

# Eliminating Financial Fraud at the Root: A CBDC as Accounting Enforcement Infrastructure

TAG Universal Machine

December 23, 2025

## Abstract

Financial fraud persists not primarily because of insufficient law, enforcement, or data, but because modern payment systems allow economic reality and accounting representation to diverge. Payments, receipts, and financial statements remain loosely coupled, enabling manipulation, delay, and narrative construction around cash flows that do not materially exist. This paper proposes a constrained design for a U.S. Central Bank Digital Currency (CBDC) that targets fraud at its structural root by making effective accounting the default condition of economic exchange. Rather than expanding discretionary surveillance or moralizing enforcement, the proposed model embeds standardized, auditable accounting primitives directly into the payment layer for regulated business activity. The result is a system that reduces fraud by collapsing the gap between transaction and record, while preserving human authorship of law, due process, and privacy.

UNITED STATES – FINANCIAL INTEGRITY NOTICE DRAFT / FOR DISCUSSION

---

**FINANCIAL REPORTING CONSISTENCY REQUIREMENTS**

Procedural Requirements for Settlement-Linked Accounting

101 TITLE 17 – COMMODITY AND SECURITIES EXCHANGES  
102 CHAPTER II – SECURITIES AND EXCHANGE COMMISSION  
103  
104 PART 240 – GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT  
105  
106 § 240.13a-XX Transaction recording invariants (illustrative).  
107  
108 (a) Purpose.  
109 This section describes minimum accounting invariants intended to ensure that  
110 recorded transactions remain internally consistent with settlement events, and  
111 that material misstatements are detectable at or near the time of occurrence.  
112  
113 (b) Definitions.  
114 (1) 'Settlement event' means a finalized transfer of value on an authorized rail.  
115 (2) 'Ledger entry' means a structured record containing: parties, amount, time,  
116 classification, and a cryptographic reference to the settlement event.  
117 (3) 'Counterparty confirmation' means bilateral attestation to the same entry.  
118  
119 (c) Minimum invariants.  
120 (1) No disbursement may be finalized without a corresponding ledger entry.  
121 (2) Each ledger entry SHALL reference a unique settlement identifier.  
122 (3) Revenue recognition entries SHALL link to contemporaneous consideration.  
123 (4) Adjustments SHALL preserve an audit trail: who, what, when, and why.  
124  
125 (d) Controls and procedures.  
126 Covered entities SHALL maintain controls reasonably designed to:  
127 • prevent orphaned payments (settlement without booking);  
128 • prevent orphaned bookings (booking without settlement);  
129 • surface unresolved exceptions within defined time windows;  
130 • enable reconstruction of material flows from source to disclosure.  
131  
132 (e) Auditability.  
133 Covered entities SHALL retain machine-verifiable records sufficient for an  
134 examiner to reproduce totals, classifications, and exception history from first

---

CONTROL ID: ACCT-INVAR-00X PAGE 1 OF 1

# 1 The Structural Origin of Financial Fraud

Most large-scale financial fraud does not originate from exotic instruments or novel technologies. It arises from a persistent structural feature of modern economies: the separation between payment and accounting. Money can move without immediately, consistently, or truthfully updating the ledgers that describe what that movement represents.

This separation enables a wide range of fraudulent and misleading practices, including false revenue recognition, invoice fabrication, vendor round-tripping, tax underreporting, payroll manipulation, and the construction of non-GAAP narratives unsupported by cash reality. Enforcement mechanisms exist, but they operate after the fact, relying on audits, whistleblowers, or catastrophic failure to surface discrepancies.

The core problem is not insufficient enforcement capacity, but delayed enforcement. By the time fraud is detected, the economic harm has often already propagated through markets, balance sheets, and public trust.

## 2 Why Enforcement Fails at Scale

Regulatory agencies such as the SEC, IRS, and DOJ face inherent limitations when enforcement depends on ex post investigation. Modern financial systems generate immense volumes of transactions across heterogeneous platforms, jurisdictions, and accounting standards. Even well-resourced agencies cannot continuously reconcile payments, invoices, books, and disclosures across the entire economy.

Furthermore, existing systems allow firms to remain technically compliant while economically misleading. Revenue may be recognized before cash is received, expenses deferred, and liabilities obscured through complex structuring. These practices often fall into gray areas that are difficult to prosecute without clear evidence of intent.

As a result, fraud is not eliminated; it is selectively punished. This selectivity erodes trust and incentivizes increasingly sophisticated forms of manipulation.

## 3 A CBDC as Payment–Accounting Convergence

This paper proposes that a properly constrained CBDC can address these issues by collapsing the distinction between payment and accounting for regulated economic activity. The key design principle is simple:

Material economic transactions should generate standardized, auditable accounting records at the moment of settlement.

Under this model, a CBDC does not replace existing accounting systems, nor does it centralize bookkeeping within the Federal Reserve. Instead, it enforces a minimal set of accounting invariants at the payment layer.

### 3.1 Receipt-Native Transactions

Each CBDC business-to-business transaction may optionally, and eventually mandatorily above regulatory thresholds, include a cryptographically signed receipt object containing:

- Payer and payee business identifiers (e.g., EIN-linked wallets)

- Invoice or purchase order references
- Standardized product or service category codes
- Amounts separated into principal, tax, and fees
- Timestamp and jurisdictional metadata

This receipt is not an accounting judgment. It is a factual record of what the parties assert the payment represents, signed by both sides or by certified enterprise systems.

### **3.2 Automatic Double-Entry Mapping**

CBDC transactions can be mapped to canonical double-entry templates that export directly into existing accounting software (e.g., NetSuite, SAP, QuickBooks). The CBDC network does not maintain corporate books; it enforces that transactions are bookable in a standardized, auditable format.

This ensures that:

- Cash settlement and ledger entry cannot silently diverge
- Revenue claims are anchored to settled transactions
- Audit trails are tamper-evident by construction

## **4 Business Wallets and Role Separation**

To preserve corporate governance norms, business wallets would enforce role-based permissions:

- Initiation, approval, and reconciliation roles
- Separation of duties for payments and receipt attestation
- Explicit linkage to beneficial ownership and officers

This mirrors existing internal controls while making violations mechanically harder.

## **5 Tax and Regulatory Primitives**

For designated transaction categories, CBDC payments can support automatic splits:

- Payroll withholding remitted at settlement
- Sales and excise taxes routed to appropriate authorities
- Regulated industry fees collected automatically

These mechanisms reduce underreporting without expanding discretionary enforcement.

## 6 Implications for Public Company Reporting

For public companies, CBDC-backed transactions enable new, enforceable disclosure standards:

- Percentage of recognized revenue backed by settled receipts
- Real-time aging of receivables based on settlement data
- Cryptographic attestation of counterparty reality

This does not eliminate accounting judgment, but it sharply constrains the space for narrative-driven misrepresentation.

## 7 Fraud Reduction Through Graph Reality

Because receipt objects form a signed transaction graph, regulators can detect:

- Circular payment schemes
- Fake vendor networks
- Related-party abuse
- Revenue inflation via round-tripping

Importantly, these detections can occur without inspecting the content of every transaction, relying instead on structural anomalies.

## 8 Privacy, Due Process, and Limits

This model requires strong privacy guarantees:

- Transaction content visible only to counterparties by default
- Regulatory access gated by warrants, thresholds, or audits
- Support for selective disclosure and zero-knowledge proofs

The goal is not mass surveillance, but structural integrity.

## 9 What This Does Not Do

This proposal does not:

- Eliminate all fraud
- Replace accounting standards
- Centralize economic control
- Assign moral judgment to algorithms

It removes an entire class of low-cost fraud by making honest accounting the path of least resistance.

## 10 Actionability Within Existing Authority

Much of this framework is implementable through:

- Federal Reserve payment rail design
- SEC disclosure rulemaking
- IRS e-invoicing standards
- Treasury anti-money-laundering authority

No constitutional innovation is required. The challenge is institutional coordination, not legal feasibility.

## 11 Conclusion

Financial fraud persists because modern systems allow economic truth to be deferred, obscured, or narrativized. A CBDC designed as accounting enforcement infrastructure does not solve human dishonesty, but it raises its cost dramatically. By fusing settlement and record, such a system restores a basic invariant of functional economies: that money movements mean what they say they mean.

The result is not moral governance, but boring correctness. And that may be enough.

## **Further Reading and Technical Resources**

### *External Commentary*

Edward Zitron, *How The AI Bubble Bursts In 2026*, Where's Your Ed At (2025).

<https://www.wheresyoured.at/premium-how-the-ai-bubble-bursts-in-2026/>

### *Supporting Materials*

This whitepaper is accompanied by supporting patents, technical specifications, and implementation examples. All materials are freely available at:

[https://github.com/taguniversal/digital\\_blockchain\\_patents](https://github.com/taguniversal/digital_blockchain_patents)