Safeguarding public money in cross-border payments:

Establishing interoperability standards for central bank digital currencies

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Countries across the world are actively developing public digital money, or central bank digital currencies (CBDCs), to safeguard monetary sovereignty, stability, and the uniformity of money in the digital age. At the same time, the G20 has set improving cross-border payments as a priority, as they remain slow, expensive, and exclusionary. These two developments create a clear policy opportunity: to improve cross-border payments while ensuring that public money remains the anchor of the monetary system in the digital age. This requires CBDCs to be interoperable. This briefing outlines why setting common interoperability standards that enable cross-border use of CBDCs should be a G20 priority, and how the UK can advance this agenda under its G20 presidency in 2027.

Introduction: Public digital money and the challenge of cross-border payments

Central bank money, or public money, is the foundation of monetary stability and monetary sovereignty, and maintaining this role depends on ensuring central bank money remains the ultimate settlement asset as payment systems evolve.[1] This role is increasingly challenged as the international financial architecture is being reshaped by the digitalisation of money. In response, many countries are developing a public version of digital money, namely CBDCs.[2] The key drivers include the decline of cash and rising tokenisation, but also the growth of cross-border payments made in privately issued digital currencies.[3] Over 130 countries are currently evaluating the adoption of CBDCs, indicating that they are likely to play a central role in the future monetary system.[4] The majority of these initiatives have been domestic in scope, but many countries are also exploring the use of CBDCs for faster, cheaper, and more reliable international payments.[5] Without interoperability between CBDCs, public money risks losing relevance in cross-border payments, as transactions increasingly shift to private or foreign-denominated alternatives.[6]

Despite these developments, existing bank-based payment infrastructure for international transactions remains slow, opaque, costly, and dependent on a small number of dominant currencies and private intermediaries, as recognised by the G20 Roadmap for Enhancing Cross-border Payments.[7] There is currently no shared framework to ensure CBDCs can be used for cross-border payments. As most CBDCs are still in a pilot phase or at design stage, there is a narrowing window to establish a common interoperability framework

[1] Panetta, F. (2026). Closing remarks: Financial Stability Board cross-border payments summit. Speech at the FSB Payments Summit, hosted by the Bank of England 12 March 2026.
[2] Bikas, K. and Livingstone, Z. (2020). *Money we trust: Designing cash's digital counterpart*. Positive Money
[3] Illes, A., Kosse, A., and Wierts, P. (2025) *Advancing in tandem: Results of the 2024 BIS Survey on central bank digital currencies and crypto*. BIS Papers No. 159. BIS
[4] Adrian, T. (2025). *A Bird's Eye-view to the Rewiring of the Global System of Money*. Panel remarks by Tobias Adrian at Bank of Canada Annual Economic Conference. IMF
[5] Auer, R., Haene, P., and Holden, H. (2021). *Multi-CBDC arrangements and the future of cross-border payments*. BIS
[6] Box 1 on Page 3 offers an explanation and definition of the term 'interoperable CBDCs'.
[7] FSB (2024). *G20 Roadmap for Enhancing Cross-Border Payments: Consolidated progress report for 2024*

before incompatible infrastructures become entrenched, which would complicate the task significantly.[8]

The G20's progress on enhancing cross-border payments

Cross-border payment systems have failed to keep pace with the needs of an integrated global economy, and improvements have lagged behind the speed and efficiency of many domestic systems.[9] Recognising this, the 2020 G20 presidency asked the Financial Stability Board (FSB) to develop a Roadmap for enhancing cross-border payments, including quantitative targets such as reducing the cost of remittances to 3%, and ensuring that three-quarters of international transactions reach recipients in less than an hour.[10] Although many of the actions identified in the Roadmap have been completed, these have so far failed to deliver improved outcomes on the key metrics, with few tangible improvements in speed or cost.[11] Only 55% of wholesale payments and 35% of retail payments reached their recipients within an hour in 2025, and the cost of sending remittances increased from 6.3% in 2023, to 6.5% in 2025; more than double the 3% target.[12]

This reflects a limitation of incremental reforms to a problem that is structural in nature. Since cross-border payments rely on an inefficient and costly correspondent banking system and a chain of private intermediaries, reducing frictions within this system cannot deliver the transformative improvements that could be delivered by reforming the settlement layer. The Roadmap identified CBDCs as a potential solution, dedicating Building Block 19 to factoring an international dimension into CBDC design and exploring how CBDCs could improve cross-border payments.[13] Despite this mandate, and growing evidence from research and pilot projects that it can deliver substantial improvements in speed, transparency, and cost, little progress has been achieved in translating these recommendations into multilateral action.[14] The case for coordinated action on this mandate goes beyond technical efficiency, since the significance of CBDCs is that they allow improvements to cross-border payments to be based on public money rather than private infrastructure. A renewed focus on interoperable CBDCs is therefore both necessary and overdue.

The 2025 T20 Final Communiqué urged progress in this area through its recommendation that "*the G20 should promote efforts to build a multi-currency international financial architecture*".[15] It emphasised that the development of interoperable CBDCs and related payment systems can play a significant role in building a more resilient and inclusive international monetary order, while reducing systemic risk. The UK's G20 presidency in 2027 is the moment to deliver on this recommendation. This would

[8] BIS Committee on Payments and Market Infrastructures, BIS Innovation Hub, International Monetary Fund, World Bank (2022). *Options for access to and interoperability of CBDCs for cross-border payments: A report to the G20*
[9] Claessens, S. and Rice, T. (2026). *Cross-border payment technologies: Innovations and challenges*. BIS Papers No. 167. BIS
[10] FSB (2022). *Developing the Implementation for the Cross-Border Payments Targets: Final Report*.
[11] FSB (2025). *G20 Roadmap for Enhancing Cross-border payments: Consolidated Progress Report for 2025*.
[12] Ibid.
[13] BIS (2020). *Enhancing cross-border payments: Building blocks of a global roadmap.* CPMI, Stage 2 Report to the G20.
[14] See for example Auer, R., Haene, P., and Holden, H. (2021). *Multi-CBDC arrangements and the future of cross-border payments*. BIS, or BIS (2021) *Central bank digital currencies for cross-border payments*
[15] T20 South Africa (2025). *The T20 Communiqué*

support the delivery of the National Payments Vision to continue exploring the benefits CBDCs can offer domestically and globally, and the Sevilla Commitment to examine how CBDCs can improve cross-border payments and reduce macroeconomic risks for developing countries.[16]

Box 1: What is interoperability?

Interoperability refers to the compatibility that allows digital currencies issued by different central banks to transact directly, allowing a payment made using one jurisdiction's CBDC to be automatically received and converted in another system. Interoperability functions at two distinct but complementary levels: wholesale, enabling cross-border settlement in central bank money between financial institutions and central banks; and retail, allowing for public digital money to be usable by households and firms for cross-border payments. Wholesale interoperability development is more advanced, primarily driven by the goal to advance cross-border payments, but a significant number of central banks are also exploring retail interoperability.[17] Financial institutions with access to wholesale CBDCs can offer retail cross-border services that build on the underlying wholesale settlement infrastructure.[18] Progress on wholesale interoperability is therefore the more immediate priority, but both levels should be addressed as part of a common framework for interoperability. For example, interoperability would allow a business in the UK to pay a supplier in Brazil, with the amount settled between the central banks almost instantly:

Sender CBDC (UK) → interoperable CBDC network → receiver CBDC (Brazil)

This means that cross-border transactions could be settled almost instantaneously using central bank money, rather than through chains of private and foreign intermediaries. By contrast, existing cross-border payments involve multiple intermediaries, increasing costs, delays, and risks. Below is an indicative example of how this can look in practice[19]:

Sender (UK) → bank (UK) → correspondent bank A (US) → correspondent bank B (US) → bank (Brazil)→ receiver (Brazil)

Payments often involve more intermediaries than shown in this example, such as SWIFT, card companies, acquirers, and other payment service providers, and are likely to be settled using a dominant currency.

The risks of delayed and uncoordinated CBDC development

Three interconnected risks illustrate why coordinated action on interoperability standards is urgent: the fragmentation of CBDC development, the growth of private digital money, and the concentration of existing payments infrastructure.

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[16] HM Treasury (2024). *National Payments Vision*, and Financing for Development 4th International Conference (2025). *Sevilla Commitment: Outcome Document*

[17] Illes, A., Kosse, A., and Wierts, P. (2025) *Advancing in tandem: Results of the 2024 BIS Survey on central bank digital currencies and crypto*. BIS Papers No. 159. BIS.

[18] BIS Committee on Payments and Market Infrastructures, BIS Innovation Hub, International Monetary Fund, World Bank (2022). *Options for access to and interoperability of CBDCs for cross-border payments: A report to the G20*

[19] Bouguelli, R. and De Conti, B. (2026). Building Bridges or Competing in a Payments Arms Race: The Geopolitics of the mBridge Project. *International Journal of Political Economy*, 1-18.

1. Fragmentation risk of CBDC development

Domestic development of CBDCs without coordination on a common set of principles for interoperability can lead to diverging and incompatible designs on issues such as:

- **Technical standards:** Different ledger technologies, messaging systems, and identity models resulting in incompatible architectures.
- **Settlement mechanisms:** Without carefully considered design principles, settlement and liquidity risks may arise, or smaller currencies could face excessive and prohibitive settlement or foreign exchange costs.
- **Governance structures:** Rules defining how access, retail use, or transaction limits are decided and administered require coordination.
- **Legal recognition:** Legal alignment on issues such as data governance, privacy, resolving disputes, and finality of settlement, are necessary for interoperability.

→ Fragmentation in CBDC development goes beyond technical incompatibilities and inefficiencies, and can lead to competing digital currency blocs and networks.

2. Private digital money and systemic risk

If public digital money cannot support cross-border use, then private payment networks or new forms of private digital money, such as stablecoins, are likely to fill the vacuum.[20] This can have significant negative consequences for:

- **Financial stability:** If cross-border payments increasingly shift to private digital money, disruptions and stress events can feed directly into payment systems, impacting financial stability.[21] The collapse of TerraUSD is an example of how loss of confidence can trigger instability and rapid outflows, and the run on money markets in 2008 showed how even those instruments perceived as cash-like can become unstable during crises. Similar dynamics in private digital currency systems could therefore disrupt liquidity and settlement.
- **Capital outflows:** An increased role of private digital money would reduce the ability to manage capital flows.[22] This is a pressing issue especially for emerging economies, but disorderly capital flows affects the stability of the entire global economy.
- **Currency substitution:** Increased adoption of a private digital currency denominated in a major foreign currency (such as stablecoins) may reduce demand for the national currency, impacting exchange rate management and the effective transmission of monetary policy.[23] This phenomenon is cause for concern particularly in countries where dollarisation already constrains monetary policy, as is the case in many emerging economies.[24]

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[20] Eihacker, N. (2025). Increasing Monetary and Financial Stability: The Potential Institutional Benefits of Central Bank Digital Currencies. *Review of Political Economy, 1-20.*

[21] Ahmed, R. et al. (2025). *Stablecoins: A Revolutionary Payment Technology with Financial Risk*. Andersen Institute White Paper No. 01-2025.

[22] Arauz, A. (2021). The International Hierarchy of Money in Cross-Border Payment Systems: Developing Countries' Regulation for Central Bank Digital Currencies and Facebook's Stablecoin. *Journal of International Political Economy,* 50(3), 226-243

[23] Adrian, T. et al. (2025). *Understanding Stablecoins*. Departmental Papers 009. IMF.

[24] Hernández de Cos, P. (2026). *Stablecoins: Framing the debate.* Speech at a Bank of Japan seminar, Tokyo 20 April 2026. BIS

→ With the growth of private digital money, cross-border payments may shift away from central bank money, weakening monetary sovereignty, increasing exposure to instability, and reducing the effectiveness of domestic policy tools.

3. Concentration risk of existing payment infrastructure

The current cross-border payments system relies heavily on a small number of currencies, intermediaries, and infrastructures, with significant risks arising from this concentration:

- **Messaging systems:** The dependence on SWIFT creates operational vulnerabilities and undermines principles of neutrality and equal access.
- **Correspondent banks:** Cross-border settlement is highly dependent on a small number of large correspondent banks.
- **Currency concentration:** The US dollar is relied upon for a vast majority of cross-border settlement. This creates vulnerability to policy decisions made by the US Federal Reserve and geopolitical shifts.
- **Private payment systems:** A small number of private payment providers facilitate the majority of cross-border consumer payments, causing dependencies and vulnerabilities, particularly during times of crisis.

→ Interoperable CBDCs directly address each of these dependencies. They replace SWIFT messaging and correspondent banks by enabling direct central bank settlement, allow transactions to settle in local currencies, and provide a public alternative to private payment platforms.

These three risks can weaken the core functions of public money, since fragmentation undermines the uniformity of money, private alternatives weaken the settlement anchor, and concentration exposes monetary sovereignty to external vulnerabilities and dependencies.

How can interoperable CBDCs address these risks?

Interoperability between CBDCs would ensure that public money remains usable across borders, preserving its role as the settlement foundation of the digital monetary system. Various countries have built public digital payment infrastructures which successfully operate at a large scale, such as Pix in Brazil, serving 170 million users[25], or UPI in India, with billions of monthly transactions.[26] These are domestic payment rails which improve the speed of the payment message, but they do not themselves provide a mechanism for cross-border settlement between central banks and financial institutions. Brazil has recognised this limitation and is future-proofing its success with the Pix system by advancing its CBDC pilot initiative known as Drex. Drex is designed to enable cross-border settlement functionality that Pix cannot provide, although Brazil notes the need for collaboration between central banks for this to be achievable.[27] Interoperable CBDCs address the settlement layer directly, combining the trust and stability of central bank money with the efficiency of digital currency. Thus, **interoperable CBDCs can**

[25] Banco Central do Brasil (2026). *Pix em números*.
[26] National Payment Corporation of India (2026). *Ecosystem Statistics of UPI*.
[27] Gomes, R. (2025). *Brazil is building on the success of Pix with Drex pilot*. OMFIF

preserve the role of public money in cross-border payments by enabling direct settlement between participating jurisdictions. This would reduce dependence on intermediaries and dominant currencies, lower transaction costs, and improve the speed and efficiency of cross-border payments. In this way, the goals of the Roadmap could be achieved while keeping settlement anchored in public money.

The mBridge project, a multi-central bank platform developed under the BIS Innovation Hub, by China, Hong Kong, the United Arab Emirates, and Thailand, provides an example of how direct settlement between central banks using CBDCs can work in practice.[28] The project demonstrated how a shared platform for issuing and transacting CBDCs for cross-border payments can settle transactions in mere seconds rather than days,[29] without relying on foreign or private intermediaries, while all participants retained control over currency issuance. Challenges identified were primarily related to questions of governance rather than technical issues, such as the harmonisation of legal and regulatory frameworks, finality of settlement, and participation criteria.[30] However, the project showed that direct settlement between central banks using CBDCs is practically feasible and delivers substantial benefits in cost, speed, and transparency. The questions concerning governance and control strengthen the case for why a multilateral approach to interoperability principles is preferable to bilateral platforms, in which the interests of major countries and currencies are likely to dominate at the expense of system-wide benefits.

Towards a common and inclusive framework for interoperability

The purpose of establishing a common interoperability framework is not merely to improve efficiency, but to ensure that cross-border payments continue to settle in central bank money. Countries across both the Global North and South have strong interests in developing cross-border CBDCs, but diverging strategies and geopolitical considerations mean that a common framework will not emerge organically without coordination.[31] For example, both China and the EU are exploring increased internationalisation of their currencies while developing CBDCs,[32] while the US instead has opted for the promotion of dollar-denominated, privately issued digital currencies.[33] Without action for a multilateral approach to a common framework, this vacuum would likely be filled by competing bilateral arrangements or private digital money. The shared challenge of maintaining the role of public money while improving cross-border transactions provides a clear basis for multilateral collaboration on common standards.

BIS research has identified a spectrum of interoperability models, from compatible national systems based on shared standards, to fully integrated multi-CBDC platforms,

[28] BIS (2022). *Project mBridge: Connecting economies through CBDC*.
[29] Bank of Thailand (2022). *Findings from the Multiple Central Bank Digital Currency bridge (mBridge) Pilot and Next Steps*. BOT Press Release No. 58/2022
[30] Bouguelli, R. and De Conti, B. (2026). Building Bridges or Competing in a Payments Arms Race: The Geopolitics of the mBridge Project. *International Journal of Political Economy*, 1-18.
[31] De Conti, B. and Guttman, R. (2025). Digital Money: Fragmentation of the Monetary Regime. *Review of Political Economy,* pp. 1-22
[32] Positive Money (2026). *From dollar dominance to a multi-currency system: The euro's role in reshaping the international monetary order*. Positive Money
[33] Bouguelli, R. and De Conti, B. (2026). Building Bridges or Competing in a Payments Arms Race: The Geopolitics of the mBridge Project. *International Journal of Political Economy*, 1-18.

such as the mBridge project. A joint report by the BIS, IMF, and the World Bank concluded that the 'compatible systems' approach, based on common minimum standards for separate systems, offers the most practical and inclusive path, enabling interoperability without requiring a single shared platform.[34] In practice, this would mean national CBDC systems would be built in accordance with common minimum standards, allowing them to transact seamlessly. To maximise participation, the common technical, legal, and governance standards should be as flexible as possible, while following a set of guidelines to ensure broad appeal:

- **Inclusivity and neutrality:** Enable equitable access and participation for different economies while avoiding dependence on specific currencies or political blocs.
- **Public good:** Administrate as a public good for system-wide benefits, rather than in the interests of particular actors.
- **Resilient:** Reduce rather than reproduce the risks of the current system.

These principles would not predetermine technical outcomes or limit design choices for domestic use. They directly address the risks identified above: neutrality and inclusivity ensure transparency and equal access; the public good principle safeguards monetary sovereignty by anchoring infrastructures in public money; and resilience guards against reproducing concentration and systemic risks.

It is much easier to incorporate cross-border interoperability at the design stage than to retroactively apply such features once incompatible architectures have become entrenched.[35] Since most CBDCs are still early in the development process, the current moment is an opportunity to establish these principles before systems diverge. This context shapes both the urgency and the opportunity for the G20 to advance progress on this issue under the UK presidency in 2027.

Next steps and recommendations for G20 2027

Establishing interoperability standards is not merely a technical task, but a strategic step for the UK and the G20 to ensure that public money maintains its anchoring role in the digital age. The G20, as a convening space for major economies, provides a credible framework for the commitment and sustained technical coordination necessary for establishing a common framework. For the process to have wide credibility, and for the outcome to reflect the needs of a wide range of participants, it is essential that coordination occurs on an equal and voluntary basis. As a leading financial centre, combined with the Bank of England's position as one of the most active G7 central banks in CBDC research, the UK can bring institutional credibility to the process for convening and coordinating a framework for common minimum standards. Not only would this provide global benefits, but it would also reduce costs and risks for UK firms operating internationally.

Previous calls for coordination have not translated into action. What is different now is that CBDC development is accelerating across major economies, private digital

[34] BIS Committee on Payments and Market Infrastructures, BIS Innovation Hub, International Monetary Fund, World Bank (2022). *Options for access to and interoperability of CBDCs for cross-border payments: A report to the G20*.
[35] Ibid.

currencies are expanding rapidly, and the 2025 T20 Communiqué provides an explicit recommendation to act. The window for establishing common standards is closing. During its presidency of the G20 in 2027, the UK should make establishing a common cross-border CBDC interoperability framework a key priority. The following recommendations would ensure delivery on the 2025 T20 Communiqué and advancement of the G20 Roadmap, simultaneously.

1. **The Bank of England should commit to designing any digital pound architecture to be interoperable with a common cross-border framework, signalling that the UK's convening role comes with policy commitment**
2. **Set a common cross-border CBDC interoperability framework as a priority under the G20 Finance Track**
3. **Commission the BIS, in coordination with FSB, to produce a draft framework for minimum-level interoperability standards**
4. **Establish G20 Working Groups to coordinate the work, set common definitions for key concepts, and identify best practices from pilot projects**

Most CBDC projects are still at design stage, and interoperability standards are significantly easier to coordinate now, rather than retrofitting these at a later stage once systems are operational. Without coordinated action, the default outcome is a fragmented landscape of competing CBDC systems and private digital money; an outcome that would entrench rather than resolve the inefficiencies and risks of the current payment system. The UK's 2027 presidency is an opportunity to prevent that.

For more information, contact Alec Haglund at alec.haglund@positivemoney.org.uk.

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