



2026/4/7

The National Digital Currency Wall in the Face of Bitcoin (The Iraqi Digital Dinar as a Model)

Dr. Maytham Hamid Nasser

● **Policy Paper**



The National Digital Currency Wall in the Face of Bitcoin (The Iraqi Digital Dinar as a Model)

Series of publications of Al-Bayan Center for Studies and Planning
/ Research Department / Economic Studies

[Publication](#) / Policy Paper

[Topic](#) / Economy and Development

[Dr. Maytham Hamid Nasser](#) - Department of International Economic Relations / College of Political Science

[Translation](#)/ Milad Alnofali

About

Al-Bayan Center for Planning and Studies is an independent, nonprofit think tank based in Baghdad, Iraq. Its primary mission is to offer an authentic perspective on public and foreign policy issues related to Iraq and the region.

Al-Bayan Center pursues its vision by conducting independent analysis, as well as proposing workable solutions for complex issues that concern policymakers and academics.

Note: The views expressed in this study are personal and do not represent the position of any official body.

حقوق النشر محفوظة © 2026

www.bayancenter.org

info@bayancenter.org

Since 2014

I. Abstract

- Iraq lacks sufficient legislative and regulatory frameworks for the operation of the Iraqi digital dinar, despite its importance in reducing the volume of cash liquidity hoarded outside the banking system.
- It needs to ensure compliance with anti-money laundering and counter-terrorism financing requirements, as well as the protection of privacy for individuals, businesses, and institutions.
- It is necessary that, alongside the digital dinar, digital banks be established that can absorb developments in the volume of supply and demand in the market.
- The fundamental obstacle facing the digital dinar is weak societal trust in the Iraqi banking system as a whole, as well as weak public awareness and individuals' ability to adapt to digital transactions and currencies, which requires comprehensive awareness programs.
- It is possible to cooperate with international bodies, including central banks concerned with digital currencies, as well as with the World Bank, the International Monetary Fund, and international organizations related to dealing in cryptocurrencies.
- To avoid fraud, society must be educated through courses and workshops on how to deal with cryptocurrencies.

- The responsible authorities, through international agreement, must find ways for these currencies to be monitored by central banks in order to avoid money laundering and the financing of unlawful activities.
- Decision-makers should benefit from the experiences of certain countries, such as China, the UAE, and Nigeria, and invest in developing infrastructure, increasing financial inclusion, and enhancing societal awareness.

II. Introduction

The Central Bank of Iraq recently announced its intention to introduce the Iraqi digital dinar into local and international transactions. This step represents a genuine need under economic conditions aimed at addressing liquidity shortages and combating the phenomenon of cash hoarding in Iraq. Iraq can benefit from the advantages made possible by such uses, especially since emerging international banks and transactions have begun creating conditions that work toward granting legitimacy to these uses, particularly with the expectation that the volume of trading in digital currencies will rise from USD 100 million in 2023 to USD 213 billion by 2030.

Cryptocurrencies are regarded as a financial innovation that has brought about a revolution in the world of finance, and their repercussions have extended to numerous countries and institutions around the world. Technological development has contributed to the emergence of such instruments. The widespread use of digital curren-

cies also leaves effects on monetary policy and the global economy, and adds new burdens to central banks in dealing with them. Bitcoin is one of the most famous digital currencies; its design began in 2007, and its basic idea is to dispense with central authority.

It is an electronic monetary system that relies on financial transactions between one user and another without the presence of an intermediary, and it is considered the first monetary system that exists entirely on the internet and is not subject to any central control, unlike traditional money.

III. The Emergence of Virtual Currencies and Their Concept

Before the development of the e-commerce system, David Chaum¹ wrote an article entitled "Blind Signatures for Untraceable Payments," in which he described the first encrypted system for this type of payment, one that prevents others from discovering the identity of the transacting party and the amount paid. In 1990, the same writer called, through another article entitled "Untraceable Electronic Cash," for the creation of "a free electronic monetary system that preserves for transacting parties the confidentiality of their dealings and the non-disclosure of their identity."

1- David Chaum, Wikipedia, https://en.wikipedia.org/wiki/David_Chaum

The global economy has witnessed important transformations produced by various factors, foremost among them technological developments, especially with regard to payment systems. This development has enabled the global economy to benefit from the speed and effectiveness it provides, as innovations in means of payment have led to a reduction in the role of cash currency and to the emergence of a type of money previously unknown to humanity, namely virtual money, of which Bitcoin is the most common and widespread.

The use and spread of virtual currencies have rapidly expanded in many countries due to their low cost, ease of use, and speed in completing transactions, as payment is made immediately without the need for any other intermediaries.²

IV. The Importance of Virtual Currencies for Different Groups

The importance of virtual currencies lies in the number of points, most notably:³

1. Importance for the consumer: What matters to those dealing in virtual currencies is benefiting from the difference between their offered value and

2- Alawi, Simaa Mohsen, 2020, The Impact of Virtual Currencies on Monetary Policy and the Central Bank, Journal of the Baghdad College of Economic Sciences University, special issue for the scientific conference of the Department of Accounting Sciences.

3- Ahmed, et al., Munir Maher, 2018, The Economic Efficiency of Encrypted Virtual Currencies: Bitcoin as a Model, Isra International Journal of Islamic Finance, Vol. 9, No. 1, p. 35.

their stored value, ease of use, the sense of security and privacy, freedom from legal restrictions, enjoyment of freedom in transactions, in addition to lower costs.

2. Importance for merchants: Merchants are attracted by the expansion of the customer base and the attraction of new customers, and the resulting increase in sales, through benefiting from the advertising campaigns employed by the issuers of these digital currencies.

3. Importance for issuers: The importance of virtual currencies for issuers can be summarized in three matters:

- Massive issuance returns together with inflating the value of the currency.
- Profiting from exchange platforms, exchange outlets, and services provided to customers.
- Liberation from government restrictions in favor of capitalists and market forces; merchants also share in this.

V. Distinguishing Between Bitcoin and Legal Currency

Legal currency is the unit of commercial exchange that the law grants discharging force within the issuing state; thus, currency derives its power in discharge and settlement of debts and obligations from the legal authority in each state. The issuance of currency within the economic system has its own controls and rules that regulate it, so as to make money a measure by which wealth is evaluated fairly, including the fact that the issuance of currency is the exclusive prerogative of the state. Money

is sought according to the functions it performs, not for itself; hence it serves as a price, unlike goods and services, whose primary purpose is the satisfaction of needs. Its second function is that it is a measure of value and a standard for evaluating things, so it must be clear and precise in order to govern among all forms of wealth with justice. The most important differences between legal currency and cryptocurrency can be clarified through the following points:⁴

1. Legal currency has a tangible physical existence; it is clear and precise. Cryptocurrency, by contrast, is virtual and has no physical existence, and therefore rests on risk and uncertainty.
2. Legal currency enjoys general public acceptance in performing all its functions, and thus can be used to obtain any good or service. Cryptocurrency, however, is based on the principle of non-trust, does not enjoy general acceptance, and cannot be used to purchase any good or service; rather, it is limited to those who accept dealing in it.
3. Legal currency is issued by the state according to precise regulation, whereas cryptocurrency is not issued by the state; rather, unknown parties stand behind it, and it is based on the peer-to-peer principle, whereby dealings take place between receiver and sender without state monitoring. Despite the

4- Assaf, Muhammad Mutlaq, 2019, Cryptocurrencies in Light of the Objectives of Islamic Sharia (Bitcoin as a Model), Journal of the College of Sharia and Islamic Studies, Vol. 31, No. 7, Qatar University, p. 73.

advantages achieved by Bitcoin, it has many disadvantages, including:⁵

1. Its high cost.
2. Currency price volatility.
3. Legal risks.
4. The secrecy and encryption of the transaction.⁶
5. Mining.⁷
6. Tax evasion.
7. The proliferation of payment methods.

VI. How Did Politics Change the Course of Digital Currencies?

One of the main points that raises controversy in the cryptocurrency industry is political intervention. After the arrival of U.S. President Donald Trump - who received substantial support during his election campaign from the "cryptocurrency lobby" - there has been a focus from the current U.S. administration on cryptocurrencies, compared with the intense scrutiny to which the industry had been subjected during the term of former President Joe Biden.

5- Mahmoud, Hind Falih, 2020, The Sharia and Legal Ruling on the Virtual Currency Bitcoin, Tikrit University Journal for Rights, Vol. 4, No. 3, Part 1.

6- The researcher, a previously cited source.

7- Hussein, Kamil Abd al-Qadir, 2020, Virtual Currencies and Their Rulings in Islamic Jurisprudence, Journal of Historical and Civilizational Studies, Vol. 11, No. 1/243.

There is also the political exploitation of cryptocurrencies, including Trump's impact on cryptocurrencies.⁸

Political intervention was not limited to appointments alone; Trump personally launched his own cryptocurrency under the name "World Financial Liberty," thereby giving himself a personal stake in the success of this sector. This shift toward supporting cryptocurrencies was not merely political support, but was also driven by his private interests, as there was added value for him personally in the continuation of this sector.

What constituted a major blow to cryptocurrency investors was the failure of "Trump Coin." After Trump began his promotional campaign for his own cryptocurrency, its value rose temporarily, attracting many ordinary investors. Over time, however, this currency suffered a sharp decline in value, causing massive losses for investors who had been betting on the project's success.

The Negative Impact of Politicians on the Market: The President of Argentina as a Model

Alongside Trump, there was also Argentine President Javier Milei, who stirred major controversy in the world of cryptocurrencies. In a sudden move, Milei launched a new "meme coin" that he promoted in Argentina, a cryptocurrency with no real practical function, but one that depends primarily on a joke or a famous mascot.

8- Trump's cryptocurrency jumps by more than 18,000% in its first days of trading, Al Jazeera, <https://www.aljazeera.net/ebusiness/2025/1/19/trump-cryptocurrency-trading>

These currencies, which were launched for marketing or symbolic purposes, were known for their high risks, but Milei attracted many Argentine investors, leading them to wager on them. Yet, as is the case with cryptocurrencies launched under the sponsorship of politicians, Milei's currency witnessed a sharp decline in value within a very short time, and prices suddenly collapsed, resulting in severe losses for Argentine investors who decided to engage in this risk-laden investment.

VII. The Iraqi Digital Dinar

The digital dinar is a digital currency issued by the central bank and forms an official part of the monetary system in the state. It is equivalent in value to the traditional dinar, but it is circulated electronically through digital wallets or approved financial applications. It is characterized by the ease of immediate financial transfers within the state or across borders, by reducing the logistical burdens of issuing paper or metallic currency, and by enabling wider groups to access digital financial services.⁹

The step of launching the Iraqi digital dinar is one of the most important projects being worked on by the Central Bank of Iraq, and it aims to keep pace with global development in the financial system and the Iraqi economy's transition toward the digital economy.

9- The digital dinar in Iraq... a revolutionary step in the right direction, <https://magazine.imn.iq>

The Iraqi digital currency differs from the cryptocurrency Bitcoin in that it is legal, guaranteed, and backed by the Central Bank of Iraq, as the Iraqi currency is stable and its value is fixed (1 digital dinar = 1 paper dinar).

Despite the welcome extended by some Iraqi financial and economic circles to the digital dinar initiative, it is important to point to a number of challenges facing such a major structural transformation. Among the most important of these challenges is the absence of sufficient legislative and regulatory frameworks to ensure compliance with financial laws, such as anti-money laundering, counter-terrorism financing, and the protection of privacy for individuals, businesses, and institutions, in addition to the difficult reality of the traditional Iraqi banking system, a large part of which still suffers from sanctions imposed by the U.S. Federal Reserve, restrictions on banking transactions, the obsolescence of administrative and technical systems, and the limited extent of its connections with international banking systems.

This leads us to highlight the chronic problem related to weak societal trust in the Iraqi banking system as a whole, as well as weak public awareness and individuals' ability to adapt to digital transactions and currencies. Many people still prefer to hoard money and deal in paper cash for reasons related either to custom or to weak trust in technology. This may cause societal cultural resistance to the digital dinar, in addition to the weakness of Iraq's technological infrastructure, which constrains the ability of individuals and businesses to obtain fast and stable in-

ternet on a broad scale, especially outside the major cities, and may thereby hinder the effective use of digital currency. This may make reliance on the digital dinar a financial, administrative, and technical burden on the central bank and the banking system, rather than an advantage.

Therefore, it can be said that launching the digital dinar in Iraq may be a revolutionary step toward a more modern and transparent economy, but it requires the preparation of an appropriate foundation in terms of legislation, infrastructure, security, and continuous awareness. Thus, the question remains here: Is the Central Bank of Iraq truly ready for this transformation? And does it have sufficient tools to deal with and resolve the existing challenges in order to turn this objective into reality? The success of this step depends primarily on the extent of the Central Bank's ability to keep pace with and address those challenges, achieve a balance between benefiting from modern technology and ensuring financial stability, provide education and awareness, and guarantee privacy for users.

Table 1: Comparison Between the Iraqi Digital Dinar and Bitcoin

Aspect	Paper Dinar ((cash	Digital Dinar ((CBDC	Bitcoin
Issuing authority	Central Bank of Iraq	Central Bank of Iraq	No central system
Legal value	Legal currency	Legal currency	Legally unrecognized in Iraq
Stability	Very stable, linked to the local economy	Very stable	High-risk
Privacy	Very high, cannot be traced	Limited (under central bank supervision	Encrypted addresses (semi-anonymous)
Security	Exposed to damage, loss, and counterfeiting	Protected by the central bank	Protected by blockchain technology
Methods of circulation	Cash	Circulation takes place through applications and cards	Circulation through digital platforms
Primary objective	Daily exchange	Financial inclusion and combating corruption	Investment and store of value

Source: Prepared by the researcher based on multiple sources.

VIII. The Role of Digital Currencies in Shaping the Future of the Global Economy¹⁰

Digital currencies represent a radical transformation in how value is exchanged and money is managed in the modern age. These currencies, such as Bitcoin and Ethereum, rely on financial technology and blockchain technology, thereby providing transparency and decentralization that were not previously possible. Digital currencies contribute to shaping the future of the global economy by facilitating access to financial markets and increasing financial inclusion.

Individuals and companies in developing countries can use digital currencies to bypass the restrictions imposed by traditional banking systems, which enables them to participate more effectively in the global economy. Digital currencies also reduce the need to exchange currencies between countries, thereby facilitating international trade and lowering its costs.

IX. Challenges and Opportunities in the Global Economy

Digital currencies face major challenges, such as high volatility in value, security threats, and the need to develop advanced technical infrastructure to ensure the stability of the financial system. Nevertheless, digital currencies provide major opportunities to enhance the global economy, especially in the fields of e-commerce and financial transfers.

10- Digital currencies and their impact on the future of the global economy, Euromatech for Training and Consulting, <https://euromatech-me.com>

By reducing transaction costs and accelerating transactions, companies can improve their efficiency and increase their profits. Digital currencies also provide new investment opportunities, as individuals and companies can invest in these currencies or use them as a means of hedging against economic fluctuations.

Transformations of the Global Economy in the Age of Digital Currencies

With the continued growth and use of digital currencies, the global economy is witnessing major transformations. These transformations include changing the methods of value exchange, reducing reliance on traditional currencies, and increasing transparency in financial operations. Moreover, digital currencies contribute to enhancing financial inclusion and providing new opportunities for individuals and companies to participate in the global economy. However, governments and international organizations must work together to ensure effective regulation of this sector and to guarantee its stability and security.

In the end, digital currencies represent a revolution in the financial and economic world by providing decentralized and transparent alternatives. Digital currencies offer major opportunities for growth and innovation; however, success in this field requires a balance between innovation and regulation in order to ensure consumer protection and the stability of financial markets.

X. Conclusions

1. The spread of cryptocurrencies came about thanks to the spread of technology, which facilitated the process of trading in electronic cryptocurrencies.
2. Cryptocurrencies are traded only through the internet, as they are intangible and non-material, the most important of which is Bitcoin.
3. Without any supervisory or central authority, Bitcoin is managed only by its users.
4. The principal reason behind the fluctuations faced by digital currencies is that they are not subject to laws.
5. The most important challenge facing the Iraqi digital dinar is the weakness of technological infrastructure and of society's culture.

XI. Sources

1. Ahmed, et al., Munir Maher, 2018, The Economic Efficiency of Encrypted Virtual Currencies: Bitcoin as a Model, *Isra International Journal of Islamic Finance*, Vol. 9, No. 1.
2. The researcher, Abdullah Bin Suleiman, 2017, *Virtual Money: Its Concept, Types, and Economic Effects*, *Scientific Journal of Economics and Commerce*, No. 2, Ain Shams University, Egypt.
3. Hussein, Kamil Abd al-Qadir, 2020, *Virtual Currencies and Their Rulings in Islamic Jurisprudence*, *Journal of Historical and Civilizational Studies*, Vol. 11, No. 1/243.

4. Mahmoud, Hind Falih, 2020, The Sharia and Legal Ruling on the Virtual Currency Bitcoin, Tikrit University Journal for Rights, Vol. 4, No. 3, Part 1.
5. Alawi, Simaa Mohsen, 2020, The Impact of Virtual Currencies on Monetary Policy and the Central Bank, Baghdad College of Economic Sciences University Journal, special issue for the scientific conference of the Department of Accounting Sciences.
6. Assaf, Muhammad Mutlaq, 2019, Cryptocurrencies in Light of the Objectives of Islamic Sharia (Bitcoin as a Model), Journal of the College of Sharia and Islamic Studies, Vol. 31, No. 7, Qatar University.
7. "Trump's cryptocurrency jumps by more than 18,000% in its first days of trading," Al Jazeera. <https://www.aljazeera.net/ebusiness/2025/1/19/trump-cryptocurrency-trading>
8. The Digital Dinar in Iraq: A Revolutionary Step in the Right Direction. <https://magazine.imn.iq/>
9. Digital Currencies and Their Impact on the Future of the Global Economy, Euromatech for Training and Consulting. <https://euromatech-me.com/>
10. David Chaum, Wikipedia. https://en.wikipedia.org/wiki/David_Chaum



**For an Active state
and a participating society**

www.bayancenter.org
info@bayancenter.org
