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THE USE OF STABLECOINS IN HUMANITARIAN AID OPERATIONS

A CASE STUDY OF SYRIA

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Operations:
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Part I: Introduction

This paper will explore the legal considerations relevant to the use of stablecoins by humanitarian organizations to deliver aid in conflict and post-conflict areas. Specifically, it aims to interrogate the general legal liability concerns for International Non-Government Organizations (INGOs) using stablecoins in humanitarian aid delivery within Syria, and answer the question of whether humanitarian actors can lawfully use stablecoins to deliver assistance in compliance with International Humanitarian Law (IHL), other international regulations, and their humanitarian mandates.

The methodological approach used here will include an examination of the legal infrastructure at play in such contexts followed by an analysis of its applicability and effect within the context of INGO operations, using a case-study approach based on the Mercy Corps Ventures (MCV) pilot in Syria. This paper will be composed of the following sections 1) a presentation on the Syrian context with the particular challenges it presents to humanitarian actors operating within it; 2) the use of cryptocurrency in humanitarian contexts including MCV's use of stablecoins in Syria; 3) a review of the relevant international legal & regulatory framework; 4) an analysis of the relevant challenges and legal concerns; and 5) recommendations for future action regarding stablecoin usage in humanitarian operations.

Part II: The Syrian Context:

This section will present a brief overview of the economic and humanitarian situation in Syria, the evolution of the sanctions regime there, and the current bank “de-risking” policies at play in Syria.

a) An Overview of the Humanitarian Conditions in Syria:

Syria was engaged in a prolonged civil war from 2011 to 2024, which has in effect isolated it from the wider international financial system at a time when the Syrian populace's humanitarian needs have grown exponentially.¹ Since the onset of the war, 500,000 Syrians have lost their lives, half of the population has been displaced, 85% are below the poverty-line, more than 30% of the youth face unemployment, and 11 million are in need of humanitarian assistance.² As a result of the Assad regime's overthrow in 2024 and a new government taking control, sanctions have indeed been eased on Syria, but humanitarian operations remain costly and difficult to maneuver in part due to “de-risking” policies by banks.³ As one analyst aptly puts it “[t]he literature demonstrates the impossibility of disaggregating economic sanctions from their adverse humanitarian effects,”⁴

¹ *Pilot Launch | Boosting Financial Access: Stablecoin Aid Payments To Strengthen Agricultural Livelihoods In Northeast Syria*, Mercy Corps Ventures Medium (2025), <https://medium.com/mercy-corps-social-venture-fund/pilot-launch-boosting-financial-access-stablecoin-aid-payments-to-strengthen-agricultural-3561fb717823>. Note: Hyperlinks are conventionally displayed in blue and underlined to signify interactivity.

² INVISIBLE SANCTIONS: HOW OVER-COMPLIANCE LIMITS HUMANITARIAN WORK ON SYRIA, Joseph Daher, *Impact* (2020), at 11.

³ *Supra* note 1.

⁴ *Economic Sanctions on Syria: A Critical Reappraisal*, Ferdinand Arslanian, *Global Insecurity* (2024), <http://securityincontext.com/posts/economic-sanctions-on-syria-a-critical-reappraisal>.

as they are interlinked through clear causation, with civilians unfortunately bearing the cost. Compounding this suffering has been a liquidity and financial crisis as the Syrian pound has been devalued by nearly 99% against the dollar from 2020, causing prices of essential goods to skyrocket and causing considerable erosion of purchasing power.⁵ The prices of food have increased by more than 32 times since 2010 with the World Food Program declaring that 9.1 million Syrians are “food insecure” and 3 million being “severely food insecure.”⁶ Therefore, the need for humanitarian assistance in Syria is extremely high.

b) The Syrian Sanctions Regime and its Discontents

This assessment will mainly focus on the current sanctions regime imposed on Syria, but it is important to acknowledge that between 2011 and 2012, a complex system of sanctions was imposed on Syria that had a crippling effect on its economy. These sanctions negatively impacted the banking sector, services, flights, companies, individuals, and generally heavily impeded Syrian capacities for international transactions.⁷ Much of the literature on the sanctions regime has recognized that they helped develop a shadow economy and negatively impacted the general population and economy. As one analyst puts it “[t]he delivery of humanitarian aid faces multiple hurdles related to the overcompliance of banks and complexity in meeting legal requirements.”⁸ The key issues to be examined below are: derisking practice by banks, lack of formal banking infrastructure and general access to financial services, currency devaluation, and high transfer costs.

According to a study from the Carter Centre, many banks “over complied” with the Syrian sanctions regime, and pursued an “exception only” policy requiring humanitarian actors to meet high due diligence requirements.⁹ In effect, this meant such banks would categorically not engage with Syria as a policy even if legally they are allowed to do so (to lower any potential risk of engagement).¹⁰ It is generally agreed that “there is a significant body of literature that documents the adverse implications of bank de-risking on humanitarian and development operations in conflict-affected contexts.”¹¹ These de-risking policies by banks can range from refusing to open a bank account in the country, to requiring highly onerous due diligence requirements, to simple closure of bank accounts which in particular can have a “[c]hilling effect on humanitarian aid . . .

⁵ *Exclusive: Syria To Revalue Currency, Dropping Two Zeros In Bid For Stability*, Feras Dalatey, Reuters (2025), <https://www.reuters.com/business/finance/syria-revalue-currency-dropping-two-zeros-bid-stability-2025-08-22/>.

⁶ *Emergency: Syria*, World Food Program (2025), <https://www.wfp.org/emergencies/syria-emergency#:~:text=Millions%20of%20people%20in%20Syria%20are%20facing,infrastructure%2C%20homes%2C%20and%20services%20have%20been%20destroyed.>

⁷ *Supra* note 4.

⁸ *Id.*

⁹ NAVIGATING HUMANITARIAN EXCEPTIONS TO SANCTIONS AGAINST SYRIA, The Carter Centre (2020), <https://www.cartercenter.org/wp-content/uploads/2020/10/navigating-humanitarian-exceptions-in-syria-oct2020.pdf>, at 7-12.

¹⁰ *Id.*

¹¹ *Whose risk? Bank de-risking and the politics of interpretation and vulnerability in the Middle East and North Africa*, Sherine El Taraboulsi-McCarthy, International Review of the Red Cross (2022), <https://international-review.icrc.org/articles/whose-risk-bank-de-risking-and-politics-of-interpretation-and-vulnerability-in-the-mena-916>. Note: Hyperlinks are displayed in blue and underlined to signify interactivity.

[including making] donors become reluctant to further contribute.”¹² Banks rarely agree to circumvent their own de-risking policies for specific exceptions such as humanitarian work, and would usually require extensive paperwork from humanitarian organizations in the process that may result in the closure of accounts altogether.¹³ In turn, this led to a greater reliance by humanitarian actors on the informal financial system as banks “opted-out” or “de-risked” from engagement with Syria. Humanitarian actors, the World Bank, and other financial institutions have expressed serious concerns that this process of “de-risking” has hampered the delivery of needed aid in countries considered high risk such as Syria.¹⁴ Lack of clarity on sanctions and their overlapping complexity, and the added compliance burdens led many key entities like banks, insurance and shipping companies and sellers of goods, to not engage in Syria, even knowing that a humanitarian exception applies.¹⁵

This development of “de-risking” made aid operations more difficult and led many NGOs to instead rely on the *Hawala* system in Syria¹⁶ which are informal financial networks. It is through this broad network of informal banks and informal money transfer agents (IMTAs) that many humanitarian organizations have been able to get funds into Syria. However, as Mercy Corps and other humanitarian actors have noted the reliance on *Hawala*’s “creates security risks, compliance challenges, and additional fees, further reducing the efficiency of aid delivery.”¹⁷ It has been also harder to account for the funds when relying on *Hawalas*, as they come with an increased risks of money laundering and lack of traceability because by their very nature hawalas are informal financial structures that operate on a cash-basis. These traceability issues can make it more difficult to account for proof of “clean funds.” *Hawalas* can also be particularly sensitive to currency crises due to their cash-basis, leading to difficulty in projections.¹⁸ These difficulties related to lack of transparency and low efficiency prompted some humanitarian organizations to think of alternatives. As mentioned earlier, the devaluation of the Syrian pound led to inflation, compounded food insecurity and economic instability, further complicating the role of humanitarian actors.

As will be covered later in this paper, the sanctions regime against Syria has been mostly lifted due to the overthrow of the Assad Regime. The President of Syria has recently been removed by the United Nations Security Council (UNSC) from the terrorism sanctions list¹⁹, and he has recently met with the US President for talks for the first time.²⁰ Despite this, derisking policies by

¹² BANK DE-RISKING OF NON-PROFIT CLIENTS, NYU Paris EU Public Interest Clinic, New York University (2021), https://www.hscollective.org/assets/Uploads/NYU-HSC-Report_FINAL.pdf, at 14.

¹³ *Id.*

¹⁴ *Supra* note 2, at 14

¹⁵ *Id.*

¹⁶ See <https://www.imf.org/external/pubs/ft/fandd/2002/12/elqorchi.htm>.

¹⁷ *Supra* note 1.

¹⁸ *Detecting Hawala network for money laundering by graph mining*, Marzhan Alenova, Assem Utaliyeva, & Ki-Joune Li, *The Journal of Finance and Data Science*, Volume 10 (2024), <https://www.sciencedirect.com/science/article/pii/S2405918824000321>.

¹⁹ *U.N. Security Council Removes Syria’s President From Sanctions List*, Ephrat Livni, *New York Times* (2025), https://www.nytimes.com/2025/11/06/world/middleeast/unsc-syria-al-shara-sanctions-removed.html?unlocked_article_code=1.zU8.B5er.LWJ0e0BtVuz&smid=url-share.

²⁰ *Trump Vows To Do Everything He Can To Help Syria After Landmark Talks With Sharaa*, Steve Holland & Matt Spetalnick, *Reuters* (2025), <https://www.reuters.com/world/middle-east/trump-meet-sharaa-white-house-capping-major-turnaround-syria-2025-11-10/>.

banks are still very much implemented, making it difficult facilitate the movement of funds to, and within, Syria.

Part III. The Use of Cryptocurrency in Humanitarian Contexts:

This section will offer a brief overview of cryptocurrencies including stablecoins and explain the advantages and disadvantages of using them in a humanitarian context with a particular focus on MCV's pilot in Syria. To understand the context of stablecoin transactions in humanitarian contexts, it is important to distinguish between *hawalas*, IMTAs, and CASPs. *Hawalas* are traditional but an informal type of financial services in Syria; they may be registered but are often not.²¹ *Hawalas* have been flagged by the Financial Action Task Force (FATF) as high risk for their use related to terrorist financing and money laundering because of their “lack of supervisory will or resources; settlement across multiple jurisdictions through value or cash outside of the banking system in some cases; the use of businesses that are not regulated financial institutions; [and] the use of net settlement and the commingling of licit and illicit proceeds.”²² Informal money transfer agents (IMTAs) operate within the *Hawala* system to offer their services.

NGOs, including Mercy Corps, often rely on IMTAs to make transfers in, out of, and within conflict environments like Syria, as a means of sustaining humanitarian operations and supply chains. Reliance on these IMTAs are often the only way NGOs can get funds into the conflict-stricken country and provide services in conflict environments in lieu of facing the threat of interrupted or suspended delivery due to bank de-risking in these conflict zones. INGOs, NGOs and International Organizations (IOs)²³ offering humanitarian aid will often have structured agreements with IMTAs.²⁴ Crypto Assets Service Providers (CASPs) are considered to be “any legal entity or undertaking that provides one or more crypto-asset services to third parties on a professional/commercial basis.”²⁵ The term CASPs is often used interchangeably with the term Virtual Asset Service Provider (VASPs); however the latter is more general as it relates to all virtual assets instead of just cryptocurrency-based ones.

a) Overview of Cryptocurrencies and Stablecoins:

Cryptocurrencies are digital currencies that use a digital decentralized ledger called a “blockchain” to record all transactions. While currencies such as Bitcoin gained popularity due to cheaper transaction costs, faster transfers, relative transparency, and the lack of regulation, its

²¹ *Supra* note 2, at 21-22.

²² THE ROLE OF HAWALA AND OTHER SIMILAR SERVICE PROVIDERS IN MONEY LAUNDERING AND TERRORIST FINANCING, FATL Report, Financial Action Task Force (2013), <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Role-of-hawala-and-similar-in-ml-tf.pdf.coredownload.pdf>, at 10.

²³ IOs are multilateral membership organizations (composed of individual nation-states) that possess legal status, can make agreements, and are broadly divided into intergovernmental (IGOs like the UN) with nation-states as members, and non-governmental (INGOs like the World Wildlife Fund) with individuals/associations as members, serving as platforms for collective action beyond national boundaries.

²⁴ *Supra* note 1.

²⁵ *The European regulation Markets in Crypto-Assets (MiCA)*, Autorité Des Marchés Financiers (AMF) (2024), <https://www.amf-france.org/en/news-publications/depth/mica>.

potential for other use cases such as the use of built in “smart” contracts remains large. Those who wish to trade in crypto often use digital wallets or platforms that have their own digital wallets (such as Binance and Crypto.com) to buy and trade such cryptocurrencies on a blockchain based public network. While governments and regulatory agencies have in general been skeptical of crypto at its inception due to the initial lack of regulation, the volatility and the potential for abuse of securities, these same States and organizations have become increasingly more receptive to crypto as regulation has evolved to govern the use of these instruments. Major jurisdictions, including the United States, the European Union, the United Kingdom, Switzerland, and others have since adopted or are in the process of adopting comprehensive regulatory frameworks that explicitly recognize and regulate crypto assets and stablecoins, reflecting a policy shift away from prohibition toward regulated accommodation.²⁶ For example, the European Union adopted the “MiCA regime for stablecoin issuers since June 2024; [and a] regime for crypto asset service providers (CASPs) since December 2024”.²⁷ Crypto has also raised concerns over its misuse to transfer funds for illegal activities including money laundering and terrorism.²⁸

Stablecoins are defined by the Securities Exchange Commission (SEC) to be “a type of crypto asset designed to maintain a stable value relative to a reference asset” such as USD or commodities such as gold.²⁹ Stablecoins use reserves and mechanisms that increase or decrease demand to keep the stablecoin pegged 1:1 to the targeted asset.

Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act each defines the term “security” by providing a list of various financial instruments, including “stock,” “note,” and “evidence of indebtedness.” As Stablecoins share some characteristics with a note or other debt instrument, the SEC gave careful consideration to whether Stablecoins should be considered to be “securities.”

The SEC has deemed that stablecoins, as defined above (“Covered Stablecoins”), are *not* securities using two tests: the *Howey* test (which covers investment contracts) and the *Reves* test (which covers notes). As investment contracts and notes are both securities, the SEC applied both tests for stablecoins. Under *SEC v. W.J. Howey Co.*, something can be deemed an “investment contract” and thus a security if it meets certain “economic realities” related to “whether there is an investment of money in a common enterprise premised on a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others.”³⁰ In the case of Covered Stablecoins, the SEC deemed that purchasers do not buy them for an expectation of profit, as they

²⁶ *Global Crypto Policy Review & Outlook 2025/26*, TRM Labs (2025), <https://www.trmlabs.com/reports-and-whitepapers/global-crypto-policy-review-outlook-2025-26>.

²⁷ *Id.* The MiCA regime effectively making non-compliant stablecoins difficult to use with many exchanges delisting Tether (USDT) due to its failure to meet strict transparency and reserve standards, pushing liquidity towards compliant alternatives like USDC and EURC. While not an outright ban on Tether itself, MiCA requires stablecoin issuers to adhere to rigorous rules for reserve management, disclosure, and licensing, leading to a major shift in the EU stablecoin market by late 2025.

²⁸ *Cryptocurrency Research: Bibliometric Review And Content Analysis*, Manish Atree & Naliniprava Tripathy, *International Review of Economics & Finance* (2025), <https://www.sciencedirect.com/science/article/pii/S1059056025001030>.

²⁹ *Statement on Stablecoins*, Securities Exchange Commission (2025). <https://www.sec.gov/newsroom/speeches-statements/statement-stablecoins-040425>.

³⁰ *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946).

are linked 1:1 to other assets (and in most cases USD), and so buyers buy them for the same reason they would buy USD, so they are not investment contracts.

Under *Reves v. Ernst & Young* the so-called “family resemblance test” is applied which considers four factors: the motivations of the seller and buyer, the plan for distribution; the reasonable expectations of the public; and any risk reducing features. Here, stablecoins are 1) issued and purchased for reasons other than investing for profit; 2) are distributed widely to the public but there is limited arbitrage or profit opportunities; 3), are not marketed as investment to the public; and 4) include clear risk-reducing features such as the use of a reserve to maintain the price.³¹ Thus, the SEC found that Covered Stablecoins, in particular, would not be deemed securities and the wide-ranging securities regulations would not apply to them. Thus, the SEC concludes that:

“As discussed above, buyers do not purchase Covered Stablecoins with a reasonable expectation of profit derived from the entrepreneurial or managerial efforts of others because these instruments are not marketed as investments or with any emphasis on the potential for profit. (Footnote deleted.) Rather, buyers are motivated to use or consume Covered Stablecoins as so-called “digital dollars” in the same way one would use USD. Accordingly, it is the Division’s view that Covered Stablecoins are not offered or sold as investment contracts.”³²

This provides extra assurances to humanitarian organizations intent on using stablecoins that they will not be treated as security holders for tax and other reasons so long as they use “Covered Stablecoins.” It is important to emphasize that this analysis will not hold for other cryptocurrencies which can, and likely will, be deemed securities. It does however emphasize the aspects that make stablecoins, in particular, so beneficial for use in humanitarian operations given their unique characteristics as digital assets.

b) Advantages of Using Stablecoins in Humanitarian Operations:

There are many clear advantages to the use of stablecoins by humanitarian organizations. Using stablecoins to transfer the equivalent of USD currency is much faster than traditional methods and is always operational (24/7).³³ It also reduces overhead costs including transaction fees, potentially leading more aid to reach those in need,³⁴ and can be particularly useful for value preservation in markets with high inflation and instability. Further, they are transparent, programmable and highly traceable. Stablecoins can also help prevent corruption and counterparty risks by reducing the number of intermediaries and can contribute to greater financial inclusion by including unbanked individuals who have access to a mobile phone linked to the internet.³⁵ All of

³¹ *Reves v. Ernst & Young*, 494 U.S. 561 (1990).

³² *Id.*

³³ *5 Benefits of Stablecoins for Crossborder Payments*, Bridge (2025), <https://bitwage.com/en-us/blog/5-benefits-of-stablecoins-for-crossborder-payments>.

³⁴ *How Stablecoins have transformed Aid Delivery*, Mercy Corps Ventures, Medium (2025), <https://medium.com/mercy-corps-social-venture-fund/pilot-insights-how-stablecoins-have-transformed-aid-delivery-a3c85faed024>.

³⁵ *USDC Utility: Delivering Humanitarian Aid Where it is Needed*, Circle, 2023. <https://www.circle.com/blog/usdc-utility-delivering-humanitarian-aid-where-its-needed#:~:text=Conclusion,delivered%20more%20efficiently%20and%20equitably>.

these potential advantages have led some humanitarian organizations to consider the use of stablecoins in their activities.

Stablecoins can be seen as particularly valuable in an environment like Syria that is subject to a considerable amount of de-risking activities by the banks thereby increasing the difficulty of sending and transferring money. The use of stablecoins instead of reliance on the unofficial *Hawala* market results in more transparency and increases accountability as any amount can be traced through the blockchain.

Further, as the Syrian exchange market exhibits strong volatility, stablecoins can be seen as a good store of value, and they also protect aid recipients purchasing power. Stablecoins can also target communities that do not have access to a bank account, of which there are many in Syria. In general, in countries such as Syria where de-risking by banks is a reality, rather than relying on stablecoins the humanitarian actor would have to rely much more on IMTAs and the *Hawala system*. This reliance brings its own host of disincentives including slower transactions, more intermediaries, higher costs, higher chance of corruption, and less transparency. Therefore, the use of stablecoins in humanitarian operations can be seen as particularly beneficial in the Syrian context.

c) MCV's Use of Stablecoins

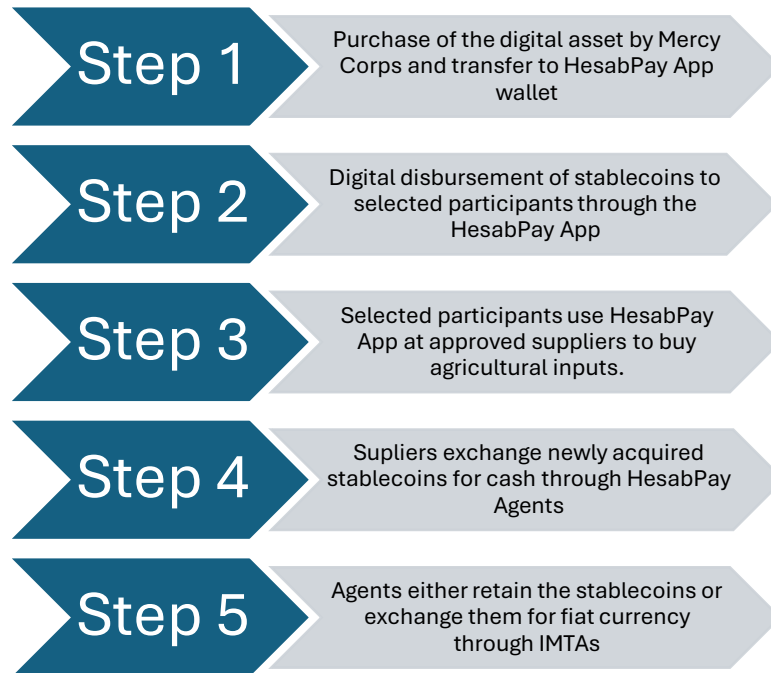
Mercy Corps Ventures (MCV) and Mercy Corps Syria have leveraged stablecoins and blockchain technology, in partnership with HesabPay (a financial technology company) and Pioneers Innovation (a local Syrian NGO), to provide much needed aid to Syrians in a pilot program. To clarify, MCV is a department within the larger NGO Mercy Corps. MCV invests in and pilots emerging technologies in frontier contexts. Within MCV, the Humanitarian Venture Lab focuses specifically on “co-designing, funding, and testing promising technologies to de-risk solutions and build evidence for scale,” and their work included the aforementioned stablecoins-based pilot humanitarian program in Syria.³⁶ For this pilot, Mercy Corps Ventures provided grant funding to the Mercy Corps Syria Country office and HesabPay to pilot the use of stablecoins jointly, with technical assistance, design support and evaluation by MCV's Humanitarian Venture Lab.

This pilot was active from August 2024 to April 2025, and aimed to “overcome financial access barriers in high-risk environments” and set a precedent that would guide other humanitarian actors on how to better facilitate the provision of aid with lower costs and barriers.³⁷ The pilot program targeted 100 smallholder farmers and was shared by 400-500 aid recipients in the Al-Hasakah governorate of Northern Syria, which is known as the “breadbasket” of Syria due to the prominence of agricultural production in it. The pilot program successfully distributed \$30,000 to the digital wallets of small farmers in need of such aid.

The steps entailed in the pilot are explained in the flowchart below:

³⁶ *Mercy Corps Ventures*, Mercy Corps (visited Dec. 25, 2026), <https://www.mercycorps.org/what-we-do/ventures>.

³⁷ *Supra* note 1.



Notably those steps are considerably less burdensome than those that were previously used in Fiat-based transfers to Syria, and incurs less cost and promotes greater efficiency.³⁸ The first step is the purchase of the digital asset by Mercy Corps' Global Treasury and transfer to the HesabPay Wallet belonging to the Mercy Corps Syria Country Office. Second, the Mercy Corps Syria Country Office facilitates the disbursement of assets to vetted participants through the HesabPay App platform, using a web-based bulk disbursement interface to deposit funds into the individual (smartphone-based) HesabPay wallets of participants. Third, the participants then purchase chosen agricultural inputs like fertilizers from vetted suppliers contracted by HesabPay, using the app and expending their stablecoins. At this point, the targeted end users have received the aid in the form of agricultural inputs, but the Suppliers who provided that aid now have stablecoins that they may wish to sell. Fourth, the chosen Suppliers (in this particular case, there were 2 suppliers) can exchange their newly acquired stablecoins for cash through HesabPay Agents. Finally, the HesabPay Agents either retain the stablecoins or exchange them for fiat currency through the use of Informal Money Transfer Agents (IMTAs).

This system allows for a more direct digital disbursement of the stablecoins to beneficiaries through the use of an app (HesabPay) that allows these participants to use these assets to buy the needed agricultural supplies at the pre-selected vendors. Notably, the small farmer recipients and the participating vendors were identified, registered, and selected by Mercy Corps Syria, and the IMTAs involved in this pilot were vetted by HesabPay. All of these participants were provided with training sessions on how to use the HesabPay app. While the HesabPay app offered the vehicle

³⁸ Fiat currency is money that is not backed by a physical commodity like gold or silver but is a type of currency is declared by the government to be legal tender. Its value comes from factors like the issuing country's economic stability, the government's stability, and supply and demand dynamics. *See generally, Fiat Money Explained: Benefits, Risks, and Global Examples*, James Chen, *Investopedia* (2025).

to execute this Pilot, the other primary partner for MCV, Pioneers Innovation, helped them identify and approach suitable vendors and IMTAs.

MCV has used several key performance indicators to gauge the success of this program, and overall, it was extremely successful. Notably, the use of stablecoins led to a 96% reduction in payment time, 60% cost reduction vs reliance on IMTAs (and 40% vs the use of e-vouchers), had a 100% success rate in reaching recipients and vendors, and was 100% traceable. For example, looking at the total costs of the pilot vs an IMTA reliant cash transfer program that MC initiated in 2023, the costs (as a percentage of the aid) are reduced from 15% to 6%. Also notable is that despite there being a steep learning curve for all involved, the spending rate was 100% and 72% of participants said they preferred to receive aid via digital currencies over cash, with some noting that this method limits fraud and use of favoritism. The Mercy Corps Syria Country Office noted that while there was an initial period of confusion, the actual process was simpler and more positive than their experience with cash (fiat-based) programs. IMTAs also found the experience positive but expressed a desire to expand it to more vendors

Some challenges noted by MCV were technological hurdles that had to be creatively overcome (such as sending pin codes via WhatsApp as local mobile phone networks in Syria cannot receive international SMS messages due to sanctions). However, non-technical hurdles unrelated to the use of stablecoins or digital devices proved to be more prevalent: these factors included the skepticism of Country Office staff; hesitancy on part of vendors to participate fearing security concerns (only two vendors participated); and limited choices for recipients (who were limited to buying certain agricultural inputs like fertilizers and could not use the stablecoins to buy equipment such as solar panels for instance). Overall, the pilot was considered highly successful by almost all metrics tested.

There are other notable challenges that were encountered by humanitarian actors using stablecoins including: the shifting regulatory framework that can be seen as unstable; problems related to connectivity gaps in low income countries; lack of digital literacy among the targeted recipients; and donor and banking pushback and skepticism.³⁹ Additionally, there can be some due diligence challenges related to engagement with local cash networks (*hawalas* and IMTAs) and similar vetting issues for suppliers and participants.

Part IV: International Legal & Regulatory Framework:

The following section will present an overview of the international legal and regulatory framework that is relevant to humanitarian actors in Syria and the use of stablecoins in humanitarian aid operations. **First**, an overview of the relevant provisions within International Human Law (IHL) will be reviewed; **second**, Counterterrorism and Financial Crimes Laws (AML/CT) will be addressed; **third**, the specific regulatory sanctions framework in Syria will also be examined; and **finally**, the US regulatory framework will be presented including current regulations on Cryptocurrency and money laundering.

³⁹ *Aid. Crypto. Stablecoins. Why Humanitarians Must Pay Attention.*, Ali Al Mokdad, Medium (2025), <https://medium.com/@almokdadali1/aid-crypto-stablecoins-why-humanitarians-must-pay-attention-618e278dde85>.

a) International Humanitarian Law:

This section will present the applicable law in IHL which has conventions that set obligations on State actors. In general, IHL outlines the rights and duties of actors in an armed conflict (regardless of whether States or armed groups are engaged in armed hostilities). These rights and duties include explicit provisions regarding the treatment of humanitarian aid. While these IHL rules do not set obligations on humanitarian organizations specifically, they do set State obligations in allowing aid that establishes how the dispersal of aid by humanitarian organizations should be treated by State parties and other combatants. Generally, under IHL the parties to the conflict have the primary responsibility to provide and/or permit humanitarian assistance to be provided to those in need in areas they control. IHL is segmented into different rules for Non-International Armed Conflicts (NIAC), and International Armed Conflict (IAC). NIACs refer to conflicts that occur within a State's territory between internal forces in the country such as governmental armed forces and non-state armed groups. The legal threshold is 1) protracted armed violence; and 2) the existence of organized armed groups.

IACs occur when there is a resort to armed force between two different States; the threshold for triggering IAC is any use of force between two States. For IACs, the applicable statutory IHL is the Geneva Conventions (Articles I–IV), the Additional Protocol I of the Geneva Conventions (API), and Customary International Law (CIL). For NIACs, the applicable law consists of Article 3 of the Geneva Conventions (Art. III), which also applies to NIACs, Additional Protocol II (APII), and CIL. Thus, while there are some similarities (and some common sources of law) for IACs and NIACs, there are also differences. Please bear in mind that these conventions apply to State actors and are not directly apply to humanitarian organizations but do impact them.

With regard to Syria's prolonged conflict, many commentators have characterized it as a NIAC as the primary conflict stemmed from internal Syrian groups combating governmental forces (and ultimately leading to the overthrow of the Assad regime). However, some have also characterized it as an IAC due to the engagement of foreign troops in some areas of Syria (including state interventions through use of force by Turkey and Israel without Syrian consent). Whether the Syrian conflict is an IAC or not is beyond the scope of this paper. It is important to note that IHL still applies in Syria even after the overthrow of Assad. As long as organized violence and hostilities continue (even at a lower level of intensity), IHL still applies.⁴⁰

i) NIACs:

For a NIAC to exist 1) "The violence must reach a certain level of intensity that distinguishes it from situations of internal disturbances such as riots and isolated acts of violence" and 2) "[t]he parties involved must demonstrate a certain level of organization."⁴¹ This is clearly the case in Syria, as there continues to be violence between armed groups some of which control territory, and these internal parties are organized.

⁴⁰INTERNATIONAL LEGAL FRAMEWORKS FOR HUMANITARIAN ACTION: TOPIC GUIDE, Haider, H, Birmingham, UK: GSDRC, University of Birmingham (2013), at 12.

⁴¹ *Id.*, at 17.

The statutory regulatory framework governing NIACs includes authorizations for impartial humanitarian bodies to offer aid and certain obligations on States and other actors to allow the entry and distribution of such aid. Art. 3 of the Geneva Protocols, which applies to both NIACs and IACs, states unequivocally that “an impartial humanitarian body . . . may offer its services to the Parties to the conflict.” Art. 18(1) of AP II (applying only to NIACs) also echoes this same obligation stating that “Relief societies located in the territory of the High Contracting Party, such as Red Cross (and Red Crescent . . .) organizations, may offer their services for the performance of their traditional functions in relation to the victims of the armed conflict.”⁴² Thus in general, as a rule an impartial humanitarian body, including INGOs such as Mercy Corps, may offer aid to the civilian population according to IHL.

The issue of State consent to aid has been controversial in IHL. Art. 18(2) of AP II which only applies to NIACs states that:

“[i]f the civilian population is suffering undue hardship owing to a lack of the supplies essential for its survival, such as foodstuffs and medical supplies, relief actions for the civilian population which are of an exclusively humanitarian and impartial nature and which are conducted without any adverse distinction shall be undertaken subject to the consent of the High Contracting Party concerned.”

Art 18(2) of AP II has been controversial by requiring the consent of the State where the aid operation occurs; however, it is also well established as a form of CIL that governments cannot arbitrarily refuse humanitarian assistance. Specifically, Rule 55 of an ICRC study (which identifies CIL already in existence) states that “[t]he parties to the conflict must allow and facilitate rapid and unimpeded passage of humanitarian relief for civilians in need, which is impartial in character and conducted without any adverse distinction, subject to their right of control.”⁴³ Rule 55 is recognized as applicable to both NIACs and IACs, and the ICRC clarified its interpretation of the CIL as while it is still “self-evident that a humanitarian organization cannot operate without the consent of the party concerned. However, such consent must not be refused on arbitrary grounds.” Thus, whenever a civilian population has serious humanitarian needs and an impartial and unbiased humanitarian organization offers aid, the State must consent.⁴⁴ The ICRC clarifies its interpretation by clarifying that while the State cannot object to the aid in those scenarios, it can still exercise control over the relief action and the humanitarian organizations providing it.

Moreover, it is understood that humanitarian organizations should also respect the State’s domestic law. In order to be covered (and protected) by IHL principles with respect to operations in Syria, humanitarian actors should obtain the consent of the Syrian government to undergo its operations (which it already does), and abide by national Syrian law. Further, IHL maintains that

⁴² *Protocol Additional to the Geneva Conventions of 12 August 1949, Article 18 - Relief societies and relief actions*, International Humanitarian Law Databases, International Committee of the Red Cross, <https://ihl-databases.icrc.org/en/ihl-treaties/apii-1977/article-18>.

⁴³ Jean-Marie Henckaerts & Louise Doswald-Beck, *CUSTOMARY INTERNATIONAL HUMANITARIAN LAW*, International Committee of the Red Cross (2009), <https://www.icrc.org/sites/default/files/external/doc/en/assets/files/other/customary-international-humanitarian-law-i-icrc-eng.pdf>, at 193.

⁴⁴ *Id.* at 197.

State consent to humanitarian aid cannot be withheld arbitrarily so long as operations remain unbiased and impartial. (The meaning of those terms will be explored later in the text).

ii) IACs:

For IACs much of the some of the same rules, as stated above, apply. For example, Art. 3 of the Geneva Protocols and CIL Rule 55 (as identified by the ICRC) apply to IACs. However, there are some additional rules that are also pertinent. For example, Art. 70(1) of AP I articulates that in situations where the party in control does not provide adequate relief supplies, then “relief actions which are humanitarian and impartial in character and conducted without any adverse distinction shall be undertaken.” Further, according to Art. 23 of the Fourth Geneva Convention, State parties are obligated to allow free and rapid passage of all relief consignments, equipment and personnel, even if it is being delivered to the area controlled by the enemy combatants.⁴⁵ It is important to note that while this rule is applicable to IACs, it has generally been interpreted to apply to NIACs as well through CIL.

iii) On the Humanitarian Principles:

Several of the IHL rules discussed above emphasize the importance of humanitarian actors being “unbiased” and “impartial.” It is generally recognized that the humanitarian principles of ‘humanity,’ ‘neutrality,’ ‘impartiality,’ and ‘operational independence,’ are deeply rooted in IHL. Humanitarian actors, abiding by these principles will be deemed “unbiased” and “impartial” in accordance with IHL. ‘Humanity’ relates to addressing suffering whenever it occurs; ‘neutrality’ refers to not taking sides in a conflict or “engaging in controversies of a political, racial or religious nature;” ‘impartiality’ relates to providing aid based on need without distinction based on nationality, race, gender, politics, . . . ; and ‘operational independence’ means that humanitarian action should be provided independently of any political, military, or other objective. Mercy Corps adheres to these principles and that adherence is essential to trigger certain IHL protections related to the respective State consenting to the flow of aid. Further, adhering to such principles by itself is essential to building a reputation that allows humanitarian actors to achieve their objective of offering humanitarian relief by building trust among the affected parties.

b) United Nations Security Council (UNSC) Resolutions 2462 (2019), 2482 (2019) and 2664 (2022), and Counterterrorism and Financial Crimes Laws:46

Humanitarian organizations operating in environments with sanctioned groups/persons should be aware of and adhere to counterterrorism financing laws and anti-money laundering

⁴⁵ Convention (IV) relative to the Protection of Civilian Persons in Time of War. Geneva, 12 August 1949, Article 23 - Consignment of medical supplies, food and clothing, <https://ihl-databases.icrc.org/en/ihl-treaties/gciv-1949/article-23>.

⁴⁶ For a more detailed discussion on UNSC 2664, *see generally*, Mark D. Jaeger, “Overcoming derisking of humanitarian payment channels to regions impacted by sanctions and counterterrorism measures: Regulatory interventions,” *Nor. Refugee Council*, <https://www.nrc.no/globalassets/pdf/briefing-notes/overcoming-derisking-of-humanitarian-payment-channels-to-regions-impacted-by-sanctions-and-counterterrorism-measures/nrc-recommendations-to-address-derisking-of-humanitarian-transfers-for-regulators.pdf>.

(AML/CT) regulations in order to reduce their potential liability which may be incurred through their aid operations. This is especially important in a State such as Syria that has several sanctioned groups. However, in two important UNSC Resolutions, it is recognized that compliance by States with these sanctions or restrictive rules should not come at the expense of blocking the ability to deliver humanitarian aid.

United Nations Security Council (UNSC) Resolutions 2462 (2019) and 2482 (2019) clarified the duties for States regarding counterterrorism financing. UNSC Resolution 2462 (2019) requires UN Member States to criminalize the willful provision of funds intended to be used for terrorist acts. Crucially, it also states the following:

*“Recognizes the vital role played by non-profit organizations in national economies and social systems, calls on Member States to periodically conduct a risk assessment of its non-profit sector or update existing ones to determine the organizations vulnerable to terrorist financing and to inform the implementation of a risk based approach. . .”*⁴⁷

UNSC Resolution 2462 recognizes a potential for the abuse of non-profits with regard to terrorist activities without the knowledge of the non-profit itself, and places duties on States to take some action to limit this vulnerability. Notably, this Resolution also explicitly acknowledges the need to respect international humanitarian law, international human rights law, and international refugee law in the implementation of counterterrorism measures.⁴⁸

A follow-up resolution, UNSC Resolution 2482 (2019) reaffirmed these obligations and introduced language encouraging States to adopt “humanitarian exemptions” within their domestic counterterrorism frameworks. The Resolution urges Member States to:

“ensure that all measures taken to counter terrorism comply with their obligations under international law, including [IHL], international human rights law and international refugee law, and urges States to take into account the potential effects of counterterrorism measures on exclusively humanitarian activities, including medical activities, that are carried out by impartial humanitarian actors in a manner consistent with [IHL].” (Emphasis supplied).

Resolution 2482 thus explicitly acknowledged that the indiscriminate application of counterterrorism finance laws can impede exclusively humanitarian activities. The Resolution has also been interpreted to call for a balance between counterterrorism imperatives and humanitarian necessity. However, the very low standard and unclear wording used by the Security Council in the phrase “take into account” sets a minimal standard for States to potentially follow, and is not adequately defined or further delineated through implementation steps or specific standards. Thus, potentially, every State could easily argue it has “taken into account” the negative effects of counterterrorism measures on humanitarian relief regardless of the outcome it reached. While the lack of specificity in the Resolution gives it the potential to be interpreted in different ways, notable international legal scholars have interpreted it as meaning that States should review

⁴⁷ S.C. Res. 2462, S/RES/2462, 2019 S.C. OR (2019) [https://docs.un.org/en/S/RES/2462\(2019\)](https://docs.un.org/en/S/RES/2462(2019)), at para. 23.

⁴⁸ *Id.*, at para. 24.

counterterrorism-related obligations and, if they are in violation of IHL, such obligations should be altered to become consistent with IHL principles on the provision of humanitarian assistance.

Together, these Resolutions can be seen to create a dual obligation for States 1) to enact and enforce robust counterterrorism financing measures; and 2) implement those measures in a manner that does not criminalize or obstruct lawful humanitarian relief, consistent with IHL principles. However, the language in Resolution 2482 is unclear and not specific enough. As a result, it may not be as effectual as it may have been intended to be.

UNSC Resolution 2664 (2022) recognized the permanent exemptions in UN sanctions for humanitarian organizations. Specifically, it stated that “humanitarian organizations having observer status with the United Nations General Assembly and members of those humanitarian organizations, . . . or OCHA-coordinated humanitarian “clusters,” or their employees, grantees, subsidiaries, or implementing partners while and to the extent that they are acting in those capacities, . . . are permitted and are not a violation of the asset freezes imposed by this Council or its Sanctions Committees.”⁴⁹ This resolution, in effect, ends the case-by-case exemption process for humanitarian organizations to UN Sanction Regimes, and binds all member states in this process.⁵⁰ Furthermore UNSC Resolution 2761 (2024) reiterated that the ISIL (Da'esh) and Al-Qaida sanctions regime must be compliant with the humanitarian organizations exception specified in paragraph 1 of UNSC Resolution 2664.⁵¹

For MCV’s stablecoin operations in Syria, these precedents reinforce the necessity of conducting robust due diligence on most, if not all, counterparties in the cryptocurrency exchange. It is duly noted that MCV screens the recipients, merchants, CASPs, and IMTAs involved in the stablecoin transfers. These steps are crucial to reduce its liability in this regard and make sure it will not be targeted, while maintaining neutrality and impartiality associated with its humanitarian principles. It might also be important for MCV and other humanitarian actors to highlight UNSC Resolution 2482, and specifically its requirement that all counterterrorism measures comply with IHL principles. Further, humanitarian actors should consider urging States to “take into account” how such policies impact humanitarian actors before implementing such CT measures.

c) Counterterrorism Laws and related US Case Law:

In *Holder v. Humanitarian Law Project*, the Humanitarian Law Project and other humanitarian organizations filed a suit against former United States Attorney General Eric Holder, challenging the constitutionality 18 U.S.C. § 2339B(a)(1).⁵² The Federal statute in question prohibits anyone from “knowingly” providing “material support or resources to a foreign terrorist organization.”⁵³ The Humanitarian Law Society specifically sought to provide the Partiya Karkeran Kurdistan (PKK), and the Libertarian Tigers of Tamil Eelam (LTTE) with humanitarian

⁴⁹ S.C. Res. 2664, S/RES/2664, 2022 S.C. OR (2022) Resolution 2664, at para. 1.

⁵⁰ *The Limits of UN Security Council Resolution 2664*, Rebecca Snyder, STIMSON, <https://www.stimson.org/2025/the-limits-of-un-security-council-resolution-2664/>.

⁵¹ *Security Council Adopts Resolution on ISIL/Da'esh and Al-Qaida Sanctions Regime*, United Nations (2024), <https://media.un.org/photo/en/asset/oun7/oun71079426>.

⁵² *Holder v. Humanitarian Law Project*, 561 U.S. 1 (2010).

⁵³ 18 U.S. Code § 2339B - Providing material support or resources to designated foreign terrorist organizations, <https://www.law.cornell.edu/uscode/text/18/2339B>

aid in the form of training (including on how to use international and humanitarian law to peacefully resolve disputes), education, and other resources, and thus challenged the Federal statute on First Amendment Grounds. Notably these organizations were designated on the Foreign Terrorist Organizations (FTO) list. The Supreme Court, in a majority opinion by Chief Justice Roberts, held that the 18 U.S.C. § 2339B(a)(1) is constitutional as it prohibits only “material support” which is not considered to be “speech.” Further, such support can free up resources in the respective terrorist organization and contribute indirectly to enabling more terrorist activity. The Court reasoned that Congress’s judgement was that any support, including humanitarian, could be used to further terrorism overall, and that such a judgement should be accorded significant weight.⁵⁴

Therefore, U.S.-based humanitarian organizations are prohibited by 18 U.S.C. § 2339B(a)(1) from knowingly offering material support (including humanitarian aid) to groups designated as terrorist organizations. This means that even if there is a benevolent motive of providing humanitarian aid, it cannot be knowingly given to a designated terrorist organization. It underscores the need to design stablecoin programs to avoid any direct or indirect coordination with such designated groups and to always undertake due diligence, and partner and recipient vetting.

In *Weiss v. National Westminster Bank PLC*, 768 F.3d 202 (2d Cir. 2014), National Westminster Bank was challenged with processing transfers to a charity alleged to be linked with Hamas, a designated terrorist organization. In this case, the Second Circuit held that the bank’s lack of knowledge on the charity constitutes “wilful [sic] blindness” that can be interpreted to its “knowledge.” In another related case, *Linde v. Arab Bank, PLC*, 882 F.3d 314 (2d Cir. 2018), the plaintiff’s alleged that the bank provided normal routine financial services to persons linked with Hamas, in violation of the Anti-Terrorism Act (ATA). Here the Second Circuit again held that “wilful [sic] blindness” would apply in this case where the bank was generally aware it was playing a role in offering financial activity to such persons and its assistance was “substantial.”⁵⁵

These rulings basically reinforced the idea that banks, intermediaries and humanitarian organizations cannot “look the other way” when there are red flags. For humanitarian actors such as MCV using stablecoins, this again highlights the importance of vetting CASPs, IMTAs, Suppliers and end users by MCV and having robust onboarding and monitoring processes, in order to reduce any risk of “willful blindness.” It also highlights the importance of partnering with licensed CASPs that implement robust AML/CT controls and conducting due diligence to identify sanctioned groups and avoid serving them in any way.

That stated, the use of stablecoins by humanitarian actors significantly reduces the counterterrorism related risks by increasing traceability, offering a simplified quicker process, and reducing dealings with intermediaries including Hawalas. Using stablecoins increases traceability which helps to identify problems quickly and resolve them promptly. Further, the removal of intermediaries (“disintermediation”) reduces the risks of any sanctioned party facilitating

⁵⁴ *Supra* note 52.

⁵⁵ *Linde v. Arab Bank, PLC*, 882 F.3d 314 (2d Cir. 2018). Moreover, the Court held that, “But aiding and abetting an act of international terrorism requires more than the provision of material support to a designated terrorist organization.. Aiding and abetting requires the secondary actor to be” aware” that by assisting the principal, it is itself assuming a “role” in terrorist activities.” *Id.*, at 329.

transactions as an intermediary which helps INGOs mitigate the risk of AML violations and counterterrorism activities. These risks are implicit in light of the fact that intermediaries may act in a non-transparent way and exchange and move large amounts of cash. Thus, the use of stablecoins is a marked improvement in mitigating these risks compared to the use of *Hawalas* and other means of moving cash in sanctioned and otherwise challenging legal environments.

d) Executive Order (EO) 14312 & GL 25: the Lifting of Significant US Sanctions on Syria

EO 14312⁵⁶ lifted the previous broad prohibitions on investment, services, and transactions involving Syrian-origin goods and delisted many sanctioned entities. Specifically, it terminated the sanctions program against Syria starting on July 1st, 2025, lifted financial restrictions imposed on the country, delisted and unblocked previously sanctioned property, relaxed export controls, and directed the Secretary of State to review terrorism designations. In order to implement this EO, the Office of Foreign Assets Control (OFAC) issued GL 25.

The sanctions regime on Syria in the US is highly impacted by the Syria General Licenses (GLs) issued by the Office of Foreign Assets Control (OFAC). The recent trend in GLs has been to expand the exemptions to operate in Syria. To name a few, GL 23 aimed to offer relief related to earthquake-related suffering; GL 24 offered further licenses to transact with Syria's new institutions and to facilitate humanitarian work; and GL 25, executed Executive Order (EO) 14312, in effect, lifted significant US sanctions on Syria. GL 25 applies the humanitarian exemption to non-humanitarian transactions as well.⁵⁷ After GL 25 was issued by OFAC, the European Union and the United Kingdom followed suit by lifting most of their sanctions on Syria.⁵⁸

OFAC GL 25 states quite bluntly that "all transactions prohibited by the Syrian Sanctions Regulations ... other than transactions involving blocked persons, are authorized."⁵⁹ However, it sets some limits regarding OFAC designated blocked persons or entities; previously blocked property pursuant to CFR chapter V; and any transactions on behalf of Iran, Russia, and North Korea. These efforts are aimed at removing most sanctions and easing export controls for Syria given the regime change that occurred in 2024. OFAC clarifies the goal of GL 25 is to be "consistent with the President's America First strategy" and "unlock Syria's potential."⁶⁰ GL 25 also authorizes transactions with the new Syrian government (and Central Bank), and transactions related to "investment in Syria; the provision of financial and other services to Syria; and

⁵⁶ Executive Order 14312, "Providing for the Revocation of Syria Sanctions," (2025).

⁵⁷ *Giving in Syria: New Sanctions Exemptions Offer New Opportunities*, Jeffery Lewek, CAF America, 2005, <https://cafamerica.org/blog/giving-in-syria-new-sanctions-exemptions-offer-new-opportunities/>.

⁵⁸ *Syria Sanctions Rollback: U.S., UK, and EU Updates in a Global Context*, Sidley (2025), <https://www.sidley.com/en/insights/newsupdates/2025/07/syria-sanctions-rollback-us-uk-and-eu-updates-in-a-global-context#:~:text=European%20Union:%20Effectively%20all%20sectors,flights%20operated%20by%20Syrian%20carriers.>

⁵⁹ GL 25, Office of Foreign Assets Control, Department of Treasury, <https://ofac.treasury.gov/media/934306/download?inline>.

⁶⁰ Treasury Issues Immediate Sanctions Relief for Syria, Press Release, OFAC (2025), <https://home.treasury.gov/news/press-releases/sb0148>.

transactions related to Syrian-origin petroleum or petroleum products.”⁶¹ GL 25’s one-page list of blocked persons (which is being updated continually) includes banks, people, gas companies, and hotels.⁶²

While GL 25 lifts much of the compliance burdens on organizations including humanitarian organizations wishing to operate in Syria, there is still an important duty to make sure the entities and persons dealt with are not on the blocked list and are not subject to other sanctions under the Syria-Related Sanctions Regulation.⁶³

e) The GENIUS Act

The GENIUS Act created a regulatory framework for stablecoin issuers operating in the US. It clarified, in line with the SEC opinion on the matter, that stablecoins are not securities (and thus are not subject to the extensive securities-based regulations).⁶⁴ The GENIUS Act sets certain requirements for issuers including requiring 100% reserve backing with fiat currencies or short-term treasuries. It also set marketing rules against misleading claims, and prioritizing stablecoin holders claims against all creditors in cases of insolvency to further protect consumers.⁶⁵ It also subjects stablecoin issuers to the Bank Secrecy Act⁶⁶ and enhances sanctions evasion and money laundering enforcement, including by requiring the “technical capability to seize, freeze, or burn payment stablecoins when legally required.”⁶⁷ The Act includes a reciprocity clause that allows stablecoin issuers from other countries that have similar regulatory frameworks to distribute stablecoins in the US.⁶⁸ Tether (USDT), the world’s largest stablecoin by market share, has already announced that it will align itself with the GENIUS Act. USDT also announced a new stablecoin in line with the Act, and urging other countries to adopt similar legislation.⁶⁹ USDC is another stablecoin that is seen as being compliant with US regulations including the GENIUS Act.⁷⁰

⁶¹ OFAC, Press Release, <https://home.treasury.gov/news/press-releases/sb0148>.

⁶² GL 25, OFFICE OF FOREIGN ASSETS CONTROL, Department of Treasury, chrome-extension://efaidnbmninnibpcapjpcgclefindmkaj/https://ofac.treasury.gov/media/934306/download?inline.

⁶³ *Giving in Syria: New Sanctions Exemptions Offer New Opportunities*, Jeffrey Lewek, CAF America (2025), <https://cafamerica.org/blog/giving-in-syria-new-sanctions-exemptions-offer-new-opportunities/>.

⁶⁴ *Stablecoins: Issues for regulators as they implement GENIUS Act*, Nellie Liang, Brookings (2025), <https://www.brookings.edu/articles/stablecoins-issues-for-regulators-as-they-implement-genius-act/>.

⁶⁵ *Fact Sheet: President Donald J. Trump Signs GENIUS Act into Law*, Whitehouse.gov (2025), <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-signs-genius-act-into-law/>. Please note that the GENIUS Act comes into effect on **January 18, 2027** (18 months after its enactment) or on a date that is 120 days after the primary Federal payment stablecoin regulators issue any final regulations implementing the Act.

⁶⁶ Bank Secrecy Act (BSA), Office of the Comptroller of Currency, <https://www.occ.treas.gov/topics/supervision-and-examination/bsa/index-bsa.html>.

⁶⁷ *Id.*

⁶⁸ Bo Hines Says Tether’s Stablecoins to Align With GENIUS Act Rules, Paul Kim, <https://finance.yahoo.com/news/bo-hines-says-tether-stablecoins-132335223.html>.

⁶⁹ *Tether Unveils New U.S. Stablecoin Compliant With New Genius Act Rules*, Tether USD, Seeking Alpha, <https://seekingalpha.com/news/4494473-tether-unveils-new-us-stablecoin-compliant-with-new-genius-act-rules>.

⁷⁰ *The GENIUS Act Era Begins – What it Means for Institutions and Innovation*, Circle (2025), <https://www.circle.com/blog/executive-insights-the-genius-act-era-begins-what-it-means-for-institutions-and-innovation>.

This GENIUS Act does not create any major issues or hinderances for humanitarian organizations. Its regulations in effect further increase the protections offered to humanitarian actors using stablecoins through the 1:1 requirement of holding reserves and placing stablecoin holders at the top of the hierarchy of creditors in the extremely unlikely case of bankruptcy. In effect, it sets rules for stablecoin issuers, not users such as humanitarian organizations. That said, in order to reduce risk, a humanitarian actor could be better off using a GENIUS Act compliant stablecoin like USDC or the new Tether stablecoin to be issued that complies with the GENIUS Act (or other similar compliant stablecoin), if they are widely available on the platforms used by a humanitarian actor (based in the US) for disbursing the stablecoins. Humanitarian actors would be well advised to purchase and use stablecoins that are GENIUS Act compliant in light of the additional protections discussed above.

It should be noted that there are two other legislative proposals before Congress: the Stablecoin Transparency and Accountability for a Better Ledger Economy (STABLE) Act of 2025, and the Digital Congress Asset Market Clarity (CLARITY) Act of 2025. These Acts would establish more firm regulatory standards for stablecoin issuance, reserve management, and cross-border digital-asset transactions. Since these Acts have not been adopted yet, they lie outside the purview of this paper.

f) The Financial Action Task Force (FATF), the Financial Crimes Enforcement Network (FinCen), and Global AML/CFT Standards

The US Department of the Treasury defines the Financial Action Task Force (FATF) as an “international policy-making and standard-setting body dedicated to combating money laundering and terrorist financing.” It was set up by the G-7 to combat money-laundering.⁷¹ Its membership is wide and includes the United States, with members from the US Office of Terrorism and Financial Intelligence participating in the US Delegation to the Task Force. While its recommendations are not mandatory in terms of law, they frequently serve as a foundation for legal, regulatory, and operational measures. Many of their recommendations are adopted by the US Department of the Treasury (including FinCen)⁷² in the US. In this sense FATF recommendations are relevant to humanitarian organizations such as MCV because they can shape the future of regulations and are widely monitored and recognized as important by member countries, including the United States.⁷³

On the Travel Rule. FATF Recommendation 16 expanded the so called “Travel Rule” to apply to virtual assets. The “Travel Rule” requires that originator and beneficiary information accompany all virtual-asset transfers above a specified threshold. For the United States, this was implemented through guidance issued by FinCen in 2019 that recognized the “Travel Rule” applied to digital assets if they are above a threshold of \$3,000. The information to be reported includes the names, account numbers, address and financial institutions of both the originator and

⁷¹ Financial Action Task Force, US Department of the Treasury (025), <https://home.treasury.gov/policy-issues/terrorism-and-illicit-finance/financial-action-task-force>.

⁷² FinCEN is a bureau of the U.S. Department of the Treasury that safeguards the financial system from illicit activity, counter money laundering, and the financing of terrorism. See <https://www.fincen.gov/>.

⁷³ *FATF Recommendations*, Financial Action Task Force, US Department of the Treasury, at <https://www.fatf-gafi.org/en/topics/fatf-recommendations.html>

the beneficiary, and the transfer amount and date.⁷⁴ The purpose of this rule is to increase transparency and block illicit blockchain transfers. Please note there is a proposed rule, currently under discussion, to lower the threshold from \$3,000 to a mere \$250.⁷⁵ Of course, for humanitarian actors like MCV, this would mean that the travel rule will apply to many more transactions. Therefore, the new proposed rule clearly can create challenges related to privacy within the context of humanitarian operations, and the need to maintain neutrality and impartiality. Conversely, the increased traceability and transparency of transactions using blockchain systems can improve compliance with these standards, as using blockchain systems permits greater visibility of sender and receiver data, as well as the real-time confirmation of transactions.

On Stablecoin Recommendations. The most recent of the FATF’s recommendations regarding stablecoins is the “2025 Targeted Updates: Stablecoins and Implementation Gaps” issued in June 2025. This was an update to Recommendation 15 (October 2018) (the “Update”), which extended Anti Money Laundering (AML) requirements to virtual assets (VAs) and virtual asset service providers (VASPs). The Update stated that “[t]he use of stablecoins by various illicit actors, including DPRK [North Korea] actors, terrorist financiers, and drug traffickers, has continued to increase since the 2024 Targeted Update. Estimates suggest that a majority of all on-chain illicit activity is now transacted in stablecoins.”⁷⁶ The Update also noted “\$30 trillion in stablecoin volume growth between May 2024-2025.”⁷⁷ Crucially, the Update reiterated that “stablecoin arrangements,” including issuers, wallet providers, exchanges, and other supporting entities, should be subject to comprehensive AML/CT controls throughout their lifecycle.

Generally, the dramatic increase in the use of stablecoins for illicit activity, or at least the perception of that being the case, could lead to stronger regulations in the future. Thus, for MCV’s operations, it is important to ensure its partners exercise due diligence to credibly assess whether a CASP’s home jurisdiction enforces FATF-equivalent standards, and to ensure that only regulated stablecoins are used.

Part V: Challenges, Concerns, and Future Stablecoin Usage in the Humanitarian Sphere:

The usage of stablecoins in aid operations, while highly promising, raises some challenges and legal concerns. Most of these concerns are not only unique to stablecoin usage in humanitarian operations but also pertain to traditional fiat-based humanitarian operations where humanitarian organizations rely on traditional fiat currencies (like the US dollar, Euro, or local currency) to fund and run their relief efforts. For example, there is a series of complex legal regimes that humanitarian organizations should be cognizant of and conduct due diligence in accordance with these legal requirements. These include AML laws/guidance, such as the “Travel Rule,” the Bank

⁷⁴ United States, Analytics (2025), <https://www.21analytics.ch/travel-rule-regulations/united-states-travel-rule-regulation/>

⁷⁵ Agencies Invite Comment on Proposed Rule under Bank Secrecy Act, Financial Crimes Instalment Network (2020), <https://www.fincen.gov/news/news-releases/agencies-invite-comment-proposed-rule-under-bank-secrecy-act>

⁷⁶ *Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service*, (2025), <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/2025-Targeted-Update-VA-VASPs.pdf.coredownload.pdf>, at 20-21.

⁷⁷ *Id.*, at 21.

Secrecy Act (BSA), and maintaining FATF standards. Humanitarian actors should also conduct rigorous due diligence and vetting in light of counterterrorism laws such as 18 U.S.C. § 2339B(a)(1). Humanitarian organizations face major challenges in adequately screening of all the pertinent actors they conduct operations with. There are also inherent challenges related to the de-risking of banks that are only partially mitigated by the use of stablecoins. Nevertheless, there is still a need to rely on *Hawalas* and IMTAs for certain transactions.

Second, there are also some specific challenges related to stablecoin usage in humanitarian aid that are unique. These include the technological hurdles faced when using stablecoins in aid operations, as discussed above. The relative newness of the technology used here also means that regulatory frameworks can shift more quickly, necessitating following legal developments on this issue more closely as pertinent legal regimes are introduced/alterd. Training and educating humanitarian staff, suppliers, end-recipients and other participating actors remains a continuing challenge as well. Additionally, there are issues related to effectively spreading the overall awareness of and familiarity with stablecoin usage.

Finally, combating and overcoming negative stereotypes related to cryptocurrencies both on the international stage and within the country of operation itself adds another layer of complexity. The technology underlying stablecoins is relatively new and can raise skepticism and concerns. For example, local vendors in Syria raised security concerns related to the use of stablecoins. Thus, it is highly recommended that a concerted effort be made by all stakeholders to spread positive awareness about stablecoin usage in humanitarian operations and present a more grounded understanding of the actual security risks involved which are relatively low.

While these challenges seem on their face to be quite extensive, it is important to emphasize that the overall legal liability may be mitigated by stablecoin usage based on its unique properties such as transaction traceability, less reliance on the informal sector, enhanced transparency, and improved auditability, which together can simplify aid operations. Ultimately, this may lead to reduced legal liability for humanitarian actors moving into the future.

Part VI: Recommendations

a) IHL and Humanitarian Principles:

Please note that the following recommendations are advisory in nature, and do not imply that humanitarian organizations are not already taking the actions recommended in this section.

Humanitarian actors operating in de-risked or sanctioned environments should make sure to 1) obtain the consent of the national recognized government to undertake its operations; 2) abide by the national law of the State it operates in; and 3) maintain humanitarian principles (of ‘humanity,’ ‘neutrality,’ ‘impartiality,’ and ‘operational independence’), so that MCV remains “unbiased” and “impartial” within the meaning of IHL. These measures should be done within the context of any humanitarian operation, including operations involving stablecoin usage. Note however that the requirement of consent in particular is not always clear-cut in practice, especially in contexts where a nationally recognized government lacks effective territorial control, where there are competing claims of legitimacy, or where non-state actors exercise *de facto*

authority over a given area. Accordingly, humanitarian actors must assess consent and engagement obligations in light of both formal recognition and on-the-ground realities, consistent with IHL and humanitarian practice. However, if these measures are scrupulously followed, it will better ensure that MCV will be able to rely on the IHL based protections, including the prohibition against the arbitrary blockage of aid by the respective State, or related actors.

In general, stablecoins mitigate the impacts of de-risking and AML liability because of their unique characteristics. However, stablecoins can and do present new challenges related to AML and other considerations. As humanitarian organizations must maintain and uphold humanitarian principles, it may be useful for such actors to carefully consider UNSC Resolution 2482, and specifically, its requirement that all counterterrorism measures comply with IHL. This Resolution also urges States “to take into account” how such policies may impact humanitarian actors before implementing such measures. Moreover, the affected States should also consider the Resolution broadly as it may affect humanitarian organizations in their interactions with governments, regulatory organizations and civil society.

b) AML Regime Compliance:

In the case of operations that use stablecoins, such as MCV’s recent pilot in Syria, it is recommended that CASP partners such as (HesabPay) would need to be vetted based on its home jurisdiction, and ensure that it is 1) licensed or registered under an AML regime consistent with FATF standards; 2) maintains Bank Secrecy Act (BSA) compliant programs; including recordkeeping and filing; and 3) implements the “Travel Rule” to exchange originator and beneficiary data securely for all cross-border transfers. In order to mitigate possible legal liability, humanitarian actors like MCV could also conduct contractual audits for CASP compliance controls, and make sure that its Contracts include representations and warranties regarding AML adherence, indemnification for regulatory breaches, and an termination clause for violations. In this light, standardizing CASP due diligence and audit procedures could be very helpful.

Further, it might be useful for humanitarian organizations to cooperate in developing internal IHL and AML model compliance protocols for stablecoin blockchain use, and work on adopting a model law for protecting NGOs and other actors in the IHL space. In order to propose a “model law” that more fully address the needs and concerns of INGOs operating in the humanitarian space, a group of them would have to form an informal coalition to explore this approach. The International Committee of the Red Cross (ICRC) plays a leading role in the development and promotion of model laws and guiding principles for national implementation of International Humanitarian Law (IHL) and humanitarian assistance.⁷⁸ Model laws are proposed examples of principles, guidelines, model legislation or other instruments drafted by various organizations to promote uniformity and best practices across different jurisdictions. If this option were acted on, experts, commissioners, and legal advisors would need to meet to collaborate and draft the proposed text which would then be discussed and commented on, voted on and adopted,

⁷⁸ *The International Committee Of The Red Cross As Guardian Of International Humanitarian Law*, International Committee of the red Cross (1998), <https://www.icrc.org/en/article/guardian-international-humanitarian-law#:~:text=INTRODUCTION,practical%20aid%20to%20the%20wounded>.

and then made publicly available. The ICRC often provides technical advice for countries to incorporate these laws into their national systems, ensuring aid access and protection.⁷⁹

Creating a harmonized approach to the use of stablecoins in conflict, post-conflict or in sanctioned zones, is especially critical given the possible tension between AML requirements, (such the “Travel Rule”) and blockchain transparency on one hand, and humanitarian principles (which implicitly entail privacy protections) on the other. In this context, the use of privacy-preserving technological methods like zero-knowledge proofs (which enable proof of compliance while maintaining privacy of recipients)⁸⁰ might be beneficial. It would also be useful to conduct Privacy Impact Assessments to identify risks to re-identification and set up policies to limit that possibility in cooperation with blockchain experts.

c) Compliance with counterterrorism laws

As the *Holder*, *Linde* and *Weiss* cases showcased, humanitarian organizations can unwittingly be accused of being in violation of Federal counterterrorism financing laws despite their intent to only offer humanitarian aid. Laws such as 18 U.S.C. § 2339B(a)(1) can be seen to be violated through mere “willful ignorance.” To lower the risk of incurring legal liability in this regard, humanitarian organizations should conduct efforts to be aware of who is on the list of designated terrorist groups and/or persons, and should in always conduct due diligence to properly vet and screen their partners in such operations. They should have adequate vetting procedures for beneficiaries, suppliers, IMTAs, CASPs, and other partners involved in the operation. This is not unique to stablecoin operations, but stablecoin operations include certain essential partners in the operation such as CASPs that this guidance would affect.

d) Which Stablecoin to Use in Light of the GENIUS Act

With regard to the use of stablecoins during humanitarian operations, the paper recommends the use of a Stablecoin that is explicitly designed, implemented, and maintained in compliance with the GENIUS Act which is coming into effect shortly. (*See* footnote 63.) Currently, USDC is the only stablecoin used by MCV. USDC is seen as being fully compliant with US (and EU) regulations including the GENIUS Act; it publishes monthly attestation reports; and uses reserve assets primarily composed of cash and short-term U.S. Treasuries.⁸¹ In the future, organizations such as MCV may also give serious consideration to using the newly created version of the Tether stablecoin (USAT) if it is widely available on the platforms used by a humanitarian actor (based in the US) for disbursing the stablecoins and if it (as it is intended to be) meets the relevant regulatory requirements.⁸² However, it is worth noting that Tether (USDT) is currently

⁷⁹ *See generally*, ICRC “The International Committee of the Red Cross as guardian of international humanitarian law,” (December 31, 1998), <https://www.icrc.org/en/article/guardian-international-humanitarian-law>.

⁸⁰ *Privacy In Peril: Safeguarding Digital Data In Humanitarian Blockchain Initiatives*, Alex Bornstein & Elise Hamdon, <https://odihpn.org/en/publication/privacy-in-peril-safeguarding-digital-data-in-humanitarian-blockchain-initiatives/>.

⁸¹ *The GENIUS Act Era Begins – What it Means for Institutions and Innovation*, Circle (2025), <https://www.circle.com/blog/executive-insights-the-genius-act-era-begins-what-it-means-for-institutions-and-innovation>.

⁸² *USAT Stablecoin. What Is Tether USAT and How It Works*, Oobit (2025), <https://www.oobit.com/stablecoin/usat..>

restricted in the EU and is not used by MCV at present.⁸³ GENIUS Act compliant stablecoins offer added protections to its end-users that could benefit humanitarian operations. If these GENIUS Act compliant stablecoins (which are a very new phenomena) are not yet offered on the platform that humanitarian actors wish to operate in, they may consider advocating for their use.

e) Technological hurdles and training and education

Given the newness of the technology used, there are likely to be significant technological hurdles faced when using stablecoins in aid operations. This challenge necessitates that adequate preparation by acquiring the necessary personnel and partners be in place so that the humanitarian organization will have the resources available to overcome such technological nuisances when they arise, and they will sometimes require creative solutions. While the specific technological hurdle that will need to be dealt with cannot be anticipated, it is anticipated that they will happen, and thus adequate preparation is useful.

Training everyone involved in the stablecoin operations (e.g., end-users, suppliers, and IMTAs) who will be using and dealing with stablecoins is also a necessary component of using stablecoins successfully. For example, training on using crypto-based wallets and conducting stablecoin transfers/exchanges should be part of the humanitarian organization's culture. These types of training programs will help ensure that all the actors involved will be comfortable using the selected blockchain service platform.

f) Advocacy:

The sanctions regimes employed in several States are increasingly complex due to their patchwork nature where many entities and organizations are involved in their issuing sanctions. With this in mind, it might be helpful to advocate for the creation of an independent global entity or work-group, that collects and updates the international framework for sanctions (e.g., UN, US, UK, OECD, EU), and other restrictive measures on a monthly basis, and issues it as guidance to interested NGOs and other entities. The guidance would be helpful to NGOs as an authoritative and easily accessible source with clear guidelines.

Humanitarian actors should also engage in and lead conferences and workshops with leading banks and government officials regarding stablecoin humanitarian operations. They can share best practices related to stablecoin humanitarian operations and demonstrate and explain how the use of stablecoins lowered their costs, AML/CT liability, and improved transparency. A topic humanitarian organizations could attempt to seek a mutual consensus on would be how UNSC Resolution 2482 should be interpreted. Humanitarian organizations may also advocate for crypto-specific humanitarian exemptions in OFAC GLs and FATF guidance. Such actors may also consider advocating for the creation of a certified list of approved NGOs and other actors that are providing humanitarian assistance, to be renewed on an annual basis, that are exempted from certain sanctions, CT, and AML measures in light of UNSC Resolutions 2482 and 2664. This potential certification process raises other administrative problems of its own, of course. For

⁸³ *USDT Banned In Europe*, Regulated United Europe (2025), <https://ruc.ee/blog/usdt-banned-in-europe/>.

example, maintaining the certified list in a transparent, balanced and fair way is an important principle that all parties participating in this certification process need to agree and adhere to.

Part VII: Conclusion:

Ultimately, the use of stablecoins in humanitarian operations is extremely promising and aids in solving some complex problems that have plagued humanitarian operations for decades. While it is not without legal concerns, using stablecoins in humanitarian operations might create fewer legal concerns than traditional fiat-based humanitarian operations. The use of blockchain technology in many ways lowers risk by reducing the number of intermediaries, and overhead costs. In effect, this leads to higher efficiency in the shape of more aid reaching those who need it most. While there are specific legal concerns related to the use of stablecoins, most of the legal concerns here are (such as compliance with legal regimes including IHL, Counterterrorism, AML) are issues that co-exist in non-stablecoin humanitarian operations. In fact, some of these concerns might be alleviated by the usage of stablecoins that utilize blockchain technology which has a high degree of trackability. This approach may effectively decrease the reliance on or help to actually eliminate any reliance on Hawalas and other informal money moving systems in the future. Further, and this may reduce legal liability for humanitarian organizations by lowering the number of steps needed to effectuate aid to its targeted recipients through the use of stablecoins.

The use of stablecoins in humanitarian operations represents a compelling, viable alternative to traditional fiat-based humanitarian operations, and this is particularly salient in environments such as Syria where there are significant impediments to aid delivery exist, including bank de-risking, currency instability, and high transaction costs. When structured around the humanitarian principles rooted in IHL and paired with robust counterterrorism and AML/CFT compliance, engaging with stablecoin operations in aid delivery can reduce the number intermediaries and increase transparency, while mitigating key sources of operational and legal risk that exists in fiat-based systems.

The MCV pilot demonstrates that these benefits are not merely theoretical but have actually been proven to provide measurable gains in speed, cost efficiency, and traceability, which strongly suggests that well-designed stablecoin operations can offer immense benefits that contribute to humanitarian effectiveness. It is important to note that stablecoin operations do introduce some distinct implementation challenges, such as dealing with unique technological constraints, digital literacy gaps, and a currently rapidly evolving regulatory framework. However, stablecoin usage in humanitarian operations also has great potential to meaningfully expand humanitarian organizations' capacity to deliver aid lawfully, efficiently, and in an accountable manner. Thus, it is highly recommended that humanitarian organizations operating in de-risked environments continue to explore, pilot, and scale the use of stablecoin-based aid delivery mechanisms as a means of improving efficiency, transparency, and access to humanitarian assistance.