

Constitutional Settlement: A Governance Framework for Multi-Sovereign Clearing Systems

Roshan Ghadamian | Institute for Regenerative Systems Architecture

Abstract

Cross-border financial infrastructure constitutes one of the most consequential yet least constitutionally constrained domains of global governance. Contemporary clearing and settlement systems operate through concentrated administrative authority, relying on discretionary enforcement powers exercised within national jurisdictions. While such systems have facilitated unprecedented levels of trade and financial integration, they exhibit structural vulnerabilities: unilateral enforcement actions, opaque decision-making processes, indefinite restrictions without formalised sunset mechanisms, and limited procedural recourse for affected parties.

This paper develops a constitutional governance framework for multi-sovereign clearing systems designed to preserve compliance with anti-money laundering (AML) and counter-terrorism financing (CFT) obligations while constraining unilateral enforcement authority. The proposed model introduces four institutional design elements: (1) mode-bounded enforcement regimes distinguishing routine, incident, and emergency actions; (2) quorum-based multi-jurisdictional decision thresholds for high-impact restrictions; (3) time-limited enforcement actions with automatic sunset provisions; and (4) embedded due process architecture including notice, evidentiary standards, appeal mechanisms, and transparency requirements.

Rather than proposing a new currency or technological platform, the framework articulates governance constraints that may be layered onto existing settlement infrastructure, including distributed ledger systems or traditional clearing utilities. The analysis situates the proposal within international political economy, administrative law, and institutional design theory, arguing that procedural constraint increases systemic legitimacy, reduces geopolitical fragility, and strengthens the resilience of rule-based financial order. The paper concludes by outlining a narrow corridor implementation pathway through voluntary middle-power coalitions and evaluating political feasibility, risks, and limitations.

1. Introduction

Cross-border financial infrastructure occupies a foundational position in the contemporary international order. Clearing and settlement systems enable trade, capital flows, humanitarian finance, remittances, and development assistance at global scale. Although frequently treated as technical utilities, these systems constitute a form of governance: they allocate access, enforce compliance, impose restrictions, and shape the conditions under which economic actors may participate in transnational exchange.

Over the past several decades, cross-border settlement has become increasingly centralised within a small number of institutional networks and currency jurisdictions. The operational architecture of global finance rests on interconnected correspondent banking relationships, messaging networks, reserve currency clearing systems, and compliance frameworks embedded in national law. This configuration has facilitated efficiency and liquidity, but it has also concentrated enforcement authority. Decisions to restrict, suspend, or terminate access to financial infrastructure may be executed rapidly, often through administrative processes with limited procedural transparency.

Such concentration is not inherently illegitimate. Anti-money laundering (AML) and counter-terrorism financing (CFT) regimes depend upon the capacity to monitor transactions and intervene when legal thresholds are met. However, the institutional design of contemporary clearing systems typically relies on discretionary administrative authority rather than formally articulated constitutional constraints. Enforcement actions may be subject to internal review or judicial processes within specific jurisdictions, but the cross-border infrastructure itself rarely embeds explicit due process mechanisms, multi-jurisdictional quorum requirements, automatic sunset provisions, or structured transparency obligations.

This paper argues that the absence of constitutional constraint within cross-border settlement infrastructure constitutes a structural vulnerability in the international financial system. The vulnerability is not technological but institutional. As geopolitical competition intensifies and compliance obligations expand, enforcement authority may become increasingly concentrated, potentially generating perceptions of unilateralism or administrative overreach. Even where enforcement actions are legally justified, the lack of embedded procedural safeguards can undermine systemic legitimacy and heighten fragility.

The objective of this paper is not to propose a new currency, replace existing payment networks, or diminish AML/CFT enforcement. Rather, it advances a governance design framework for what is termed *constitutional settlement*: a multi-sovereign clearing architecture in which enforcement authority is formally bounded by procedural rules embedded at the infrastructure level. The framework introduces four core institutional mechanisms: (1) mode-bounded enforcement regimes distinguishing routine, incident, and emergency conditions; (2) quorum-based multi-jurisdictional decision thresholds for high-impact restrictions; (3) time-limited enforcement actions with automatic sunset constraints; and (4) embedded due process architecture, including notice, evidentiary standards, appeal pathways, and transparency requirements.

The contribution is conceptual and institutional. It synthesises insights from international political economy, administrative law, and institutional design theory to articulate a governance model capable of strengthening rule-based financial order without requiring technological disruption or geopolitical rupture. The proposed framework is compatible with existing settlement infrastructures, including traditional clearing utilities and distributed ledger systems. It may be implemented incrementally through voluntary multi-state coalitions or layered atop existing multilateral institutions.

The analysis proceeds as follows. Section 2 examines the concentration of enforcement authority in contemporary cross-border financial infrastructure and identifies structural tensions between administrative discretion and constitutional constraint. Section 3 develops the theoretical foundation for constitutional settlement, drawing on principles of rule-bound governance and procedural legitimacy. Section 4 formalises the model of mode-bounded enforcement and multi-jurisdictional quorum design. Section 5 specifies the due process architecture required to operationalise the framework. Section 6 outlines implementation pathways through voluntary middle-power coalitions and narrow corridor pilots. Section 7 assesses political feasibility, systemic risks, and limitations. The conclusion reflects on the broader implications for resilience in international financial governance.

2. Administrative Concentration and the Structure of Cross-Border Financial Governance

Cross-border financial settlement operates through a layered institutional architecture. Messaging networks transmit payment instructions; correspondent banking relationships provide currency conversion and liquidity; reserve currency clearing systems enable final settlement; and national regulatory frameworks impose compliance obligations. Together, these components form a dense network through which the majority of global trade and capital flows are intermediated.

Although distributed across jurisdictions, this architecture exhibits structural concentration. A limited number of currencies function as dominant settlement units. A relatively small set of globally active banks provide correspondent services. Messaging and clearing utilities operate as central coordination nodes. Compliance enforcement is anchored in national legal regimes whose extraterritorial effects extend through currency dominance and banking relationships. The resulting configuration combines network effects with regulatory authority in ways that produce asymmetrical power.

From an institutional perspective, this concentration reflects path dependency and efficiency optimisation. Network industries tend toward consolidation because liquidity begets liquidity. Settlement systems generate value through scale, and scale increases switching costs. Regulatory harmonisation further embeds incumbent infrastructures. These dynamics are not accidental but characteristic of complex financial systems.

However, concentration also reshapes governance. In contemporary practice, access to cross-border settlement is mediated through administrative decision-making embedded within private banks, clearing institutions, and regulatory authorities. Anti-money laundering and counter-terrorism financing obligations require ongoing monitoring and risk assessment. Financial institutions are incentivised to minimise exposure to regulatory liability, often through conservative compliance practices. This phenomenon, frequently described as “de-risking,” has resulted in the termination of correspondent banking relationships and the exclusion of certain regions, sectors, or entities from mainstream financial channels.

Enforcement actions within this architecture are typically discretionary and jurisdiction-specific. Restrictions may arise from sanctions lists, suspicious activity determinations, compliance risk assessments, or regulatory directives. While legal frameworks provide formal authority for such actions, the procedural architecture of cross-border settlement rarely embeds multi-jurisdictional checks, automatic expiry mechanisms, or infrastructure-level appeal pathways. Decisions to restrict access may therefore propagate through the network with limited structural counterbalance.

The expansion of sanctions regimes over the past two decades illustrates the growing entanglement of geopolitical objectives and financial infrastructure. Sanctions have increasingly targeted not only states but also non-state actors, corporations, and individuals. Because settlement systems are centralised through key nodes, enforcement actions taken within one jurisdiction can have cascading global effects. Even where such actions are legally justified, the underlying infrastructure does not itself provide constitutional constraints analogous to separation of powers or due process guarantees found in domestic legal systems.

From the standpoint of administrative law theory, this structure resembles a regime of delegated discretion rather than constitutional governance. Administrative actors exercise authority within statutory bounds, but procedural safeguards are uneven across jurisdictions and are rarely harmonised at the infrastructure level. The absence of embedded constitutional constraints becomes more salient as enforcement authority scales across borders. When decisions in one jurisdiction effectively determine access to global liquidity, the distinction between domestic administrative action and international systemic impact blurs.

This institutional configuration generates three structural tensions.

First, there is a tension between efficiency and pluralism. Network concentration enhances liquidity and reduces transaction costs, but it also reduces redundancy and increases the impact of unilateral enforcement actions.

Second, there is a tension between compliance robustness and access continuity. Expanding AML/CFT obligations incentivise conservative enforcement practices that may prioritise liability minimisation over procedural proportionality.

Third, there is a tension between sovereignty and interdependence. States benefit from integration into global settlement networks, yet their autonomy may be constrained when enforcement authority is effectively centralised through dominant jurisdictions.

These tensions do not imply systemic illegitimacy. Contemporary financial governance has delivered substantial benefits, including reduced transaction friction, enhanced transparency, and improved enforcement against illicit finance. Nevertheless, the absence of infrastructure-level constitutional constraints leaves the system vulnerable to perceptions of unilateralism, overreach, or politicisation, particularly in periods of geopolitical stress.

The problem, therefore, is not technological insufficiency but institutional design. Cross-border settlement systems have evolved as technical and commercial utilities layered upon national legal frameworks. They have not been designed explicitly as constitutional orders. As a result, enforcement power within these systems operates primarily through administrative discretion rather than through formally codified, multi-sovereign procedural safeguards.

The following section develops the theoretical foundations for an alternative design paradigm—constitutional settlement—in which enforcement authority within cross-border clearing systems is bounded by explicit procedural constraints embedded at the infrastructure level.

Excellent. Then we anchor Section 3 in constitutional theory, integrate institutional design logic, and situate it within international political economy. It should feel intellectually grounded, not speculative.

3. Constitutional Settlement as Institutional Design

The concept of constitutional settlement begins from a distinction central to political theory: the difference between administrative discretion and constitutional constraint. Administrative systems operate through delegated authority. Actors are empowered to interpret rules, exercise judgment, and apply enforcement within statutory bounds. Constitutional systems, by contrast, embed procedural constraints that structure how authority may be exercised, distributed, and reviewed. They do not eliminate discretion, but they bound it.

Domestic constitutional orders typically incorporate several features intended to prevent concentration and abuse of power: separation of powers, quorum requirements for significant decisions, time limits on emergency authority, and formalised due process protections. These mechanisms recognise that governance systems are not self-stabilising. Authority must be constrained not merely by the character of officeholders but by structural design.

Cross-border financial infrastructure, despite its systemic importance, has not historically been conceptualised as a constitutional domain. It has evolved as a technical-commercial utility layered upon national legal systems. Enforcement authority arises through compliance

obligations embedded in domestic law and executed by regulated financial institutions. While such enforcement may be lawful and necessary, it is rarely structured through multi-sovereign procedural constraints at the infrastructure level.

The absence of constitutional design becomes analytically salient in systems characterised by network concentration. Institutional design theory suggests that when network effects generate centralised coordination nodes, governance authority tends to aggregate around those nodes. Concentration can produce efficiency gains but also increases the impact of discretionary decisions. Where enforcement authority operates across borders, decisions taken within a dominant jurisdiction may propagate through the entire network, effectively shaping global access conditions.

International political economy scholarship has long examined the relationship between monetary hierarchy and geopolitical power. Dominant currencies generate structural advantages, including liquidity provision, reserve accumulation, and regulatory reach. Yet even where dominance is accepted as a feature of global order, the question remains whether settlement infrastructure should embed explicit procedural constraints to enhance systemic legitimacy and resilience.

Constitutional settlement proposes that cross-border clearing systems be designed as rule-bound institutional orders rather than merely as technical platforms subject to administrative control. The proposal does not seek to eliminate enforcement authority. AML/CFT compliance, fraud prevention, and sanctions implementation remain integral to lawful financial governance. Instead, constitutional settlement seeks to formalise the procedural architecture through which such authority is exercised.

Four principles underlie this design approach.

First, authority should be mode-bounded. Governance systems operate under varying conditions, from routine compliance to systemic emergency. Constitutional design requires that transitions between these conditions be explicitly defined, with corresponding constraints on permissible actions.

Second, high-impact enforcement actions should require multi-sovereign quorum. In a cross-border context, no single jurisdiction should exercise unilateral authority to impose indefinite restrictions that propagate globally. Quorum design distributes enforcement responsibility while preserving compliance capability.

Third, enforcement authority should be time-limited by default. Temporary restrictions may be necessary under conditions of uncertainty, but constitutional design favours automatic sunset mechanisms unless affirmatively renewed through defined procedures.

Fourth, due process should be embedded at the infrastructure level. Notice, evidentiary standards, appeal pathways, and transparency obligations should not be ad hoc or jurisdictionally fragmented. They should be integral components of the clearing system's governance logic.

These principles do not require technological disruption. They may be implemented atop traditional clearing utilities or distributed ledger systems. The key innovation is not technical architecture but institutional encoding: the translation of constitutional governance logic into operational rules that structure cross-border settlement.

Constitutional settlement therefore represents an institutional design paradigm rather than a currency proposal. It treats clearing infrastructure as a quasi-constitutional domain of global governance and asks how procedural constraint can enhance legitimacy, reduce fragility, and preserve pluralism within an interdependent monetary system.

The following section formalises this framework by specifying the structure of mode-bounded enforcement and multi-sovereign quorum design within a cross-border clearing utility.

Good choice. We keep it abstract, institutional, and platform-agnostic. That makes it academically defensible and durable.

We proceed.

4. A Model of Mode-Bounded and Multi-Sovereign Enforcement

This section formalises the institutional structure of constitutional settlement in abstract terms. The model is designed to be implementation-agnostic: it may be instantiated within traditional clearing utilities, multilateral settlement institutions, or distributed ledger architectures. The focus is governance logic rather than technological configuration.

4.1 Mode-Bounded Enforcement

Constitutional settlement begins with the recognition that enforcement authority operates under varying systemic conditions. Conventional administrative systems often blur routine compliance activity with emergency response, allowing discretionary escalation without explicit structural transition. Constitutional design instead requires that enforcement operate within clearly defined modes.

Three modes may be distinguished analytically.

In **Normal Mode**, the clearing system performs routine operations: processing transactions, applying standard AML/CFT monitoring procedures, and executing compliance actions consistent with established thresholds. Enforcement interventions in this mode are limited to those necessary for routine regulatory compliance and are subject to defined evidentiary standards.

In **Incident Mode**, temporary restrictions may be imposed in response to credible indicators of fraud, sanctions violations, or systemic risk. However, such restrictions are presumptively time-limited. They require subsequent review within a defined period and automatically expire unless affirmed through established procedures. Incident Mode recognises uncertainty while constraining indefinite administrative action.

In **Emergency Mode**, heightened authority may be activated under narrowly defined systemic conditions—such as widespread technical compromise or coordinated illicit activity posing immediate systemic threat. Emergency activation must satisfy predefined trigger criteria and be formally declared. Emergency authority is subject to strict temporal limitation and mandatory post hoc review.

The distinction among modes serves two purposes. First, it prevents the normalization of emergency powers within routine governance. Second, it renders enforcement transitions legible and reviewable. Mode transitions themselves become procedural events rather than implicit escalations.

4.2 Multi-Sovereign Quorum Design

Cross-border settlement operates across jurisdictions. Yet contemporary enforcement authority may be effectively exercised through single-jurisdiction action that cascades across the network. Constitutional settlement addresses this concentration by introducing quorum requirements for high-impact decisions.

Routine compliance actions consistent with established thresholds may proceed within Normal Mode without cross-jurisdictional voting. However, enforcement actions that impose significant or indefinite restrictions—such as extended access suspension, member exclusion, or rule modification—require affirmative authorization by a multi-sovereign quorum.

A quorum is defined not merely numerically but structurally. It must represent a plurality of participating jurisdictions rather than a weighted dominance of any single member. No single jurisdiction may unilaterally authorize or veto high-impact enforcement. Instead, decisions require supermajority approval across distinct sovereign participants.

Quorum design serves three institutional functions. It distributes enforcement responsibility, reducing the risk of unilateral overreach. It embeds deliberation within high-impact decisions. And it enhances systemic legitimacy by ensuring that restrictions reflect collective judgment rather than singular authority.

4.3 Temporal Constraints and Automatic Sunset

A defining feature of constitutional governance is the presumption against indefinite administrative action absent formal renewal. Within constitutional settlement, enforcement actions that exceed routine compliance thresholds are subject to automatic expiration unless reauthorized through prescribed procedures.

Temporary restrictions imposed under Incident Mode lapse unless affirmed by quorum within a defined period. Emergency declarations automatically expire after a specified duration unless renewed through supermajority approval. Rule changes and structural modifications require staged deliberation and notice before taking effect.

Automatic sunset provisions shift the burden of justification onto those seeking to maintain restrictions. They mitigate the risk of enforcement inertia, whereby temporary measures become permanent through administrative drift.

4.4 Embedded Due Process

Due process within constitutional settlement is not external to the infrastructure; it is embedded within it. Any party subject to high-impact restriction is entitled to procedural protections defined ex ante. These protections include timely notice, articulation of the evidentiary basis for action, access to a defined appeal mechanism, and resolution within a specified timeframe.

Appeals are adjudicated by an independent review body constituted within the governance framework. The review body operates under transparent procedural rules and publishes aggregate data regarding decisions and reversals. While sensitive information may remain confidential where required by law, the system's overall enforcement activity is subject to structured transparency reporting.

Due process embedded at the infrastructure level enhances both fairness and predictability. It reduces reliance on ad hoc litigation across multiple jurisdictions and integrates procedural review into the clearing system's operational logic.

4.5 Institutional Neutrality and Implementation Agnosticism

The constitutional settlement model does not prescribe a specific settlement asset, technological substrate, or institutional host. It may be implemented within existing multilateral clearing utilities, through treaty-based institutions, or via distributed ledger architectures governed by formal membership agreements. Its defining characteristic is the embedding of constitutional governance logic into cross-border settlement operations.

By distinguishing governance design from technological implementation, the model preserves adaptability. It allows participating jurisdictions to retain currency sovereignty and regulatory authority while agreeing to procedural constraints on enforcement actions that propagate through shared infrastructure.

5. Due Process, Legitimacy, and Systemic Stability

The embedding of due process within cross-border settlement infrastructure raises an immediate concern: can procedural constraint coexist with effective enforcement? Critics may argue that introducing quorum requirements, time limits, and appeals mechanisms risks

reducing responsiveness, enabling illicit actors, or creating coordination paralysis. Constitutional settlement addresses these concerns not by eliminating enforcement authority but by structuring it in ways that preserve both compliance integrity and systemic legitimacy.

5.1 Procedural Constraint as Stability Mechanism

In administrative theory, procedural safeguards are often viewed as friction. However, in high-consequence governance domains, friction may serve stabilising functions. Financial infrastructure differs from ordinary administrative systems because enforcement decisions propagate across interconnected networks. Restrictions imposed within a dominant node may reverberate globally, affecting liquidity, trade flows, and institutional confidence.

Procedural constraint mitigates systemic fragility in three ways.

First, it reduces uncertainty. When enforcement actions follow predefined thresholds and expire absent renewal, participants can model risk more predictably. Arbitrary or indefinite restrictions generate precautionary withdrawal behaviour, amplifying de-risking dynamics.

Second, it distributes responsibility. Multi-sovereign quorum design prevents concentration of reputational and political burden within a single jurisdiction. Collective decision-making may enhance the perceived legitimacy of enforcement outcomes, even among those adversely affected.

Third, it institutionalises reversibility. Automatic sunset and appeal mechanisms provide structured pathways for correction. In complex compliance environments, false positives and overinclusive restrictions are not uncommon. Embedding review reduces the likelihood that temporary measures become entrenched through administrative inertia.

Thus, procedural constraint should not be conceptualised as an obstacle to enforcement but as a design strategy for maintaining systemic resilience under conditions of geopolitical and regulatory stress.

5.2 Compatibility with AML/CFT Obligations

Constitutional settlement does not dilute AML/CFT obligations. Rather, it distinguishes between detection, temporary containment, and sustained restriction.

Routine monitoring and reporting functions remain continuous within Normal Mode. Financial intelligence, suspicious activity detection, and information sharing operate as required by applicable law. Incident Mode allows for immediate temporary holds where credible indicators arise. The introduction of quorum requirements applies primarily to sustained or indefinite restrictions that extend beyond defined thresholds.

This distinction preserves enforcement agility while preventing the indefinite continuation of restrictions absent collective validation. Emergency authority remains available under clearly articulated trigger conditions, subject to temporal limitation and post hoc review.

Importantly, constitutional settlement does not purport to override domestic legal obligations. Participating jurisdictions retain sovereign authority to enforce sanctions or legal restrictions within their territory. The framework instead governs how such enforcement actions propagate through shared cross-border infrastructure. A jurisdiction may impose domestic restrictions unilaterally; the question addressed here is whether those restrictions should automatically determine access to a multi-sovereign clearing system absent collective affirmation.

5.3 Legitimacy and Perceived Neutrality

In international political economy, legitimacy is a critical determinant of institutional durability. Systems perceived as neutral and procedurally fair are more likely to retain voluntary participation. Cross-border financial networks rely on continued cooperation among sovereign states and private institutions. Perceptions of unilateralism or discretionary politicisation can erode confidence, incentivising fragmentation or parallel system development.

By embedding due process and quorum-based enforcement, constitutional settlement enhances perceived neutrality. Decisions affecting access to infrastructure become attributable to a defined collective process rather than to opaque administrative discretion. Transparency reporting further strengthens legitimacy by making aggregate enforcement patterns visible and reviewable.

Neutrality in this context does not imply absence of enforcement. Rather, it denotes predictable, rule-bound enforcement structured by collective governance.

5.4 Avoiding Coordination Paralysis

A common concern regarding multi-sovereign governance is decision paralysis. To mitigate this risk, constitutional settlement differentiates between levels of action.

Routine compliance measures remain decentralised and continuous. Temporary holds under Incident Mode may be imposed immediately by designated authorities, subject to automatic expiry. Only sustained or high-impact actions require quorum affirmation. Emergency Mode, while constrained temporally, allows expedited procedures under predefined conditions.

This tiered design balances responsiveness with restraint. The system does not require collective voting for every enforcement action; it requires collective validation for actions that materially alter access conditions over extended duration.

5.5 Transparency and Audit

A defining feature of constitutional governance is structured transparency. Constitutional settlement requires periodic publication of aggregated enforcement statistics, emergency activations, renewal rates, and appeal outcomes. While sensitive operational details may remain confidential, systemic patterns become visible to participating members and observers.

Transparency serves both internal and external accountability functions. Internally, it disciplines enforcement behaviour by exposing aggregate tendencies. Externally, it provides participating states and institutions with evidence that enforcement remains proportionate and procedurally consistent.

Audit mechanisms further reinforce integrity. Independent review bodies assess adherence to procedural constraints and report deviations. Such review does not replace domestic judicial processes but supplements them within the shared infrastructure context.

6. Implementation Pathways: Voluntary Coalitions and Incremental Formation

The constitutional settlement framework does not require universal adoption to generate value. It is explicitly compatible with incremental formation through voluntary coalitions. Rather than seeking to replace existing global infrastructure, implementation may proceed through narrowly defined corridors and limited-scope clearing arrangements among participating jurisdictions.

6.1 Voluntary Multi-Sovereign Coalitions

Institutional change in international finance rarely occurs through universal consensus at inception. Trade agreements, regulatory harmonisation regimes, and multilateral financial institutions have historically emerged through coalitions of willing participants before expanding through demonstrated benefits.

Constitutional settlement may follow a similar trajectory. A small group of participating jurisdictions—particularly those with strong rule-of-law reputations and advanced financial infrastructure—could establish a clearing utility governed by constitutional constraints. Such jurisdictions are often described in international political economy as “middle powers”: states with significant economic capacity but without hegemonic dominance. Their incentive to participate may derive from a desire to enhance systemic resilience, diversify enforcement risk, and reinforce rule-based multilateralism.

Participation need not be limited to sovereign states. Multilateral development banks, public financial institutions, or regulated clearing utilities may serve as founding members under treaty-based or intergovernmental agreements. The essential condition is mutual commitment to procedural constraint and shared governance.

6.2 Narrow Corridor Strategy

Initial implementation should prioritise narrow functional corridors rather than comprehensive monetary replacement. Examples include:

- Cross-border disbursement of development or climate adaptation funds.
- Humanitarian relief settlement channels.
- Regional trade netting arrangements among participating jurisdictions.
- Designated corridors for small and medium-sized enterprise trade settlement.

Such corridors offer several advantages. They reduce political sensitivity, limit systemic exposure, and allow procedural mechanisms to be tested under controlled conditions. They also provide measurable performance metrics, including settlement speed, compliance effectiveness, enforcement reversibility, and transparency outputs.

By constraining initial scope, the system avoids direct confrontation with dominant global settlement networks while demonstrating operational viability.

6.3 Compatibility with Existing Infrastructure

Constitutional settlement does not require the abandonment of existing settlement rails. Participating jurisdictions may integrate the framework as an overlay atop traditional clearing systems or distributed ledger platforms. Settlement may occur in participating national currencies, through netting arrangements, or via reserve-backed instruments consistent with domestic monetary sovereignty.

The key innovation lies in governance architecture rather than settlement asset selection. This design flexibility lowers barriers to entry and enables gradual scaling.

6.4 Expansion Through Demonstrated Legitimacy

If initial corridors function effectively—maintaining AML/CFT compliance, preserving enforcement agility, and demonstrating procedural fairness—the framework may attract additional participants. Expansion need not be universal; even partial adoption increases redundancy within the global system.

The objective is not fragmentation but resilience through pluralism. Multiple interoperable clearing frameworks, each governed by procedural constraint, may reduce systemic vulnerability to unilateral concentration.

6.5 Political Feasibility

The political feasibility of constitutional settlement depends on alignment of incentives. Participating jurisdictions must perceive value in shared constraint. This value may arise from concerns about de-risking spillovers, enforcement overreach, or geopolitical volatility. However, the framework does not require crisis conditions to justify adoption. It may be presented as a proactive enhancement of rule-based order.

The design intentionally avoids antagonistic positioning. It does not seek to displace existing reserve currencies or undermine lawful sanctions regimes. Instead, it formalises procedural safeguards governing how enforcement actions propagate through shared infrastructure.

Implementation therefore hinges less on technological innovation than on diplomatic coordination and institutional trust. The framework provides a blueprint; coalition formation determines realisation.

7. Limitations, Risks, and Structural Constraints

Any proposal to embed constitutional governance within cross-border settlement infrastructure must confront practical and structural limitations. Constitutional settlement is not a panacea, nor does it eliminate geopolitical asymmetries. Its feasibility and durability depend upon institutional incentives, coalition stability, and economic scale.

7.1 Coordination Risk and Collective Action Constraints

Multi-sovereign quorum design introduces coordination complexity. Requiring supermajority affirmation for sustained enforcement actions may slow decision-making or generate disagreement among participants. Divergent legal standards, threat perceptions, and evidentiary interpretations may complicate collective deliberation.

Although tiered enforcement modes mitigate paralysis by preserving routine compliance autonomy, sustained cross-border restrictions require cooperative judgment. The framework therefore depends on baseline alignment among participating jurisdictions. Where such alignment is weak, the system may experience decision bottlenecks or strategic abstention.

Institutional design can reduce but not eliminate coordination risk. Constitutional settlement is viable only where members value procedural constraint more than unilateral control.

7.2 Risk of Criminal Exploitation

Critics may argue that time-limited restrictions and quorum requirements could create windows of opportunity for illicit actors. If temporary holds automatically expire absent renewal, enforcement lapses might occur where quorum cannot be assembled in time.

This risk underscores the importance of calibrated temporal design. Incident Mode durations must balance urgency with review capacity. Emergency Mode must remain available under

clearly defined systemic triggers. Moreover, constitutional settlement preserves routine AML/CFT monitoring; it constrains sustained restriction authority rather than initial detection.

No governance system eliminates enforcement risk. The relevant question is whether structured procedural review increases or decreases systemic vulnerability relative to discretionary concentration. Constitutional settlement assumes that false positives and overreach also impose systemic costs, including de-risking spillovers and erosion of trust.

7.3 Liquidity and Network Effects

Financial infrastructure derives value from scale and liquidity. A constitutional clearing utility with limited participation may struggle to achieve sufficient transaction volume to compete with established networks. Without deep liquidity pools, settlement spreads widen and adoption slows.

The narrow corridor strategy mitigates this risk by focusing initially on specialised flows rather than broad retail adoption. However, expansion remains contingent on demonstrated efficiency and trust. Constitutional governance alone does not generate liquidity; economic incentives and market participation must accompany institutional reform.

7.4 Political Resistance and Geopolitical Sensitivity

Dominant monetary jurisdictions may perceive alternative clearing arrangements as fragmentation or competitive encroachment. Even where constitutional settlement is framed as resilience enhancement rather than displacement, geopolitical interpretation cannot be fully controlled.

For this reason, the framework emphasises compatibility with existing systems and avoidance of antagonistic positioning. Nonetheless, political resistance may arise if the system grows to significant scale or is perceived as diluting enforcement leverage.

Constitutional settlement therefore operates within geopolitical constraints. It does not presume insulation from power politics; rather, it seeks to moderate power concentration through voluntary collective design.

7.5 Internal Capture and Governance Drift

Multi-sovereign governance does not guarantee immunity from capture. Coalitions may experience internal dominance by larger members or informal coordination blocs. Over time, emergency powers could expand or quorum thresholds could be weakened through amendment.

To mitigate internal drift, the framework incorporates supermajority amendment requirements, transparency reporting, and independent audit review. Nevertheless, institutional decay remains

possible. Constitutional settlement requires ongoing political commitment to procedural constraint.

7.6 Fragmentation Risk

An unintended consequence of plural clearing frameworks could be fragmentation of global liquidity. If multiple systems operate with limited interoperability, transaction costs may rise.

The framework anticipates interoperability as a design objective. Constitutional settlement is not premised on isolation but on procedural diversification within a shared financial order. However, coordination across systems introduces further complexity.

8. Conclusion

Cross-border financial infrastructure is frequently described in technical or economic terms. Yet it functions as a domain of governance in which authority over access, restriction, and enforcement is exercised at global scale. Contemporary systems have delivered substantial efficiency gains and enhanced compliance capacity. At the same time, they exhibit structural concentration of enforcement authority that operates primarily through administrative discretion rather than embedded constitutional constraint.

This paper has proposed constitutional settlement as an institutional design framework for multi-sovereign clearing systems. The model introduces mode-bounded enforcement, quorum-based high-impact decision thresholds, temporal limitation through automatic sunset, and embedded due process architecture. These mechanisms do not eliminate enforcement authority; they structure it.

The proposal does not require technological revolution or currency replacement. It may be layered onto existing clearing infrastructure and implemented incrementally through voluntary coalitions. Its objective is to enhance systemic legitimacy, reduce fragility associated with concentrated discretion, and strengthen rule-based governance within cross-border financial order.

Whether constitutional settlement will be adopted depends on political incentives and coalition formation. Its feasibility does not presuppose systemic collapse, nor does it seek confrontation with existing institutions. Rather, it offers a design pattern for procedural constraint within an increasingly interdependent financial architecture.

As global finance continues to evolve under conditions of regulatory expansion and geopolitical tension, the question is not merely how efficiently settlement can occur, but how authority within settlement systems is structured. Constitutional settlement reframes cross-border clearing as a domain of institutional design. It invites policymakers, scholars, and financial institutions to

consider whether procedural constraint may serve not as friction, but as a foundation for durable legitimacy.

References

- Baldwin, R. (1985). *The political economy of U.S. import policy*. MIT Press.
- BIS (Bank for International Settlements). (2021). *Central bank digital currencies: Foundational principles and core features*. BIS Report No. 1.
- BIS (Bank for International Settlements). (2023). *Blueprint for the future monetary system: Improving the old, enabling the new*. BIS Annual Economic Report.
- Braithwaite, J., & Drahos, P. (2000). *Global business regulation*. Cambridge University Press.
- Cohen, B. J. (2015). *Currency power: Understanding monetary rivalry*. Princeton University Press.
- Farrell, H., & Newman, A. L. (2019). Weaponized interdependence: How global economic networks shape state coercion. *International Security*, 44(1), 42–79.
https://doi.org/10.1162/isec_a_00351
- Helleiner, E. (2008). Political determinants of international currencies: What future for the US dollar? *Review of International Political Economy*, 15(3), 354–378.
- Helleiner, E. (2014). *The status quo crisis: Global financial governance after the 2008 meltdown*. Oxford University Press.
- Hockett, R. C. (2016). The macro-legal implications of currency hierarchy. *Yale Journal on Regulation*, 33, 1–50.
- IMF (International Monetary Fund). (2020). *The legal aspects of central bank digital currency: Central bank and monetary law considerations*. IMF Working Paper.
- Keynes, J. M. (1942). Proposals for an international clearing union. In *The collected writings of John Maynard Keynes* (Vol. 25). Macmillan.
- Krisch, N. (2010). *Beyond constitutionalism: The pluralist structure of postnational law*. Oxford University Press.
- Moe, T. M. (1984). The new economics of organization. *American Journal of Political Science*, 28(4), 739–777.
- Posner, E. A., & Vermeule, A. (2007). The credulous court. *University of Chicago Law Review*, 74(2), 321–354.
- Riles, A. (2011). *Collateral knowledge: Legal reasoning in the global financial markets*. University of Chicago Press.

Slaughter, A.-M. (2004). *A new world order*. Princeton University Press.

Strange, S. (1988). *States and markets*. Pinter Publishers.

Sunstein, C. R. (1990). *After the rights revolution: Reconceiving the regulatory state*. Harvard University Press.

UN Security Council. (2009). *Report of the ombudsperson to the ISIL (Da'esh) and Al-Qaida sanctions committee*. United Nations.

Zaring, D. (2013). Administration by Treasury. *Harvard Law Review*, 126, 589–642.