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# The Bilateral Relationship Between Cryptocurrencies and Good Governance from the Perspective of International Economic Law

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## ABSTRACT

The emergence of cryptocurrencies and new financial technologies has created unprecedented challenges and opportunities for the system of international economic law. Despite the rapid expansion of this phenomenon, there remain serious gaps in the legal literature and in international policymaking regarding its status and regulation. These developments have affected the principles of good governance—formulated by the World Bank—and have highlighted the necessity of revising existing legal and institutional frameworks. This article employs a descriptive–analytical method and, with a focus on the indicators and principles of good governance as articulated by the World Bank, examines the legal status of cryptocurrencies within the framework of international economic law and analyzes the regulatory implications and the responsibilities of states in managing this phenomenon. The findings indicate that the realization of good governance in the field of cryptocurrencies requires the strengthening of transparency, accountability, regulatory quality, corruption control, and international coordination. The innovation of the present study lies in integrating the theoretical foundations of good governance with the practical challenges arising from cryptocurrencies, thereby proposing a framework for assessing state responsibility at the international level. This framework can assist policymakers and international institutions in designing effective and harmonized regulations.

**Keywords:** *Cryptocurrencies; International Economic Law; Good Governance; Regulation and State Responsibility; Transparency and Accountability.*

## Introduction

The new dynamics arising from the expansion of cryptocurrencies have transformed the international financial system and the frameworks of international economic law. In this context, the World Bank, as one of the most significant international financial institutions, has articulated a framework for good governance whose core indicators include the rule of law, regulatory quality, control of corruption, accountability, and institutional stability (1). This article examines the question of what legal status cryptocurrencies acquire within the system of international economic law in light of the World Bank's good governance principles. The rapid emergence of cryptocurrencies alongside new financial technologies has not only created fresh opportunities for economic development but has also generated serious challenges in the fields of regulation and state responsibility. Existing



gaps in the legal literature and international policymaking demonstrate that a comprehensive framework for managing this phenomenon at the global level has not yet been established. Consequently, the need to reconsider international economic law and align it with the World Bank's good governance indicators is increasingly evident. The rapid emergence of cryptocurrencies alongside new financial technologies has not only created fresh opportunities for economic development but has also generated serious challenges in the fields of regulation and state responsibility. Existing gaps in the legal literature and international policymaking demonstrate that a comprehensive framework for managing this phenomenon at the global level has not yet been established. Consequently, the need to reconsider international economic law and align it with the World Bank's good governance indicators is increasingly evident. This article, using a descriptive–analytical method and focusing on the key good governance indicators of transparency, accountability, regulatory quality, control of corruption, and international coordination, examines the legal status of cryptocurrencies within the framework of international economic law. The central question is how the principles of good governance can be implemented in the field of cryptocurrencies and what responsibilities fall upon states at the international level. The research hypothesis holds that the realization of good governance in this field will not be possible without reforming existing legal and institutional frameworks and without multilateral cooperation among states and international institutions. The innovation of this study lies in integrating the theoretical foundations of good governance with the practical challenges posed by cryptocurrencies, thereby offering a framework for evaluating state responsibility at the international level—a framework that can assist policymakers and international institutions in designing effective and harmonized regulations. In a report published in 2021 entitled *Central Bank Digital Currencies for Cross-Border Payments: A Review of Current Experiments and Ideas*, World Bank researchers concluded that central bank digital currencies can enhance the efficiency of cross-border payments; however, without institutional coordination and an international legal framework, there is a risk of financial instability (2). Javadi et al. (2024), in an article entitled *The Impact of Cryptocurrencies on Monetary Sovereignty of States from the Perspective of International Law*, concluded that since sovereignty manifests in distinct dimensions, including economic sovereignty and its subcategories, monetary and financial policymaking through a country's central bank constitutes monetary sovereignty; with the emergence of new technologies such as blockchain, this sovereignty appears to have become relative and increasingly constrained by technology, thereby reducing state control over the implementation of monetary policy (3). Ziaee and Hosseini (2022), in an article entitled *The Status of Cryptocurrencies in International Monetary and Financial Law*, similarly concluded that international monetary and financial organizations have adopted divergent positions regarding cryptocurrencies: the International Monetary Fund has largely limited its role to encouraging the use of state-issued digital currencies, while other international financial institutions have ranged from the skeptical stance of the Bank for International Settlements and the European Central Bank to the supervisory approach of the Financial Action Task Force and the relatively passive posture of the World Bank Group (4). Schwarcz (2022), in an article entitled *Regulating Digital Currencies: Towards an Analytical Framework*, published in the *Boston University Law Review*, concluded that both stablecoins and central bank digital currencies require strict regulatory frameworks; otherwise, they may undermine the ability of central banks to control monetary policy (5). Yousefzadeh (2025), in an article entitled *Legal Framework for Regulation of Stablecoins (Comparative Study of Iranian, US, and EU Law)*, concluded that stablecoin issuers often fail to provide service terms to users in an appropriate manner, that such terms may change without prior notice, that backing assets are frequently inadequately disclosed, and that there is insufficient transparency in the publication of decisions (6). Therefore, examining the bilateral

relationship between cryptocurrencies and the principles of good governance not only clarifies the legal status of this phenomenon within the framework of international economic law, but also provides a basis for the formulation of coherent national and international policies and regulations. By relying on the World Bank's good governance indicators and analyzing the challenges and opportunities arising from cryptocurrencies, this article seeks to present a clear picture of state responsibility and the necessity of multilateral cooperation in managing this transformation.

### **Theoretical Foundations of Good Governance within the World Bank Framework**

According to World Bank reports, good governance is recognized as a prerequisite for sustainable development and poverty reduction (1). This concept has been measured since 1996 for more than 200 economies worldwide through the World Bank's governance indicators.

#### *The Concept of Good Governance*

The World Bank defines good governance as a set of institutional qualities and policy processes that result in efficient, transparent, and accountable administration. In the World Bank's documents, good governance is defined through the Worldwide Governance Indicators. The World Bank presents good governance as a theoretical framework aimed at strengthening the capacity of governments to manage public affairs in an efficient, accountable, and equitable manner. This concept indicates that economic and social development can only be sustainable when state institutions are capable of effectively delivering public services, preventing corruption, and securing citizens' trust (7). In the World Bank's documents, good governance entails the establishment of transparent and accountable institutions capable of formulating and implementing economic and social policies in a manner that both serves the public interest and creates an enabling environment for private sector growth. This concept also emphasizes strengthening the rule of law and guaranteeing property and contractual rights, as without a stable legal system, investment and innovation are not feasible. The World Bank views good governance as a dynamic process requiring continuous revision of legal and institutional frameworks. This process must be able to adapt to global crises such as climate change, pandemics, and political instability (1). From this perspective, good governance is not merely an evaluative criterion, but also a policy objective for governments and international institutions. In other words, in the World Bank's conception, good governance means the ability of governments to build social trust, manage public resources efficiently, and ensure justice and transparency in decision-making. This definition is directly linked to the World Bank's objectives of poverty reduction and shared prosperity.

#### *Indicators of Good Governance*

The World Bank identifies six principal indicators: voice and accountability; political stability and absence of violence/terrorism; government effectiveness; regulatory quality; rule of law; and control of corruption, which measures the extent of misuse of public power. The World Bank introduces good governance as one of the principal prerequisites for sustainable development, economic growth, and poverty reduction. This concept is operationalized through the World Bank's governance indicators, whose data are collected from more than thirty reputable sources, including think tanks, international organizations, non-governmental institutions, and private companies. Since the 1990s, the World Bank has concluded that the quality of governance is among the most significant determinants of the success or failure of development policies. In this regard, a project entitled the Worldwide Governance Indicators was designed, which since 1996 has measured the six core good governance indicators for more than 200 countries

worldwide (1). These indicators not only serve as comparative tools among countries, but also constitute a theoretical and practical basis for analyzing governance trends at the international level.

Voice and accountability: This indicator measures the extent of citizen participation in selecting governments, freedom of expression, freedom of the media, and freedom of association; good governance cannot be achieved without the guarantee of fundamental freedoms and public participation.

Political stability and absence of violence/terrorism: This indicator assesses the likelihood of political instability and social or terrorist violence; political stability is a necessary condition for the implementation of sustainable economic and social policies.

Government effectiveness: This indicator examines the quality of public services, administrative capacity, independence of public institutions from political pressures, and the government's ability to formulate and implement effective policies; government effectiveness reflects institutional capacity to respond to societal needs (8).

Regulatory quality: This indicator measures the government's ability to formulate and implement policies and regulations that facilitate private sector development; high regulatory quality implies the existence of transparent, predictable, and efficient laws.

Rule of law: This indicator reflects the extent of citizens' confidence in the legal system, contract enforcement, property security, and judicial independence; the rule of law is the foundation of good governance, as without it no stable legal framework can exist.

Control of corruption: This indicator measures the extent to which public power is exercised for private gain; corruption is one of the greatest obstacles to good governance, and its control is a necessary condition for public trust and economic development. Data for the Worldwide Governance Indicators are collected from more than thirty reputable sources, reflecting the views of thousands of experts and respondents worldwide, and are updated annually. Together, these six indicators provide a comprehensive picture of governance quality within a country. The World Bank explicitly states in its reports that good governance is directly associated with increased human capital, strengthened social cohesion, and sustainable economic growth (9). From the perspective of international economic law, these indicators function as soft standards capable of influencing national and international policymaking. Particularly in areas such as cryptocurrencies, these indicators provide guidance for governments and international institutions to align their legal and institutional frameworks with the requirements of transparency, accountability, and control of corruption.

#### *The Position of Good Governance in International Economic Law*

These principles underpin the practice of many international financial institutions and states in global economic interactions and in the design of financial regulatory policies. Good governance occupies a foundational position in international economic law and is recognized as one of the most important benchmarks for evaluating the quality of performance of states and international financial institutions. This concept was first introduced into legal and economic discourse in the 1990s by the World Bank and the International Monetary Fund and gradually became a global criterion for assessing the quality of public institutions and economic policies (10). The World Bank emphasizes in its documents that good governance is essential for sustainable economic development, poverty reduction, and the strengthening of social cohesion. These principles include transparency, accountability, the rule of law, control of corruption, regulatory quality, and political stability, which have been measured—through the Worldwide Governance Indicators—since 1996 for more than 200 countries worldwide. As noted above, in

international economic law good governance functions as a “soft” standard, meaning that it is not directly binding, but in practice it provides the basis for decision-making by many international financial institutions. For example, the World Bank and the International Monetary Fund treat compliance with good governance principles as a fundamental condition in granting loans and financial assistance to developing countries (11).

From a legal perspective, good governance in global economic interactions operates as a guiding principle for the design of financial and economic regulation. Many international agreements in the fields of trade and investment directly or indirectly emphasize good governance indicators. For instance, the World Trade Organization and the European Union, in their trade policies, have underscored transparency and accountability as foundational elements of good governance. The World Bank further states in its reports that good governance is directly associated with increased human capital, the attraction of foreign investment, and the reduction of corruption. Using the Worldwide Governance Indicators, it ranks countries in terms of governance quality and employs these results as a basis for economic and legal decision-making (1). By way of example, countries that achieve higher rankings in the control of corruption and regulatory quality indicators are, from the perspective of the World Bank and other international financial institutions, better positioned to receive financial assistance and foreign investment. From the standpoint of international economic law, good governance also serves as a benchmark for assessing state responsibility in the management of public resources. These principles require states, in global economic interactions, to align their policies with standards of transparency, accountability, and the rule of law. Otherwise, they may face financial and legal constraints imposed by international institutions.

### **Digital Currencies in the System of International Economic Law**

Digital currencies, by virtue of their decentralized nature and their capacity for rapid cross-border transfer, have reshaped the traditional structures of the international financial system. In international economic law, this transformation has made it necessary to revisit and redefine foundational concepts such as “legal tender,” “asset,” and “investment” (12). Many international investment and trade treaties that were drafted in the era of the traditional economy contain no explicit provisions on digital assets, thereby generating a significant legal vacuum.

#### *FinTech Transformation and Its Consequences*

The transformation of financial technology in the domain of digital currencies has altered the global monetary and financial system, producing consequences such as increased efficiency and transparency, while simultaneously giving rise to risks including financial instability and legal challenges. Blockchain technology and digital currencies have changed the nature of financial transactions, the boundaries of regulation, and the mechanisms of supervision. Over the past decade, FinTech transformation—particularly with the emergence of digital currencies and blockchain—has been among the most significant shifts in the global economic system. This transformation has not only revolutionized payment methods and value transfer, but has also challenged the traditional structures of the international financial order. Central banks and international financial institutions have emphasized that digital currencies can create major opportunities to increase efficiency and transparency in the financial system. At the same time, they warn that the absence of adequate legal and supervisory frameworks can generate serious risks such as money laundering, tax evasion, and financial instability (13). One of the most significant consequences of FinTech transformation is the emergence of central bank digital money. Central banks in Europe, the United States, and Asia are exploring or piloting projects to introduce official digital money as a

substitute for, or complement to, cash. This step can strengthen the role of central banks in safeguarding monetary and financial stability, while simultaneously raising new legal and economic questions (14).

Blockchain technology, as the primary infrastructure of digital currencies, enables the recording and transfer of transactions in a decentralized and transparent manner. This feature has reduced transaction costs and increased the speed of international payments. At the same time, the decentralized architecture of these networks has created challenges for state oversight and control. FinTech transformation has also intensified competition between traditional financial institutions and technology companies. Many large technology firms have entered the financial sector and provide digital payment services, electronic wallets, and blockchain-based platforms. This shift has blurred the boundary between banks and technology companies and has positioned “FinTech” as a central actor in the modern financial system. From the perspective of international economic law, digital currencies and new financial technologies necessitate the revision of existing treaties and regulatory instruments (15). Many international investment and trade agreements lack explicit rules on digital assets, and this legal gap may lead to international disputes and legal challenges in the future.

Another consequence of FinTech transformation is increased financial inclusion. Digital currencies and digital payments have enabled individuals without bank accounts to access financial services. This can contribute to poverty reduction and greater economic participation in developing countries. Nevertheless, security and technological risks also exist. Cyberattacks, digital fraud, and the severe price volatility of digital currencies can erode public trust. For this reason, international institutions have emphasized the necessity of establishing harmonized legal and supervisory frameworks (16). Ultimately, FinTech transformation in the area of digital currencies may be regarded as a new paradigm in the global economic system. It has created opportunities for innovation, transparency, and efficiency, while simultaneously posing serious challenges to financial stability, economic justice, and the international legal order. Addressing these challenges requires multilateral cooperation among states, international financial institutions, and the private sector.

### *Legal Challenges of Digital Currencies*

Digital currencies, as one of the most significant financial innovations of the past decade, have created major opportunities for economic development and financial inclusion; however, they have also generated serious legal challenges. These challenges arise not only at the domestic level but also at the international level, confronting the system of international economic law with new questions. Lack of transparency, the potential for money laundering, tax evasion, limited traceability, and the absence of shared standards are among the most important challenges. The first challenge is the lack of transparency in digital transactions (16). Although many digital currencies operate on blockchain technology—which provides transparency in recording transactions—the use of pseudonymous addresses and the ability to create countless accounts makes it difficult to identify the true beneficial owner of assets. As a result, governments and supervisory bodies are unable to fully trace financial flows.

The second challenge is money laundering. Research reports indicate that digital currencies, due to anonymity-enhancing features and rapid cross-border transfer, can provide a suitable environment for laundering illicit proceeds and financing unlawful activities (17). The use of tools such as crypto mixers, tumblers, NFTs, and DeFi protocols has created complex methods for concealing the origin of illegal funds. This has intensified the emphasis on anti-money laundering and customer due diligence obligations in the digital asset space.

The third challenge is tax evasion. Due to their decentralized nature and the absence of integrated reporting systems, digital currencies can facilitate widespread tax evasion. Many countries still lack clear frameworks for taxing digital transactions, which allows individuals and companies to hold assets outside formal tax systems. This situation not only reduces state revenues but also undermines tax equity.

The fourth challenge is limited supervisory control. The decentralized architecture of digital currencies has reduced the ability of governments and central banks to exercise full control over financial flows. In the traditional system, banks and financial institutions serve as intermediaries for supervision and reporting, whereas in the digital system transactions are carried out directly and without intermediaries. This development has weakened traditional oversight and has posed significant challenges for states in monetary and fiscal policymaking (3).

The fifth challenge is the absence of common international standards. Each country has adopted a different approach to digital currencies: some have enacted supportive regulations, while others have imposed severe restrictions or comprehensive bans. These divergences have prevented the emergence of a harmonized global legal regime and have increased the risk of “regulatory arbitrage,” whereby firms and financial actors relocate to jurisdictions with more permissive rules (5).

These challenges have wide-ranging implications for international economic law. On the one hand, digital currencies can enhance transparency and efficiency in the global financial system; on the other hand, the lack of shared legal frameworks can increase financial instability and international disputes. For this reason, international institutions have emphasized the need for coordinated regulation and multilateral cooperation among states (18). It can therefore be argued that the legal challenges of digital currencies are not confined to domestic issues, but directly affect global economic interactions and the system of international economic law. Responding to these challenges requires the development of shared standards, strengthened international cooperation, and the revision of existing treaties so that digital currencies can contribute to global economic development within a transparent and stable framework.

### *The Status of International Regulation*

International economic law still lacks a comprehensive framework for digital currencies, and institutions such as the Financial Action Task Force, the International Monetary Fund, and the World Bank play complementary roles. The system of international economic law, in confronting digital currencies, has not yet achieved a comprehensive and binding framework. This legal vacuum has caused regulation at the global level to proceed in a fragmented and uncoordinated manner. Each country has adopted a different approach; some, such as the European Union, have taken serious steps by adopting the MiCA regulation, while other countries have either imposed outright bans or remain in experimental phases. The World Bank emphasizes in its reports that digital currencies can create major opportunities for enhancing transparency and financial inclusion; however, the absence of coordinated regulation entails risks such as money laundering, tax evasion, and economic instability. Using good governance indicators, the World Bank encourages countries to adopt transparent and accountable policies in the field of digital assets (19). The International Monetary Fund has likewise emphasized in its recent documents the need to establish common legal frameworks for central bank digital currencies and other crypto-assets (14). The IMF warns that a lack of international coordination can lead to “regulatory arbitrage,” meaning that financial actors may migrate to jurisdictions with more permissive rules, thereby increasing global instability.

The Financial Action Task Force has played an important role in developing anti–money laundering and customer due diligence standards for the digital currency domain. It has issued guidance for countries to ensure that digital transactions are subject to oversight and to prevent misuse for terrorist financing. Nevertheless, implementation of such guidance varies across jurisdictions, and this disparity has contributed to heterogeneity in the global regulatory landscape. At the global level, more than 100 countries are examining or implementing pilot projects and shared legal approaches for central bank digital currency, covering more than 95% of global GDP (20). This trend indicates that international regulation is moving toward the development of common frameworks, but it has not yet reached a final stage. From the perspective of international economic law, the absence of a comprehensive framework for digital currencies has extensive implications:

- An increase in international disputes concerning investment and digital trade, because existing treaties lack explicit provisions on digital assets;
- Global financial instability due to capital flows moving across borders without sufficient supervision;
- The risk of undermining tax justice due to the potential for tax evasion and money laundering.

Overall, the state of international regulation in the field of digital currencies can be described as a fragmented and uncoordinated system in which institutions such as the World Bank, the International Monetary Fund, and the Financial Action Task Force perform complementary roles, yet no comprehensive and binding framework has emerged. The future of international economic law in this field will depend on multilateral cooperation among states and international institutions to develop shared and harmonized standards.

### **The Interaction of Digital Currencies with the World Bank’s Good Governance Principles**

By enabling transparent and rapid payments, digital currencies can strengthen the principles of accountability and transparency; however, the anonymity of transactions increases the risks of money laundering and corruption. In its report on central bank digital currency, the World Bank emphasizes that the design of this instrument must be aligned with good governance principles such as the rule of law and control of corruption. The absence of common international standards has challenged the principle of regulatory quality and requires multilateral cooperation among states and global financial institutions (2). From the standpoint of political stability and government effectiveness, digital currencies can serve as a novel instrument for expanding financial inclusion; yet, in the absence of adequate oversight, they can intensify financial and social instability. In sum, the interaction between digital currencies and the World Bank’s good governance principles is dual in nature: strengthening transparency and innovation while simultaneously increasing legal and institutional risks.

#### *Transparency and Accountability*

Transparency and accountability are among the most important principles of the World Bank’s good governance framework, and they have gained heightened significance in the domain of digital currencies. These principles mean that financial institutions and governments must provide citizens with the necessary information in a clear and accessible manner in decision-making and policy implementation, and must remain answerable for their performance. In the context of digital currencies, transparency manifests in two forms: first, technical transparency arising from blockchain technology, which enables transactions to be recorded publicly and immutably; second, institutional transparency, which concerns the disclosure of information by governments and central banks about

policies related to digital currencies. Blockchain technology, by recording transactions on a public ledger, has created an unprecedented level of transparency. Each transaction is traceable, and it cannot be forged or removed. This feature can enhance public trust and contribute to reducing corruption. However, the use of pseudonymous addresses and tools such as crypto mixers means that technical transparency does not always translate into institutional transparency.

The principle of accountability in the digital currency domain means that financial institutions and governments must be answerable for the consequences of their policies. For example, when designing a central bank digital currency, central banks must explain how this instrument affects monetary policy, financial stability, and citizens' privacy (2). The World Bank emphasizes that the design of central bank digital currency should be aligned with good governance principles, which entails ensuring transparency in informing the public and accountability for economic and social consequences.

The International Monetary Fund has also noted that transparency in data use and the protection of privacy are among the most important challenges related to digital currencies; if governments cannot be accountable in this area, public trust will be severely harmed (11). From the perspective of international economic law, the absence of shared standards for transparency and accountability in the digital currency domain has led countries to adopt divergent approaches. Some jurisdictions, such as the European Union through MiCA, have attempted to create a transparent framework for consumer protection and financial stability, while many countries still lack such regulation. This heterogeneity has increased the risk of "regulatory arbitrage," whereby financial actors migrate to jurisdictions with more permissive rules. Such a situation weakens accountability because financial institutions can evade strict oversight (21).

It can be argued that transparency and accountability in the digital currency domain are characterized by a dual relationship: on the one hand, blockchain technology has created exceptional opportunities to enhance transparency; on the other hand, transaction anonymity and the lack of shared standards have generated serious challenges for achieving institutional accountability. The World Bank and the International Monetary Fund emphasize that the successful future of digital currencies depends on establishing legal and institutional frameworks capable of simultaneously ensuring technical transparency and institutional accountability. Only under these conditions can digital currencies contribute to sustainable development and global financial stability within the framework of good governance principles.

### *Regulatory Quality*

In the World Bank's approach, regulatory quality—one of the key indicators of good governance—reflects governments' capacity to formulate and implement policies that create an enabling environment for economic activity (1). This indicator is of heightened importance in the field of digital currencies because the decentralized and cross-border nature of these assets has posed serious challenges to traditional regulatory systems. At the national level, regulatory quality means that governments should enact transparent and predictable rules for activities related to digital currencies. The absence of such regulation undermines investor confidence and increases financial risks. For example, the European Union, by adopting the MiCA regulation, has sought to establish a comprehensive framework for consumer protection, market transparency, and financial stability. By contrast, countries that lack transparent regulation or adopt inconsistent approaches have faced problems such as

tax evasion, money laundering, and capital outflows. This situation demonstrates that low regulatory quality can have extensive negative consequences for both national and international economies.

From an international perspective, regulatory quality depends on coordination among states. Digital currencies inherently transcend national borders, which heightens the need to develop shared global standards. Institutions such as the International Monetary Fund and the Financial Action Task Force have emphasized common guidance to address money laundering and to ensure transparency (14). The World Bank likewise states that the design of a central bank digital currency should be aligned with good governance principles. This implies the development of regulations that facilitate financial innovation while preserving economic stability and public trust (2). One of the principal challenges for regulatory quality in this domain is the absence of shared international standards. Each country has adopted a different approach: some have enacted supportive rules, others have imposed strict restrictions, and some still lack any legal framework. This heterogeneity has increased the risk of “regulatory arbitrage,” whereby financial actors migrate to jurisdictions with more permissive rules.

Recent research indicates that high regulatory quality can contribute to attracting foreign investment, increasing innovation, and reducing corruption. For instance, findings suggest that regulatory quality has one of the strongest positive effects on economic growth in the BRICS countries and advanced economies. This finding implies that, in the digital currency domain as well, regulatory quality may be decisive in determining the success or failure of financial policies (8). Ultimately, regulatory quality in the digital currency domain can be summarized as follows: the existence of transparent, predictable, and coordinated frameworks at both national and international levels is a necessary condition for good governance and sustainable development. Without such regulation, digital currencies may shift from being an opportunity to becoming a threat to financial stability and economic justice.

### *Control of Corruption and Money Laundering*

Control of corruption and money laundering in the digital currency domain is one of the central pillars of good governance. Digital currencies, through features such as transaction anonymity, rapid cross-border transfer, and independence from traditional financial intermediaries, have created new opportunities for innovation; yet these same features have also provided a favorable environment for financial corruption, money laundering, and tax evasion. An International Monetary Fund study entitled *Crypto, Corruption, and Capital Controls* indicates that cryptocurrency use is higher in countries with higher levels of corruption and stricter capital controls. The study emphasizes that the absence of transparent regulation facilitates misuse of digital assets and, accordingly, underscores the necessity of implementing anti-money laundering measures and customer due diligence requirements (17).

In addition, the G20/FSB status report published in 2024 indicates that global regulation of crypto-assets remains fragmented and that many countries face challenges in implementing anti-money laundering standards. The report emphasizes the importance of international cooperation and information sharing among governments to combat corruption and money laundering (18). Global standards for virtual assets have also been advanced in parallel, requiring that digital asset service providers—similar to traditional financial institutions—apply preventive measures such as recordkeeping, suspicious transaction reporting, and customer identification. Such standards further warn that weak implementation enables criminals and terrorists to exploit jurisdictions with limited oversight.

From the standpoint of international economic law, controlling corruption and money laundering in the digital currency domain is not merely a domestic necessity for states, but also an international imperative. The absence

of shared global standards increases the risk of “regulatory arbitrage,” whereby financial actors relocate to jurisdictions with more permissive rules. This development threatens economic justice and global financial stability. The World Bank likewise emphasizes that combating corruption and money laundering in the digital currency domain should form part of the good governance framework, underscoring institutional transparency and governmental accountability in the design of central bank digital currency and other crypto-assets (22). Overall, the control of corruption and money laundering in the digital currency domain requires multilateral cooperation, effective implementation of relevant global standards, and coordination among the International Monetary Fund, the World Bank, and broader international initiatives. Only under such conditions can digital currencies contribute to sustainable development and global financial stability within the framework of good governance.

### *Institutional and Financial Stability*

Institutional and financial stability is among the key indicators of the World Bank’s good governance framework and has also received attention in Iran’s scholarly literature. This indicator refers to the capacity of governmental and financial institutions to create a stable environment for economic activity and to prevent financial crises. In the digital currency domain, the importance of this principle is intensified because the decentralized and global nature of crypto-assets can destabilize the traditional financial order (23). From the perspective of the World Bank’s good governance framework, institutional and financial stability in interaction with digital currencies should be organized around three principal axes:

Institutional transparency in communication and policymaking;

Accountability of governments and central banks for economic and social consequences;

Regulatory quality in developing coordinated and enforceable rules.

Overall, scientific research indicates that if digital currencies are managed within appropriate institutional frameworks, they can contribute to expanding financial inclusion and reducing transaction costs. However, in the absence of transparent regulation, the risks of financial and institutional instability will increase.

### **Assessing the World Bank’s Role in Regulating Digital Currencies**

The World Bank emphasizes in its reports that digital currencies should be managed within the framework of good governance principles. Through technical notes and policy advice, it assists countries in ensuring that the design and implementation of central bank digital currency is accompanied by institutional transparency, accountability, and financial stability (2). The World Bank’s role is primarily oriented toward capacity building and knowledge transfer rather than the imposition of binding regulations, because direct regulation lies within the competence of states and central banks. Nevertheless, the World Bank’s recommendations on transparency, anti-money laundering measures, and the management of financial risks are widely used as authoritative global reference points. Accordingly, the World Bank can be regarded as a key actor in shaping regulatory frameworks for digital currencies.

### *World Bank Strategies in Confronting New Financial Technologies*

New financial technologies—especially digital currencies and blockchain-based instruments—have created broad opportunities and challenges for financial systems. The World Bank, as one of the principal institutions of global economic governance, has developed multiple strategies to respond to these developments. By publishing

reports, recommendations, and policy guidance, the World Bank supports governments in designing supervisory frameworks. The first strategy is strengthening financial inclusion. The World Bank emphasizes that financial technologies can expand access to financial services for marginalized groups. For example, the use of digital wallets and mobile payments in developing countries has reduced transaction costs and increased access to banking services. The second strategy is enhancing competition and efficiency in financial markets. The World Bank maintains that new technologies should develop within free and competitive markets to prevent monopoly power and excessive concentration among large firms. The third strategy is managing financial and institutional risks. The World Bank warns that the rapid expansion of digital currencies without adequate oversight can generate financial instability; consequently, it stresses the need for coordinated regulation and the implementation of anti-money laundering and customer due diligence requirements.

The fourth strategy is updating legal and institutional frameworks. The World Bank recommends that states align their laws with financial technology developments, including reforms to monetary and banking regulations and consumer protection rules, so that public trust is preserved and innovation develops in a secure environment. The fifth strategy is international cooperation and information sharing. The World Bank, in cooperation with the International Monetary Fund and other relevant international processes, has supported shared frameworks to combat corruption, money laundering, and terrorist financing (24). Overall, the World Bank's strategies for addressing new financial technologies can be summarized in five areas: strengthening financial inclusion; enhancing competition and market efficiency; managing financial and institutional risks; updating legal frameworks; and promoting international cooperation and information exchange. These strategies indicate that the World Bank views new financial technologies not merely as threats, but also as opportunities for sustainable development and good governance.

### *Emphasized Legal Requirements*

Legal requirements in the field of digital currencies, as part of the World Bank's good governance principles, play a fundamental role in ensuring institutional and financial stability. These requirements entail establishing transparent and enforceable legal frameworks for managing digital assets and central bank digital currency. The first legal requirement is to determine a clear legal basis for issuing a central bank digital currency. According to the IMF report *Selected Legal Considerations for Central Bank Digital Currencies* (2025), central banks must have explicit legal authority to issue digital assets and central bank digital currency. This includes defining the legal nature of digital assets and a central bank digital currency as official money, and delineating the scope of the central bank's powers in providing payment platforms (25). The World Bank emphasizes principles such as fairness, transparency, equal access, and the reduction of systemic risks (25).

The second requirement is regulating the legal relationship between the central bank and users. This relationship includes users' rights and obligations when using a central bank digital currency, the central bank's responsibility to safeguard transaction security, and rules governing settlement finality. In designing a central bank digital currency, it must be specified whether the central bank interacts directly with users or operates through intermediaries.

The third requirement is compliance with anti-money laundering and customer due diligence standards. The World Bank emphasizes that without the implementation of these standards, digital currencies may become a

conduit for financial corruption and money laundering. Accordingly, legislation should require digital asset service providers to maintain records, report suspicious transactions, and verify customers' identities (2).

The fourth requirement concerns the protection of user privacy and data. International legal scholarship emphasizes that the legal design of digital currencies must strike a balance between institutional transparency and the protection of personal data (5). This issue is particularly significant in jurisdictions where public trust in financial institutions is low.

The fifth requirement is international regulatory coordination. Since digital currencies transcend national borders, the absence of shared standards increases the risk of "regulatory arbitrage." The World Bank and the International Monetary Fund emphasize the need for multilateral cooperation among countries to develop coordinated frameworks, including information exchange, convergence in monetary policy approaches, and the adoption of relevant global standards (14).

Ultimately, the emphasized legal requirements in the digital currency domain can be summarized as follows:

A clear legal basis for issuing a central bank digital currency;

Regulation of the legal relationship between the central bank and users;

Implementation of anti-money laundering and customer due diligence standards;

Protection of user privacy and data;

International regulatory coordination.

These requirements indicate that digital currencies can align with the World Bank's good governance principles only if a comprehensive and coordinated legal framework is developed.

#### *Capacity Building and the Enhancement of Public Administration*

One of the World Bank's central functions is assisting countries in strengthening domestic institutions for regulating digital currencies. Capacity building and the enhancement of public administration are among the pillars of the World Bank's good governance framework and are of particular importance in the digital currency domain. This principle refers to the ability of governments and public institutions to create effective structures, train human resources, and formulate coordinated policies for managing new financial technologies. The World Bank emphasizes that countries should increase their institutional capacity to address the challenges posed by digital currencies. Such capacity building includes specialized training for central bank staff, establishing dedicated supervisory units for digital assets, and developing technological infrastructure.

A key requirement of capacity building is training and empowering human resources. Without specialized knowledge of blockchain, cryptography, and digital monetary policy, public administration will be unable to formulate effective regulations. Another strategy is establishing specialized and coordinating bodies. The World Bank recommends that countries form inter-agency committees to manage digital currencies so that monetary, fiscal, and legal policies are implemented within a coordinated framework. This can prevent institutional fragmentation and policy inconsistency.

Capacity building also involves developing technological infrastructure. Central banks must design secure and scalable digital payment systems to enable the efficient issuance and operation of a central bank digital currency. The absence of appropriate infrastructure can undermine public trust and lead to policy failure. From a public administration perspective, capacity building must be accompanied by institutional transparency and accountability.

Research also indicates that public institutions should publish regular reports on digital policies and remain accountable for economic consequences (26). This strengthens public trust and enhances institutional legitimacy.

Ultimately, capacity building and the enhancement of public administration in the digital currency domain can be summarized in three main axes:

- Training and empowering human resources;
- Establishing specialized and coordinating institutions;
- Developing technological infrastructure and institutional transparency.

These measures indicate that without capacity building, public administration will not be able to respond effectively to the challenges posed by digital currencies, and the World Bank's good governance principles will not be realized.

### **Legal Implications for the System of International Economic Law**

The expansion of digital currencies has confronted the system of international economic law with new challenges. First, the concept of "money" in treaties and international contracts requires redefinition, because central bank digital currency and cryptocurrencies have begun to substitute traditional forms of money (12). Anti-money laundering and customer due diligence rules must be harmonized at the global level to prevent regulatory arbitrage. Digital and blockchain-based assets also require new frameworks within international investment law.

#### *State Responsibilities*

States bear responsibilities in relation to digital-currency-based activities in the areas of financial crime prevention, consumer protection, and risk management. State responsibility in responding to digital currencies is among the most important legal and institutional issues within the World Bank's good governance framework. These responsibilities are not limited to domestic regulation; they also encompass international dimensions and multilateral cooperation.

First, states are responsible for developing a transparent and comprehensive legal framework for managing digital currencies. The absence of clear rules can undermine public trust, increase financial corruption, and expand unlawful activities. The World Bank emphasizes that states should specify the legal basis for issuing a central bank digital currency and precisely define the scope of the central bank's powers in this field (2).

Second, states are responsible for preserving financial and institutional stability. Because of their volatility, digital currencies can generate instability within banking systems. States must design coordinated monetary and fiscal policies to prevent banking crises and "digital runs." The International Monetary Fund has warned that, under crisis conditions, weak institutional management can lead to large-scale capital flight and a collapse of public confidence (14).

Third, states must implement anti-money laundering and customer due diligence standards. States should require digital asset service providers to maintain records, report suspicious transactions, and verify customer identities. This is essential not only for combating financial corruption but also for aligning domestic systems with relevant international standards (18).

Fourth, states must protect citizens' rights and personal data. They should strike a balance between institutional transparency and privacy protection. Legal design should strengthen public trust while preserving the possibility of effective transaction oversight.

Fifth, states must pursue institutional capacity building and enhance public administration. They should cultivate specialized human resources in blockchain and digital monetary policy, establish dedicated supervisory bodies, and develop necessary technological infrastructure.

Sixth, states must engage in international cooperation and regulatory coordination. Because digital currencies cross national borders, the absence of shared global standards increases the risk of regulatory arbitrage. States should cooperate with international institutions to develop coordinated frameworks for managing digital currencies (2).

In sum, state responsibilities in the digital currency domain can be summarized as follows:

Developing a transparent legal framework;

Preserving financial and institutional stability;

Protecting personal data and citizens' rights;

Building institutional capacity and enhancing public administration;

Engaging in international cooperation and regulatory coordination.

These responsibilities indicate that states must not only act as domestic regulators, but also function as active global actors in managing digital currencies. Only in this way can digital currencies align with the World Bank's good governance principles and contribute to sustainable development.

### *The Need to Develop Transnational Standards*

The realization of good governance requires transnational harmonization and coordination among international institutions. The transnational character of these technologies means that the absence of shared global standards can have serious consequences for financial stability and international economic law. The World Bank emphasizes that the use of central bank digital currency in cross-border payments will be successful only if countries develop common standards regarding technical architecture, settlement rules, and data protection (2). The International Monetary Fund likewise warns that the absence of transnational standards in anti-money laundering and customer due diligence can lead to extensive misuse of digital currencies (11). These considerations underscore the need for governments to develop shared frameworks for managing financial risks in coordination with relevant international processes.

### *Strengthening Institutional Convergence*

Cooperation among the World Bank, the International Monetary Fund, the Financial Action Task Force, and the World Trade Organization is necessary to achieve an effective oversight system. The transnational and complex nature of digital currencies requires extensive institutional coordination. Strengthening institutional convergence means creating mechanisms through which different bodies—from central banks and finance ministries to supervisory and judicial authorities—can align their policies within a shared framework. The absence of such convergence will lead to institutional fragmentation, policy inconsistency, and ultimately financial instability. The World Bank and the International Monetary Fund emphasize that the design and implementation of a central bank digital currency will succeed only if different institutions act in a coordinated manner at both national and international levels (11). From the perspective of good governance, institutional convergence is linked to transparency, accountability, and effectiveness: transparency requires that digital currency policies be publicly disclosed to strengthen citizens' trust; accountability entails responsibility for economic and social consequences;

and institutional effectiveness is achieved when institutions operate in a coordinated framework without overlap and conflict.

## **Conclusion**

The emergence of digital currencies and new financial technologies has confronted the system of international economic law with unprecedented opportunities and challenges. This phenomenon has not only transformed traditional concepts such as legal tender, assets, and investment, but has also significantly affected the principles of good governance as articulated by the World Bank. The analysis conducted in this study demonstrates that the realization of good governance in the field of digital currencies requires a fundamental re-examination of existing legal and institutional frameworks, together with sustained multilateral cooperation among states and international institutions. The core indicators of good governance—transparency, accountability, regulatory quality, control of corruption, and institutional coordination—have acquired heightened importance in this domain, and without due attention to these principles, the governance of digital currencies may lead to financial and institutional instability. From the perspective of international economic law, digital currencies have rendered monetary sovereignty increasingly relative and have weakened states' capacity to exercise effective monetary policy. Domestic and international studies further indicate that international institutions have adopted divergent approaches toward this phenomenon: the World Bank emphasizes the necessity of institutional coordination and the development of shared frameworks; the International Monetary Fund focuses primarily on financial consequences and economic stability; and the Financial Action Task Force underscores the implementation of anti-money-laundering and customer due-diligence standards. These divergent approaches themselves reveal the existing gap in the system of international economic law and the urgent need to develop transnational standards.

State responsibility in this area is extensive. Governments must establish transparent legal frameworks, preserve financial stability, protect citizens' data, and strengthen their institutional capacity. They are also obliged to cooperate with international institutions in order to prevent regulatory arbitrage and institutional instability. In this context, strengthening institutional convergence and enhancing public administration play a pivotal role, since only through effective coordination among diverse institutions can coherent and sustainable policies for digital currencies be implemented. Overall, the central conclusion of this research is that digital currencies possess substantial potential to enhance efficiency, transparency, and financial inclusion; however, in the absence of harmonized regulation and stable legal frameworks, the risks of financial instability and corruption will increase significantly. Consequently, the achievement of good governance in this field requires reform of legal and institutional structures, reinforcement of transparency and accountability, effective control of corruption, and sustained multilateral cooperation among states and international institutions. Such a framework can serve as a foundation for designing efficient and coherent regulations at both national and international levels, thereby contributing to sustainable development and global economic cohesion.

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## **Authors' Contributions**

All authors equally contributed to this study.

## Declaration of Interest

The authors of this article declared no conflict of interest.

## Ethical Considerations

All ethical principles were adhered in conducting and writing this article.

## Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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