Star*, p. A15. Retrieved from <http://libproxy.murdoch.edu.au/login?url=https://search.proquest.com/docview/254422452?accountid=12629>
- Norrlof, C., Poast, P., Cohen, B. J., Croteau, S., Khanna, A., McDowell, D., . . . Winecoff, W. K. (2020). Global Monetary Order and the Liberal Order Debate. *International Studies Perspectives*, 21(2), 109-153.
- NYT. (2001). A nation challenged: resolution. *UN requires members to act against terror*. Retrieved from: <http://www.nytimes.com/2001/09/29/world/a-nation-challenged-resolution-un-requires-members-to-act-against-terror.html>
- Office of the Comptroller of the Currency. (2021). Federally Chartered Banks and Thrifts May Participate in Independent Node Verification Networks and Use Stablecoins for Payment Activities [Press release]. Retrieved from <https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-2.html>
- Olivelle, P. (1998). *The early Upanishads*: Oxford University Press.
- Olivier, C. (2004). Human Rights Law and the International Fight Against Terrorism: How do Security Council Resolutions Impact on States' Obligations Under International Human Rights Law? (Revisiting Security Council Resolution 1373). *Nordic Journal of International Law*, 73(4), 399-419. doi: 10.1163/1571810043083315
- Orbell, J. (2006). Banking. In J. J. McCusker, L. P. Cain, S. L. Engerman, D. Hancock, & K. Pomeranz (Eds.), *History of world trade since 1450* (Vol. 1, pp. 49-54). USA: Thomson Gale.
- Ordinario, C. (2021). ADB: Investing In People, Planet Key To 'Great Reset'. *News*. Retrieved from BusinessMirror website: <https://businessmirror.com.ph/2021/05/04/adb-investing-in-people-planet-key-to-great-reset/>
- Osanaiye, O., Cai, H., Choo, K. R., Dehghantanha, A., Xu, Z., & Dlodlo, M. (2016). Ensemble-based multi-filter feature selection method for DDoS detection in cloud computing. *EURASIP Journal on Wireless Communications and Networking*, 2016(1), 130.
- Oswald, C. A. (2007). *A comparative historical, legal and policy analysis of informal and formal money transfer systems*. (Doctorate of the Science of Law), St. Thomas University. Retrieved from <http://gradworks.umi.com/32/92/3292168.html>
- Oye, K. A. (1985). Explaining cooperation under anarchy: Hypotheses and strategies. *World Politics*, 38(1), 1-24.
- Pan, E. J. (2010). Challenge of international cooperation and institutional design in financial supervision: beyond transgovernmental networks. *Chi. J. Int'l L.*, 11, 243.

- Parkins, H. (1998). Time for change? Shaping the future of the ancient economy. In H. Parkins & C. Smith (Eds.), *Trade, Traders and the Ancient City* (Vol. 1, pp. 1-14). New York: Routledge.
- Passas, N. (1999). Informal value transfer systems and criminal organizations. *A Study into so-called Underground Banking Networks. The Hague, WODC*.
- Passas, N. (2003). Hawala and other informal value transfer systems: how to regulate them? *Risk management*, 49-59.
- Passas, N. (2003a). *Informal value transfer systems, terrorism and money laundering*. Boston: Northeastern University. Retrieved from <https://www.ncjrs.gov/pdffiles1/nij/grants/208301.pdf>
- Passas, N. (2005). Formalizing the informal? Problems in the national and international regulation of Hawala. *Regulatory frameworks for hawala and other remittance systems. Washington: IMF*, 7-16.
- Passas, N. (2006). Fighting Terror with Error: The counter-productive regulation of informal value transfers. *Crime, law and social change*, 45(4-5), 315-336.
- Passas, N. (2006a). Demystifying Hawala: A look into its social organization and mechanics. *Journal of Scandinavian Studies in Criminology and Crime Prevention*, 7(S1), 46-62.
- Passas, N. (2006b). Setting global CFT standards: a critique and suggestions. *Journal of Money Laundering Control*, 9(3), 281-292.
- Passas, N. (2008). Dirty Money: Tracing the misuse of hawala networks. *Jane's intelligence review*. Retrieved from
- Passas, N., Hsu, S., & Li, J. (2012). Development and legitimacy of Chinese informal finance. *The Pacific Review*, 25(4), 495-511.
- Passas, N. (2016). *Informal Payments, Crime Control and Fragile Communities*. Paper presented at the SUERF – The European Money and Finance Forum, Vienna and Zurich.
- Passas, N. (2020). Trade and Illicit Flows: A Case Involving the United States, China and Mexico. *The Handbook of Global Trade Policy*, 251-268.
- Pathak, R. (2003). Obstacles to Regulating the Hawala: A Cultural Norm Or a Terrorist Hotbed, *The. Fordham Int'l LJ*, 27, 2007.
- Peck, M., Tonti, W., Stavrou, A., Rupe, J., Rong, C., & Kostyk, T. (2017). Reinforcing the links of the Blockchain. *IEEE Future Directions Blockchain Initiative White Paper*, 1-16.
- Perdicás, P. (1939). On History and Outlines of Greek Maritime Law. *Transactions of the Grotius Society*, 25, 33-50.
- Pernice, I. G., Henningsen, S., Proskalovich, R., Florian, M., Elendner, H., & Scheuermann, B. (2019). *Monetary stabilization in cryptocurrencies—design approaches and open questions*. Paper presented at the 2019 Crypto Valley Conference on Blockchain Technology (CVCBT). <https://arxiv.org/pdf/1905.11905>
- Pol, R. F. (2018). Anti-money laundering effectiveness: Assessing outcomes or ticking boxes? *Journal of Money Laundering Control*. doi: 10.1108/JMLC-07-2017-0029
- Polanyi, K. (2001). *The great transformation: the political and economic origins of our time* (Vol. 1). Boston: Beacon Press.
- Prasad, P. (1998). "Lekhapaddhati" documents and the Chaulukya inscriptions: A comparative study. *Proceedings of the Indian History Congress*, 59, 1050-1056.
- Promissory Note. (2020) *American heritage dictionary of the English language*, (5<sup>th</sup> ed.). (2011). Retrieved from <http://www.thefreedictionary.com/promissory+note>
- PwC. (2020). Securing your tomorrow, today. *The Future of Financial Services*: Price-waterhouse Cooper.
- Qureshi, A. I. (1938). Indigenous Banking and its Problems. *Indian Journal of Economics*, 18, 549.



- Qureshi, H. U., Lent, J. v., & Bearman, P. (2000). Glossary and index of terms to volumes I-IX. In P. J. Bearman, T. Bianquis, C. E. Bosworth, E. v. Donzel, & W. P. Heinrichs (Eds.), *The Encyclopedia of Islam New Edition* (Vol. 1, pp. 132 and 384). Leiden, The Netherlands: Koninklijke Brill.
- Rahman, M. M., & Yeoh, B. S. (2008). Social Organization of Hundi: Informal Remittance Transfer to South Asia. *Migrant Remittances in South Asia: Social, Economic and Political Implications*, 88.
- Rahman, F., & Schimmel, A. (2017). Islam. *The Legacy of Muhammad*. Retrieved October 20, 2017, from <https://www.britannica.com/topic/Islam>
- Ratner, T. (2020). Iran Has a Bitcoin Strategy to Beat Trump. *As the United States expands its sanctions, Iran has been ramping up its use of cryptocurrencies to get around them*. Retrieved from foreignpolicy.com website: <https://foreignpolicy.com/2020/01/24/iran-bitcoin-strategy-cryptocurrency-blockchain-sanctions/>
- Ray, N. D. (1997). The medieval Islamic system of credit and banking: legal and historical considerations. *Arab Law Quarterly*, 43-90.
- Razavy, M. (2005). Hawala: An underground haven for terrorists or social phenomenon?. *Crime, Law and Social Change*, 44(3), 277-299.
- RBI. (2020). Assessment of the progress of digitisation from cash to electronic. *Publications*. Retrieved from Reserve Bank of India website: <https://m.rbi.org.in/Scripts/PublicationsView.aspx?id=19417>
- Read, O., & Schäfer, S. (2020). Libra Project: Regulators Act on Global Stablecoins. *Intereconomics*, 55(6), 392-398.
- Rees, D. (2010). Money Laundering and Terrorism Financing Risks Posed by Alternative Remittance in Australia. *AIC reports. Research and Public Policy series.*, xiv.
- Reus-Smit, C. (1999). *The moral purpose of the state: culture, social identity, and institutional rationality in international relations* (Vol. 1): Princeton University Press.
- Reus-Smit, C. (2002). Imagining society: constructivism and the English School. *The British Journal of Politics & International Relations*, 4(3), 487-509. <https://doi.org/10.1111/1467-856X.00091>
- Reuter, P., & Truman, E. M. (2004). *Chasing dirty money* (Vol. 1). Washington D.C.: Institute for International Economics.
- Reuters. (2018). U.S. Bancorp to pay \$613 million for money-laundering violations. Retrieved July 1st, 2020, from <https://www.reuters.com/article/us-usa-usbancorp-idUSKCN1FZ1YJ>
- Reuters. (2021). Bitcoin law is only latest head-turner by El Salvador's 'millennial' president. *Americas*. Retrieved from: <https://www.reuters.com/world/americas/bitcoin-law-is-only-latest-head-turner-by-el-salvadors-millennial-president-2021-06-11/>
- Rietveld, J., Schilling, M. A., & Bellavitis, C. (2019). Platform strategy: Managing ecosystem value through selective promotion of complements. *Organization Science*, 30(6), 1232-1251.
- Riksbank. (2020, 29/04/2021). E-krona. *The e-krona - digital state money*. Retrieved June 10th, 2021, from <https://www.riksbank.se/en-gb/payments--cash/e-krona/>
- Rivera, J. W. (2019). Potential negative effects of a cashless society: Turning citizens into criminals and other economic dangers. *Journal of Money Laundering Control*, 22(2).
- Roach, K. (2011). *The 9/11 effect: Comparative counter-terrorism*: Cambridge University Press.
- Rogoff, K. (2014). *Costs and benefits to phasing out paper currency*. Paper presented at the NBER Macroeconomics Annual Conference, Cambridge, MA. <https://scholar.harvard.edu/files/rogoff/files/c13431.pdf>
- Rogoff, K. S. (2017). *The curse of cash: How large-denomination bills aid crime and tax evasion and constrain monetary policy*: Princeton University Press.

- Rosand, E. (2003). Security Council Resolution 1373, the Counter-Terrorism Committee, and the Fight against Terrorism. *The American Journal of International Law*, 97(2), 333-341. doi: 10.2307/3100110
- Rosand, E. (2004). The Security Council as Global Legislator: Ultra Vires or Ultra Innovative. *Fordham Int'l LJ*, 28, 542.
- Rosenau, J. N. (1995). Governance in the Twenty-first Century. *Global Governance*, 1(1), 13-43.
- Roth, J., Greenburg, D., & Wille, S. (2004). Monograph on Terrorist Financing. *Staff Report to the Commission*. Retrieved from National Commission on Terrorist Attacks Upon the United States website: [http://govinfo.library.unt.edu/911/staff\\_statements/911\\_TerrFin\\_Monograph.pdf](http://govinfo.library.unt.edu/911/staff_statements/911_TerrFin_Monograph.pdf)
- Rothermund, D. (1988). *An economic history of India: from pre-colonial times to 1986*: Routledge.
- Rustemi, J., & Tuchschnid, N. S. (2020). Facebook's Digital Currency Venture "Diem": the new Frontier... or a Galaxy far, far away? *Technology Innovation Management Review*, 10(12).
- Rudner, D. W. (1994). *Caste and capitalism in colonial India: the Nattukottai Chettiars*: University of California Press.
- Ruggie, J. G. (1992). Multilateralism: the anatomy of an institution. *International Organization*, 46(03), 561-598.
- Rychnovská, D. (2014). Securitization and the Power of Threat Framing. *Perspectives: review of Central European affairs*(2), 9-32.
- Sabnavis, M., Sawarkar, A., & Mishra, M. (2016). Economic consequences of demonetization of 500 and 1000 Rupee Notes. *Economics: Policy View. Economics Division of Credit Analysis & Research Limited (CARE Ratings)*.
- Salami, I. (2018). Terrorism financing with virtual currencies: Can regulatory technology solutions combat this? *Studies in Conflict & Terrorism*, 41(12), 968-989.
- Salami, I. (2020). Decentralized Finance: The Case for a Holistic Approach to Regulating the Crypto Industry. *Journal of International Banking and Financial Law*, 35(7), 496-499.
- Sandler, T., & Tschirhart, J. T. (1980). The economic theory of clubs: An evaluative survey. *Journal of economic literature*, 18(4), 1481-1521.
- Sandler, T., & Tschirhart, J. (1997). Club theory: Thirty years later. *Public choice*, 93(3-4), 335-355.
- Sater, S. (2020). Do We Need KYC/AML: The Bank Secrecy Act and Virtual Currency Exchanges. *Ark. L. Rev.*, 73, 397.
- Satoshi Nakamoto Institute. (2020). About. Retrieved December 6th, 2020, from <https://nakamotoinstitute.org/about/>
- Scamwatch. (2018). Making a Western Union refund claim. Retrieved June 12th, 2020, from <https://www.scamwatch.gov.au/news-alerts/making-a-western-union-refund-claim>
- Schär, F. (2021). Decentralized finance: On blockchain-and smart contract-based financial markets. *Federal Reserve Bank of St. Louis Review*, 103(2), pp. 153-174.
- Scheppele, K. L. (2006). The migration of anti-constitutional ideas: the post-9/11 globalization of public law and the international state of emergency. *The migration of constitutional ideas*, 347.
- Schimmel, A. (2014). *And Muhammad is his messenger: The veneration of the Prophet in Islamic piety*: UNC Press Books.
- Schmidt-Trenz, H.-J. (1990). *Außenhandel und Territorialität des Rechts: Grundlegung einer neuen Institutionenökonomik des Außenhandels*: Nomos-Verlag-Ges.
- Schneier, B. (2012). *Liars and outliers: enabling the trust that society needs to thrive*. Indianapolis: John Wiley & Sons.
- Schramm, M., & Taube, M. (2003). Evolution and institutional foundation of the hawala financial system. *International review of financial analysis*, 12(4), 405-420.

- Schrepel, T. (2019). Collusion by Blockchain and Smart Contracts. *Harvard Journal of Law and Technology*, 33(1).
- Schrepel, T. (2019a). Is blockchain the death of antitrust law? The blockchain antitrust paradox. 3 *Geo. L. Tech. Rev*, 281.
- Schrepel, T. (2020). Libra: A Concentrate of "Blockchain Antitrust". *Michigan Law Review Online*, 118(1), 160-169.
- Schwab, K. (2016). The Fourth Industrial Revolution: what it means, how to respond. *Global Agenda - Fourth Industrial Revolution*. Retrieved from: <https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>
- Schwab, K. (2019). Why we need the 'Davos Manifesto' for a better kind of capitalism. *Global Agenda - Corporate Governance - Governance for Sustainability - Geo-economics*. Retrieved from: <https://www.weforum.org/agenda/2019/12/why-we-need-the-davos-manifesto-for-better-kind-of-capitalism/>
- Schwab, K. (2020). A Better Economy Is Possible. But We Need to Reimagine Capitalism to Do It. *The Great Reset*. Retrieved from: <https://time.com/collection/great-reset/5900748/klaus-schwab-capitalism/>
- Schwab, K., & Malleret, T. (2020). *COVID-19: The Great Reset* (pp. 187).
- SEC. (2020). SEC Charges Ripple and Two Executives with Conducting \$1.3 Billion Unregistered Securities Offering [Press release]. Retrieved from <https://www.sec.gov/news/press-release/2020-338>
- Seidel, M.-D. L. (2018). Questioning Centralized Organizations in a Time of Distributed Trust. *Journal of Management Inquiry*, 27(1), 40-44. doi: 10.1177/1056492617734942
- Settle, A. (2020). The financial inclusion agenda: for poverty alleviation or monetary control? *Review of International Political Economy*, 1-27. doi: 10.1080/09692290.2020.1844780
- Shabani, O. A. P. (2003). *Democracy, power and legitimacy: The critical theory of Jürgen Habermas*: University of Toronto Press.
- Sharma, D. (2006). Historical Traces of Hundi, Sociocultural Understanding, and Criminal Abuses of Hawala. *International Criminal Justice Review*, 16(2), 99-121. doi: 10.1177/1057567706291737
- Shehu, A. Y. (2003). The Asian alternative remittance systems and money laundering. *Journal of Money Laundering Control*, 7(2), 175-185.
- Shiner, L. (1982). Reading Foucault: Anti-method and the genealogy of power-knowledge. *History and Theory*, 21(3), 382-398.
- Shuster, S. (2018). Exclusive: Russia Secretly Helped Venezuela Launch a Cryptocurrency to Evade U.S. Sanctions. *World*. Retrieved January 7th, 2021, from <https://time.com/5206835/exclusive-russia-petro-venezuela-cryptocurrency/>
- Sigalos, M. (2021). El Salvador looks to become the world's first country to adopt bitcoin as legal tender. *Tech*. Retrieved June 10th, 2021, from <https://www.cnbc.com/2021/06/05/el-salvador-becomes-the-first-country-to-adopt-bitcoin-as-legal-tender-.html>
- Singer, D. A. (2010). Migrant Remittances and Exchange Rate Regimes in the Developing World. *The American Political Science Review*, 104(2), 307-323. doi: 10.1017/S0003055410000110
- Skinner, Q. (2002). *Visions of politics* (Vol. 1): Cambridge University Press.
- SMH. (2020). 'We need to guillotine it': AUSTRAC given deadline for new Westpac claims. Retrieved July 1st, 2020, from <https://www.smh.com.au/business/banking-and-finance/we-need-to-guillotine-it-austrac-given-deadline-for-new-westpac-claims-20200617-p553gd.html>

- Smith, T. J. (2012). *Identification Requirements and Policy in Alternative Remittance: A measure of legislative adherence*. (Security Science Honours), Edith Cowan University, Perth, W.A. Retrieved from [http://ro.ecu.edu.au/theses\\_hons/67](http://ro.ecu.edu.au/theses_hons/67)
- Smith, T., & Cook, D. M. (2013). *Regulations for retail remittances: Compliance entropy in store-front transfers*. Paper presented at The 5th International Conference on Financial Criminology (ICFC), Kuala Lumpur, Malaysia. [http://mak.trunojoyo.ac.id/wp-content/uploads/2014/04/P02\\_Regulations-for-Retail-Remittances\\_David-Cook1.pdf](http://mak.trunojoyo.ac.id/wp-content/uploads/2014/04/P02_Regulations-for-Retail-Remittances_David-Cook1.pdf)
- SNI. (2020). About. Retrieved November 10th, 2020, from <https://nakamotoinstitute.org/about/>
- Snyder, M. (2013). World Bank Whistleblower Reveals How the Global Elite Rules the World. *The Economic Collapse Blog and Global Research*. Retrieved from Centre for Research on Globalization website: <https://www.globalresearch.ca/world-bank-whistleblower-reveals-how-the-global-elite-rule-the-world/5353130>
- Society. (2020). *Definition of society*. Retrieved January 8th, 2019, from <https://www.merriam-webster.com/dictionary/society>
- Solzhenitsyn, A. I. (2003). *The Gulag Archipelago, 1918-56: an experiment in literary investigation* (Vol. 3): Random House.
- Sontag, R. J. (1933). *European Diplomatic History, 1871-1932*: The Century Co.
- Southam News. (2001, Nov 08). 'Quartermasters of terror' uncovered; global dragnet shuts down two alleged terrorist financing networks, one situated in ottawa store: [final edition]. *The Windsor Star*, p. A15.
- Spies, O. (1972). Arabische Quellenbeiträge zum Rechtsinstitut der Delegation. *Zeitschrift für vergleichende Rechtswissenschaften einschließlich der ethnologischen Rechtsforschung*, 73, 17-47.
- Strike. (2021). Strike Drives Bitcoin Forward as El Salvador Becomes World's First Country to Adopt Bitcoin as Legal Tender. *Bitcoin Breaks New Ground for Human Freedom and Empowers Financial Inclusivity Via the Lightning Network*. Retrieved June 10th, 2021, from <https://www.businesswire.com/news/home/20210605005045/en/Strike-Drives-Bitcoin-Forward-as-El-Salvador-Becomes-World%E2%80%99s-First-Country-to-Adopt-Bitcoin-as-Legal-Tender>
- Spufford, P. (2006). From Antwerp and Amsterdam to London: the decline of financial centres in Europe. *De Economist*, 154(2), 143-175.
- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20(3), 571-610. doi: 10.2307/258788
- Suganami, H. (2010). The English school in a nutshell. *Ritsumeikan Annual Review of International Studies*, 9, 15-28.
- Supreme Court Of The United States. (2019). JAM ET AL. v. INTERNATIONAL FINANCE CORP. (Vol. 17-1011): Supreme Court Of The United States.
- Syakhroza, M. A., Paoletta, L., & Munir, K. (2019). Holier than thou? Identity buffers and adoption of controversial practices in the Islamic banking category. *Academy of Management Journal*, 62(4), 1252-1277.
- Sylvan, D., & Majeski, S. (1998). A methodology for the study of historical counterfactuals. *International Studies Quarterly*, 42(1), 79-108.
- Szasz, P. C. (2002). The Security Council starts legislating. *The American Journal of International Law*, 96(4), 901-905. doi: 10.2307/3070686
- Talmon, S. (2005). The Security Council as world legislature. *The American Journal of International Law*, 99(1), 175-193.
- Tamagna, F. M. (1942). *Banking and finance in China*: International Secretariat, Institute of Pacific Relations.

- Tan, R., & Tan, W-L. (2011). *From communal entrepreneurship to international networks: The case of the chettians in Asia*. Paper presented at the ICSB World Conference Proceedings, Washington.
- Taskinsoy, J. (2018). Bitcoin Mania: An End to the US Dollar's Hegemony or another Cryptocurrency Experiment Destined to Fail? *SSRN Electronic Journal*. doi: 10.2139/ssrn.3311989
- Tether. (2020). About Tether. Retrieved December 22nd, 2020, from <https://tether.to/faqs/>
- The Conversation. (2018). Commonwealth Bank's \$700 million fine will end up punishing its customers. Retrieved June 29, 2020, from <https://theconversation.com/commonwealth-banks-700-million-fine-will-end-up-punishing-its-customers-97918>
- The Crypto Sight. (2020). Ethereum Baseline Protocol Code Donated to Public Domain On Github. Retrieved December 6th, 2020, from <https://thecryptosight.com/ethereum-baseline-protocol-code-donated-to-public-domain-on-github/>
- The Guardian. (2018). Banking royal commission hears broker viewed Westpac loans as 'easier' to get. Retrieved July 1st, 2020, from <https://www.theguardian.com/australia-news/2018/mar/16/banking-royal-commission-hears-broker-viewed-westpac-loans-as-easier-to-get>
- The Wire. (2018). Cobrapost Expose: Senior VP at Paytm Claims Firm Was Asked to Share User Data with PMO. Retrieved July 26th, 2020, from <https://thewire.in/media/cobrapost-expose-top-paytm-official-claims-that-firm-was-asked-to-share-user-data-with-pmo>
- Thomas, P. N. (2019). *The Politics of Digital India: Between Local Compulsions and Transnational Pressures*: Oxford University Press.
- Thompson, E. A. (2007). Misplaced blame: Islam, terrorism and the origins of Hawala. *Yearbook of United Nations Law*, 11, 279-305.
- Thompson, E. A. (2008). An introduction to the concept and origins of hawala. *Journal of the History of International Law*, 10, 83. doi: 10.1163/157180508X308509
- Thompson, E. (2011). *Trust Is The Coin Of The Realm: Lessons From The Money Men In Afghanistan*. Karachi, Pakistan: Oxford University Press.
- Topik, S. (2001). International banking started with the Rothschilds. *World Trade*, 14(2), 78.
- Tradition. (2020). Retrieved April 10th, 2018, from <https://www.merriam-webster.com/dictionary/tradition>
- Trautsoit, J., & Johnsen, J. (2012). International anti-money laundering regulation of alternative remittance systems: Why the current approach does not work in developing countries. *Journal of Money Laundering Control*, 15(4), 407-420.
- Tsekeris, C., & Mastrogeorgiou, Y. (2020). Contextualising COVID-19 as a Digital Pandemic. *Homo Virtualis*, 3(2), 1-14.
- Tsin, M. (1995). Asia in Western and world history. Retrieved September 20th, 2017, from [http://afe.easia.columbia.edu/timelines/china\\_timeline.htm](http://afe.easia.columbia.edu/timelines/china_timeline.htm)
- UN. (1948). Universal Declaration of Human Rights. Retrieved March 26th, 2015, from <http://www.un.org/en/documents/udhr/>
- UN. (1999). International Convention for the Suppression of the Financing of Terrorism. Retrieved from: <https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>
- UN. (2009). *The Global Economic Crisis: Systemic Failures and Multilateral Remedies*. Paper presented at the UN Conference on Trade and Development, New York and Geneva.
- UN. (2013). Inequality Matters. *Report on the World Social Situation*. Retrieved from: <http://www.un.org/esa/socdev/documents/reports/InequalityMatters.pdf>
- UN. (2016). Charter of the United Nations: Chapter VII. *Actions with respect to threats to the peace, breaches of the peace, and acts of aggression*. Retrieved August 18th, 2016, from <http://www.un.org/en/sections/un-charter/chapter-vii/index.html>

- UN. (2017). Charter of the United Nations. *Chapter V: The Security Council*. Retrieved June 1st, 2017, from <http://www.un.org/en/sections/un-charter/chapter-v/index.html>
- UN. (2018). Secretary-General's Address to the General Assembly. Retrieved from: <https://www.un.org/sg/en/content/sg/statement/2018-09-25/secretary-generals-address-general-assembly-delivered-trilingual>
- UN. (2020). Charter of the United Nations. *Chapter I: Purposes and Principles*. Retrieved Mar 19, 2020, from <https://www.un.org/en/sections/un-charter/chapter-i/index.html>
- UN. (2020a). Charter of the United Nations: Chapter V. *The Security Council: Functions and Powers Article 24(2)*. Retrieved March 20, 2020, from <http://www.un.org/en/sections/un-charter/chapter-v/index.html>
- UN. (2021). International Legal Instruments on Terrorism. Retrieved December 2nd, 2021, from <https://www.un.org/counterterrorism/international-legal-instruments>
- UNGA. (2001). Fifty-sixth session. *25th plenary meeting*, (A/56/PV.25). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/56/PV.25](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/56/PV.25)
- UNGA. (2001a). Fifty-sixth session. *28th plenary meeting*, (A/56/PV.28). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/56/PV.28](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/56/PV.28)
- UNGA. (2001b). Fifty-sixth session. *33rd plenary meeting*, (A/56/PV.33). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/56/PV.33](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/56/PV.33)
- UNGA. (2001c). Fifty-sixth session. *34th plenary meeting*, (A/56/PV.34). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/56/PV.34](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/56/PV.34)
- UNGA. (2001d). Fifty-sixth session. *36th plenary meeting*, (A/56/PV.36). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/56/PV.36](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/56/PV.36)
- UNGA. (2010). Promotion and protection of human rights and fundamental freedoms while countering terrorism. *Report of the Special Rapporteur, Martin Scheinin*, (A/65/258). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/65/258](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/65/258)
- UNGASC. (2001). Letter dated 13 September 2001 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/354--S/2001/866). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/866](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/866)
- UNGASC. (2001a). Letter dated 13 September 2001 from the Permanent Representative of Pakistan to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/368--S/2001/877). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/877](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/877)
- UNGASC. (2001b). Identical letters dated 14 September 2001 from the Permanent Representative of Afghanistan to the United Nations addressed to the Secretary-General and the President of the Security Council. *The situation in Afghanistan and its implications for international peace and security*, (A/56/365--S/2001/870). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/870](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/870)
- UNGASC. (2001c). Letter dated 14 September 2001 from the Chargé d'affaires a.i. of the Permanent Mission of Qatar to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/363--S/2001/869). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/869](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/869)
- UNGASC. (2001d). Letter dated 20 September 2001 from the Permanent Representative of Georgia to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/387--S/2001/893). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/893](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/893)
- UNGASC. (2001e). Letter dated 24 September 2001 from the Permanent Representative of the United Arab Emirates to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/401--S/2001/903). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/903](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/903)

- UNGASC. (2001f). Letter dated 25 September 2001 from the representatives of Azerbaijan, Georgia, the Republic of Moldova, Ukraine and Uzbekistan to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/405–S/2001/906). Retrieved from:  
[http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/906](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/906)
- UNGASC. (2001g). Identical letters dated 25 September 2001 from the Permanent Representative of Belgium to the United Nations addressed to the Secretary-General and the President of the Security Council. *Measures to eliminate international terrorism*, (A/56/407--S/2001/909). Retrieved from:  
[http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/909](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/909)
- UNGASC. (2001h). Letter dated 27 September 2001 from the Permanent Representative of China to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/410–S/2001/914). Retrieved from:  
[http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/914](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/914)
- UNGASC. (2001i). Letter dated 27 September 2001 from the Permanent Representative of Argentina to the United Nations addressed to the Secretary-General. *Measures to eliminate international terrorism*, (A/56/414--S/2001/917). Retrieved from:  
[http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/917](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/917)
- UNODC. (2011). Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes. 140. [http://www.unodc.org/documents/data-and-analysis/Studies/Illicit\\_financial\\_flows\\_2011\\_web.pdf](http://www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf)
- UNSC. (1999). Resolution 1267. *S/RES/1267*. Retrieved from:  
<http://unscr.com/en/resolutions/doc/1267>
- UNSC. (2001). Resolution 1373 (2001). *Adopted by the Security Council at its 4385th meeting, on 28 September 2001*. Retrieved from: <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N01/557/43/PDF/N0155743.pdf?OpenElement>
- UNSC. (2001a). Resolution 1368 (2001). *Adopted by the Security Council at its 4370th meeting, on 12 September 2001*, (S/RES/1368). Retrieved from:  
<http://www.un.org/en/sc/meetings/records/2001.shtml>
- UNSC. (2001b). 4370th meeting. *Threats to international peace and security caused by terrorist acts*, (S/PV.4370). Retrieved from: <http://www.un.org/en/sc/meetings/records/2001.shtml>
- UNSC. (2001c). 4385th meeting. *Threats to international peace and security caused by terrorist acts*, (S/PV.4385). Retrieved from: <http://www.un.org/en/sc/meetings/records/2001.shtml>
- UNSC. (2001d). Note by the President of the Security Council. *Additional statements of representatives from the 4370th meeting*, (S/2001/864). Retrieved from:  
<http://www.un.org/en/sc/documents/notes/2001.shtml>
- UNSC. (2001e). Letter dated 12 September 2001 from the Permanent Representative of Belgium to the United Nations addressed to the Secretary-General. (S/2001/894). Retrieved from:  
[http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/894](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/894)
- UNSC. (2001f). Letter dated 18 September 2001 from the Permanent Representative of Iraq to the United Nations addressed to the Secretary-General. (S/2001/888). Retrieved from:  
[http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/888](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/888)
- UNSC. (2001g). Letter dated 18 September 2001 from the Permanent Representative of Mali to the United Nations addressed to the President of the Security Council. (S/2001/895). Retrieved from: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2001/895](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2001/895)
- UNSC. (2003). UN Security Council Resolution 1456. *Combatting Terrorism*. Retrieved from Council on Foreign Relations website: <http://www.cfr.org/terrorism-and-the-law/un-security-council-resolution-1456-combatting-terrorism/p24827>
- UNSC. (2004). Resolution 1540 (2004). *4956th meeting*. Retrieved from:  
[https://undocs.org/S/RES/1540\(2004\)](https://undocs.org/S/RES/1540(2004))

- UNSC. (2017). About the Counter-Terrorism Committee. Retrieved June 6th, 2017, from <https://www.un.org/sc/ctc/about-us/>
- UPI. (2020). Justice Dept. seizes \$1B in bitcoin tied to shuttered Silk Road drug site. *U.S. News*. Retrieved December 17th, 2020, from [https://www.upi.com/Top\\_News/US/2020/11/05/Justice-Dept-seizes-1B-in-bitcoin-tied-to-shuttered-Silk-Road-drug-site/9191604602409/](https://www.upi.com/Top_News/US/2020/11/05/Justice-Dept-seizes-1B-in-bitcoin-tied-to-shuttered-Silk-Road-drug-site/9191604602409/)
- USDoJ. (2020). Six Former eBay Employees Charged with Aggressive Cyberstalking Campaign Targeting Natick Couple [Press release]. Retrieved from <https://www.justice.gov/usao-ma/pr/six-former-ebay-employees-charged-aggressive-cyberstalking-campaign-targeting-natick>
- USS. (2013). *JPMorgan Chase Whale Trades: A case history of derivatives risks and abuses*. Washington D.C.: United States Senate. Retrieved from [https://www.hsgac.senate.gov/imo/media/doc/REPORT%20-%20JPMorgan%20Chase%20Whale%20Trades%20\(4-12-13\).pdf](https://www.hsgac.senate.gov/imo/media/doc/REPORT%20-%20JPMorgan%20Chase%20Whale%20Trades%20(4-12-13).pdf)
- Van De Mierop, M. (2015). *A History of the Ancient near East, Ca. 3000-323 BC*. Hoboken, UNITED STATES: John Wiley & Sons, Incorporated.
- Van der Smagt, T. (2006). Causation and constitution in system dynamics: modeling a socially constituted world. *Systems Research and Behavioral Science*, 23(4), 513-524.
- Veenhof, K. R. (2010). Ancient Assur: The city, its traders, and its commercial network. *Journal of the Economic and Social History of the Orient*, 53(1-2), 39-82. doi: 10.1163/002249910X12573963244205
- Veenhof, K. R., & Eidem, J. (2008). *Mesopotamia: The Old Assyrian Period* (Vol. 160): Academic Press/Vandenhoeck & Ruprecht.
- Veith, C. C. (1949). *Citadels of Chaos*: Meador Publishing Company.
- Vergne, J. (2020). Decentralized vs. Distributed Organization: Blockchain, Machine Learning and the Future of the Digital Platform. *Organization Theory*, 1(4), 2631787720977052.
- Viles, T. (2008). Hawala, hysteria and hegemony. *Journal of Money Laundering Control*, 11(1), 25-33.
- Vincent, R. J. (1986). *Human rights and international relations*: Cambridge University Press.
- Vincent, J. (1992). Modernity and Universal Human Rights. *Global politics*, 269-292.
- Vincent, J. (1994). The place of theory in the practice of human rights. In R. O'Neill & P. Wilson (Eds.), *Two Worlds of International Relations*. London: Routledge. London: Routledge.
- Vincent, J. (2014). Historical, Religious and Scholastic Prohibition of Usury: The Common Origins of Western and Islamic Financial Practices. *Law School Student Scholarship*, 600.
- Visa. (2020). Visa Prepaid Cards. Retrieved June 25th, 2020, from <https://usa.visa.com/pay-with-visa/cards/prepaid-cards.html>
- Vitali, S., Glattfelder, J. B., & Battiston, S. (2011). The Network of Global Corporate Control. *PLOS ONE*, 6(10), e25995. doi: 10.1371/journal.pone.0025995
- Vodafone. (2020). What is M-Pesa? Retrieved June 2nd, 2020, from <https://www.vodafone.com/what-we-do/services/m-pesa>
- Vogel, F. E., & Hayes, S. L. (1998). *Islamic law and finance: religion, risk, and return* (Vol. 16): Brill.
- Voorhies, R., Lamb, J., & Oxman, M. (2013). Fighting poverty, profitably: Transforming the economics of payments to build sustainable, inclusive financial systems *Special Report on Financial Services for the Poor*: Bill and Melinda Gates Foundation.
- VPN University. (2019). How to pay for a VPN anonymously with a prepaid debit card. Retrieved June 26th, 2020, from <https://www.vpnuniversity.com/guide/how-to-pay-anonymously-with-prepaid-debit-card>
- Waltz, K. N. (1979). *Theory of international politics* (Vol. 1). Phillipines: Addison-Wesley Publishing Company.



- Wank, D. L. (1999). Producing property rights: strategies, networks, and efficiency in urban China's nonstate firms. In J. Oi & A. Walder (Eds.), *Property rights and economic reform in China* (pp. 248-274). Stanford, CA: Stanford University Press.
- Ward, C. A. (2003). Building Capacity to Combat International Terrorism: The Role of the United Nations Security Council. *Journal of Conflict and Security Law*, 8(2), 289-305. doi: 10.1093/jcsl/8.2.289
- Washington Post. (2020). Former eBay executives charged with cyberstalking after allegedly sending bloody pig mask to bloggers. *Technology*. Retrieved from The Washington Post website: <https://www.washingtonpost.com/technology/2020/06/15/ebay-former-employees-cyberstalking/>
- Watson, A. (1995). Foreword. In J. D. Derian (Ed.), *International Theory: Critical Investigations* (Vol. 1, pp. ix-xvii). London: Macmillan Press.
- Watson, A. (2009). *The Evolution of International Society: A Comparative Historical Analysis Reissue with a new introduction by Barry Buzan and Richard Little*. Routledge.
- Weatherford, J. (1997). *The history of money from sandstone to cyberspace*: Three Rivers Press.
- Wendt, A. (1998). On constitution and causation in international relations. *Review of International Studies*, 24(05), 101-118.
- Wendt, A. (1999). *Social theory of international politics*. United Kingdom: Cambridge University Press.
- Wendt, A. (2000). On the via Media: A Response to the Critics. *Review of International Studies*, 26(1), 165-180. doi: 10.2307/20097665
- Western Union. (2019). Our Vision. *A Heritage of Innovation*. Retrieved June 12th, 2020, from <https://corporate.westernunion.com/our-vision.html>
- Western Union. (2020). Fraud Awareness with Western Union US. Retrieved June 12th, 2020, from <https://www.westernunion.com/US/en/fraudawareness/fraud-home.html>
- Western Union Remission. (2020). United States v Western Union Remission Website. Retrieved June 12th, 2020, from <http://www.westernunionremission.com>
- Wheeler, N. J. (1992). Pluralist or solidarist conceptions of international society: Bull and Vincent on humanitarian intervention. *Millennium-Journal of International Studies*, 21(3), 463-487.
- Wheeler, N. J. (2000). *Saving strangers: humanitarian intervention in international society*. Oxford: Oxford University Press.
- Wheeler, N. J., & Dunne, T. (1996). Hedley Bull's pluralism of the intellect and solidarism of the will. *International Affairs*, 72(1), 91-107.
- Wheeler, N. J. (2000). *Saving strangers: humanitarian intervention in international society*. Oxford: Oxford University Press.
- Wheeler, N. J. (2009). Beyond Waltz's Nuclear World: More Trust May be Better. *International Relations*, 23(3), 428-445. doi: 10.1177/0047117809340489
- Wight, G., & Porter, B. (Eds.). (1994). *International theory: the three traditions*. Leicester: Leicester University Press.
- Wilkinson, R. (Ed.). (2005). *The Global Governance Reader*: Routledge.
- Wilks, S. (2020). The Reimagined Schoolyard: Cryptocurrency's Adoption in Tomorrow's International Monetary Order. *Boston College Intellectual Property & Technology Forum*, 1(1), 43.
- Williams, M. (2010). *Uncontrolled Risk*: McGraw Hill Professional.
- Williamson, O. E. (1979). Transaction-cost economics: the governance of contractual relations. *The journal of Law and Economics*, 22(2), 233-261.
- Wilson, R. (1983). *Banking and finance in the Arab Middle East* (Vol. 1). Surrey, England: Macmillan Publishers Ltd.

- Wilson, R. (2012). *Legal, regulatory and governance issues in Islamic finance*: Edinburgh University Press.
- World Bank. (2007). General principles for international remittance services. *Committee on Payment and Settlement Systems*, 1, 55. Retrieved from: [http://siteresources.worldbank.org/INTPAYMENTREMITTANCE/Resources/New\\_Remittance\\_Report.pdf](http://siteresources.worldbank.org/INTPAYMENTREMITTANCE/Resources/New_Remittance_Report.pdf)
- World Bank. (2019). Migration and Remittances Brief 31. *Recent Developments and Outlook*. Retrieved from: <https://www.knomad.org/sites/default/files/2019-04/Migrationanddevelopmentbrief31.pdf>
- World Bank. (2021). Universal Financial Access 2020. Retrieved February 3rd, 2021, 2021, from <https://ufa.worldbank.org/>
- World Economic Forum. (2015a). We need to press restart on the global economy. *Future of Economic Progress*. Retrieved April 23rd, 2021, from <https://www.weforum.org/agenda/2015/11/we-need-to-press-restart-on-the-global-economy/>
- World Economic Forum. (2016). How to Reboot the Global Economy? *Davos Open Forum*. Retrieved April 23rd, 2021, from [https://www.weforum.org/open-forum/event\\_sessions/how-to-reboot-the-global-economy](https://www.weforum.org/open-forum/event_sessions/how-to-reboot-the-global-economy)
- World Economic Forum. (2017). We need to reset the global operating system to achieve the SDGs. Here's how. *Global Agenda - Future of Economic Progress - Sustainable Development - Global Governance*. Retrieved April 23rd, 2021, from <https://www.weforum.org/agenda/2017/01/we-need-to-upgrade-the-sustainable-development-goals-here-s-how/>
- World Economic Forum. (2018a). The Global Financial and Monetary System in 2030. *Global Future Council on Financial and Monetary Systems*. Retrieved from: <https://www.weforum.org/reports/the-global-financial-and-monetary-system-in-2030>
- World Economic Forum. (2019). This new form of currency could transform the way we see money. *Global Agenda: Financial and Monetary Systems*. Retrieved November 10th, 2020, from <https://www.weforum.org/agenda/2019/04/this-new-form-of-currency-could-transform-the-way-we-see-money/>
- World Economic Forum. (2020). The benefits of a cashless society. *World Economic Forum Annual Meeting Report*. Retrieved July 22nd, 2020, from <https://www.weforum.org/agenda/2020/01/benefits-cashless-society-mobile-payments/>
- World Economic Forum. (2020a). Central Bank Digital Currency Policy-Maker Toolkit. *Centre for the Fourth Industrial Revolution*. Retrieved from: [http://www3.weforum.org/docs/WEF\\_CBDC\\_Policymaker\\_Toolkit.pdf](http://www3.weforum.org/docs/WEF_CBDC_Policymaker_Toolkit.pdf)
- World Economic Forum. (2020b). The Great Reset. Retrieved November 23rd, 2020, from <https://www.weforum.org/great-reset>
- World Economic Forum. (2020c). Global Technology Governance Report 2021: Harnessing Fourth Industrial Revolution Technologies in a COVID-19 World. *Blockchain*, pp. 29-36. Retrieved from: [http://www3.weforum.org/docs/WEF\\_Global\\_Technology\\_Governance\\_2020.pdf](http://www3.weforum.org/docs/WEF_Global_Technology_Governance_2020.pdf)
- Wyatt, T., & O'Flaherty, W. (Eds.). (1981). *The Rig Veda: An Anthology* (Vol. 402): Penguin Books India.
- Yang, L.-s. (1952). *Money and credit in China*: Harvard university press.
- Yanagawa, N., & Yamaoka, H. (2019). Digital Innovation, Data Revolution and Central Bank Digital Currency: Bank of Japan.
- Yoffee, N. (1979). The decline and rise of Mesopotamian civilization: An ethnoarchaeological perspective on the evolution of social complexity. *American Antiquity*, 44(1), 5-35.
- Yousef, T. M. (2004). The Murabaha syndrome in Islamic finance: laws, institutions and politics. *The politics of Islamic finance*, 63-80.

- Yusoff, L. M. M., Rahman, A. A., & Alias, N. (2001). Interest rate and loan supply: Islamic versus conventional banking system. *Jurnal kullumi Malaysia*, 35, 61-68.
- Zahraa, M. (2000). Characteristic features of Islamic law: perceptions and misconceptions. *Arab Law Quarterly*, 15, 168.
- Zero Hedge. (2020). Federal Reserve To Quarantine Dollars From Asia On Covid-19 Transmission Concerns. Retrieved July, 22nd, 2020, from <https://www.zerohedge.com/markets/who-warns-dirty-banknotes-may-be-spreading-virus-worldwide>
- Zetsche, D. A., Buckley, R. P., & Arner, D. W. (2019). Regulating LIBRA: The transformative potential of Facebook's cryptocurrency and possible regulatory responses. *University of Hong Kong Faculty of Law Research Paper*. Retrieved from: <http://www.ssrn.com/link/UNSW-LEG.html>
- Zhang, S., & Lee, J.-H. (2020). Analysis of the main consensus protocols of blockchain. *ICT Express*, 6(2), 93-97. doi: <https://doi.org/10.1016/j.icte.2019.08.001>
- Zhao, W., Li, H., & Yuan, Y. (2021). Understand Volatility of Algorithmic Stablecoin: Modeling, Verification and Empirical Analysis. *arXiv e-prints*, 1(2101.08423).
- Zumbansen, P. (2013). Transnational private regulatory governance: ambiguities of public authority and private power. *Law & Contemp. Probs.*, 76, 117.

# Appendices

## Appendix 1.1

### United Nations Security Council Resolution 1373 (UNSC, 2001)

United Nations

S/RES/1373 (2001)



**Security Council**

Distr.: General

28 September 2001

---

#### **Resolution 1373 (2001)**

**Adopted by the Security Council at its 4385th meeting, on  
28 September 2001**

*The Security Council,*

*Reaffirming* its resolutions 1269 (1999) of 19 October 1999 and 1368 (2001) of 12 September 2001,

*Reaffirming also* its unequivocal condemnation of the terrorist attacks which took place in New York, Washington, D.C. and Pennsylvania on 11 September 2001, and expressing its determination to prevent all such acts,

*Reaffirming further* that such acts, like any act of international terrorism, constitute a threat to international peace and security,

*Reaffirming* the inherent right of individual or collective self-defence as recognized by the Charter of the United Nations as reiterated in resolution 1368 (2001),

*Reaffirming* the need to combat by all means, in accordance with the Charter of the United Nations, threats to international peace and security caused by terrorist acts,

*Deeply concerned* by the increase, in various regions of the world, of acts of terrorism motivated by intolerance or extremism,

*Calling* on States to work together urgently to prevent and suppress terrorist acts, including through increased cooperation and full implementation of the relevant international conventions relating to terrorism,

*Recognizing* the need for States to complement international cooperation by taking additional measures to prevent and suppress, in their territories through all lawful means, the financing and preparation of any acts of terrorism,

*Reaffirming* the principle established by the General Assembly in its declaration of October 1970 (resolution 2625 (XXV)) and reiterated by the Security Council in its resolution 1189 (1998) of 13 August 1998, namely that every State has the duty to refrain from organizing, instigating, assisting or participating in terrorist acts in another State or acquiescing in organized activities within its territory directed towards the commission of such acts,

*Acting* under Chapter VII of the Charter of the United Nations,

01-55743 (E)



1. *Decides* that all States shall:
  - (a) Prevent and suppress the financing of terrorist acts;
  - (b) Criminalize the wilful provision or collection, by any means, directly or indirectly, of funds by their nationals or in their territories with the intention that the funds should be used, or in the knowledge that they are to be used, in order to carry out terrorist acts;
  - (c) Freeze without delay funds and other financial assets or economic resources of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds derived or generated from property owned or controlled directly or indirectly by such persons and associated persons and entities;
  - (d) Prohibit their nationals or any persons and entities within their territories from making any funds, financial assets or economic resources or financial or other related services available, directly or indirectly, for the benefit of persons who commit or attempt to commit or facilitate or participate in the commission of terrorist acts, of entities owned or controlled, directly or indirectly, by such persons and of persons and entities acting on behalf of or at the direction of such persons;
2. *Decides also* that all States shall:
  - (a) Refrain from providing any form of support, active or passive, to entities or persons involved in terrorist acts, including by suppressing recruitment of members of terrorist groups and eliminating the supply of weapons to terrorists;
  - (b) Take the necessary steps to prevent the commission of terrorist acts, including by provision of early warning to other States by exchange of information;
  - (c) Deny safe haven to those who finance, plan, support, or commit terrorist acts, or provide safe havens;
  - (d) Prevent those who finance, plan, facilitate or commit terrorist acts from using their respective territories for those purposes against other States or their citizens;
  - (e) Ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts or in supporting terrorist acts is brought to justice and ensure that, in addition to any other measures against them, such terrorist acts are established as serious criminal offences in domestic laws and regulations and that the punishment duly reflects the seriousness of such terrorist acts;
  - (f) Afford one another the greatest measure of assistance in connection with criminal investigations or criminal proceedings relating to the financing or support of terrorist acts, including assistance in obtaining evidence in their possession necessary for the proceedings;
  - (g) Prevent the movement of terrorists or terrorist groups by effective border controls and controls on issuance of identity papers and travel documents, and through measures for preventing counterfeiting, forgery or fraudulent use of identity papers and travel documents;

3. *Calls upon all States to:*

(a) Find ways of intensifying and accelerating the exchange of operational information, especially regarding actions or movements of terrorist persons or networks; forged or falsified travel documents; traffic in arms, explosives or sensitive materials; use of communications technologies by terrorist groups; and the threat posed by the possession of weapons of mass destruction by terrorist groups;

(b) Exchange information in accordance with international and domestic law and cooperate on administrative and judicial matters to prevent the commission of terrorist acts;

(c) Cooperate, particularly through bilateral and multilateral arrangements and agreements, to prevent and suppress terrorist attacks and take action against perpetrators of such acts;

(d) Become parties as soon as possible to the relevant international conventions and protocols relating to terrorism, including the International Convention for the Suppression of the Financing of Terrorism of 9 December 1999;

(e) Increase cooperation and fully implement the relevant international conventions and protocols relating to terrorism and Security Council resolutions 1269 (1999) and 1368 (2001);

(f) Take appropriate measures in conformity with the relevant provisions of national and international law, including international standards of human rights, before granting refugee status, for the purpose of ensuring that the asylum-seeker has not planned, facilitated or participated in the commission of terrorist acts;

(g) Ensure, in conformity with international law, that refugee status is not abused by the perpetrators, organizers or facilitators of terrorist acts, and that claims of political motivation are not recognized as grounds for refusing requests for the extradition of alleged terrorists;

4. *Notes with concern the close connection between international terrorism and transnational organized crime, illicit drugs, money-laundering, illegal arms-trafficking, and illegal movement of nuclear, chemical, biological and other potentially deadly materials, and in this regard emphasizes the need to enhance coordination of efforts on national, subregional, regional and international levels in order to strengthen a global response to this serious challenge and threat to international security;*

5. *Declares that acts, methods, and practices of terrorism are contrary to the purposes and principles of the United Nations and that knowingly financing, planning and inciting terrorist acts are also contrary to the purposes and principles of the United Nations;*

6. *Decides to establish, in accordance with rule 28 of its provisional rules of procedure, a Committee of the Security Council, consisting of all the members of the Council, to monitor implementation of this resolution, with the assistance of appropriate expertise, and calls upon all States to report to the Committee, no later than 90 days from the date of adoption of this resolution and thereafter according to a timetable to be proposed by the Committee, on the steps they have taken to implement this resolution;*

7. *Directs the Committee to delineate its tasks, submit a work programme within 30 days of the adoption of this resolution, and to consider the support it requires, in consultation with the Secretary-General;*

8. *Expresses* its determination to take all necessary steps in order to ensure the full implementation of this resolution, in accordance with its responsibilities under the Charter;
  9. *Decides* to remain seized of this matter.
-

## Appendix 1.2

United Nations Security Council 4385<sup>th</sup> meeting (notes) (UNSC, 2001c)

United Nations

S/PV.4385



### Security Council

Fifty-sixth year

*Provisional*

### 4385<sup>th</sup> meeting

Friday, 28 September 2001, 9.55 p.m.  
New York

---

<i>President:</i>	Mr. Levitte . . . . .	(France)
<i>Members:</i>	Bangladesh . . . . .	Mr. Ahsan
	China . . . . .	Mr. Wang Yingfan
	Colombia . . . . .	Mr. Valdivieso
	Ireland . . . . .	Mr. Ryan
	Jamaica . . . . .	Miss Durrant
	Mali . . . . .	Mr. Ouane
	Mauritius . . . . .	Mr. Koonjul
	Norway . . . . .	Mr. Kolby
	Russian Federation . . . . .	Mr. Lavrov
	Singapore . . . . .	Mr. Mahbubani
	Tunisia. . . . .	Mr. Mejdoub
	Ukraine . . . . .	Mr. Kuchinsky
	United Kingdom of Great Britain and Northern Ireland . . . .	Sir Jeremy Greenstock
	United States of America . . . . .	Mr. Negroponte

### Agenda

Threats to international peace and security caused by terrorist acts

---

This record contains the text of speeches delivered in English and of the interpretation of speeches delivered in the other languages. The final text will be printed in the *Official Records of the Security Council*. Corrections should be submitted to the original languages only. They should be incorporated in a copy of the record and sent under the signature of a member of the delegation concerned to the Chief of the Verbatim Reporting Service, room C-178.

01-55731 (E)





*The meeting was called to order at 9.55 p.m.*

**Adoption of the agenda**

*The agenda was adopted.*

**Threats to international peace and security caused by terrorist acts**

**The President** (*spoke in French*): The Security Council will now begin its consideration of the item of the agenda. The Council is meeting in accordance with the understanding reached in its prior consultations.

Members of the Council have before them document S/2001/921, which contains the text of a draft resolution prepared in the course of the Council's prior consultations.

I should also like to draw the attention of the members of the Council to the following documents: S/2001/894, S/2001/877, S/2001/869, S/2001/870, S/2001/888, S/2001/895, S/2001/893, S/2001/909, S/2001/903, S/2001/906 and S/2001/914.

It is my understanding that the Council is ready to proceed to the vote on the draft resolution before it. Unless I hear any objection, I shall put the draft resolution to the vote now.

There being no objection, it is so decided.

*A vote was taken by show of hands.*

*In favour:*

Bangladesh, China, Colombia, France, Ireland, Jamaica, Mali, Mauritius, Norway, Russian Federation, Singapore, Tunisia, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America

**The President** (*spoke in French*): There were 15 votes in favour. The draft resolution has been adopted unanimously as resolution 1373 (2001).

The Security Council has thus concluded the present stage of its consideration of the item on its agenda. The Council will remain seized of the matter.

*The meeting rose at 10 p.m.*

## Appendix 2.1

Appendix 2.1 Is an alternative copy of the translated merchants prayer from Atharva Veda, Book 3, Hymn 15 (Griffith, 1895).

### HYMN XV

A merchant's prayer for success in his business  
I stir and animate the merchant Indra; may he approach and  
be our guide and leader. p. a83  
Chasing ill-will, wild beast, and highway robber, may he who  
hath the power give me riches.  
The many paths which Gods are wont to travel, the paths which  
go between the earth and heaven,  
May they rejoice with me in milk and fatness that I may make  
rich profit by my purchase.  
With fuel. Agni! and with butter, longing, mine offering I  
present for strength and conquest;  
With prayer, so far as I have strength, adoring—this holy hymn  
to gain a hundred treasures.  
Pardon this stubbornness of ours. O Agni, the distant pathway  
which our feet have trodden.  
Propitious unto us be sale and barter, may interchange of mer-  
chandise enrich me.  
Accept, ye twain, accordant, this libation! Prosperous be our  
ventures and incomings.  
The wealth wherewith I carry on my traffic, seeking, ye Gods!  
wealth with the wealth I offer,  
May this grow more for me, not less: O Agni, through sacrifice  
chase those who hinder profit!  
The wealth wherewith I carry on my traffic, seeking, ye Gods!  
wealth with the wealth I offer,  
Herein may Indra, Savitar, and Soma, Prajāpati, and Agni give  
me splendour.  
With reverence we sign thy praise, O Hotar-priest Vaisvānara.  
Over our children keep thou watch, over our bodies, kine, and  
lives.  
Still to thee ever will we bring oblation, as to a stabled horse, O  
Jātavedas.  
Joying in food and in the growth of riches may we thy servants,  
Agni, never suffer.

## Appendix 2.2

Appendix 2.2 is a copy of the translated merchants prayer from Book 3 Hymn 15 from Atharvaveda (Bhargava, 1935, p. 6).

HYMN XV

I store up in trade, Indra... ...the many roads travelled by the gods, that go about between heaven and earth, -let them enjoy me with milk, with ghee, that dealing I may get riches with fuel, O Agni, with ghee, I, desiring offer the oblation, in order to energy, to strength; revering with worship, so far as I am able, --this devine power in order to hundred-fold winning. This offence of ours mayst thou—O Agni, bear with what distant road we have gone—Successful for us be bargain and sale; let return—dealing make me fruitful; do ye enjoy this oblation in concord; successful for us be our going about and rising with what riches, I engage myself in moneylending from my sum (principal sum) in order to earn money (principal added with interest).

## Appendix 3.1

### Structure Definitions

List of Structures	Meaning
<b>Date</b>	What century?
<b>Informal</b>	Does not always conform to the power/authority/institution of the day.
<b>Formal</b>	Conforms to the power/authority/institution of the day.
<b>Conforms to UNSCR 1373 Rules</b>	Conforms to regulations mandated by UNSCR 1373 (post-2001).
<b>Private Rules</b>	Conforms to rules generated by the owners and operators of the financial system.
<b>Conforms to Nation-State Rules</b>	Conforms to rules legislated by the state.
<b>Trust (People)</b>	The system places trust primarily in people.
<b>Trust (System)</b>	The system itself is the source of trust.
<b>Underwritten by Gov</b>	Confidence in the institution is enhanced by a Government guarantee of its holdings.
<b>Trust (Religion)</b>	God is the primary source of trust in the system.
<b>Traceable</b>	Transactions made are traceable.
<b>Low Cost</b>	0 < ~5% fee
<b>High Cost</b>	~10%<
<b>High Speed</b>	Transaction speed: Instant or < 1 day
<b>Low Speed</b>	Transaction speed: 2 - 5 days or more
<b>KYC</b>	Is a Know Your Customer policy applied?
<b>CDD</b>	Does the system ensure ongoing customer due diligence checks?

## Appendix 3.2

### Coding Chart Data: Internet Based Payment (IBP) Systems

Type of Remittance System	Date	Informal	Formal	Conforms to UNSCR 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (<~5% fee)	High Cost (~10%+)	Speed (Instant or < 1 day)	Speed (2 - 5 days or more)	KYC	CDD
Internet Based Payment Systems																	
Alirwallex Borderless Card (ABC)	21st Century CE																
Amazon Pay (Customer)	21st Century CE																
Amazon Pay (Merchant)	21st Century CE																
Apple Pay	21st Century CE																
azimo.com (major)	21st Century CE																
Bitpanda	21st Century CE																
Bitwala	21st Century CE																
exchange4free.com (major)	21st Century CE																
Finablr	21st Century CE																
Global Reach Partners	21st Century CE																
Hyperwallet (PayPal)	21st Century CE																
MoneyCorp (major)	21st Century CE																
neteller.com (paysafe group)	21st Century CE																
Ofx.com (major)	21st Century CE																
Payoneer (major)	21st Century CE																
Paypal (Customer)	21st Century CE																
Paypal (Merchant)	21st Century CE																
skril.com (paysafe group)	21st Century CE																
TransferWise	21st Century CE																
xe.com	21st Century CE																
xendpay.com	21st Century CE																
Xoom (Paypal)	21st Century CE																

X: Yes  
Y: No  
Z: Contested

## Appendix 3.3

Coding Data: *Hawala* and Other Similar Service Providers (HOSSPs)

	Hawala & Other Similar Services	Date	Informal	Formal	Conforms to UNSCR 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (< ~5% fee)	High Cost (~10%+)	Speed (Instant or < 1 day)	Speed (2 - 5 days or more)	KYC	CDD
X: Yes	Assyrian Clay Tablet	20th Century BCE			Predates 1373													
Y: No	Bill of Exchange (promissory)	12th Century CE			Predates 1373													
Z: Contested	Black Market Peso Exchange (Columbian)	20th Century CE			Predates 1373													
	Fei ch'ien (post 9/11)	21st Century CE																
	Fei ch'ien (pre 9/11)	19th Century CE			Predates 1373													
	Fei ch'ien (Promissory)	8th Century CE			Predates 1373													
	Foenus Nauticum	4th Century CE			Predates 1373													
	Hawala (post 9/11)	21st Century CE																
	Hawala (pre 9/11)	19th Century CE			Predates 1373													
	Hawala (promissory note)	8th Century CE			Predates 1373													
	Hundi (post 9/11)	21st Century CE																
	Hundi (pre 9/11)	19th Century CE			Predates 1373													
	Hundi (promissory)	14th Century BCE			Predates 1373													
	lRemit	21st Century CE																
	M-Pesa	21st Century CE																
	MoneyGram	21st Century CE																
	Qapliju	20th Century CE			Predates 1373													
	Ria Money Transfer	21st Century CE																
	Western Union (Global North)	21st Century CE																
	Western Union (Global South)	21st Century CE																
	Western Union (promissory telegram)	1871 CE			Predates 1373													
	WorldRemit	21st Century CE																

## Appendix 3.4

### Coding Data: Payments/Settlements Platforms (RTGS)

	Payments/Settlements Platforms (Including RTGS)	Date	Informal	Formal	Conforms to UNSCR 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (< ~5% fee)	High Cost (~10%+)	Speed (Instant or <1 day)	Speed (2 - 5 days or more)	KYC	CDD
X: Yes	CHAPS (UK)	21st Century CE															N/A	
Y: No	CHIPS (US)	21st Century CE															N/A	
Z: Contested	Earthport payment network (Merchant only)	21st Century CE																
	FeedWire (US)	21st Century CE															N/A	
	LVTS (Bank of Canada)	21st Century CE																
	SWIFT (International)	21st Century CE															N/A	

## Appendix 3.5

### Coding Data: Prepaid Cards

Prepaid Cards	Date	Informal	Formal	Conforms to UNSCR 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (<~5% fee)	High Cost (~10%+)	Speed (Instant or <1 day)	Speed (2 - 5 days or more)	KYC	CDD
X: Yes	Accor Hotels Gift Card																
Y: No	Amazon Gift Card																
Z: Contested	Apple iTunes Gift Card																
	Mastercard (Gift Card)																
	Mastercard (Prepaid debit)																
	Visa Gift Card																
	Visa (Prepaid debit)																
	Suica (Japan)																
	T-Money in South Korea																
	Ocupus Card Hong Kong																
	Oyster Card London																



## Appendix 3.6

### Coding Data: Conventional Systems

Conventional Systems	Date	Informal	Formal	Conforms to UNSCR 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (<5% fee)	High Cost (~10%+)	Speed (Instant or <1 day)	Speed (2-5 days or more)	KYC	CDD
ANZ Bank (Aus)	21st Century CE																
Bank of America (US)	21st Century CE																
Bill of Exchange (post 9/11)	21st Century CE																
Bill of Exchange (pre 9/11)	21st Century CE			Predates 1373													
Cheque	21st Century CE																
Citigroup (US)	21st Century CE																
Commbank (Aus)	21st Century CE																
Free Trade	21st Century CE																
JPMorgan Chase (US)	21st Century CE																
National Australia Bank (Aus)	21st Century CE																
The Bank of England (CB)	21st Century CE																
The Bank of Japan (CB)	21st Century CE																
The European Central Bank	21st Century CE																
The Federal Reserve (US)	21st Century CE																
Wells Fargo (US)	21st Century CE																
Westpac Bank (Aus)	21st Century CE																
CIMB (Islamic Bank)	21st Century CE																
BIBD (Islamic Bank)	21st Century CE																
Meezan Bank (Islamic Bank)	21st Century CE																
Al Rajhi (Islamic Bank)	21st Century CE																
Abu Dhabi Islamic Bank (ADIB)	21st Century CE																

X: Yes

Y: No

Z: Contested

## Appendix 3.7

### Coding Data: Virtual Currency

Virtual Currency	Date	Informal	Formal	Conforms to UNSC 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (<5% fee)	High Cost (>10%<)	Speed (Instant or <1 day)	Speed (2 - 5 days or more)	KYC	CDD
X: Yes	Bitcoin (BTC)	21st Century CE															
Y: No	Community Exchange Systems	21st Century CE															
Z: Contested	Ethereum (ETH)	21st Century CE															
	Libra (Facebook)	21st Century CE															
	Litecoin (LTC)	21st Century CE															
	Ripple (XRP)	21st Century CE															
	Stellar (STR)	21st Century CE															
	US Digital Coin	21st Century CE															

## Appendix 3.8

### Coding Data: Minor Remittance Systems

Minor Remittance Systems	Date	Informal	Formal	Conforms to UNSC 1373 Rules	Conforms to Private Rules	Conforms to Nation-State Rules	Trust (People)	Trust (System)	Trust (Gov)	Trust (Religion)	Traceable	Low Cost (< 5% fee)	High Cost (~10%+)	Speed (Instant or < 1 day)	Speed (2-5 days or more)	KYC	CDD
X: Yes																	
Y: No	21st Century CE																
Y: No	21st Century CE																
C: Contested	21st Century CE																
Apple Card	21st Century CE																
Apple Cash	21st Century CE																
bantransfer.com	21st Century CE																
Currency Direct	21st Century CE																
Currenzie	21st Century CE																
eGold (defunct)	21st Century CE																
Liberty Reserve (defunct)	21st Century CE																
Octet.com (Merchant only)	21st Century CE																
orbitremit.com	21st Century CE																
prabhuonline.com	21st Century CE																
remity.com	21st Century CE																
Send Wyre	21st Century CE																
Transfer Go	21st Century CE																
transfermate.com	21st Century CE																
viameerica.com	21st Century CE																
Walmart MTs	21st Century CE																
wirecash.com	21st Century CE																
World First	21st Century CE																
Yemmo (Paypal)	21st Century CE																

## Appendix 4.1

Year of Change	Changing Terminologies	Description of new terms and phrases
2000-2001 (Annual Report)	Know Your Customer (KYC)	Refers to the policy set out under FATF Recommendation V that all regulated entities must identify their customers and validate the customer's identity "...using reliable, independent source documents, data or information" (FATF, 2001; FATF, 2003a).
2000-2001	Customer Due Diligence (CDD)	This policy follows on from KYC. Customer due diligence refers to the compilation of risk profiles via analysis of transaction records in order to carry out ongoing monitoring for anomalies (FATF, 2001; FATF, 2010).
2000-2001	Suspicious Transaction Report (STR)	The process by which money or value transfer operators alert the relevant regulatory authority to a suspect or unusual transaction (FATF, 2001).
2000-2001	Gatekeepers	Professionals (e.g. lawyers, notaries, accountants and other non-financial roles) that can set up corporate and other legal structures, or invoke professional confidentiality, which may enable money laundering (FATF, 2001).
2000-2001	Cashless payment systems	Emerging cashless money or value transfer systems that facilitate transactions over the internet, as well as bank and wire transfers (FATF, 2001).
2000-2001	Terrorist-related money laundering	The methods or techniques by which terrorists conceal the nature and sources of their funding. Reported on in the same vein as organized crime (FATF, 2001).
2000-2001	Non-bank financial institutions	Such as the bureaux de change, stockbrokers, insurance companies, money remittance/transfer companies (FATF, 2001).
2000-2001	Trusts (and other corporate entities)	Addressed as a form of legal relationship that ensures the anonymity of its beneficiary. Increasingly seen as a core feature of large and complex money laundering operations (FATF, 2001).
2001-2002 (Annual Report)	Terrorist Financing	The use of informal and formal financial networks to fund terrorist activities through illicit and, unlike organized crime, licit means; although the primary methods employed to source and launder funds for terrorism differ little from that used by organized crime (FATF, 2002).
2001-2002	Correspondent Banking	The arrangements made between banks to enable cross-border transfers of funds on behalf of another banking institution. Reported on in relation to potential risks associated with a respondent bank not being able to identify the beneficiary of the transactions it facilitates (FATF, 2002).
2001-2002	Politically Exposed Persons (PEPs)	Reported on in relation to the risk of high-profile criminals using 'private banking' networks to launder funds, wherein inadequate customer due diligence (CDD) policy and procedures may inhibit an institutions

		capacity to identify PEPs among ‘high-net worth’ clients (FATF, 2002).
2001-2002	Bearer Securities	Bearer cheques, third-party cheques, and travelers’ cheques. Reported on in relation to ML risk stemming from their ease of transfer and limited traceability which has made these instruments common features of large-scale ML operations (FATF, 2002).
2001-2002	Alternative Remittance System (ARS)	The term used by the FATF in reference to <i>hawala</i> , also referred to as a ‘money remittance/transfer systems’ and ‘informal value transfer system’. The descriptor ‘alternative’ is applied by the FATF without any explanation of the intended meaning in Special Recommendation VI, but seem to suggest that such systems are unconventional (FATF, 2002).
2002-2003 (Annual Report)	Designated Non-Financial Businesses and Professions (DNFBPs)	These include; casinos; real estate agents; dealers of precious metals/stones; accountants; lawyers, notaries and independent legal professionals; trust and company service providers (FATF, 2003).
2002-2003	Informal money or value funds transfer systems	Describes unregulated remittance systems, such as; <i>hawala</i> , <i>hundi</i> , and <i>fe ch’ien</i> (FATF, 2003).
2003 (Best Practices Guide)	Traditional Financial Institutions	Centralized financial institutions established in line with the values, norms and rules of the formal global economy (FATF, 2003a). [In this research, the term ‘conventional’ is used in place of ‘traditional’]
2003	Money or value transfer (MVT) service	“...refers to a financial service that accepts cash, cheques, other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the MVT service belongs. Transactions performed by such services can involve one or more intermediaries and a third party final payment” (FATF, 2003a, p. 2).
2003	Underground Banking	A ‘long-standing tradition’ of informal MVT services commonly used by migrants to repatriate funds. The FATF gives warning that “...the staging posts of underground banking are no longer confined to those regions where they have their historical roots” and therefore “...informal MVT services are no longer used solely by persons from specific ethnic or cultural backgrounds” (FATF, 2003a, p. 3).
2002-2003 (Annual Report)	IMVT	Informal Money Value Transfer system (FATF, 2003b).
2002-2003	Nominees	A method of laundering funds, described as the “...use of family, friends or associates who are trusted within the community, and who will not attract attention, to conduct transactions on their behalf to disguise the source and ownership of funds” (FATF, 2003b, p. 3).

2002-2003	Smurfing (Structuring)	A method of laundering funds, described as the “...depositing of cash or purchasing of bank drafts at various institutions by several individuals, or the carrying out of transactions below reporting thresholds” (FATF, 2003b, p. 3).
2002-2003	Front End Loading (Credit Cards)	A method of laundering funds, described as “creating credit on a card by paying cash on the card allowing the credit to be converted to cash” (FATF, 2003b, p. 4).
2002-2003	Currency Smuggling	A method of laundering funds, described as “...the physical movement of cash from one location to another to disguise its source and ownership” (FATF, 2003b, p. 4).
2002-2003	Parallel Banking Systems	Term used interchangeably with underground banking or alternative remittance services (FATF, 2003b).
2004-2005 (Annual Report)	‘Alternative’ (ARS descriptor explained)	This primary descriptor for informal remittance systems, first used by the FATF in its 2001-2002 annual report. Explained here as; “...to indicate that the activity under discussion is an <i>alternative</i> to the exclusive use of conventional banking for remitting money (even though ARS operators often make use of their own bank accounts for balancing or settling accounts with other operators)” ( <i>emphasis added</i> ). The FATF notes that it is ‘understood’ that any system which falls under the ARS category will retain its ‘alternative’ status irrespective of legal standing in any jurisdiction or whether the system is wholly or partially regulated by the state (FATF, 2005, p. 5).
2004-2005	IBR	Internet Based Remittance: refers to an online money or value transfer system (FATF, 2005).
2004-2005	Remittance Corridor	A term appropriated by the FATF from the World Bank to describe “...the bilateral flows between two economies” (FATF, 2005, p. 11).
2004-2005	E-money	Term refers to ‘electronic’ money. Mentioned but not explained (FATF, 2005).
2006 (Methods and Trends Report)	New Payment Methods (NPMs)	Emergent payment tools and techniques of money or value transfer that are categorised either as an ‘extension of traditional retail electronic payment systems’ (i.e. prepaid cards, bank account-based internet payment systems, and bank account-based mobile payments), or ‘new non-traditional retail electronic payment systems’ (i.e. electronic purse, internet payments not tied to a bank account, mobile payments not tied to a bank account, and digital precious metals) (FATF, 2006).
2006	Traditional Retail Payments	The ‘traditional’ payment form constitutes the provision of conventional bank services to facilitate low-value payments in retail environments. In practice, this reflects payments the use of ‘non-cash’ paper instruments that function as bank drafts that do not need to be settled immediately, such as; cheques,

		demand drafts, cashiers cheques, money orders, and traveller's cheques (FATF, 2006).
2006	Traditional Retail Payments (Electronic)	The 'traditional' electronic payment type is characterized by the provision of banking products and services, including money transfers, by "nonbank intermediaries such as Western Union". These digital value transfers commonly function as a transfer of credit that does not require the physical movement of funds from one bank account to another (FATF, 2006, p. 3).
2006	Non-traditional Retail Payments	The FATF conceives of new payment methods as being 'non-traditional' and purely electronic means of facilitating retail transactions. This category is referred to as 'non-traditional' in that such services do not engage with or rely on bank-based products or services. This particular group of new payment methods is noted to be commonly referred to as 'e-money' by international payments system experts (FATF, 2006).
2006	E-money (explained)	A term used by "international payment system experts" and interpreted by the FATF to refer to the MVT systems included under its new payment methods (NPMs) typology. To be specific, the FATF consider e-money to be a term that relates to a variety of electronic means by which to transfer value that either; function as an extension of conventional MVT services, or operate entirely separate to formal financial systems and are considered to be 'non-traditional' methods of making retail payments (FATF, 2006, p. 3).
2006	Electronic Purse (e-purse)	A reloadable, versatile prepaid card on which value is electronically stored using an integrated circuit chip (i.e. smart card, or chip card). Because the value is physically stored within the card appropriately designed systems may allow users to transfer directly to an individual or a participating merchant without the need for customer identification or an intermediary payments network. This e-purse technology is most commonly found being used as a replacement for cash, including to facilitate micro-transactions for public transport systems, paid parking services and vending machines (FATF, 2006, pp. 5-6).
2006	Prepaid Payment Cards	A payment instrument, provided by a deposit-taking institution or a non-bank organization, that is pre-loaded with value and commonly functions similarly to a debit card in that it is tied to an account. Such accounts may be unique to each card or operate as a pool of prepaid value accessible by multiple cards (FATF, 2006).

2006	Mobile Payments	Refers to the use of mobile or wireless communications technology to facilitate money or value transfers. The majority of mobile payments services only rely on a phone to access a bank-based payment network in order to start and verify transactions. This is what the FATF characterize as an 'extension' of a traditional retail electronic payment system. In contrast, the FATF identifies 'new non-traditional' forms of mobile payment systems as those not tied to a bank, but instead are most often designed and run by a telecommunications company (FATF, 2006).
2006	Internet Payment Services	The FATF distinguish between two forms of internet payment services. First, systems that use the internet to move value to or from a bank account on which the service is dependent. This is the conception of an internet payment service as an extension of traditional electronic retail payments systems. Second, purely internet-based transfer services not directly tied to a bank account and provided by a non-bank organization. This is the concept of an internet payment service as an NPM or non-traditional payment system (FATF, 2006).
2010 (Methods and Trends Report)	MR/CE	Acronym referring to Money Remittance / Currency Exchange service providers (FATF, 2010)
2010	New Payment Methods (NPMs) -Update-	This term has altered in meaning with the recognition that some of the so-called 'new' payment methods assessed in 2006, such payment cards and internet or mobile payments provided by banks, were in fact not new and had been commonplace for decades. Instead, the descriptor 'new' referred to the shift in transfer practices by banks and non-banks to allow said services to be provided in ways that were outside of existing regulatory standards. Thus, the payment tools previously included under the NPM banner as 'extensions of traditional retail electronic payment systems' no longer appear to fit. The 2006 concept of NPM no longer distinguishes between services linked to bank accounts and those not, and only appears to encompass systems that were previously referred to as 'new non-traditional retail payment systems'. (FATF, 2010)
2010	Prepaid Cards	Replacement term for 'prepaid payment cards' coined in 2006, and now also encompasses the 'e-purse'. Intended as an update to the 2006 conception, the FATF put these instruments into two broad categories; closed-loop and open-loop. -Closed-loop prepaid cards are described as having "limited negotiability", meaning that they can only be used within a certain system and for a particular purpose.



		-Open-loop prepaid cards are not limited in terms of systems that can be used to move and access its stored value (e.g. an Automated Teller Machine may be used to make a withdrawal of value transferred onto the card from an international sender) (FATF, 2010, p. 115)
2010	Internet Payment Services (IPS)	Updated following the 2006 conception, to exclude the notion of an IPS as an 'extension of traditional electronic retail payment systems'. The FATF specify that an IPS is now purely those operations that facilitate payments online without, or indirect, connection to a bank account. Such a service can also be facilitated by non-bank financial institutions. (FATF, 2010)
2010	Mobile Payment Services	The term 'mobile payments' used in 2006 now relates to four different systems categories used by the World Bank. These are; mobile financial information services (viewing personal account and general financial information, no transactions), mobile bank and securities account services (i.e. internet banking), mobile payment services (users make mobile payments via non-bank and non-securities accounts, may be provided by non-traditional financial institutions), mobile money services (users store value on their mobile device, can use call credit or airtime as value in exchange for other goods and services). The FATF focuses on the latter two categories to the exclusion of the former two under. Mobile money and mobile payments are considered vulnerable to money laundering and terrorism financing, primarily because these services are not provided by or associated with conventional banking institutions (FATF, 2010).
2013 (Methods and Trends Report)	Hawala and Other Similar Service Providers (HOSSPs) (Service-based definition)	Defined by the FATF as "...money transmitters, particularly with ties to specific geographic regions or ethnic communities, which arrange for transfer and receipt of funds or equivalent value and settle through trade, cash, and net settlement over a long period of time" (FATF, 2013, p. 9). The term HOSSP is applied by the FATF in reference to informal remittance systems (i.e. <i>hawala</i> , <i>hundi</i> , and <i>fei ch'ien</i> ), which are also still described here as 'underground banking'. The use of 'non-bank settlement methods' and the general provision of low-value personal transfers are defining characteristics compared to other MVT systems. The FATF state that HOSSPs are <i>not</i> 'global money transfer networks' or agents of big transnational companies that remit using 'new payment methods' (FATF, 2013). HOSSPs have both legitimate and illegitimate clients. Legitimate clients are drawn to use such systems due to locale, cultural preference, or an absence of access to conventional financial services.
2013	Pure Traditional HOSSPs	'Legitimate' traditional MVT systems that, if well supervised, represent a low or negligible risk of money

		laundering and terrorism financing (FATF, 2013). (Defined according to legal status)
2013	Hybrid Traditional HOSSPs	Semi-legitimate MVT systems, that are described by the FATF as 'often unwitting' in relation to such services generally not being part of a criminal network or wittingly complicit in facilitating criminal acts (FATF, 2013). (Defined according to legal status)
2013	Criminal HOSSPs	Illicit MVT systems in which the service is designed specifically to support criminal activity. Operators and agents are complicit (FATF, 2013). (Defined according to legal status)
2013 (Methods and Trends Report)	New Payment Products and Services (NPPS)	Replacement term for New Payment Methods (NPMs). Refers to the range of emergent payment products and services that provide an alternate means of remittance to conventional banking systems. The FATF specify three categories of NPPS addressed in the report, which are; 'prepaid cards', 'mobile payment services', and 'internet-based payment systems' (FATF, 2013a).
2014 (Methods and Trends Report)	Virtual Currency	A computer-generated asset that can be exchanged via digital means and operates in any of the following ways: a mode of value transfer, a means to quantify value, a method of holding value. Virtual currencies are not legal tender or underwritten by sovereign guarantee in any jurisdiction. The FATF conceive of virtual currencies in two forms; centralized (i.e. a single governing authority controls the system) and decentralized (i.e. governance of the asset is distributed among a community of users, also known as cryptocurrency). (FATF, 2014a)
2014	E-money - Update-	Revision of the broad definition given in 2006. Now only refers to a computer-generated reflection of fiat currency that operates as an electronic method of remittance for legal tender (FATF, 2014a).
2014	Cryptocurrency	A mathematically generated, exchangeable virtual currency that is decentralized and employs cryptography to safeguard the network and its assets. Cryptographic techniques allow this form of currency to operate on an open-source platform with a distributed transaction ledger, as well as verify the legitimacy of transactions and assets, which are uniquely signed as a mandatory step in each transfer. (FATF, 2014a)
2014	Altcoin	Refers to cryptocurrencies other than Bitcoin. (FATF, 2014a)
2015 (Press Release)	De-risking	Termination of the provision of financial services, most commonly as a product of a correspondent banking process, to particular types or grouping of clients based on risk related issues, the drivers of which are as-yet unclear. Aside from certain legitimate high-risk situations, the decision by a financial institution to cease all services provided in this way is considered to be de-risking or avoiding risk, rather than taking

		mitigating it or taking precautionary measures deemed appropriate in line with FATF Recommendations. (FATF, 2015; FATF, 2016b)
2016 (Guidance for a risk-based approach)	De-marketing	Termination of a banking relationship based only on reasons relating to profit or financial gain, regardless of risk perception or the nature of a market. (FATF, 2016a)
2016	De-risking - Update-	Update to the term loosely addressed in 2015. The FATF understanding evolved to specify that ‘de-risking’ may also refer to a financial institution acting to limit the scope of its relationship with certain clients, rather than purely circumstances in which all services are terminated. Moreover, a decision to de-risk may be applied not only to a specific type or grouping of client, but also to a whole country or geographical region in order to avoid, rather than manage, risk. (FATF, 2016a)
2018 (FATF Recommendations Amendment)	Virtual Asset (VA)	Replacement for ‘virtual currency’ term detailed in 2014. A VA is “...a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations.” (FATF, 2012-2019, p. 126) ...or A digital form of value that can be exchanged or sent via a computer network and is able to be used as a means of investing or imbursement. The term ‘virtual asset’ does not refer to electronic forms of sovereign-backed currency.
2018	Virtual Asset Service Provider (VASP)	“...any natural or legal person” that conducts business functions amounting to any of the following: “... i. exchange between virtual assets and fiat currencies; ii. exchange between one or more forms of virtual assets; iii. transfer of virtual assets; iv. safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and v. participation in and provision of financial services related to an issuer’s offer and/or sale of a virtual asset.” (FATF, 2012-2019, p. 127) ...or Any individual or business entity that provides, or is involved in the facilitation of, services relating to the sale, exchange, transfer, storage and/or management of virtual assets.
2019 (Press Release)	Digital ID	Refers to any electronic means by which a person’s identity can be verified. Examples include ePassports, digital drivers’ licence, and electronic ID cards. (FATF, 2019a)
2020	Stablecoin	A particular type of cryptocurrency or virtual asset “...that aims to maintain a stable value relative to a

(Methods and Trends Report)		specified asset, or a pool or basket of assets to other assets” (FSB cited by FATF, 2020, p. 6).
2020	Pegged	The FATF use this term in reference to what in the virtual assets sector is often called ‘tethering’. This refers to the tying of electronic money or a virtual asset to fiat currency or any other commodity for the purpose of stabilising its value. This nexus forms the foundations for a ‘stablecoin’. (FATF, 2020)
2020	Central Banking Digital Currency (CBDC)	An electronic representation of value that is underwritten by government guarantee and issued by a Central Banking institution. CBDCs are not a form of virtual asset, rather, due to being tied to a fiat currency, the FATF recommendations treat such instruments in the same way as e-money or cash. (FATF, 2020)
2020 (Revised guidance for a risk-based approach)	Travel Rule	The requirement that all virtual asset service providers collect, retain and share data on the ‘originators’ and ‘beneficiaries’ of VA remittances. (FATF, 2020a)
2020	Counterparty Due Diligence	Counterparty due diligence refers to the requirement that VASPs identify whether virtual assets are being exchanged with a counterparty VASP, and if so, verify its regulatory status before processing an asset transfer. (FATF, 2020a)