

ECOFIN

OMUN 2022





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Letter from the Under-Secretary-General for General Assemblies

Dear Delegates and Faculty Advisors,

It is with great pleasure that I welcome you, on behalf of the General Assemblies team and the entire OMUN Secretariat, to the fifth rendition of the Ontario Model United Nations conference, hosted by Upper Canada College. My name is Alexander Dua, and I have the honour and privilege of serving as the Under-Secretary-General for General Assemblies at OMUN 2022. I am now in my fifth year at the College and cannot understate the positive impact MUN has had on my personal growth and education during my time here. The past two years have undoubtedly been challenging for everyone, and I am very much looking forward to welcoming delegates, both new and returning, to our conference.

This year, committees at OMUN are more innovative than ever. Delegates will be challenged to think of creative solutions to problems that are digestible at the human level. OMUN this year offers delegates the choice between two GA committees—the Economic and Financial Committee (ECOFIN), and the Social, Humanitarian and Cultural Committee (SOCHUM). Whether discussing global cryptocurrency regulation in ECOFIN or debating policies to combat unsustainable urban and suburban sprawl in SOCHUM, every OMUN delegate will leave not only with rich memories and new friendships, but also with a fresh outlook and perspective on the issues our world is facing.

To conclude, I would like to share some advice that I encourage all delegates to take while at OMUN: push yourself. OMUN is a fantastic opportunity to build confidence and take risks, and conferences like ours are few and far between. Therefore, I urge you to really make an effort to push yourself in committee, whether that means going against the grain by raising new issues, giving a powerful speech to share a unique perspective, or challenging the ideas of other delegates, find your own way to push yourself out of your comfort zone—it will pay off. With that being said, I wish you all the best of luck in your committees, and I am looking forward to meeting you in April!

Alexander Dua

Under-Secretary-General for General Assemblies



Letter from the Dais

Hello ECOFIN delegates!

I'm Alexander Dua (yes, the same guy that wrote the previous letter), and I am very excited to serve as the ECONFIN Head Chair at the fifth Ontario Model United Nations (OMUN) conference. I am currently in Year 11 at the College, and have been participating in MUN since Year 8. When I'm not in a committee room, you can find me in my local café with some friends, playing my piano at home, or flying somewhere exotic on a plane.

By my side, I have two very brilliant gentlemen: Cameron Omoumi and Moayyad Shahid. Both Cameron and Moayyad are experienced delegates, and are some of the funniest, kindest, and smartest lads at the College. Like myself, Cameron is currently in Year 11 at the College, and has been participating in MUN since Year 8. When he's not doing negotiating a three-way bloc merger in the ballroom of a Sheraton, you can find him playing tennis or reading about the latest news in global politics. Moayyad is also in Year 11, but joined the College shortly after Cameron and I begun our journey. In his spare time, Moayyad exercises his passion for coding and engineering by tinkering, as well as playing some of his favourite video games. We are all looking forward to meeting you and listening to some fiery economic debate.

Your dais has put together this background guide to aid you with your research, but please note that the background guide alone is not sufficient enough for preparation. It is expected that every delegate does their own research prior to the first committee session, to ensure that debates can be focused and grounded in facts. In 2022, it is hard to go more than an hour without hearing something about cryptocurrencies, the blockchain, mining, or something of the sort. Despite all the buzz, the UN has been very limited in terms of their response to the rapid rise of crypto. As ECOFIN delegates, it is your responsibility to come up with creative and innovative solutions to usher cryptocurrencies into the world of international relations. At the same time, you must be aware of the restrictions that are associated with being a General Assembly committee, such as the inability to pass binding resolutions.



Our final message to you is that you should not be afraid to ask questions, and you should not be shy to take some calculated risks in committee. OMUN deeply values growth and education, so if you are ever unsure about parliamentary procedure, the definition of a technical term used in committee, or even what the best café in Amsterdam is (there is no right answer), please do not hesitate to ask me or one of the vice-chairs. On top of that, don't be shy to stand up and speak, especially if OMUN is your first conference. We are committed to being fully judgement free, and will support you in every way possible through your OMUN adventure. Feel free to reach out to the OMUN team via email (omun@ucc.on.ca) if you have any questions or comments, but be sure to direct your inquiry to the GA or ECOFIN team.

See you soon!

Alexander Dua
Head Chair

Cameron Omoumi
Vice-Chair

Moayyad Shahid
Vice-Chair



Topic Overview: Regulation and Implementation of Cryptocurrencies

Background

In our ever modernising world, cryptocurrencies have thrust themselves into the spotlight as an innovative breakthrough in the world of finance. Almost everyone has heard of the term cryptocurrency, but very few actually know what a cryptocurrency really is. Investment site *Investopedia* gives this definition:

A cryptocurrency is a form of digital asset based on a network that is distributed across a large number of computers. This decentralised structure allows them to exist outside the control of governments and central authorities.¹

Given its decentralised nature, governments are generally unable to track transactions within the blockchain, making cryptocurrencies a valuable asset for criminals. “In the world of online crime, anonymous cryptocurrencies are the payment method of choice. Criminals, such as ransomware hackers, are able to transact in cryptocurrencies without divulging their identities. In 2020, around \$350 million USD of cryptocurrency ransoms were paid to hackers, and this number is trending upward year after year.² There are, however, a few caveats to criminal transactions in the blockchain. Every crypto transaction is recorded within the blockchain, which can be accessed by a person or group with the right set of skills and technology. In recent years, a number of start-ups have been founded that specialise in cryptocurrency forensics.³ Although these companies assist law enforcement agencies with their work to find ransomware hackers and attackers, crypto forensics generally make up a small or even non-existent branch of government security services to this day.

In addition to use in ransomware attacks, cryptocurrencies are also being used to fund terrorists in other parts of the world. A few years ago, cryptocurrencies were never considered a viable option for terrorist financiers. While they do offer a certain degree of anonymity, a trail is still left behind, as mentioned above, and it is quite

¹ Jane Frankenfield, “Cryptocurrency Definition,” *investopedia*. January 11, 2022, <https://www.investopedia.com/terms/c/cryptocurrency.asp>.

² Hannah Murphy, “The Rise of Crypto Laundries: How Criminals Cash Out of Bitcoin,” *Financial Times*. May 28, 2021, <https://www.ft.com/content/4169ea4b-d6d7-4a2e-bc91-480550c2f539>.

³ *Ibid.*



time-consuming to transfer large sums of money through the blockchain, especially without raising suspicion.⁴ On top of its relative lack of security and the long processing time for transactions, cryptocurrencies are not widely accepted in regions such as the Middle East and North Africa, where many terrorist groups are most active, due to the lack of infrastructure and overall wealth. Despite all these deterrents, governments around the world have denied terrorists and terrorist financiers access to the international banking network, making cryptocurrencies a suitable alternative for them.⁵

In addition to its nefarious use cases, there are three main opportunities to incorporate cryptocurrencies into the international banking network: an alternative legal tender to be used domestically, a method that provides more access to banking for ordinary civilians, and a universal currency that governments can use in their transactions with other governments or entities.

In the summer of 2021, El Salvador was the first country in the world to accept a cryptocurrency, specifically Bitcoin, as legal tender.⁶ Effectively, this means that at all business establishments and any online storefronts based in El Salvador accept both of their legal currencies: the US Dollar and Bitcoin. This had a number of implications through Salvadoran society, as many businesses that were not equipped to accept and process Bitcoin payments were forced to purchase the requisite infrastructure to process crypto payments. There were also a number of problems that arose when Bitcoin was legalised as an official currency. While some business owners were able to make more sales, many shopkeepers were unable to understand the technical details of the technology they were using. Moreover, the value of Bitcoin has been incredibly volatile, sometimes leading to losses in the cases of business owners that did not instantly cash in on their Bitcoin.⁷

Perhaps if nations do not want to legalise cryptocurrencies as a currency, they might be interested in urging their banks to introduce crypto-related technologies. As of 2015, two and a half billion adults in the world, approximately a third of the

⁴ David Manheim et al., “Are Terrorists Using Cryptocurrencies?,” *Foreign Affairs*. April 21, 2017, <https://www.foreignaffairs.com/articles/2017-04-21/are-terrorists-using-cryptocurrencies>.

⁵ *Ibid*.

⁶ Marcos Aleman, “El Salvador Makes Bitcoin Legal Tender,” *The Associated Press*. June 9, 2021, <https://apnews.com/article/caribbean-el-salvador-bitcoin-technology-business-ed51894baf9d47ec1093005602883fd9>.

⁷ Anna-Cat Brigida, Leo Schwartz, “Six months in, El Salvador’s bitcoin gamble is crumbling,” *Rest of World*. March 15, 2022, <https://restofworld.org/2022/el-salvador-bitcoin/>.



population of the world, have little to no access to banks.⁸ In turn, this means that roughly five billion people, including adults and their children, relatives, and other household members, are unable to access banks and the services provided by banks; this is not a problem that affects the inhabitants of developed, high-income nations.⁹ Due to their geographical location and the factors surrounding such, these five billion people are prevented from opening savings accounts, chequing accounts, and applying for credit cards.¹⁰ The main reason these people are essentially walled off from the global banking network is because banks find it too risky to operate in certain regions—the people themselves are not inherently unreachable. As such, many cryptocurrency pundits offer cryptocurrencies as a means of connecting the five billion people to the international banking network; the only required infrastructure is a device and an internet connection.¹¹

The third and final potential opportunity for cryptocurrencies is to use them as an internationally standard currency that governments can use with each other when purchasing bonds, commodities, weapons, or for other trade-related purposes. An internationally standard cryptocurrency would reduce the hassle of converting and reconverting currencies, fluctuating foreign exchange rates, and other common issues. As well, a cryptocurrency with the backing of governments around the world would reduce the negotiations over which central bank or banks would administer an internationally standard currency, should states wish to implement one.

Of course, there are advantages and disadvantages to each of the three points listed above, and it is up for each individual country to decide, in accordance with their state policies, which solutions they choose to accept and reject. Delegates should not be limited by the handful of solutions proposed in this background guide, and should instead be creative with their solutions. Innovative solutions are one of the chairs' criteria for determining which delegates will receive awards.

⁸ Paul Vigna, Michael J. Casey, "Bitcoin for the Unbanked," *Foreign Affairs*. February 26, 2015, <https://www.foreignaffairs.com/articles/2015-02-26/bitcoin-unbanked>.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ *Ibid.*



Past Action

Regardless of a country's policies on cryptocurrency, it is clear that there is some potential for cryptocurrencies in the future. However, not all countries and organisations view cryptocurrencies in the same light, meaning that cryptocurrencies and the blockchain remain divisive. In the past, large organizations such as intergovernmental institutions and NGOs have always aired on the side of caution. This aversion to risk has resulted in them being particularly slow to adopt new technologies. The reasons for being risk-averse span far and wide, and often vary from body to body, however, their reasons can be summarised in a few generalisations, including the responsibilities they have with the donations they receive, the nature of their work, the difficulties and costs associated with testing and implementing policies that have global implications, and public image, marketing, and publicity.

What this means in reality is that institutions like the United Nations often encounter difficulties when attempting to implement a technology as controversial as cryptocurrencies. As such, there has been little to no past action taken by the UN in regards to cryptocurrencies, and instead the responsibility to regulate falls upon individual nations, and some multinational organisations such as the European Union. For the purposes of this committee, it is safe to assume that not a single UN resolution has been passed that includes any substantive clauses regarding cryptocurrencies and the blockchain.

That being said, not all have been slow to adopt crypto and blockchain, and many of the world's largest organizations have embraced it and its myriad use cases. One of these organizations is the United Nations, the world's largest intergovernmental organization, and its charitable arms, such as UNICEF and the World Food Programme (WFP).



Guiding Questions

1. What are some of the solutions ECOFIN is able to implement, given the restrictions associated with being a GA?
2. Would an internationally standard currency benefit international trade, or would the process to create such a currency be too complicated to justify any potential benefits?
3. Mining cryptocurrencies is considered extremely harmful for the environment due to the energy needed to operate the requisite infrastructure. How can the UN, and more specifically ECOFIN, work towards more green cryptocurrency mining? Is there precedent to ban cryptocurrency mining on an international scale in the name of the environment?
4. Are there any ramifications to surrounding countries when a nation begins accepting a cryptocurrency as legal tender? Should an international moratorium on such a practice be implemented, or should it be up to individual nations to decide whether or not they want to enact such policies regardless of any consequences?



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