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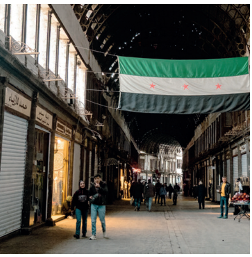

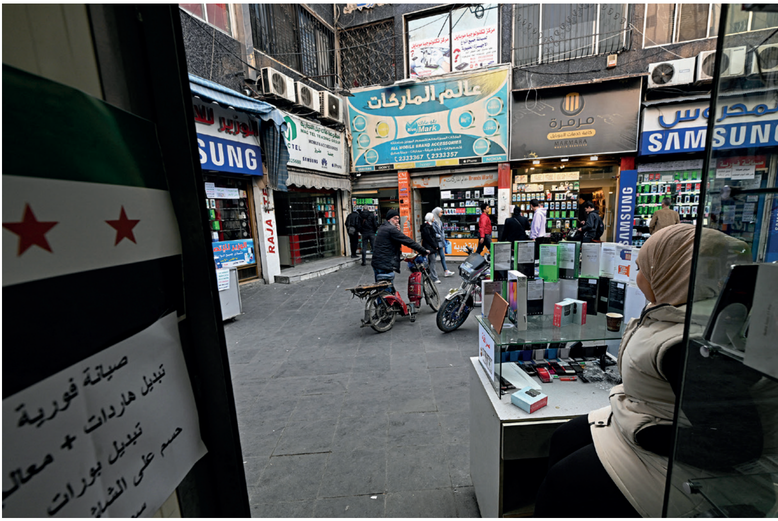

From Cash to Code: Payment Rails as Peace Infrastructure in Syria

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Contents

Acronyms

AML	Anti-Money Laundering
API	Application Programming Interface
CTF	Countering Terrorist Financing
DFI	Development Finance Institution
FATF	Financial Action Task Force
FCDO	Foreign, Commonwealth & Development Office (UK)
HTS	Hay'at Tahrir al-Sham
ID	Identity Document
IMF	International Monetary Fund
KYC	Know Your Customer
MSME	Micro, Small and Medium Enterprise
NGO	Non-Governmental Organisation
NPL	Non-Performing Loan
SDF	Syrian Democratic Forces
SME	Small and Medium Enterprise
SSG	Syrian Salvation Government
SYP	Syrian Pound
TF	Terrorist Financing
UAE	United Arab Emirates
USD	United States Dollar

About This Report

From Cash to Code: Payment Rails as Peace Infrastructure in Syria explores how Syria's emerging digital payment ecosystem can support economic stabilisation during the country's political transition. The report analyses the evolving role of informal money exchangers[1] – both licensed and unlicensed *sarrafs* – the rapid spread of digital tools, and the practical challenges of sequencing digital innovation alongside banking sector recovery. It outlines realistic steps for building secure, inclusive payment systems that can complement long-term economic reconstruction.

This report is informed by the author's professional work in the private sector with a Layer-1 blockchain platform, which has explored Syria's potential as an emerging market for digital infrastructure investment during 2025. The analysis also draws on the author's practical engagement with financial actors inside Syria, conversations with fintech developers and humanitarian practitioners, and long-standing experience working in conflict-affected and transitional environments. The content reflects applied insights rather than findings from an academic research design or formalised study.

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Executive Summary

Syria's political transition has opened a rare window for stabilisation after years of conflict and economic deterioration and fragmentation. As sanctions ease and political institutions slowly re-form, the country faces an urgent practical challenge: the enabling of money to move safely, predictably, and at scale. Payments underpin salaries, markets, remittances, humanitarian transfers, and public services. Without reliable payment flows, peace dividends will not materialise, and confidence in the transition will weaken.

Syria's formal banking sector is essential to long-term economic recovery and international reintegration. However, it is emerging from years of politicisation, conflict-era pressures, and severe international de-risking. Rebuilding capital adequacy, governance, and correspondent banking relationships will take time. During this transition, complementary payment mechanisms are needed to stabilise day-to-day economic life while banks regain public trust and operational capacity.

Informal money exchangers *(sarrafs)* and their *hawala* networks have effectively become Syria's national payment system. Over recent years, many have adopted mobile apps, digital ledgers, and stablecoin-based settlement, creating an emerging digital financial ecosystem capable of moving funds quickly across governorates and borders. If shaped responsibly, this hybrid system can support short-term stabilisation and complement banking reform. If neglected, it risks reinforcing political capture, enabling illicit finance, and undermining international confidence.

This report examines how Syria can build a sequenced approach to financial recovery looking specifically at payment rails: using digital and *sarraf*-led systems as bridging infrastructure while gradually reconstructing a resilient, regulated banking sector able to anchor peace over the long term.

Key Findings

Banks remain essential to Syria's long-term recovery

- Formal banks will be central to future financial governance, investment, and integration with global markets.
- Rebuilding capital adequacy, compliance capacity, and public trust will take several years.

Sarrafs provide the only nationwide, functioning payment infrastructure today

- *Hawala* networks offer liquidity, speed, and reach unmatched by current formal institutions at the time of writing.
- *Hawala* networks kept supply chains and remittances flowing throughout the conflict.
- *Sarrafs*' trust and local legitimacy make them indispensable in the short term.

Digitalisation is advancing rapidly and creating new opportunities

- *Sarraf*-run mobile apps replicate many basic banking functions.
- Stablecoins are widely used for cross-border settlement, reducing reliance on blocked correspondent channels.
- Private sector pilots demonstrate the viability of embedding compliance and monitoring tools early.

This emerging ecosystem also carries new risks

- Political capture could transform payment platforms into instruments of coercion.
- Unregulated digital assets could increase sanctions-related concerns or FATF (Financial Action Task Force) pressure.
- Consumer protection gaps – fraud, platform failure, key loss – could undermine trust.
- Regulatory and institutional capacity is still limited, creating a risk of systems evolving faster than oversight.

A sequenced approach is necessary

- Digital systems can stabilise payments now while banks rebuild.
- Regulatory sandboxes can allow safe experimentation and gradual licensing.
- Over time, interoperability should link digital platforms and formal banks into a unified national payment architecture.

Recommendations

Immediate (0 – 12 months): Stabilise payment flows

- Support vetted digital platforms (against internationally recognized criteria and digital regulatory frameworks) to deliver public salaries, social protection, and humanitarian transfers.
- Provide technical assistance to strengthen platform security and consumer protection.
- Launch public information campaigns to build user confidence.

Short Term (0 – 3 years): Build regulatory foundations

- Explore the possibility of setting up a VARA (Virtual Assets Regulatory Authority)[2] -like body to support regulatory oversight.
- Establish regulatory sandboxes for digital payment providers to operate under supervised conditions.
- Introduce proportionate AML (Anti-Money Laundering)/CTF (Counter Terrorist Financing) and KYC (Know Your Customer) frameworks tailored to Syria's fragmented identity systems.
- Develop standards for custodial wallets, dispute resolution, and user remediation.
- Ensure competition rules prevent monopolisation of new digital payment rails.

Medium Term (3 – 7 years): Link digital systems with banking sector reform

- Support interoperability standards connecting *sarraf*-run platforms and formal banks.
- Invest in banking sector recapitalisation, governance reform, and compliance capacity.

For International Partners

- Shift from risk aversion to structured risk management approaches.
- Offer guarantees or risk-sharing tools to support early correspondent banking re-entry.
- Coordinate with FATF (Financial Action Task Force) and regional bodies to ensure Syria's emerging digital ecosystem aligns with global standards.

Methodology and Links to Existing PeaceRep Research

This report is informed by the author's professional work in the private sector, including advisory roles with a Layer-1 blockchain platform and fintech firm examining Syria's potential as an emerging market for digital payment infrastructure. The analysis also draws on years of practitioner experience in conflict-affected and transitional environments, as well as direct conversations with Syrian financial actors, traders, community organisations, and digital payment providers operating inside and around Syria. The insights presented here reflect practice-based, real-world engagement rather than findings from a formal academic study, structured research design, or systematic data collection process.

The report builds on, and is positioned within, a longer trajectory of PeaceRep research on the Syrian economy. PeaceRep's work prior to the fall of the Assad regime offers important context for understanding how Syria's financial landscape evolved and why hybrid financial systems now occupy such a central role.

One key reference point is the Mehchy, Turkmani and Gharibah (2023) study on micro, small, and medium enterprises (MSMEs). Their work demonstrates how MSMEs acted as economic stabilisers during the conflict, sustaining employment and local markets despite widespread institutional collapse. They show that local businesses relied heavily on informal financial channels to survive and that rebuilding the economy requires strengthening both formal and informal systems in ways that support local agency and everyday economic resilience. This has direct relevance to the present report, which examines how those same informal networks are now digitising and could be integrated into a transitional financial architecture.

The report also draws on the analysis by AlOkaily & Alzoubi (2024), who explored the potential of blockchain technology to support humanitarian assistance delivery in conflict settings, using Syria as a case study. Their work highlights both opportunities – such as improved transparency and cross-border settlement – and risks, including regulatory gaps and vulnerabilities to misuse. These insights provide an early conceptual foundation for understanding how digital tools might operate in a fragile financial landscape like Syria's, and why sequencing and governance matter.

This report extends these earlier contributions into the post-regime transition context, where sanctions relief, changing political authority, and evolving international engagement are reshaping the incentives and constraints facing both formal and informal financial actors. To complement this, a brief review of PeaceRep's broader publications – particularly analyses of Syria's economic governance, wartime political economy, and localised coping systems – helps situate the current moment within longer patterns of economic fragmentation and adaptation.

Taken together, the report's methodology is best described as applied, insight-driven analysis, grounded in professional practice and informed by existing PeaceRep research on Syria's economy. Its purpose is not to offer a definitive or data-driven account of Syria's financial transition, but to provide a timely, policy-oriented assessment of how payment systems are evolving and how they might contribute to economic stabilisation and peace if supported responsibly.

1. Introduction to Payments and Syria's Transition

Syria stands at a rare but fragile moment of possibility. After decades of dictatorship and a brutal civil war, the new transitional government led by Ahmad al Sharaa[3] has opened a narrow window for peace, and most international sanctions have been lifted in support. Yet the undertaking ahead is immense and peace is already under strain by fraught transitional justice, frayed social cohesion, and the slow demobilisation of armed actors. Even if these challenges can be overcome, peace will not hold without visible economic recovery – and recovery cannot begin without reliable ways to move money.

Payment rails – or simply, how money moves through an economy – are often treated as a technical detail, but they are foundational to normalising everyday life in transitional and post-conflict settings. They underpin salaries, supply chains, remittances, and the confidence of displaced people to return. Where payments fail, mistrust deepens, and predatory practices take hold. Farmers without access to timely payments are pushed towards predatory lenders (Mansour, 2021); families who lose remittance access are more likely to re-displace (Horst, 2008); and vendors forced to carry cash remain exposed to extortion at checkpoints (Lauer et al., 2015). Reliable payments are not peripheral; they are the invisible rails on which peace must travel.

Today Syria's formal payments infrastructure exists but is widely mistrusted and largely disconnected from the international financial system. The banking sector has been politically constrained and under-capitalised for decades (Enab Baladi, 2024). From the 1970s to the fall of former Syrian president Bashar al-Assad in December 2024, state institutions were largely perceived to reward loyalty, while armed actors, monopolistic traders and politically connected elites captured what little remained (Yazigi, 2025). Further, Syria's financial infrastructure has been chronically associated and entwined with illicit finance streams. Some Syrian banks have likely served as conduits for Iranian and designated transnational terrorist financing groups, including to Hezbollah (Burman et al., 2025).

To compound matters, the current transitional government's roots in *Hay'at Tahrir al-Sham* (HTS) – a former designated foreign terrorist organisation with transnational Jihadist linkages – have not reassured markets. Even as sanctions ease, major global banks continue to classify Syria as high-risk, maintaining strict de-risking measures that sever its links to cross-border finance. Domestically, banks are also under used and deeply mistrusted: the last data collected in 2011 shows only around two million Syrians hold bank accounts (The Global Economy, 2025), while from the author's recent travel in Syria, it is apparent most people rely on *sarrafs* (صَرّاف) – informal money exchangers operating through *hawala* (حوالة) systems – as their primary financial infrastructure (El-Qorchi, et al., 2003; Mansour, 2017).

In response, the transitional government appears to be pursuing a dual-track approach: gradual banking sector reform alongside a deliberate digitalisation drive to bring *sarraf* networks into a more regulated and transparent system. This sequencing is pragmatic. Banks will take years to rebuild, while *sarrafs* already provide nationwide reach, liquidity, and local trust. Many are also experimenting with domestic payment apps and crypto wallets that handle stablecoins for cross-border settlement (Thompson, 2025; Enab Baladi, 2024). This shift marks a broader transition and modernisation, from cash-based *hawala* systems to increasingly digital, programmable rails.

This movement from cash to code is more than a technical upgrade; it could redefine how money flows through Syria's economy, and in doing so, shape the foundations on which peace can be built in this transitional period. If guided well, it could create reliable, transparent payment systems fast enough to stabilise markets and support returns, thus sustaining peace for the foreseeable future. However, if left unchecked, it could entrench coercive power, enable continued illicit finance streams, and erode public trust.

Based on primary and secondary source analysis, and direct field work in Syria over the last year consulting with the private sector – the Afghan Fintech HesabPay and the Layer-1 blockchain Algorand – this analysis begins by tracing how Syria's centralised banking sector hollowed out into today's fragmented financial networks. It then examines the rapid digitalisation emerging among *sarrafs*, and assesses the political economy risks international actors must weigh if they are to support this shift responsibly to sustain stabilisation and peace.

The aim is to help policymakers and financial institutions ask the right questions: how can digital payment systems be built on trusted local networks without entrenching war economies or illicit financing channels? What regulatory, technical and compliance safeguards are needed to reconnect Syria to the global financial system without amplifying terrorist financing risk? And how can support for digital payment infrastructure be sequenced alongside banking reform to stabilise the economy quickly while laying the foundations for long-term financial governance and peace?

At its core, this report argues that Syria's path to peace depends not only on political reform, but on integrating the country's informal and formal financial systems through reliable, regulated digital payment rails that can deliver economic stability faster than traditional banking reform. Ultimately, the choices made now about how digital payments are governed will determine whether financial innovation becomes a foundation for peace or another fault line of instability.

2. The Formal Financial System in Transition

Syria's formal banking sector remains in place, but decades of political constraints, conflict-related pressures, and prolonged isolation have left it operating well below its potential. Under the previous regime, state banks were shaped by wider governance dynamics rather than commercial considerations, with credit allocation often influenced by political priorities (Mansour, 2017). When private banks were introduced in the 2000s, they entered a system where regulatory frameworks, supervisory capacity, and market competition were still developing, and licences were frequently issued within these broader political and economic conditions (Yazigi, 2025). By the onset of war, these structural factors had contributed to high levels of insider lending and non-performing loans across the sector (Burman et al., 2025).

The conflict placed additional strain on banks already operating in a challenging environment. Institutions had to navigate fragmented authorities, liquidity pressures, and disruptions to normal commercial activity, while broader war economy dynamics shaped the financial landscape (Yazigi, 2025). International sanctions added further constraints, limiting access to global finance and reducing the ability of Syrian banks to maintain correspondent relationships. Some institutions also became entangled in complex regional financial flows during the conflict years, including transactions linked to Iranian networks and other designated groups, which deepened reputational challenges even when these issues were not of the banks' own making (Burman et al., 2025).

Although most sanctions have now been lifted to support the transitional government, global banks continue to classify Syria as high-risk and maintain strict de-risking measures (Syrian Observer, 2025). These international compliance pressures are a major reason why correspondent banking channels remain limited, leaving routine cross-border transfers slow, expensive, and unreliable.

These longstanding structural pressures have resulted in low levels of financial inclusion and a significant trust deficit. It is estimated only around two million Syrians hold bank accounts – roughly 23.25% of the pre-war adult population (2011) – and most salaries continue to be paid in cash (The Global Economy, 2025). During fieldwork in Aleppo and Damascus, bank branches appeared underused, with staff noting that much of their work involved administrative processing rather than high-volume transactions.

Many businesses reported relying on cash couriers or *hawala* brokers for supplier payments, reflecting a preference for channels perceived as faster or more predictable in the current environment. Households often described banks in terms shaped by decades of political influence and economic disruption, noting concerns over deposit security, the absence of insurance mechanisms, and memories of politically driven credit allocation.

Given these constraints, the formal banking system is not yet able to deliver the fast, reliable payment flows required to stabilise daily economic life during the transition. This does not reflect on the commitment or capability of banking professionals, but on the time needed to rebuild capital, governance, and international confidence after years of isolation and conflict. Banking reform will be central to Syria's long-term recovery, yet it is inherently gradual. By contrast, public expectations for economic improvement are immediate, and peace depends on visible progress within months rather than years. If recovery efforts rely solely on formal banks at this early stage, there is a risk they will move too slowly to shore up public trust in the transitional process. For this reason, international actors and national authorities need to support interim payment channels that can provide predictable, nationwide liquidity while banking sector reforms take shape. Without such complementary payment infrastructure, broader reconstruction and peacebuilding efforts may struggle to gain traction.

3. The Role of *Sarrafs* and *Hawala* Networks

In the vacuum left by the challenges of the formal banking sector, another financial system has emerged and proven remarkably resilient. Informal money exchangers – *sarrafs* (صَرّاف) – operating through *hawala* (حوالة) networks now form the backbone of Syria's economy. Far from being peripheral, they have become the country's primary payment infrastructure, relied on daily by households, traders, aid agencies, and even local authorities.

Hawala is a trust-based settlement system; a *sarraf* accepts funds in one location and pays out an equivalent amount in another, settling balances later through offsetting transactions with other brokers (El-Qorchi et al., 2003). Because these networks rely on personal trust and reputational enforcement rather than formal contracts or physical cash movements, they can operate quickly and securely even in fragmented and insecure environments. *Sarrafs* are present in every governorate, from major cities like Aleppo and Damascus to rural districts long unserved by banks. They move funds for everything from local wage payments to cross-border remittances, import financing, and humanitarian cash transfers.

These networks have a historical role deeply rooted in the region's commercial traditions. Long before the emergence of modern banking, *hawala* systems underpinned trade across the Levant, Mesopotamia, and the Gulf, allowing merchants to move capital and settle debts across vast distances with minimal physical risk. Syrian *sarrafs* inherited and adapted this system over generations, maintaining cross-border kinship and business ties that link markets in Damascus, Gaziantep, Istanbul, Beirut, Erbil, to the Gulf, Iran and even as far as East Asia, Europe and the US. Even under Hafez and Bashar al-Assad, *hawala* and *sarraf* networks operated in a tolerated grey zone – formally restricted (and very few licenced) but quietly indispensable to the economy. While state banks monopolised foreign currency transactions on paper, in practice the authorities relied on *sarrafs* to stabilise exchange rates, facilitate remittances, and channel liquidity into sectors the state could not reach. Many *sarrafs* developed close, often patronage-based relationships with security and intelligence actors, enabling the regime to monitor and, at times, manipulate currency flows without formal liberalisation.

This uneasy coexistence meant that when war and sanctions added further constraints on formal banking channels, *sarrafs* were already embedded, connected, and trusted, able to scale up almost overnight and revive centuries-old practices to keep Syria's economy functioning. Traders in Raqaa used *hawala* to pay suppliers in Iraq without moving cash across frontlines, to avoid extortion at checkpoints and because they had no formal banking access.[4] Farmers in Idleb relied on *sarraf* transfers to buy seeds and fertiliser in time for planting, bypassing the weeks-long delays and arbitrary restrictions of bank wires.[5] For returnee families, *hawala* channels have often provided their only stable income during reintegration, and research shows families who lose remittance access are far more likely to re-displace (Horst, 2008). These examples show that *sarrafs* have not simply filled a gap left by banks; they have become Syria's de facto national payments system.

Their effectiveness depends on social capital. A *sarraf's* business rests on their reputation for honesty, discretion, and responsiveness. They extend liquidity on trust; confident their counterparts will settle later. This embedded trust network makes them agile and resilient in ways the bureaucratised banks are not (El-Qorchi et al., 2003). During a field visit to northern Hama in August 2025, small and medium-sized enterprise (SME) owners described their local *sarraf* as “the only one who can move money at midnight” and “more reliable than any bank”.

This trust is not an obstacle to reform; it is the asset on which reform can build. Syria's *sarrafs* may be the only actors capable of delivering the immediate payment flows that the peace transition depends on because of their national reach, liquidity, and local legitimacy. They can disburse salaries and social transfers quickly, enable supply-chain payments for local firms, and facilitate safe, rapid remittances that incentivise displaced Syrians to return. In short, they can inject liquidity and predictability into Syria's fragile economy at the moment it matters most.

For the international community, there is a clear implication; engaging with *sarrafs* is not a concession to informality, but a pragmatic recognition that they are likely the only functioning payment infrastructure able to deliver peace dividends in the near term. Thus, the challenge is to harness their reach and trust as the foundation of a regulated national payment system, rather than allow them to evolve unchecked or remain permanently excluded from formal recovery efforts.

4. Digitalisation: From Informal Cash to Programmable Rails

Importantly, Syria's *sarraf* networks are no longer operating purely in cash. Over recent years, many have begun digitising their operations in ways that are quietly transforming how money moves within and beyond the country (Thompson, 2025). This shift has not been driven by state policy but by necessity. Traders and households have needed faster, safer ways to settle payments, and *sarrafs* have responded. *Sarrafs* have also been watching and learning from the emerging digitalisation in neighbouring countries, specifically the Gulf, as well as new regulation vis-à-vis digital currencies in Europe and the US (UAE Central Bank, 2024; European Parliament, 2024; Reuters, 2024; IMF, 2025; World Economic Forum, 2025). The result has been a rapidly emerging ecosystem of hybrid digital informal payment rails, built on existing trust networks but increasingly incorporating mobile apps, digital ledgers, and blockchain-based settlement tools. This digital leapfrogging could offer the fastest route to building functioning national payment systems capable of supporting peace.

The first layer of this shift has been the growing adoption of digital phone and web-based payment applications by *sarrafs*. During a visit to rural north-west Hama in August, I met a *sarraf* who had been digitising his operations for over five years and was already running four payment platforms – three of them crypto-enabled – using satellite internet for connectivity and solar panels for power. These applications, often built on lightweight messaging platforms such as Telegram or bespoke Android software, replicate many of the core functions of banking apps – deposits, transfers, and invoice settlement – without requiring users to interact with formal banks. For customers, they offer the speed and predictability long absent from the formal system; for *sarrafs*, they deliver operational efficiency and access to new market segments. Many local traders using these platforms have described them as having "removed the uncertainty" from their supply chains by guaranteeing same-day payments (Mercy Corps, 2025).

A second layer has been the adoption of stablecoins – blockchain-based tokens pegged to hard currencies – to settle cross-border flows. Stablecoins are often preferred over other cryptocurrencies (such as Bitcoin) because their value is pegged to stable assets like the US dollar, reducing volatility and making them far more suitable for everyday transactions and salary payments in fragile or inflationary economies.

Stablecoins allow *sarrafs* to send value to counterpart brokers in Turkey, Lebanon or the Gulf in minutes, bypassing blocked correspondent banking channels and reducing exposure to the volatility of the Syrian pound. They are usually converted back into cash quickly, and they have become a critical bridge to external markets at a time when formal financial links remain severed (Lauer, et al., 2015; Thompson, 2025).

These innovations are beginning to coalesce into semi-formalised digital ecosystems. The most visible early example is Sham Cash, launched in Idleb in 2024 under the authority of *Hay'at Tahrir al-Sham* (HTS) through its affiliated governing body, the Syrian Salvation Government (SSG) – which effectively functioned as HTS's civilian administration (Haid, 2025). Evolving from Sham Bank, the de facto central bank of the SSG, Sham Cash operates as a closed-loop mobile payment system using a digital Syrian pound (SYP). It links local *sarrafs* and merchants, processing thousands of transactions daily, with an estimated customer base of around 1.5 million.

Yet the transitional nature of the context has drawn questions. Although both the SSG and HTS have since been formally dissolved, many of their former members now hold positions within the current transitional government. Sham Cash's background and growth under the new transitional authorities has prompted concerns about the persistence of political capture within emerging financial institutions. However, whilst questions remain around oversight and institutional resilience (Haid, 2025), Sham Cash nonetheless illustrates that local financial actors can design and sustain digital payment platforms at scale, and that there is strong demand among users for such services.

This bottom-up digitalisation is now being accelerated by engagement from external private sector actors. The fintech company HesabPay and the blockchain infrastructure provider Algorand, for example, have piloted compliance and settlement tools with Syrian partners (Mercy Corps, 2025). These pilots are introducing programmable features such as transaction monitoring, digital identity checks, and automated ledger reconciliation; functionalities that could enable future integration with formal banking systems (Lauer et al., 2015; IMF, 2025). Importantly, these tools are being designed to fit local constraints: they have adapted Know Your Customer (KYC) requirements given multiple identity cards in use in Syria, and function on low-cost smartphones in areas with intermittent power and internet. This 'design-for-fragility' approach reflects a clear lesson from the field: that any payment innovation must align with local realities if it is to be trusted and adopted.

If guided well, this digital leapfrogging could dramatically accelerate the creation of predictable, transparent payment flows. It could enable rapid salary and social transfer payments, reduce transaction costs for small firms, and make remittance channels more reliable; all of which are essential for restoring household income, jump-starting local markets, and convincing displaced Syrians that peace offers a viable future. In short, digitalisation could compress the timeline for rebuilding payment infrastructure from decades to years, providing the economic signals that can anchor the political settlement.

5. Risks and Governance Gaps

However, the trajectory of these systems is not inevitable. The question is not whether Syria's financial infrastructure should digitise – they already are – but what kind of risk framework is needed to guide this process responsibly. The rapid digitalisation of Syria's *sarraf* networks could provide the reliable payment rails that peace now depends on, yet without effective oversight and regulation, it also risks consolidating coercive power, enabling illicit finance, and eroding public trust. Managing the transition requires a fundamental shift in how risk is understood and addressed. Guided well, and with early technical support from international partners, these digital systems could deliver predictable and transparent payment flows that support recovery and help make peace durable.

Political capture is a central risk. As *sarrafs* digitise, platforms gain new leverage over transaction flows, data, and user access. Control over payment systems also confers market power – and in fragile transitions, market power is easily politicised. Several *sarrafs* we met in Idleb and Aleppo over the past year described pressure to route payments through favoured platforms (Syria Report, 2024). Unregulated platforms are also prone to skimming fees and granting preferential access, such as two-tier systems where some users can cash out in Syrian pound (SYP) while others access more stable currencies like the United States Dollar (USD). Left unchecked, digitalisation could concentrate financial control in the hands of a few politically connected actors, turning payment rails into tools of coercion rather than enablers of peace; eroding perceptions of fairness, deepening grievances, and risking the entrenchment of wartime patronage and terrorist financing networks in the post-conflict economy.

A second risk is illicit finance. Many *sarraf* platforms already use stablecoins and other blockchain-based assets to settle cross-border flows, bypassing the blocked formal banking system. These tools offer speed and value stability but can also facilitate money laundering, sanctions evasion, and terrorist financing if unregulated. Regional banks – already wary under FATF grey-listing pressure – could respond to perceived non-compliance by further severing links, leaving Syria isolated from global finance. If international banks view Syria's new digital systems as illicit finance conduits, efforts to reconnect the country to global markets will stall, stifling trade and investment just as peace begins to take hold.

Technical fragility and consumer protection gaps are a third vulnerability. Most *sarraf*-run platforms are rudimentary and lightly secured, leaving them exposed to fraud, hacking, key loss, and system failures. Users have no legal recourse or deposit protection. Stablecoins also carry risks when their reserve backing is opaque or thinly traded, exposing users to sudden devaluations; *sarrafs* should be encouraged to use coins fully backed 1:1 by hard currency held in reserve banks compliant with EU and US crypto regulation. If early adopters experience theft or losses, trust in digital payments could collapse, pushing households and firms back to insecure cash channels and fuelling disillusionment with the transition's promises of order and safety.

Underlying all these risks is the absence of regulatory architecture. The transitional central bank is under immense pressure and strain with limited resources, and there are no clear licensing regimes, supervisory powers, or consumer redress mechanisms for digital payment services. Without credible oversight, digitalisation could outpace the state's ability to govern it, leaving the financial system fragmented, opaque, and vulnerable to shocks. This would not only endanger users but also undermine international confidence; banks and donors will not risk engagement with a system seen as unregulated and politically captured (Stepputat, 2002).

These are not arguments against digitalisation – the world is digitising – they are arguments for shaping it deliberately as part of the peace process. If the international community fails to engage, digitalisation will not stop; it will simply evolve without safeguards, potentially entrenching the very dynamics of coercion, exclusion, and mistrust that peace efforts are trying to dismantle. The task now is to convert these emerging digital networks from fragile informal experiments into the foundation of a regulated national payment system – fast enough to deliver peace dividends, yet safe and transparent enough to reconnect Syria to the global financial system.

6. Building Regulated National Payment Rails: A Peace Infrastructure Agenda

Rebuilding Syria's financial system cannot be treated as a narrow technical reform project. It is a peacebuilding priority. Reliable payment rails are the infrastructure through which salaries, supply chains, remittances, and public services move and the visible economic signals that convince people peace is real and worth defending. Yet as shown in our analysis so far, the formal banking system is too hollowed out to deliver these flows quickly, while unregulated digitalisation of *sarraf* networks risks entrenching coercive power and illicit finance. Thus, the challenge is to create a pathway that harnesses the trust, reach, and liquidity of the *sarraf* networks to establish functioning digital payment systems now, while progressively embedding regulation and linking them to the formal banking system over time.

In the immediate term, the priority must be to stabilise payment flows. The first year of a political transition is when public confidence is most fragile, and visible economic benefits matter most. To mitigate the lag of banking sector reform, international actors can play a decisive role by supporting the nascent digital payment platforms emerging from Syria's emerging fintech sector and *sarraf* networks, provided this is done with basic safeguards. Providing grants and technical assistance to strengthen digital platforms could allow public salaries, livelihood grants, and humanitarian cash transfers to be disbursed quickly and safely, injecting liquidity across the country. Coupled with public communication to explain how these systems work, this could build user confidence and demonstrate that peace brings tangible economic dividends.

As these systems gain traction, attention must turn to embedding regulatory oversight and reconnecting Syria to international finance. Without this step, digitalisation will remain confined to a grey zone that deters global banks and investors. The transitional authorities will need support to develop licensing regimes for *sarrafs* operating as money service providers, setting proportionate requirements on anti-money laundering (AML), KYC checks, and consumer protections. Given the institutional fragility of the central bank, this should be done gradually through supervised "regulatory sandboxes," where digital payment pilots can operate under close observation while testing compliance tools before full authorisation.

At the same time, donors and development finance institutions can help de-risk international engagement by offering guarantees or political risk insurance to encourage correspondent banks to cautiously reconnect to licensed Syrian providers. Coordinated engagement with the FATF and regional standard-setters will be crucial to ensure Syria's emerging framework is seen as credible rather than as a new sanctions risk. This stage is less visible to the public than the initial liquidity push, but it is essential to anchor these digital systems within legitimate financial governance and to prevent them from becoming conduits for illicit finance.

This will also require deliberately curbing political favouritism. Sham Cash has shown how local financial actors can build and scale digital payment platforms in a challenging environment, meeting real demand from traders and households. Yet its experience has also highlighted governance risks: perceptions of preferential access, opaque fee structures, and limited transparency around decision-making. Addressing this early will be essential. Regulatory frameworks should prioritise competitive access and transparent criteria for licensing decisions – for example, by requiring multiple platforms to participate in regulatory sandboxes under independent oversight. Framing these safeguards as enablers of innovation, rather than barriers to it, will be key to building user confidence and reassuring international banks.

Only once basic regulatory capacity and market confidence have been rebuilt can the final step take place, integrating these digital payment rails with a reformed banking sector. This will require investing in shared technical infrastructure – interoperability standards, clearing systems, and application programming interfaces (APIs) – that allow payments to move seamlessly between digital *sarraf* platforms and formal banks. It will also require sustained work to recapitalise banks, strengthen their governance, and rebuild their risk management capacity so they can handle large-scale flows transparently. Over time, high-volume payments such as government salaries and procurement can be shifted from *sarraf*-led platforms into the formal banking system, while ensuring that access remains open and competitive to avoid recreating monopolistic capture. This gradual convergence would transform today's fragmented payment landscape into a unified, regulated national system, combining the trust and reach of *sarrafs* with the credibility and stability of banks.

Sequenced in this way, international support can help Syria move from reliance on informal cash networks to a regulated national payments architecture without leaving a gap in between. It can deliver rapid, predictable payment flows now – when they matter most for peace – while laying the institutional and technical foundations for long-term financial governance. This is not simply financial sector development; it is peace infrastructure. Without reliable payment rails, the political settlement will remain unsteady. With them, Syrians could begin to experience the security, economic activity, and public trust that make peace durable.

Conclusion

Syria's transition stands on fragile ground. Political agreements can be signed, but without visible economic change they may not hold. Peace will not wait for trust to appear; it must be what creates trust, and recovery cannot begin without the ability to move money safely, predictably, and at scale. Payments are not a peripheral technical detail – they are the infrastructure that makes peace visible. They enable salaries, supply chains, remittances and basic services, and they give people tangible reasons to believe that peace brings order rather than chaos.

This analysis has shown how years of politicisation, conflict and sanctions have hollowed out Syria's formal banks, leaving them incapable of delivering these flows quickly. It has traced how *sarrafs* and their *hawala* networks stepped into this vacuum, becoming the country's only functioning financial infrastructure, and how many are now digitising to provide faster, more reliable services. These networks offer the only realistic foundation for rebuilding national payment rails fast enough to stabilise the economy and signal peace dividends. Yet without oversight, their digitalisation could entrench coercive power, enable illicit finance, and collapse public trust. The question is no longer whether to support this transformation, but how to shape it so that it strengthens peace rather than undermines it.

For international actors, this demands a shift in approach: from risk aversion to risk management, from seeing informal systems as obstacles to recognising them as transitional peace infrastructure. Supporting *sarrafs'* digitalisation while embedding regulation and progressively linking these systems to reformed banks can deliver predictable payments now, while building credible financial governance for the long term. Done well, this shift from cash to code can give Syria's fragile political settlement an economic backbone. Left to drift, the country risks being pulled back into the mistrust and predatory practices that helped fuel its war.

Peace will stand or fall on whether people can get paid, trade, and return home with confidence. Building the rails that let money move is not just an economic task, it is the foundation on which many parts of Syria's transition will rest. Reliable payments may very well be key to what will make peace feel real.

Endnotes

[1] I use this term to cover both licensed and unlicensed money exchangers, recognizing that the movement of money in the banking system is often classified as the "formal payments system"; and that the licensing regime for *sarrafs* in Syria at present is fragmented with at least three different licensing regimes across Idleb, North East Syria and the Central Bank in play.

[2] https://www.vara.ae/en/

[3] Ahmad al Sharaa was previously head of Hayat Tahrir al-Sham (HTS) – a formerly designated foreign terrorist organisation and network of Jihadist groups with transnational linkages based in Idleb in Northwest Syria.

[4] Based on experience as the Director of a North East Syria humanitarian programme based in Hassekeh-Raqaa 2016–17.

[5] Based on meetings with financial sector experts and farmers in Idleb during a field visit in May 2025.

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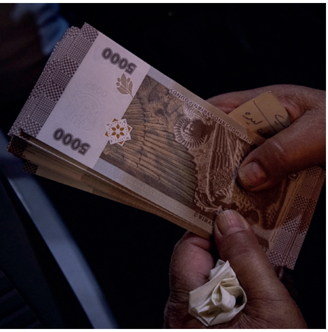

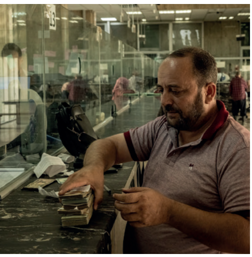

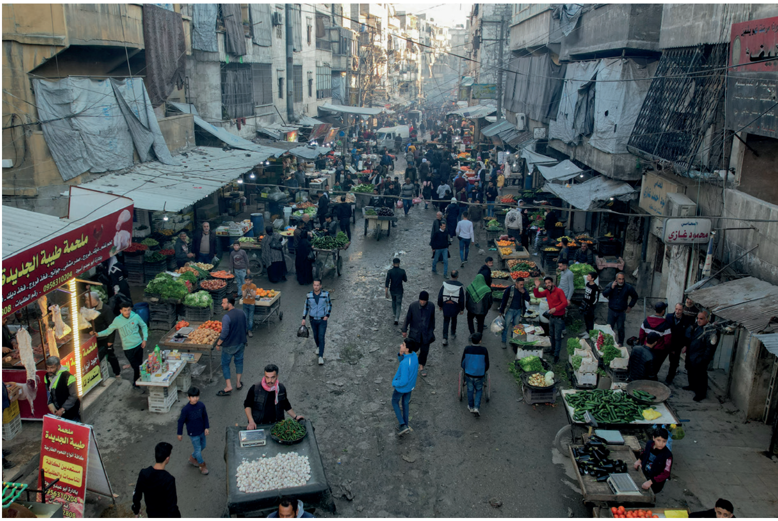

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