

The Repercussions of The Spread of Digital Currencies on The Effectiveness of Economic Policies in Iraq (Case study)

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Abstract

Financial technology imposed a new reality on the monetary authorities due to the widespread use of digital currencies of various types, which represented a real threat to central banks because they were issued by unknown or private parties and became a competitor in the process of issuing money, which was the monopoly of central banks. this study focuses on clarifying the concept of digital currencies and their illegal digital currencies the reaction in the research and experiments conducted by some countries was to issue centralized digital currencies from central banks and using the same technologies used by cryptocurrencies, namely blockchain technology, called distributed chain technology.

Keywords: Digital Currencies, Monetary Sovereignty, Economic Policies, Central Bank Digital Currency - CBDC, Iraqi Economy

Introduction

The most important of these developments are digital currencies that have revolutionized the financial world because they have become a real competitor to traditional currencies managed by central banks, and the work of these currencies is based on systems and databases based on "peer-to-peer" transactions, which means decentralizing the issuance of money and control over funds, so it has become very difficult to control funds and know. In light of this digital world, especially that most contemporary financial transactions have already begun to exclude cash payment, and bank deposits are facing pressure from new forms of money, governments should face this digital development by finding an alternative to it, which is to issue a new form of money, which is to provide a safe haven for tax evasion and money laundering, and many illegal operations such as the threat to national security and drugs, and in front of this digital transformation, which is accompanied by multiple risks to the economics of money, it has become necessary for governments to move towards finding official and safe alternatives that will limit the rapid spread of informal currencies, and in light of this digital world, especially since most contemporary financial

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transactions have already begun to exclude cash payment, and bank deposits are facing pressure from new forms of money, governments should face this digital development, by finding an alternative to it, which is to issue its own model of digital currencies, the characteristics of which are commensurate with the basic function of central banks, which is the control and supervision of currency trading, whatever its form.

Research Method

Research problem

The global economic environment is witnessing an accelerated shift towards financial digitalization as a result of the increasing spread of cryptocurrencies and digital currencies issued by central banks, which has created new challenges for countries in managing their monetary and financial policies and maintaining their economic sovereignty. These challenges are increasing in rentier and developing economies, including Iraq, as a result of poor financial inclusion, high rates of dollarization, the expansion of the informal economy, and the weakness of the organizational and technological structure necessary to monitor digital financial flows, hence the research problem is the following main question: To what extent does the spread of digital currencies affect the effectiveness of economic policies and the monetary sovereignty of the Iraqi state, and what are the appropriate mechanisms through which financial digital transformation can be employed to enhance economic stability and national financial security A number of sub-questions arise from this question:

1. What is the nature of digital currencies and their economic and political dimensions.
2. How digital currencies affect monetary and fiscal policy instruments.
3. What are the implications of digital currencies for Iraq's monetary sovereignty and economic security.
4. The extent to which the Central Bank of Iraq is able to face the challenges of digital currencies.
5. Can a national digital currency be a tool to strengthen financial stability and monetary sovereignty.

Research objectives

The research aims to:

1. Clarify the conceptual and theoretical framework of digital currencies and their historical development.
2. Analysis of the economic and political implications of the spread of digital currencies.
3. Studying the impact of digital currencies on the effectiveness of monetary and fiscal policy.
4. Assessing the implications of digital currencies on Iraqi monetary sovereignty and economic security.
5. Analysis of the trends of world central banks towards the issuance of national digital currencies.
6. Foreseeing the future of the national digital currency in Iraq and the possibility of employing it to enhance economic stability.
7. Provide a set of appropriate proposals and policies to regulate the use of digital currencies in Iraq.
8. Diagnosis of the supervisory and technical capabilities and shortcomings of the Central Bank of Iraq in facing the challenges of digital currencies.

9. Foreseeing the feasibility of issuing a national digital dinar as a tool to restore monetary sovereignty and enhance the efficiency of economic policy.

Research importance

The importance of research stems from several scientific and practical considerations, namely:

1. The novelty of the topic of digital currencies as one of the most important transformations in the Contemporary International Political Economy.
2. Highlight the relationship between financial technological development and the concept of monetary sovereignty of the state.
3. Enrich the Arabic and Iraqi literature related to the digital economy and economic policies.
4. A statement of the risks and challenges facing developing economies as a result of the spread of unregulated digital currencies.
5. Providing an analytical framework that helps decision makers in Iraq to develop effective policies for dealing with digital currencies.
6. Highlighting the role of central bank digital currencies (CBDCs) as a tool to enhance economic security and financial stability.
7. Supporting digital transformation and financial reform efforts in Iraq in line with modern global trends.

Research hypothesis

The increasing spread of unregulated digital currencies is weakening the effectiveness of economic policies and the monetary sovereignty of the state, while the adoption of national digital currencies under the control of the Central Bank contributes to strengthening financial stability and improving the efficiency of economic policy.

Research methodology

This research adopts the descriptive-analytical approach based on the analysis of secondary sources, as well as the case Study approach for application to the Iraqi economy as a model of a developing rentier economy suffering from financial fragility and partial dollarization. The data used are based on three main sources: first, the international reports issued by the International Monetary Fund, the bank for International Settlements and the Financial Stability Board for the period between 2020 and 2025.

Secondly, the official statistics of the Central Bank of Iraq and the macroeconomic data of Iraq.

Thirdly, the refereed academic literature in the field of digital currencies and comparative monetary policy.

The research does not include preliminary data or field interviews, which is a conscious limitation shared by most studies in this field due to the scarcity of field data on the volume of dealing in digital currencies in Iraq, and it is recommended to overcome it in future research through field surveys.

Previous studies and research gap

The previous literature dealt with the topic of digital currencies from multiple angles, but it overlooked the Iraqi case as a special model. The IMF has focused in its paper (SDN/16/03 2016) on the overall impact of digital currencies on international financial stability without allocating to rentier economies. [1]. discussed the development of digital currencies of central banks in the global context with general references to developing countries without a detailed analysis of Iraq. As for [2], he examined the adoption procedures in Iraq from a legal

perspective without delving into the macroeconomic repercussions. This study comes to fill this gap through an integrated analysis linking the spread of digital currencies and the effectiveness of economic policies in the context of the rentier Iraqi economy specifically, with the latest data of the International Monetary Fund and the bank for International Settlements for the years 2024 and 2025.

Results and Discussion

Digital currencies (origin, definition, characteristics and types)

Dealing in digital currencies has spread in many countries of the world through computer programs, however, most individuals are still unfamiliar with the characteristics, advantages and risks of these currencies, as it has become a widespread global phenomenon, and in view of the economic crises that shook the traditional monetary system, especially the crisis of 2008, which was a shock that shook people's confidence in central and financial institutions, as the demand for these currencies has become increasing to be used as a new means of payment because of its characteristics such as speed, confidentiality and few or no transaction costs, many digital cryptocurrencies have appeared and acquired on a share Large number of Economic Exchanges.

The emergence of digital currencies

Digital currencies were not the product of the moment, they are the product of a long evolution that began with the advent of computers and cryptographic systems, and culminated in the development of blockchain technology, which became the backbone of these currencies. In 1993, the pathologist David CHOM invented the so-called ecash, as it promises to be the first electronic cryptocurrency, which relied on cryptography, after which David CHOM worked to raise funds to finance his idea and succeeded in creating the company DigiCash, which manages the central currency [3]. In light of the global financial crisis in 2008, bitcoin appeared at the hands of an unknown person believed to be developed by a person or group known as Satoshi Nakamoto, which aroused the attention of banks and financial institutions, and witnessed a wide demand in many sectors, including medicine, smart contracts, trade and teaching, and this currency was characterized by a decentralized system based on blockchain technology, which ensures transparent and difficult to manipulate registration processes, which led to a revolution in the concept of currency and the financial system [4].

Over the years, digital currencies have witnessed a remarkable development in terms of number and scope, as many competing and bitcoin-derived currencies have appeared, such as Ethereum, which has added multiple functions including smart contracts and decentralized applications. This development has contributed to the expansion of the use of digital currencies to include money transfers, investment, and business transactions, with increasing interest from financial institutions and governments alike. The emergence of stable digital currencies, backed by real assets, helped to minimize sharp price fluctuations, which enhanced their ability to perform the role of a reliable payment and investment tool. In general, digital currencies have evolved from just unregulated digital assets to financial instruments with an increasing legal and regulatory status, offering various models for leveraging crypto and decentralized finance technologies within the systems of the traditional financial system.

The concept of digital currencies

The US Treasury Department defined it as a means of conducting exchange operations and is treated as a currency, but it does not bear the characteristics of the currency issued by official authorities, as it is worked out electronically and in special environments for its use [5] As defined by the International Monetary Fund: they are non-cash digital currencies that can be stored, transferred and traded electronically, they are not issued by laws and do not have to be monitored by central banks or financial authorities, but they are characterized by acceptance by some people [6]. It is also known as a digital currency that has no tangible physical properties issued by persons not authorized by the state, has no legal system regulating it, is created through special programs via the internet, is used as a medium of exchange and is negotiable, but it is not widely accepted by the public [7].

Types of digital currencies

There have been many and varied digital currencies, most of which are based on the principle of bitcoin, and the differences between digital currencies are often simple, as some of them are related to the time taken by the trading process, others are related to the method of mining and distribution, and some are related to encryption algorithms, as there are a limited number of these currencies can be described as the main one according to the number of customers, the most important of which are: [8]

1-bitcoin: it is one of the most famous and most important cryptocurrencies, it is a virtual currency that originated through a complex computer process, and then managed to be monitored by a network of computers across the world.

2-Litecoin: it is one of the most famous cryptocurrencies at the present time, and it is one of the first alternative cryptocurrencies, a digital currency created in 2011, and this currency is distinguished from bitcoin by the fact that the mining process is easier and cheaper, and it adopts completely different encryption algorithms than used in bitcoin, and it is characterized by being faster in exchange than bitcoin, which has increased its acceptance.

3-Ripple : the currency was launched in 2012, a system that enables settlement of cross-border payments in a short time, with great transparency and at lower costs, and what distinguishes Ripple currency is that it does not require mining, as all Ripples XRP tokens are pre-mined before launch, which means that there is no creation of XRP over time, but XRP is lost and removed from the market according to the network's guidelines, and Ripple is the world's largest cryptocurrency in terms of total market capitalization.

4-ethereum: launched in 2015, it is a decentralized software platform that creates smart contracts and distributed applications based on its own cryptographic code, and this is what distinguishes it from bitcoin. This currency has enjoyed great popularity and fame since March 2017, becoming today the second crypto currency in terms of trading, in principle it is not similar to bitcoin, but is just a necessary financial intermediary in order to operate smart contracts.

Characteristics of digital currencies

It is clear from the foregoing that digital currencies have several features, the most important of which are: [9].

1 - these coins are available only in digital or electronic form, and they have no tangible physical representation such as banknotes or printed coins.

2-it represents a new form of money that, unlike currencies issued by a legal authority, does not have intrinsic value in itself, but allows transactions to be made directly.

3-based on encryption technology, decentralized distributed ledger technology "blockchain" is often used.

4-these technologies allow the transfer of value across borders smoothly and without the need for traditional intermediaries.

5-the inability of government agencies to track or monitor the commercial operations carried out by them.

6.this flag is issued by mining.

7-it is convenient to buy and sell in a smooth and fast way.

The economic implications of using digital currencies

The economic impact of digital currencies on price volatility

Virtual cryptocurrencies and their affiliated platforms operate in an unclear regulatory environment, lack a clear legal status and the absence of centralized control over the amount and price of cryptocurrencies or even their equivalent deposits, and their subordination to supply and demand leads to price fluctuations, and this may make them an attractive option for currency speculators. Therefore, there is uncertainty about the price of virtual currencies, and therefore these currencies are closely related to exchange rate risks, as well as any malfunction in the implementation of the Bitcoin protocol can cause significant losses for the investor [10].

A threat to the effectiveness of monetary policy Transmission

In their management of the economy, central banks rely on controlling interest rates and the supply of cash to achieve price stability and combat inflation. With the spread of digital currencies, two main threats stand out:

1. The phenomenon of "crypto" (Cryptofication): when the transition is made to the use of digital currencies as an alternative to the national currency, the central bank loses control over the money mass circulating within the country and interest rates, this digital monetary substitution makes interest rate hike decisions useless, because a large part of economic activity revolves outside the umbrella of the local currency [11], as well as its spread can lead to weak demand for money issued by banks and this by its nature will threaten the role of banks in taking over monetary policy.

2. Velocity of money: digital technologies allow money to move very quickly and around the clock. This speed makes it difficult for central banks to predict the amount of cash needed in the market, which can lead to sudden inflationary shocks that cannot be contained with conventional instruments.

Its impact on fiscal policy

Governments of countries can influence economic activities in the country through financial policies that affect supply and demand. In times of economic recession, the government increases government spending and reduces taxes, and in times of inflation, the government increases taxes and reduces government spending, but with the presence of digital currencies and the growing demand for them, it is difficult for governments to monitor transactions and trade exchanges that take place without a financial intermediary, which increases the chances of tax and customs evasion [12], and the impact of digital currencies on financial policy through increasing demand for those currencies will lead to increased capital outflows, and then it will lead to a decrease. The impact of currencies on financial policy is that they will weaken the role of the financial authority in controlling the variables of financial policy, as there will be an uncontrolled monetary mass, economic activities outside

the control of state agencies, and there will be incomes, revenues and profits not subject to taxation, which may lead to a decrease in public revenues [8].

The risks of digital currencies to the global economy

Dealing with virtual currency issued by unknown persons, and exchanged under pseudonyms and untruths in the absence of any financial authority monitoring it, this helps to use it in money laundering operations, drug trafficking or money transfers resulting from organized crime operations, which in turn contributes to the increase in criminal activities in the world, the most important of these risks are:

1- Money laundering: Digital currencies carry high risks, perhaps the most important of which is facilitating money laundering operations through the confidentiality of transactions, it is possible to facilitate the work of arms and contraband dealers, as well as conducting money laundering operations, and international attention is focused on combating this crime, as it is a criterion to confirm the commitment of the state and its financial institutions to international requirements, which prompted the enactment of specialized laws to confront these crimes, which contributed to mitigating their negative effects on the economy of countries, and the lack of commitment of the state to combat crime may lead to its status among the very dangerous countries in financial transactions (Black List), which leads to the establishment of penalties and restrictions on financial transactions such as remittances, for not The commitment of this state to those laws [13].

2-financing of terrorism and the threat to national security: according to the report of the Financial Working Group of the group of Twenty finance ministers and central bank governors in 2018, the increasing use of virtual currency activities is for several reasons, including the financing of terrorism, drug trafficking and fraud, as terrorist groups seek to provide fixed financial resources that are difficult to pursue and confiscate by banks and banks, or public authorities in countries, so they are largely seeking to exploit modern automated technologies in hiding their financial resources, encrypting their transfers for the difficulty of tracking those financial transactions and identifying their parties and dealers [14].

3-tax evasion: what distinguishes these currencies is that they are complex encryption, so it is difficult to identify the two parties to the transaction (seller and buyer), because the sale and purchase operations are carried out in confidentiality and security, as they cannot be monitored or interfered with, and financial and commercial transactions are not recorded in the traditional way (accounting books), as well as the difficulty of determining the incident established for the tax, which leads to the inability to conduct tax accounting operations.

The repercussions of the spread of digital currencies on the effectiveness of economic policy in Iraq

Iraq represents a very special model in the context of studying the repercussions of the spread of digital currencies on economic policy, as it combines a rentier economy that depends almost entirely on oil, a fragile banking structure, high levels of informal dollarization, as well as a weak financial control system. The Central Bank of Iraq issued in 2017 an official circular prohibiting dealing in digital currencies (Circular No. 125/5/9 of 2021), but the practical reality reveals a noticeable growth in their use informally, which deepens the challenges facing economic decision makers in the country.

The erosion of monetary sovereignty and the weakening of the tools of the Central Bank of Iraq

Iraq is already suffering from the problem of partial dollarization, as citizens trade the US dollar along with the dinar in their daily transactions, which weakens the impact of domestic monetary policy. Adding to this complex landscape is the phenomenon of the spread of digital currencies, which threatens to deepen this exposure. According to the IMF report, digital monetary substitution weakens the ability of central banks to direct interest rates and control the size of the money supply, especially in economies that already suffer from limited credibility of monetary instruments [15]. In the Iraqi context specifically, this situation is aggravated by the macroeconomic dependence on oil revenues, which account for about 90% of government revenues [16], which makes the margin of maneuver in monetary policy narrow by nature, and with it any leakage of the monetary mass outside official channels becomes an existential challenge to macroeconomic stability. This problem becomes doubly important in light of the growing use of stablecoins pegged to the US dollar in environments with high inflation or exchange rate disruptions, as the report of the Financial Stability Board (FSB, 2024) indicates that there is a clear tendency towards the acquisition of dollar-denominated stablecoins in countries suffering from devaluation of their currencies or restrictions on capital flows. This is exactly what the Iraqi market is witnessing in light of the gap between the official exchange rate and the parallel market rate, which exceeded 15% in several periods [17]. This reality leads to a decline in demand for the Iraqi dinar and a shrinking base of customers in the official banking system, which restricts the impact of traditional monetary instruments.

The repercussions on fiscal policy and public revenues

The Iraqi tax system suffers from deep structural imbalances; non-oil tax revenues remain very low compared to their counterparts in the region, while the informal economy, which is estimated to account for a large share of GDP, is expanding. With the use of digital currencies in the settlement of internal business transactions and foreign transfers, it is becoming increasingly difficult to subject these flows to tax control. Digital currencies also lead to an expansion of the tax gap in rentier economies due to the weak monitoring and follow-up mechanisms of regulatory agencies [1]. This situation requires pointing out that in early 2024, the Central Bank of Iraq took a series of strict measures to limit the flow of dollars in cash outside the official channels, as part of the efforts to abolish dollarization (De-dollarization), as it banned cash withdrawals in dollars and increased the volume of organized dollar transactions from 50 million to 200 million dollars a day through controlled banking channels (CBI Reforms, 2024). However, these reforms are still vulnerable to circumvention by cross-border cryptocurrency platforms that operate outside the jurisdiction of local regulators.

Foreign reserves and exchange rate stability

Iraq has huge foreign cash reserves that exceeded 94 billion dollars in mid-2025 [16], and they form the main pillar for pegging the dinar to the US dollar at a rate of 1300 dinars to the dollar according to the joint forecasts of the International Monetary Fund and the Central Bank of Iraq. However, in the Article IV report for 2025, the IMF warns of a downward trajectory in these reserves, which may reach USD 79.2 billion by 2026 under the baseline scenario, which makes any leakage of capital through uncontrolled digital currency channels a direct threat to the exchange rate stability system (IMF Article IV, 2025). Specifically in this context, the IMF report on digital currencies of central banks [18]. indicates that the spread of

crypto-digital assets may contribute to the fragmentation of the monetary system and the erosion of the ability of central banks to control the actual monetary mass, which negatively affects the stability of the exchange rate.

The response of the Central Bank of Iraq and the path of the national digital currency (CBDC)

In the face of these challenges, the Central Bank of Iraq announced in early 2025 its intention to launch a national digital currency (CBDC) as a disciplined government alternative that provides the advantages of financial digitization while maintaining state control over the monetary mass [19]. This trend is in line with the bank for International Settlements survey report [20] .that more than 130 countries are in advanced stages of studying the issuance of their national digital currencies, most often driven by an explicit desire to preserve monetary sovereignty in the face of the increasing proliferation of private digital currencies. Developing countries with rentier economies or experiencing monetary substitution are the most urgent and urgent need to adopt government digital currencies as a tool to restore effectiveness in managing monetary policy [21]. It can also be noted that the most effective model of digital currency in the context of Iraq may be the so-called“wholesale cross-border CBDC” (Wholesale Cross-Border CBDC), as this model allows reducing the costs of cross-border transactions and settling commercial payments away from resorting to unregulated private digital currencies, which reduces the practical motives for their use.

The challenge of financial inclusion and the informal market

The reality reveals that the spread of digital currencies in Iraq is not taking place in a vacuum, but is fueled by existing structural imbalances; weak confidence in the official banking sector, parallel exchange rate fluctuations, and the high level of the informal economy are pushing large segments of the population to look for alternatives to store value and make money transfers. The digital currency represents a potential opportunity to govern the movement of cash and combat liquidity leakage outside official channels, in light of data indicating that bank deposits increased by 4.2% in the third quarter of 2024 to reach 127.6 trillion dinars, while a large part of the liquidity is still outside the banking system (erm business, 2025). This means that the correct employment of the national digital currency may contribute to the absorption of this liquidity and enhance the effectiveness of the transition of monetary policy.

The regional dimension and cross-border risks

The economic repercussions of digital currencies in Iraq cannot be separated from the surrounding regional environment; Iraq's geographical location and the intertwining of its economic interests with neighboring countries makes it vulnerable to cross-border money transfers that may employ digital currencies beyond common control. As the IMF pointed out in its report [22] that the digital currency markets have become highly interconnected with the global economic cycle, which means that any external shock in the crypto markets will be reflected indirectly on the economies that are open to them, including the Iraqi economy, which has a close correlation with the US dollar [23]. In addition, the restrictions imposed by the United States on five Iraqi banks in February 2025 for involvement in money laundering highlights that the risks of meeting the requirements of international financial compliance (AML/CFT) are escalating in light of the growing use of digital currencies in informal channels [17].

Digital currencies and economic sovereignty in the framework of international political economy

Monetary sovereignty in the era of digital transformation

Monetary sovereignty is one of the fundamental pillars of the sovereignty of the modern state, as it consists in the ability of the state and its central bank to issue the national currency, manage monetary policy and control the money supply and interest rates in order to achieve economic stability. The concept of monetary sovereignty has historically been associated with the state monopoly on the authority to issue money and regulate the national financial system, but the accelerated technological developments and the emergence of cryptocurrencies have led to the emergence of new challenges to the traditional concept of monetary sovereignty, as some digital assets have become performing monetary functions outside the institutional framework of the state, which has raised increasing concerns about the ability of central banks to maintain the effectiveness of their monetary instruments, and a number of researchers believe that the spread of private digital currencies represents one of the most important contemporary challenges to monetary sovereignty, because it reduces the dependence of individuals on the national currency and weakens the ability of monetary authorities to monitor Financial flows and control of the monetary mass [24]. In contrast, central bank digital currencies (CBDCs) have emerged as a modern tool for maintaining the sovereign role of the state in the monetary sphere and countering the phenomenon of digital monetary substitution [21]. The recent literature also indicates that countries suffering from high levels of dollarization, poor financial inclusion or the expansion of the informal economy are most interested in the development of sovereign digital currencies, because they represent a way to enhance the use of the national currency and regain control over the monetary system [25].

Digital currencies and the economic security of the state

Economic security has become one of the pivotal concepts in International Political Economy Studies, as it refers to the ability of the state to protect its financial resources and ensure its economic stability in the face of internal and external threats. In this context, digital currencies raise a set of challenges related to economic security, represented by the ease of capital movement across borders, the difficulty of tracking financial transactions, and the possibility of using them in money laundering, terrorism financing and tax evasion. On the other hand, digital currencies offer important economic opportunities in the form of reducing the costs of international money transfers, enhancing financial inclusion, improving the efficiency of payment systems, and developing the digital economy [26]. . Therefore, the main challenge lies not in the technology itself, but in how to organize and employ it to serve the goals of development and economic stability. For Iraq, this issue is of particular importance due to the rentier nature of the economy, the High size of the informal economy, and the dependence of a large part of economic activity on paper money and the US dollar, which makes the spread of unregulated digital currencies an additional source of economic and financial risks.

Digital currencies and international economic relations

The digital revolution has brought about fundamental transformations in the structure of international economic relations, as the movement of money and financial flows are no longer restricted by traditional geographical borders, but are carried out through global digital networks that often bypass national control. In this context, digital currencies have become part of the international competition for economic and monetary influence. The spread of

digital currencies raises increasing questions about the future of the International Monetary System and the dominance of the US dollar, as some researchers believe that sovereign digital currencies may contribute in the future to building a more multilateral monetary system, while others believe that the dollar will retain its dominant role due to the strength of the US economy and the depth of its financial markets, and recent international experiences indicate that digital currencies have become a tool of economic power of countries, as they can be employed in Strengthening financial leverage, improving the efficiency of international trade and developing cross-border payment systems [27].

Global governance of digital currencies

The cross-border nature of digital currencies has led to a growing need to build an international framework for coordination and digital financial governance. Several international institutions have emerged to play a pivotal role in this area, most notably the International Monetary Fund, the bank for International Settlements, the Financial Stability Board, and the Financial Action Task Force (FATF) (Bank for International Settlements [20]. These institutions focus on developing regulatory standards related to digital currencies, strengthening international cooperation in combating money laundering and terrorist financing, and achieving a balance between financial innovation and economic stability. international calls are also increasing to build unified legal and regulatory frameworks that ensure the safety of financial systems and maintain global monetary stability in light of the continuous expansion of the digital economy. it is expected that the coming years will witness an escalation in the importance of global governance of digital currencies with the continued expansion of the use of digital assets and an increasing number of countries moving towards issuing their national digital currencies, which will make international cooperation an essential element in managing Global digital financial transformation.

Conclusion

It is clear from the above that the spread of digital currencies in Iraq represents a multidimensional phenomenon in which considerations of monetary sovereignty, financial stability, and operational efficiency of economic policy intersect. In the light of the analytical data and solid scientific literature reviewed, a set of recommendations can be formulated:

1. Accelerate an integrated legislative framework to regulate digital currencies to distinguish between speculative high-risk currencies and digital assets with legitimate financial use, similar to the UAE experience, which adopted a comprehensive regulatory framework to avoid risks without closing the door to financial innovation.
2. Accelerate the launch of the national digital dinar in coordination with the requirements of the International Monetary Fund and the bank for International Settlements to ensure its compliance with international standards to combat money laundering and terrorist financing.
3. Enhancing the capabilities of the Financial Supervision Authority at the Central Bank of Iraq by investing in tools for forensic analysis of block chains (Blockchain Analytics), which has become an operational necessity, not a research luxury.
4. Actively participate in specialized international forums such as the Financial Working Group (FATF) and the Financial Stability Forum (FSB) to keep abreast of emerging regulatory developments and build regional partnerships to combat illicit financial flows through digital currencies.

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