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Executive Summary

During the recent years, the world has seen a major development in the telecommunications and the Internet systems, and globalization has imposed itself on the countries who have chosen for isolation from the technical successive developments. This progress has been associated with the development in the payment systems and the global cash transfers.

In the policy paper, that we offer between your hands today, we study the essence of the private money order networks in Syria because of the importance of this subject to develop the infrastructure of the Syrian economic body. The paper is divided into three sections after the definition of money order and its divisions and its parts in addition to the definition of the private money order networks.

The first section deals with the historical development of the cash transfers system in Syria, which is historically partitioned to five phases, the first phase deals with the period after the independence of Syria from the French mandate directly, the second one deals with the union period between Syria and Egypt, the third phase is since Hafez al-Assad take the power in Syria until his death, while the fourth period is since Bashar Al Assad take the power until the beginning of the conflict in Syria in 2011. In the last phase we dealt with the case of private exchange networks in Syria.

In the second part of the paper we addressed three global experiences of contemporary money order systems and we tried when we've chosen these models
not to fall into the similarity of the system and to cover three systems that are different from each other. The experiences that we’ve chosen and studied are the "Bitcoin" currency, The electronic bank PayPal and finally the debit cards to support refugees provided by the Turkish Red Crescent.

The third part of the paper we dedicated it to our proposed system for money orders in Syria, and we decided to lay two different systems depending on the circumstances experienced by Syria now. The first system is current and could be applied in light of the current circumstances in Syria. It’s summed up as follows: distributing electronic cards on individuals inside Syrian territory these cards are prepaid and charged by the donor for the benefit of the card holder to make purchases from specific stores or to withdraw a cash from specific money changers. The second system is an initial idea of how the shape of the Syrian economy should be after the conflict. We proposed a system guarantees the free trade, attracts foreign investment and encourages the import and export and the unification of the Syrian pound exchange rate against foreign exchange. To finish our policy paper we set a list of recommendations, which we sent to the cashiers working at the private money order networks in Syria and to the Syrian government, individuals, Syrian businessmen and the global cash companies.

**Problem addressed by the policy paper**

Over the last three decades of the last century there was no clear system of money transfers in Syria, whether it’s carried out by traders or by normal people. Most cash transfers from Syria was made through private money order networks, or through smuggled abroad to be transferred out of the banks of neighboring countries. At the beginning of the new millennium, until the beginning
of the conflict in Syria, despite the large number of legislative acts issued by the presidency of the Republic concerning the regulation of money orders, they did not have the desired effect and most cash transfers of traders continued through private money orders networks.

These policies have led to the loss of the national economy to an important source of income, which is the commission of these transfers that were going to the private money orders network and to the banks of neighboring countries (Lebanon, Jordan, and Turkey). Moreover, the disability of the Syrian Central Bank to practice its oversight role on the incoming and outgoing financial flows of the national Syrian economic which gave great facilities for the operations of funds laundering and suspicious cash transfers and the national economic loss of a large portion of foreign exchange, which was converted abroad illegally. In addition to the loss of the competitive advantage of Syrian banks facing banks in neighboring countries (Lebanon, Jordan, Turkey) as a result of its disability to play its role in the cash transfers while the banks in the neighboring countries of Syria were playing that role and benefit from it.

Not to mention that private money orders networks in Syria were the biggest beneficiary during the conflict and were the most developed and attractive for Syrian investments.

**Goal of the policy paper**

The main goal of the search is to shed light on the foundation of networks and find out its mechanism, and then to develop systems that can be applied to benefit from the money orders that pass through Syria and ensure that such transfers reach to their beneficiaries, and make the most benefit for Syrian economy.
out of these transfers, as long as they pass through an official supervision side to make sure of the legitimacy of such transfers, and activating the role of the banking sector in the provision of financial and cash transfers services, which restores the competitive advantage that the Syrian economy has missed during the previous periods.

**Challenges faced by the policy paper**

The major challenges that we faced during the search were the limited of historical references and resources about the development of the money order system in Syria, in addition to the inability to access to the laws issued by the Central Bank of Syria as a result of its deactivate website, and the lack of full-text of the laws issued by the parliament in Syria. In addition to the governmental aggravating control on the media during the rule of Al Baath Party.

So we’ve conducted two questionnaires about the private money order networks in Syria and its historical evolution. The first questionnaire was devoted to businessmen and industrialists in Syria, 200 copies of the questionnaire were distributed in Gaziantep, Istanbul /Turkey to Syrian businessmen and industrialists who are living there. While the second, was dedicated to cashiers who work in the private money order networks in Syria, 50 copies were distributed in Syria and Turkey to cashiers who are living there. A team of Syrian Economic Forum distributed the questionnaires through field visits and fill out these questionnaire through visiting and dialogues with stakeholders directly or by inviting them to an open dialogue sessions on the same subject.
Introduction:

The world has seen, over the past years, an accelerated progress in the payment and monetary transfers systems as a result of an increase in the volume of trade exchanges among countries, which showed new innovative ways to carry out payment and money orders while the traders, industrialists and individuals in Syria were still depending on the private money order networks to carry out the cash transfers. So because of the tight controls by the government on financial transfers and the laws and regulations which restrict the movement of the cash flows into and out of Syria, in addition to the significant decline in the foreign exchange in the Syrian market and

With the beginning of the conflict in Syria and the increasing number of Syrian workers outside the Syrian territories and thus the increasing of the number and the value of the money orders heading to inside Syria. Furthermore, the increasing of the number of the international donor organizations who provide direct cash support to the Syrian organizations of civil society that have emerged since 2013, In addition to its direct support to the local councils and districts in the affected areas because of the ongoing conflict in Syria. Hence, big problems have been started showing the mechanism of cash transfer to Syria and the exploitation of certain categories of these transfers and non-arrival of material support to the most affected areas. Moreover, the problem of the widening private money order networks in Syria, which were doing in the money orders and distancing themselves from the government control, giving incentive to the operations of money laundering and financing the terrorist operations and to hold suspicious financial transfers.
As well as a significant decrease in the quality of money orders and a large rise in the value of the commission granted to private money orders networks for carrying out the conversion.

As a result, it was necessary for us to study and analyze the conditions of the money order systems in Syria during and before the conflict and to stand at the problems and put forward practical solutions to ensure the interest of all parties of the money order sector (the transferor, the broker, the government and the transferee).

Our search also included a study of some innovative global systems in the field of payment and electronic money orders to build a conception of an integrated financial order system for the benefit of all stakeholders.
First: Money order

What is money order?

It is a money transfer process from one person or legal entity to another person or other legal entity by a particular broker.

Thus, the transfer process has four main parties:
- Transferor: is the person or entity who gave the command to move money out of his ownership, this should be including the name of the transferee, the address, the phone number, the time of receiving money and the type of currency.
- Transferor broker: is the entity that issued the payment order to its branch or to other collaborators (members mostly) in the place where the transferee is resided.
- Payer broker: is the entity that conducts the receipt of the payment order to receive the transferred amount from the transferor to the transferee according to the conditions of the money order.
- Transferee: is the person or entity that will receive the funds and who got his name on the money order.

Types of money order:

Money order types are classified according to the broker who is doing the process of the money order from the transferor to the transferee.

Bank draft: the broker here is a bank, so that the transferor gives an order to his
bank to transfer a certain amount from his account to the account of the trans-
feree which could be at the same bank of the transferor or at any other bank.
Electronic transfer: the broker is a foreign exchange company of multiple
branches (mediators network geographically expanded) where the transferor
delivers the amount to the exchange company which issues a payment order for
its branch or for other exchange company collaborating with them in the place
where the transferee is there to hand him over the cash.
Personal transfer: often this type of transfer is done in the black market, because
this kind depends on personal relationships. In details, the transferor delivers
the amount that should be transferred to a certain person who should contact
with someone else in the same place of the transferee in order to hand him over
the cash.

Second: Private money order networks in Syria

It’s a group of unlicensed cashiers (may not make the exchange and transfer
funds as their main job) they are connected with each other by a certain com-
munication system such as (phone, and social media) where they carry out fi-
nancial transfers among themselves in order to access funds from the place of
the sender to the final targeted location. In addition, they exchange the local currencies with other international currencies.

In Syria, they are locally called the black market for money order, as they have their own ways in transfers and currency exchange away from the government control. These ways might be through personal connections or through their own bank accounts in banks outside Syria. Moreover, they determine the Syrian pound exchange rates against the foreign currency in accordance with their interests and with the exchange rates in neighboring countries. Most of the time, the exchange rate is different from the official exchange rate issued by the Central Bank of Syria.

The essence of the private money orders networks in Syria

Private money orders network is a tangled group of people who speak to each other using one of the communication means, such as emails, phones, or social media. Those people are not necessarily full-time job doing money transfers, but they are apparently doing other jobs to cover up money transfer like barbers, selling laptops or phones even the sale and trade of jewelry. Private money order networks could be classified as follows:

Money orders networks according to the geographical distribution:

- local money orders networks: all members of these networks are located within a single country.
- Regional money orders networks: the members of these networks are locat-
ed in cities belonging to contiguous states.

- International money orders networks: the members of these networks are located in different countries.
- Transcontinental money orders networks: the members of these networks are present in different countries far apart from each other and are located in different continents.

### Money orders networks, according to the amount of capital:

![Figure 1](image-url)

- Small money orders networks so that the capital of each part does not exceed 10,000$.
- Medium money orders networks so that the capital of each part does not exceed 100,000$.
- Large money orders networks so that the capital does not exceed 1,000,000$.
- Huge money orders networks so that the capital is more than 1,000,000$.

see Figure 1

- Small money orders networks so that the capital of each part does not exceed 10,000$.
- Medium money orders networks so that the capital of each part does not ex-
ceed 100000 $.
• Large money orders networks so that the capital of each part does not exceed 1000000 $.
• huge money orders networks so that the capital of each part exceeds more than 1000000 $

From the previous figure, we find that the number of small money orders networks are larger than the other money orders networks. The more the capital of the transfer parties increases, the number of the networks decreases logically.

The mechanism of money orders networks in Syria

The cashier who belongs to a certain money orders networks, let us say (A), starts his job when he gets cash from one person (the transferor) in order to transfer the money to another place. So, cashier (A) contacts another cashier, (B) for example, who is at the place where the transferor wants to send the money to. Then cashier (B) hand the money to the person or the entity that the transferor has defined. After that, cashier (A) gets money (a commission) in return for the transferring process and share the commission with other cashiers who participate in that process.

If the transferor wanted to transfer the amount to a place where there are no cashier who belongs to the same money orders network that cashier (A) belongs to, in this case, cashier (A) contacts with another cashier who belongs to the same network in addition to belonging to a private money orders network that have a cashier, let’s call him (C), at the targeted place. So, cashier (C) contacts with cashier (D) who belongs to the second money orders network and who is
located at the targeted place in order to hand the transferred amount to the person or entity that the transferor ordered to receive. See Figure. (2)

Note from the previous figure how there is a cashier (cashier number -5-) works in different networks, and this cashier acts as a link between these two networks. He fulfilled the Clearing (money exchange) among the parties of the network through smuggling the money, in most cases, by a specific date (it may be a month after the conversion process).

In addition to the above, the private money order networks work spontaneously and automatically without the presence of any director or coordinator of the money order operations or guarantor that are made through these networks.
Advantages of the private money orders networks in Syria

1. Speed in completing financial transactions.
2. Access as cashier’s network can be extended to areas not accessible by banks or licensed money order companies.
3. Low money orders’ commissions compared with the banks or global licensed money order companies.

Disadvantages of the private money orders networks in Syria

1. Not subjected to the control of the government or the central banks, which make them a good way for suspicious money orders and money laundering.
2. Unreliability because there isn’t any legal cover that protects the transferors from illegal ones.
Section One

The historical development of the money orders’ system in Syria

First, the period of independence from the French mandate until the establishment of the union between Syria and Egypt (1946 - 1958)

The most prominent economic scenes in that period:

• After the separation, Syrian pound has been linked to the French franc with all its volatility.

• It has been joined to the International Monetary Fund in 1947, to strengthen the independence of the Syrian pound and to cover it with the gold and the US dollar according to “Bretton Woods” agreement.

• The Syrian office has been established to control the foreign exchange in 1948. So, multiple exchange rates has been applied for the first time in Syria, according to the following table:

| Exchange rate for government transactions | 1 $ = 2.2 SYP |
| Exchange rate for import and export       | 1 $ = 3.65 SYP |
| Exchange rate for special transactions without import and export | 1 $ = 3.48 SYP |
| Exchange rate for the oil companies       | 1 $ = 2.5 SYP |

For the first time in Syria, a market for foreign exchange had appeared and
traders had become depending on that market to fund the import process, then the duality of exchange rates had prevailed throughout the latter half of the last century.

- Legislative Decree had been issued to create the Syrian Central Bank on March 28, 1953 and who actually founded in 1956.
- In 1957, the number of operating European banks in Syria reached to seven banks, the operating Arab banks were nine banks, and the operating Syrian banks were five banks.

From this sequence of events, we find that the economic system in Syria at that period was open and the private sector plays a prominent role in advancing the local economy of Syria.

**Prevailing remittance –money transfers- system in that period:**

- For businessmen and industrialists, they were depending on bank transfers to transfer money to overseas exporters and there was no problem with the transfer or securing the currencies, that’s because of the consolidation of the banking system in both Syria and Lebanon in addition to a lot of privileges for European and Arab banks in Syria.
- As for individuals it was personal financial transactions that were conducted either through e-government, which takes long days, or through personal connections or through bank transfers if the two parts of the transfer have bank accounts.

**Second: The union period between Egypt and Syria (1958 - 1961)**

After the establishment of the union between Syria and Egypt and the founding of the United Arab Republic, the nationalization ideas started to appear as a
new event on the Syrian economy, so foreign banks in Syria had been gradually nationalized since the establishment of the union until it was fully nationalized in July 1961. As a result, the role of the Syrian private sector had reduced and the foreign direct investment had declined and thus, foreign exchange had decreased in the market, which led to difficulties for importers to finance their imports to the extent of providing foreign exchange and turn it into a foreign supplier; in addition to the closure of European and Arab banks so it became difficult to transfer money through effective bank accounts in Syria.

Third: The receipt of Al Baath Party to the power in Syria until the death of Hafez al-Assad (1963 - 2000)

The most prominent economic scenes at that point:

- In May 2, 1963, the whole effective banks were completely nationalized in Syria. Whereas after the separation between Syria and Egypt, the secessionist government had cancelled the nationalization of banks in Syria and return to the law of 1956, which regulates banks’ work in Syria.

- In 1966, the whole operating banks in Syria were integrated into the Commercial Bank of Syria and the governmental banks were distributed according to their specializations:
  - Commercial Bank of Syria
  - Industrial Bank of Syria
  - Agricultural bank of Syrian
  - Popular Credit Fund
Thus the Syrian government held all the sectors of the national economy (trade - industry - agriculture).
- In Syria, rationing system had been followed and the five-year economic plans
had been set in order to achieve self-sufficiency of strategic resources.
- At the beginning of the eighties it has been imposed a ceiling on some imports, such as clothing. Thus, the government paved the way to rationalize and stop importation.

- The Syrian government has barred traders to transfer foreign currency purchased from inside Syria. It became not allowed to transfer foreign currency unless it was received from abroad, and thus it’s not allowed to transfer the Syrian pound unless that happened through state banks to foreign accounts. It is only allowed to transfer foreign currency in case it was sourced from outside which means it is resulting from the export of Syrian goods.

- The creation of the rationalization committee to control the import and export operations, which led to the establishment of a parallel market for the foreign exchange (black market) in 1981.

The Syrian government at that time aimed at reducing imports and achieve self-sufficiency of local products, so, restrictions have been imposed on the direct foreign investment, which led to increasing scarcity of foreign exchange.

- Foreign exchange trading in the local market has become totally forbidden, and the possession of dollar considered to be an economic crime punishable under Syrian law.

All these factors have led to prosperity and increase in the influence of the private money orders networks in Syria (black market). The biggest beneficiary of these networks were statesmen.

- Importing traffic has been completely restricted except for the import of equipment and spare parts which requires to get routine approvals and investigations from import and export rationalization committee.
Prevailing money orders’ system in that period:

For businessmen and industrialists

- As a result of the deterioration of the local industry and the scarcity of foreign exchange, it has been reduced restrictions on the import and encouraged export in 1987. So, there were two options in front of the Syrian merchant to finance his imports according to the questionnaire that we have designed and distributed to Syrian businessmen in order to see in details the Prevailing money orders’ system in that period:

  • In case of agricultural or animal products exportation the Syrian law allowed, at that time, to manage 75% of the exports value in order to finance the imports that in case the dealer wanted to import certain goods, but in case, there was not any merchandise that he wants to import, the Syrian law, allows him to exchange this part of the value of exports and sell it to other dealer to enable him financing his imports. This part has been called “pieces dollars” or “agricultural dollar,” the exchange rate of that dollar was determined by the money orders networks while for the remaining part it should be exchanged at a price of the Central Bank of Syria.

Noticing that in the nineties period it’s been allowed for the exporter of agricultural or animal products to use 100% of the value of its exports to finance imports

In another way: when the dealer (the importer) receives the initial invoice from the supplier he heads to a cashier in the black market and delivers the amount of initial invoice in Syrian pounds in addition to his own commission, then the cashier in his turn notify his bank outside Syria to transfer the invoice value to
the foreign supplier’s account. See Figure 3.

When we asked businessmen why a letter of credit was not opened in Syrian banks, most of them answers that:

- Routine, bureaucracy, bribery in Syrian banks’ transactions have prevented us from doing so.
- Bad reputation of Syrian banks abroad so that you cannot find a foreign correspondent bank who accept the Syrian banks’ credits.

For personal transfers and individuals

The possession of foreign exchange and precious metals was considered to be an economic crime punishable under the Syrian law, therefore, all transfers are made through the private money order networks (black market). Most individuals deliver the amount of the money order, that they want to transfer, to the cashier in Syrian pound then he, in his turn, transfer the money through his bank accounts or his personal relations (personal relations’ networks) to another bank account outside Syria and from which he transfer the amount to the transferee.
The Negative Affects of the money transfer system that prevailed at the time

1. The lack of direct foreign investment in the Syrian market led to a sharp reduction in the government foreign exchange reserves, which led not to meet the demands of businessmen and importers of foreign exchange in order to finance their trade. So, that forcing them to resort to the black market to get the foreign exchange.

2. Deterioration of the quality of the Syrian local industry as a result of the lack of competition with foreign products which led to the weakness of Syrian exports.

3. Chronic inability of the Syrian commercial balance of payments and high indebtedness as a result of exports’ reduction and imports’ rising of equipment and machinery. See Appendix 1.

4. Not to take advantage of money orders commissions that the dealers do through money orders networks. So, the commissions are transferred to foreign banks that the cashier in the black market is transferring to.

5. The role of local banks in Syria is limited to offer loans and deposit money, as it cannot afford to play the role of money order, like other banks in neighboring countries such as Lebanon, which weakened its credibility on the international level and reduced its competitiveness.

6. The lack of control over incoming and outgoing financial flows to the Syrian economy.

All these reasons largely led to the flourishing business of the money orders networks in Syria.
Fourth: The receipt of Bashar al-Assad to the power until the beginning of the conflict in Syria (2000 - 2011)

This period began when Bashar al-Assad came to power in Syria after the death of his father Hafez al-Assad, the beginning of this period has witnessed the issuance of several laws aimed at encouraging exports and attracting direct foreign investment. It has also witnessed the signing of trade agreements with many countries such as Turkey and the European Union, and perhaps the most prominent laws that had direct impact on cash and money transfers system in Syria are as follows:

- Law No. 6 issued on 04/22/2000, which, for the first time since the union between Syria and Egypt, allows free entry and exit of the foreign exchange and precious metals from out and into Syria. The possession of foreign exchange and precious metals are not punishable by law, whatever the owned amount.
- Law No. 28 issued on 29/03/2001, which allows the establishment of private banks in Syria for the first time since the nationalization of the private banks during the union period between Egypt and Syria.
- Law No. 23 issued on 12/12/2001, which reorganizes Monetary and Credit Council with the aim of developing monetary and financial market in Syria, and to maintain a fixed exchange rate of the Syrian pound against foreign currencies.
- Law No. 24 issued on 24.04.2006, which allows the establishment of private exchange companies for the first time in the history of Syria, and transferring money starts legally through exchange bureau from out and into Syria.
- Enter the “Western Union” system to Syria for the first time in 2007, legally, and became no one in Syria can transfer and receive any sum of money, whether the Syrian lira or foreign exchange by “Western Union” system.
“Western Union” system

It is a major financial federal corporation in the United States headquarters is in “Colorado”. It was founded in 1851, which is interested in providing special financial services and direct communication services among banks in the world.

Services provided by “Western Union”-Syria:
• Money transfer services and immediately from out and into Syria.
• The possibility of transferring funds immediately to the current bank accounts.
• Paying some of the acquisitions carried out by individuals.

Western Union entered for the first time as an effective solution to transfer funds from out and into Syria in 2007, through the licensed exchange companies (Al Diar Exchange company) and soon after the banks contracted with the parent company to provide services through private banks and to provide money transfer service among bank accounts immediately in various types of foreign exchange.

However, “Western Union” service has been limited to individual and traders did not considerably benefit from it because of its high transfer fee, and the fact that the goal of its foundation is to serve individuals and not the business activities of the companies.

Prevailing money order system in that time

The Syrian economy at this stage has become more open and the entering and
leaving funds movement have increased. Also many economic blocs have been founded between external and internal parties in Syria and the banking system has been significantly developed. Regarding money orders system in this period it can be divided into:

For businessmen and industrialists in Syria

This phase witnessed a control breakthrough on the import and export businesses and the Syrian government began to encourage the import and the export, but businessmen continued to face some difficulties financing their imports via opening letters of credit because of the prevailing bureaucracy and patronage in the government system thus some of them resorted to the black market and followed the same way as at the last century; and some of them opened accounts in Lebanese banks that opened branches in Syria like “Bank of Syria and Overseas,” where the importer open a letter of credit in “BLOM” the Bank of Lebanon and overseas as an example, while he should cover the credit value through his bank account in Syria, then “BLOM” Bank pay the bill of goods imported to Syria through direct transfer to the supplier’s account.

For individuals

The system of the personal transfers witnessed a remarkable development in this period as it has become possible for any individual to transfer any amount by licensed exchange companies in Syria to anywhere in the world, especially after the entry of “Western Union” as an effective solution to transfer funds.
Fifth: During the conflict in Syria (2011 - 2017)

On March 15, 2011, the Syrian revolution against the deteriorating economic situation in Syria, to turn after a period from a peaceful to armed motionless, and the conflict began in Syria between the two Parties, a large section of the people and the central government in Syria, which led to significant damage to the Syrian economy that affect the monetary and banking system and thus on the prevailing monetary and financial transfers system at that time. The most important events that have affected the financial transfer system in that period could be summarized in the following points:

- Capital efflux after the mid of 2012, whether it was foreign investments or by the Syrian traders outside Syria, which led to a significant shortage of current foreign exchange in the Syrian market.
- The imposition of economic sanctions on Syria by the European Union and the United States, and within the sanctions were freezing bank accounts outside Syria of Syrian officials like factory owners and dealers. As well as imposing sanctions on Syrian banks so, they may not be able to correspond with foreign banks or make money orders abroad and vice versa.
- Syrian exports reduction to less than a half after the outbreak of the revolution. Where the Syrian exports’ value was 10.3 $ billion in 2011, while it was in 2012, only $ 5 billion and in the first quarter of 2013, exports fell by 98% according to the report of the development and exports promotion organization in Syria. All of this led significantly to a decline in the foreign exchange.
- Law No. 506 issued on 05.15.2013 by the Central Bank of Syria which obligated the operating exchange companies in Syria to hand over all the coming cash orders from outside Syria in SYP exclusively even if they were transferred in foreign currency from abroad. This decision automatically stopped
the work of “Western Union” in Syria. Where the Syrian government has taken advantage of this law by the acquisition of the entire foreign exchange that was converted by expatriate Syrians to support their parents, and the payment of the value of that money order should be in SYP and in the same exchange rate of the central bank.

- private money orders networks’ expansion because it is the only sector, which has seen significant growth economically in the period of the conflict in Syria, and the widening gap between the official exchange rates issued by the Syrian Central Bank and the exchange rates of the private money orders networks in Syria. Therefore, they take a greater role over cash transfers from in and out of Syria.

All these factors have forced individuals to resort to the private money orders networks in Syria (black market) to transfer funds to and from Syria because they can hand people in foreign currency, or at least the Syrian pound exchange rate against foreign currency (dollars or euros) in the black market is much higher than the official one.

Here we must add that the transferred money orders from Syrians outside Syria in addition to the cash transfers from international organizations with the aim of the subsidy, in addition to foreign donations from friendly countries of the Syrian regime such as Russia and Iran, led to the consistent of the Syrian economy and the price of the Syrian pound exchange rate against other currencies. However, most of these transfers were passing through the private money order networks in Syria. Thus, all the above reasons have led to the widening influence of the money orders networks and the increase in suspicious money transfers and gave ease for transferring cash to terrorist organizations located on the Syrian territory.
Section Two
Comparison for the systems of the global money orders

1- The “Bitcoin” currency

Bitcoin is a digital electronic currency, non-current and not exist physically. It has its own exchange rate relating to the rest of the currencies traded physically or electronically, such as the euro and the dollar and the sterling pound.

It can be used to finance business operations (buying and selling) through the electronic network.

“Bitcoin” currency is characterized of being decentralized and no one control it, neither the government nor the central bank. It was founded in 2009 by an unknown person who hides his identity under the name “Satoshi Nakamoto” attributed to the Japanese historical figure.

Bitcoin currency has got an international recognition and a great economic importance, especially after it was formally recognized by Germany who imposed taxes when trading with Bitcoin. As well as major international banks are dealing with Bitcoin and entering it to their wallets as a recognized currency such as the German “Deutsche” Bank and the Spanish “Santander”. Bitcoin now represent 77% of electronic currencies used to conduct business operations via internet.
How to get the Bitcoin (Mining)

As mentioned, there is no central bank that controls the issuance of Bitcoin currency. Therefore, anyone can get the “Bitcoin” but according to certain controls, which requires a computer with a very high potential and an executive program that can be downloaded from the official website of the Bitcoin currency. This program downloads very complex algorithms from the official website then analyzes them which requires a very high potential and takes quite a long time, after analyzing these algorithms it produces the Bitcoin currency.

The process of the Bitcoin production has controls where the algorithms that are downloaded from the official website are including a preprogrammed code which makes the production of the Bitcoin difficult with the passage of time. Nowadays, 25 bitcoins has been produced every 10 minutes worldwide and this number decreases to the half every four years, right up to the year 2140, where the production will finally stop.

The evolution of the “Bitcoin” exchange rate

- On 05.10.2009, the Bitcoin exchange rate against the US dollar has been published for the first time and it was equivalent to 0.001 US $.
- In the month of February 2011 it was each one Bitcoin is fully equivalent to 1$ and a few days later was one Bitcoin equivalent to 1 euro.
- In May of 2011 it was one Bitcoin equivalent 31$.
- The Bitcoin exchange rate continued to rise until this time with some volatility in prices, particularly in 2013, when the price per one Bitcoin exceeded 1100 US$ but quickly the exchange rate decreased as a result of piracy carried out on international banks aimed the Bitcoin currency to settle the price between 600-750 American dollars.
Since the beginning of the year 2017 Bitcoin Exchange rate rose again to exceed the barrier of 1,000 US $ with expectations of breaking the historical figure and exceeds the barrier of $ 1120 for each one Bitcoin.

You can see Figure 3 for the historically evolution of the exchange rates of the Bitcoin since 2013:

![Image of Bitcoin exchange rate chart]

Reference: https://sa.investing.com/currencies/btc-usd-chart

**How to use “Bitcoin”**

From the moment you start using the Bitcoin currency for a particular transaction to the moment of completion of the transaction, it passed through several stages:

1. **Create a Bitcoin portfolio:** As a new user of Bitcoin, a portfolio can be set up for the Bitcoin currency you own or you can divide them into many portfolios that are installed from the main network of Bitcoin on a computer or mobile...
phone, the Bitcoin portfolio allows you to create your own title and each portfolio own a fixed address, these addresses allow you to exchange the Bitcoin currency through the participation of the portfolios addresses in a /block chain/.

2. Block chain: An electronic space through which the participation of all the Bitcoin addresses portfolios, and through which the Bitcoin portfolios balances are calculated and which users can control and take charge of their accounts.

3. Transactions: the process that is done by transferring money between two Bitcoin accounts and that are present in blocks chain, the Bitcoin portfolios retain an encrypted part called the private key, or signature and uses this part to confirm the signing of the transactions order and make sure that the one who gave the order to conduct these transactions is the real owner of the portfolio, and then all the transactions are published and users wait for some time until these transactions are confirmed through a final process called prospecting.

4. Exploration: at this stage is to emphasize the existing transactions in line waiting to organize them in block chains.

**Bitcoin currency feature**

- low fees to transfer funds between the buyer and the seller.
- Fast accomplishment, there is no median between the buyer and the seller, so that money is transferred directly between them.
- Secrecy and confidentiality in dealings and transactions.
- Global: The Bitcoin today has become globally recognized and major global banks and global e-commerce sites recognize it and use as an alternative to the transfer of funds transactions.
Disadvantages of Bitcoin currency

- Confidentiality of currency has positives and negatives and this feature gives more facilitations for suspicious transfers, money laundering, and funding terrorism.
- Piracy operations targeting Bitcoin currency, for example, Bitcoin exchange rate dropped to half in 2013 as a result of electronic piracy operations that were carried out on the banks’ portfolios, which included Bitcoin currency.
- Decentralization in issuing the currency, there are no fixed rates for the production of this coin, which is difficult to estimate the actual quantities which may raise concerns significantly because of large fluctuations in the exchange prices.

2- The global Electronic Bank PayPal

“PayPal”

It is an online commercial financial website that could be identified as an electronic bank, which means it has all the features of a traditional bank but offers its services online.

PayPal was founded in 1998, its headquarters is in the USA and has more than 192 million users from 203 locations around the world.

The services that it offers are just like a bank and offers all services that traditional commercial banks offer, but it works online.

Its services could be divided as follows:

The services offered by PayPal is a bank, therefore offers all the services offered by traditional commercial bank, but works online and the services could be divided as follows:
Individual Services

- Money transfer through bank accounts, the users could use the money transfer from their traditional bank accounts to their PayPal accounts, and also transfer money from their PayPal account to their traditional bank account.
- Transferring money between PayPal and credit cards.
- The electronic paying service: the users can use their PayPal accounts to make any purchasing orders from international websites like eBay

Companies services

- The possibility of making profit from purchase operations and by transferring them to credit cards of the profit owner who withdraws the money from any ATM.
- Receiving money payments from other companies to PayPal and these payments could always be transferred to a bank account or an electronic card and withdraw the money later.

Features of PayPal according to the countries it works in:

Not all the countries where PayPal allows all its services and the countries could be classified as follows:
- Countries that are not supported by PayPal, in which an account cannot be made.
- Countries that only allows sending money and the users in these countries could only buy and pay through commercial websites, but cannot receive any money.
• Countries that allow receiving money only, but doesn’t allow sending any.
• You can know the features offered by PayPal in the country you are in through the official website of PayPal, and choosing the country you want as the figure below.

![Select a country or region to find out about PayPal's offerings](image)

The risks of dealing with “PayPal”

• Online Piracy: The “PayPal” Website is considered an exhibition of piracy and mail fraud, like all other financial websites.
• The freezing of the account: If you enter the wrong password several times, for example, the account will be subjected to freezing, it is difficult to recover this account.
• Low quality of services provided by “PayPal” because of the dramatically increasing number of users, which led to lower quality level.
Features of “PayPal” accounts

• the most important feature of using “PayPal” accounts is the protection of credit card information, when you make payments and purchase orders, “PayPal” account plays the role of the mediator to the complete these transactions.

• The possibility of monitoring financial flows from the banking system of the state and the reduction of any suspicious transactions.

3- Electronic supporting card for Syrian refugees in Turkey

A- Money transfer through electronic cards

The experience of the Turkish Red Crescent in distributing cash support to Syrian refugees could be a good example that can be applied inside Syria, we are hereby talking about the money transfers offered by the international organisations to the Syrian people that were affected by the war in Syria, as well as the individuals’ transfers to their relatives and acquaintances inside Syria.

Our suggested system is to offer a prepaid electronic card to all beneficiaries inside Syria, and when someone wants to transfer money to a particular individual
or a group of people, he/she charges the card from any bank, exchange centre, or any mean of money transfer.

This money if transferred to specific points through applying a transfer system that sends special amounts to several assigned points, then the owner of the card uses it in purchase operations from any shop or store inside Syria by using these points, and using the pricing system for basic items and services according to the points.

This needs building a complete network of stores and selling points that are connected with a system that accepts payments through these cards. And building a complete network and series for accepting the cards / wholesaler- retailer-final consumer/ as shown in figure 4. The wholesaler can be connected to some companies and tradesmen in neighbouring countries like Lebanon and Turkey to accept payment with these cards and therefore the central bank of Syria or any country that applies the money transfer could monitor all funds and money transfer that goes inside Syria through a complete monitoring system.

In the future after the end of the conflict in Syria a cash system could be applied on this card without any need to use the exchange points, and the possibility to implement cash operations and use them in the selling and buying operations. So it is possible to do cash transfers and withdrawal directly form the card from any ATM of a bank inside Syria.

Knowing that there was a similar system applied inside Syria, for the Iraqi refugees that were present in Syria, where cards were distributed by the United Nations with the coordination with other international ngos, where they transfer monthly salaries as cash support to these cards and the Iraqi refugee could use the cards for buying items from specific stores and shops in Syria, or they can withdraw money from any ATM of any bank in Syria.
Support Card features

1. Integration of Syrian refugees in the Turkish society.
2. Equal distribution of aid on Syrian refugees.
3. Monitor the distribution of aid in order to support and ensure that the money is not used on any suspicious operations that could support terrorism.
4. Give the freedom for refugees to buy their basic needs without imposing any in kind materials that may not cover their needs.
Section three

The proposed system

We have explored in the first section the development of the bank transfer system and we have seen that the implemented systems in Syria were historically difficult and are suspected, sometimes, as illegal. With the beginning of the new millennium accompanies by wide spread of globalization and developments in communication systems all over the world, it was necessary to adapt the laws giving some flexibility to the monetary system in Syria. Private banks, transfer and currency exchange companies were authorized. However, the private exchange networks in Syria continued their regular work. Consequently, there were 2 rates for US dollars in the Syrian market, one by The Central Syrian Bank and one by the Parallel Market (The Black Market).

In the second section we discussed the modern examples of monetary and financial operations and electronic payment explaining three different examples. Thus, we see the process of reforming the financial transfer system in Syria can be divided into two phases. The first phase is an electronic transfer system applicable during the Syrian conflict. The second is the reforms on the whole Syrian economy structure for Syria after war.

First: Money Transfer through electronic card:

The model of the Turkish Rec Crescent should be considered as a good example for distributing financial support on Syrian refugees as an applicable method in the Syrian territories. We are discussing here the financial transfer provided by
the international organizations for the Syrian people affected by the ongoing war in Syria or the remittance of individuals sent to their relatives in Syria. Our proposed system is a pre-paid electronic card that shall be distributed on everybody within the Syrian territories that could be charged from any bank, ATM or other method when someone wants to transfer money to another person inside Syria. The card holder can use it in buying from any store in Syria. This needs building a thorough network of stores and sell points related to the payment and acceptance system of the card, in addition to building a chain of (whole seller, retail seller, and final consumer). The whole seller, at the end of the chain, can be connected with other companies or traders in the surrounding countries (Turkey and Lebanon) to accept payment by this card that would allow central banks in Lebanon and Turkey in the global system to monitor all money transfer operations going into Syrian by a complete supervised network.

Taking into consideration that a similar system is implemented in the Syrian lands for Iraqi refugees. They are handed in electronic cards from the UN that coordinates with other international organizations by transferring monthly stipends on these cards as a financial support enabling the Iraqi refugee to use the card while paying from specific stores in Syria, and also allows them to withdraw cash from ATMs inside Syria.

3.1.3 The scope of implementation

The scope of implementing this system should be over all Syrian lands without exception. However, due to war, it can first be implemented in the areas that receive supervised aid from the international organizations where the organizations should be forced to carry out money transaction via the electronic card method.
3.1.2 Features of the proposed system

- Ensuring achieving justice of financial distribution on all targeted groups within the international organizations.
- Monitoring all financial transactions from/to Syria and avoiding exploiting of money sent to Syria by terrorist groups.
- High speed performance- it needs seconds only to transfer money from any bank account to the electronic card.
- Ensuring no extortion or robbery by mediators who carry out the money transfer.
- Spreading awareness among people on the benefit of the electronic card to keep pace with the global development of money transfer systems.

3.1.3. Challenges of the proposed system:

- The conditions of the Syrian war
- Lack of awareness among people on this new payment method (which can be solved through raising awareness campaigns.
- Poor internet and communication infrastructure.

Second: Proposed economic reforms for Syria after the conflict

The implemented economic policies in Syria, since independence, can be summarized in two phases. The first one is characterized by seclusion, aimed
at self-sufficiency and ban of direct foreign investment. However, the second phase, which started with the new millennium, was characterized by encouraging direct foreign investment and open market giving space to external trade, but the main recipients of these laws were small portion of businessmen and Syrian regime’s favourite people.

We believe that Syria After war, will be an attracting market for international companies to rebuild Syria. Therefore, it is necessary to benefit from this feature to achieve the best for the national economy in Syria. Thus, we submit a simplified proposal summarizing the nature of proposed national economy regarding money transfer.

- Conducting reforms on the investment law in Syria to become more attracting and encouraging for foreign companies to invest in Syria in order to promote money sent to/from Syria and increase the available foreign currency in the Syrian market.
- Implementing the open-market policy and give freedom to external trade to enrich import and export and increase the quality of the Syrian products internationally as they will gain more experience and competition in front if the external products imported to Syria. Hence, export will be promoted and the flow of funds to/from the Syrian economy system as well.
- Reforming the banking system and empower the actor banks (government and private) in Syria to practice their activities such as financial transfer and selling currency because financial transfer commission is an important source of income for banks, and government sector should not take all the responsibility of financial reforms.
- Developing and encouraging to adapt the payment systems via the electronic cards for payment operations by cutting the payment commissions for example.
• Unifying Syrian currency rate for US Dollars in order to eliminate the Parallel Market and motivate moneychangers in the Black Market to obtain legal authorization for certified foreign exchange companies.
• Encouraging the foreign exchange companies to work in Syria legally and addressing their needs to avoid all legal causes that push them to the Black Market for money transfer.

3.2.2. The challenges of the proposed system

• The wide influence of the private transfer networks in Syria and the mutual confidence between the moneychangers of these companies and locals after depending on individuals in the Black Market for money transfer since long time.
• Challenges related to the infrastructure including communication, internet and information security.
• Raising awareness among people on the importance of using electronic cards for payment and avoid moneychangers in private transfer networks, rather, conducting money transfer operations through authorized banks and companies.
Recommendations:

After historical reviewing of the development of private transfer companies according to the change within laws and regulations governing the financial policies, the negative impacts of the Syrian conflict since 2011, and the displacement of more than 4.5 Syrians, in addition to the need of Syrian business men/women to smuggle their money outside Syria, all these factors contributed to the spread and growth of private transfer networks. Therefore, this field has been one of the most fields that attracted Syrian investment inside and outside Syria. Therefore, providing this policy paper to decision makers and stakeholders was a must now and for the future. We suggest the most important recommendations hoping to contribute in solving one of the most critical topics in Syria. The main recommendations in this paper are:

1. For private transfer networks in Syria: gathering in a unified body (association or union) ensured by one of the banks to make their works more protected and legislated, if they want to prosper and develop in the future, and to protect themselves from wrong-doers and thieves.

2. For Syrian business men/women: gathering in a unified body (association, chamber, union) in their hosting societies, or organizing their effort in launching advocacy campaigns and lobbying demanding their right to use bank accounts and carryout financial transfer readily and safely.

3. For governments hosting Syrian investors: giving more opportunities for investors and allowing them to enjoy all available banking services including financial and monetary transfer, not depriving them of services to achieve mutual
benefit from the two parties and not to push them towards the Black Market where they pay big amounts up to 6% to fund their imports and protect their money from fraud and theft.

4. **For international organizations:** depending on the pre-paid financial electronic cards for transfer money to Syria, and the international donors to bind the organizations that do field support in Syria to carry out financial transfer or any other financial support only through this pre-paid electronic financial cards. However, as explained, this requires a complete operating system and supply chain (consumer, retail seller, whole retail, manufacturer), in addition to an electronic operating system. In this case, the manufacturer shall be in one of the neighbouring countries to monitor the cash amounts and transfers from the central backs of these countries.

5. **For international monetary institutions:** (VISA, Card Master) and other international institutions should create a system and an eternal financial network that allows using the electronic cards, provide it to the international organizations and facilitate it (during the current conflict in Syria) to be replaced gradually/immediately after the conflict, if the required laws, financial regulations, infrastructure of banks and electronic systems are available.

6. **Our last message** is for all stakeholders (local, regional, international) who interested in this topic to adopt the proposed system in the policy paper and conduct many awareness raising campaigns on all levels and for all groups due to the necessity of using cash pre-paid electric cards and encourage the providers of trade and service activities to accept this payment method.
References:

- Archive of Dr. Izzat Trabelsi, a former finance minister in 1962 and the first governor of the Central Bank of Syria

- Archive of Dr. Adnan Al-Attiyah, former government commissioner at the Central Bank and the President of the Board of Directors of the Bank of Syria and Overseas.

- Analytical study of the foreign trade in Syria in light of the economic and demographic variables during the period (1980 - 2005), Dr. Hanaa Ahmad - Tishreen University.

- The official Anatolia news agency.

Supplement 1

Trade developments for external movement to Syria since 1978 and until 2011 in view of the Syrian balance of payments in accordance with the following index,

![Graph of International Financial Statistics](http://data.imf.org/?sk=5DABAFF2-C5AD-4D27-A175-1253419C02D1&sId=1390030341854&utm_source=Viber&utm_medium=Chat&utm_campaign=Private)

We find from previous indicator that the balance of the Syrian payments remained negative, meaning that imports were greater than exports up to and including the date of 1990 to find the balance of payments has become positive meaning that exports the were greater than imports due to the easing of restrictions on the import and export in 1987. It could be seen how the movement of the balance of payments of the Syrian were large at the beginning of the new millennium as a result of laws and regulations encouraging imports and exports and foreign direct investment.
استبيان موجه لرجال الأعمال والصناعيين في سوريا

يرجى الإجابة على الأسئلة التالية:

1. متى آخر عملية تحويل قمت بها؟
2. تقريباً، ما هو حجم الحواملات التي تقوم بها سنوياً؟
3. تقريباً، ما هو عدد الحواملات التي تقوم بها سنوياً؟
4. برأيك، ما هي مراحل تطور نظام الحوالة في سوريا؟
5. هل استفاد التاجر السوري من قانون تنظيم شركات الصرافة الصادر عام 2006؟ ولماذا؟
6. كتاجر، هل كنت مستفيد من السوق السوداء لإجراء الحواملات في سوريا؟ وما هي مخاطراتها؟
7. هل كنت تستخدم نظام ويسترن يونيون؟ ولماذا؟
8. في حال استيراد أي شحنة كيف تقوم بعملية الدفع للمورِد؟
9. هل كنت تعتمد على الاعتمادات المستندية؟ ولماذا؟
10. برأيك، ما هي التشريعات الواجب اتخاذها من الحكومة لضبط عملية التحويل؟
11. هل تريد إضافة أي معلومات أخرى؟
Supplement 3

استبيان موجه للصرافين العاملين في شبكات حوالة خاصة في سوريا

يرجى الإجابة على الأسئلة التالية:

1. تقريبا، ماهو حجم الحوالات التي تقوم بها سنويا؟
2. برأيك، ماهي مراحل تطور نظام الحوالة في سوريا؟
3. ماذا أثر قانون تنظيم شركات الصرافة الصادر عام 2006 عليه؟
4. ماهي المخاطر التي تتعرضون لها عند القيام بحالة؟
5. ماهي الطرق التي تتبعوها لتحويل الأموال من داخل سوريا إلى خارجها؟
6. هل تزود اضافية أي معلومات أخرى؟
The Syrian Economic Forum, in cooperation with the center for International Private Enterprise, will put together a policy paper entitled “The Black Hole. Private money transfer networks in Syria”

To answer a number of important questions on this subject:
1. What is Private money transfer networks in Syria?
2. The historical development of the money orders’ system in Syria
3. Comparison for the systems of the global money orders.
4. The proposed system.

We hope that this paper will be the cornerstone for building an integrated and efficient financial transfer system to and from Syria to benefit all parties of the hawala (individuals, businessmen, Syrian economy)