

New Political Economy

ISSN: 1356-3467 (Print) 1469-9923 (Online) Journal homepage: www.tandfonline.com/journals/cnpe20

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To cite this article: Luca Fantacci, Lucio Gobbi & Jacopo Maria Magurno (29 Sep 2026): Disrupting global money? The geopolitics of cross-border payment systems based on CBDCs, New Political Economy, DOI: 10.1080/13563467.2026.2737138

To link to this article: https://doi.org/10.1080/13563467.2026.2737138

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Published online: 29 Sep 2026.

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NEW POLITICAL ECONOMY
https://doi.org/10.1080/13563467.2026.2737138

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Disrupting global money? The geopolitics of cross-border payment systems based on CBDCs

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ABSTRACT

This article examines recent initiatives to redesign cross-border payments through wholesale central bank digital currencies (wCBDCs), focusing on two flagship projects developed under the auspices of the Bank for International Settlements: mBridge and Agorá. Building on a credit theory of money, it conceptualises cross-border payments as institutional frameworks governing credit–debt relations between countries, rather than merely technical infrastructures. The analysis shows that, despite their shared technological foundation, mBridge and Agorá embody divergent institutional logics and offer competing visions of the international monetary order. mBridge is interpreted as a project with disruptive potential, aimed at promoting a less hierarchical configuration of international money. By contrast, Agorá's institutional design is read as fitting squarely within the existing dollar-centred hegemonic system. The article further argues that, despite these differences, both projects face significant limitations in their ability to facilitate international payments without encouraging the accumulation of global imbalances. To clarify these challenges, it draws on the historical experience of the European Payments Union (1950–1958), which placed the management of imbalances at the core of its design. By contrast, such central political questions remain largely sidelined in current CBDC-based initiatives, raising concerns about their long-term sustainability.

ARTICLE HISTORY
Revised 21 August 2026
Accepted 17 September 2026

KEYWORDS
Central bank digital currencies (CBDCs); global monetary system (GMS); public–private relations; correspondent banking; cross-border payments

Introduction

The global monetary system operates through a structurally asymmetric architecture. At the domestic level it rests on a public–private partnership: central banks provide the legal and institutional foundations of money, defining the unit of account and backstopping liquidity. In turn, commercial banks create most of the money in circulation by expanding their balance sheets, simultaneously extending loans and issuing promises (deposits) denominated in the state's unit of account while operating the retail payment

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infrastructure through which those promises circulate (McLeay *et al.* 2014). This division of labour gives modern money its hybrid character, combining public authority and private monetary creation within a bounded jurisdiction (Braun and Gabor 2020).

At the international level, this balance breaks down. Cross-border payments rely on fragmented arrangements that are not governed by a global authority nor coordinated through multilateral institutions. Instead, the creation of international liquidity depends extensively on private, informal, often offshore, mechanisms of monetary creation (Murau *et al.* 2020, Beck *et al.* 2022). The latter constitute the core of a system of privately negotiated correspondent banking relationships that underpins a transnational system of cross-border payments centred on the U.S. dollar, a national currency that functions, in practice, as international money. This system has been more aptly described as a 'non-system' (Williamson 1976): while the dollar provides a common unit of account and means of settlement, its circulation worldwide is not ensured by the authority of a global central bank, but it is mediated by a small number of systemic banks and ultimately anchored by U.S. public institutions that provide settlement finality and act as lenders of last resort. Therefore, access to private international liquidity depends on national banks' positions within these layered networks, while emergency public liquidity is extended selectively, often along geopolitical lines, through central bank swap lines available only to a restricted group of jurisdictions (Spielberger 2025). The result is not a hybrid infrastructure comparable to those prevailing in domestic systems, but an unbalanced one, anchored in the authority of U.S. public institutions, yet governed largely through private arrangements that lack transparency, inclusiveness, and public accountability. This architecture concentrates power in a few actors and leaves many jurisdictions, especially in the Global South, dependent on correspondent networks and Federal Reserve (Fed) liquidity provision. This is far from a rules-based international order.

This article investigates the significance for the current system of recent initiatives led by the Bank for International Settlements (BIS), in collaboration with a group of national central banks, that promote the usage of central bank digital currencies (CBDCs) to transform cross-border payments. It compares two flagship projects launched under the auspices of the BIS Innovation Hub that focus on the domain of wholesale cross-border payments: Project mBridge, comprising the People's Bank of China and other central banks from Asia and the Middle East and Project Agorá, featuring the Fed and other closely aligned central banks. While often framed as efforts to increase the efficiency of cross-border payments and despite both projects proposing a shared multicurrency DLT ledger for settlement, our claim is that these initiatives embody fundamentally opposed visions for the future of the international monetary order: as we show, mBridge is a project with disruptive potential, promoting a more multilateral and less hierarchical international monetary order, whereas Agorá's institutional design fits squarely within the existing hegemonic system.

A second claim is that, despite these differences, both projects face important limitations as to their ability to facilitate international payments without favouring the buildup of global imbalances. To clarify the nature of these challenges and foreground an alternative model, the article draws on the example of the European Payments Union (EPU) (1950–1958), which, prior to the re-emergence of correspondent banking, made multilateral clearing and monetary cooperation the central organising principle of its design. By contrast, in current CBDC-based initiatives these political questions

remain largely sidelined, raising fundamental concerns about their long-term sustainability.

The article contributes to the growing political economy literature that examines the drivers and implications of CBDCs for the monetary system from various theoretical perspectives (Chia 2024, Chia and Helleiner 2024, Westermeier 2024, Ehlke *et al.* 2025, Fantacci *et al.* 2025, Heidebrecht 2025, Quaglia and Verdun 2025a, Bilotta 2026, Dafe 2026, Quaglia and Verdun 2026). Hence, it engages directly with the first vector of disruption identified in this special issue, namely the impact of fintech on the international monetary order (Hodson *et al.* 2026). It focuses on the use of wholesale central bank digital currencies (wCBDCs) for cross-border payments, a domain that has seen growing interest, but less systematic attention so far (see, however, Mayer 2024, Chu *et al.* 2025, Bouguelli and De Conti 2026, Quaglia and Verdun 2026), and it addresses specifically what has recently emerged as a key question in the field: the extent to which CBDC networks have the potential to challenge the current dollar-dominated international monetary system based on the correspondent banking model (Chey 2026, see also Kuehnlenz *et al.* 2023, Peruffo *et al.* 2023, Bilotta 2024, Wang and Gao 2024, Zhang *et al.* 2024). In this respect, the article offers a complementary perspective to Hodson and Milne (2026) in this issue, which adopts a more actor-centred approach focused on the role of the BIS in shaping these initiatives. Further, the article speaks to the emerging literature on the geoeconomic role of central banks, which has been the subject of a dedicated special issue in this journal (Quaglia and Verdun 2025b).

Much of the existing work on cross-border payment projects adopts a predominantly transactional view of payments, focusing on the sequence of operations and actors involved in the payment chain, but overlooking the financial nature of payments themselves (for a recent review of papers using payment diagrams see van Hee *et al.* 2025). This article advances a different approach that brings the financial dimension of payments to the foreground. In so doing, it aims to provide complementary analytical tools for the political economy of payment systems. The starting point is that cross-border payments are mostly digital payments. As such, they involve not the transfer of a physical means of payment, but the registration of entries on a ledger in terms of a unit of account. In this perspective, the payment system itself appears as a peculiar financial system, i.e. not merely as a technical device, but as an institutional framework, a set of rules according to which credits are created, transferred and ultimately destroyed (Amato and Fantacci 2012). When international settlements are involved, they enter the financial account of the balance of payments, affecting the credit and debt relationships between countries: this is a further reason why cross-border payments systems are not merely technical infrastructures, but institutions with a distinctive salience in terms of international political economy. International economic relations depend crucially on the ability of payment systems to facilitate cross-border trade and investments without favouring the build-up of persistent global imbalances (Fantacci 2013).

The understanding of the payments system as a financial system is a corollary of the conception of money as a form of credit. We follow, therefore, an approach that is consistent with the credit theory of money, from the original formulation of Mitchell Innes (1914) to the various revisitations by Wray (2004), Ingham (2004), the 'inherent hierarchy of money' of Mehrling (2013), the 'finance franchise' of Hockett and Omarova (2017), the notion of money as an accounting entity in Biondi (2018), and, more recently,

contributions from critical macro finance (Murau and Pforr 2020). It is in this perspective that we frame the innovation in payments that consists in the experimentation of multi-currency, cross-border CBDCs. In doing so, we take up Chey's (2023) call for a monetary analysis of developments surrounding crypto and fintech, in line with recent work in this area (Brandl and Dieterich 2023, Peruffo *et al.* 2023, Olk and Miebs 2025).

To advance our argument, the article proceeds as follows. Section 2 reconstructs the architecture of cross-border payments, showing how a credit theory of money allows us to move beyond a view of payments as simple flows to trace the credit–debt relations between countries that they originate. Section 3 shows how cross-border settlements can be performed and financed without the accumulation of global imbalances, drawing on the historical precedent of the EPU, recently identified as a paradigmatic case in which an international currency, in the form of a pure unit of account, enabled cross-border settlements through a formal and hierarchical system akin to those prevailing at the domestic level, with an additional supranational layer. Crucially, as we show, the design of the EPU placed the management of global imbalances at its core, a dimension that remains largely absent from the BIS-led experiments we analyse. The EPU thus provides a benchmark for comparing contemporary CBDC-based cross-border payment infrastructures. From a historical perspective, the closure of the EPU coincided with the take-off of the eurodollar market, which laid the foundations of modern correspondent banking. This shift marked a transition towards a privately mediated system of cross-border payments. Section 4 analyses the functioning and limits of the current system, focusing specifically on how the reliance on correspondent banking has entailed a re-privatisation of a large share of international monetary relations, with an increasingly oligopolistic structure and an absence of mechanisms to manage imbalances. We then introduce recent projects promoted by the BIS to overcome the limitations of the current system (Section 5). Section 6 examines mBridge, showing how it advances more disruptive ambitions by seeking to promote a more multilateral and less hierarchical approach to international money, in some respects comparable to the EPU. By contrast, Section 7 analyses Agorá, arguing that its institutional design fits squarely within the established hegemonic system. Finally, we draw conclusions and identify avenues for further research (section 8).

Accounting for cross-border payments

Cross-border payment systems are not merely technical infrastructures, but institutional arrangements that regulate access to international liquidity and shape the relative position of countries within the global monetary order.

To better understand the functioning of these systems and their geopolitical implications, it is useful to compare them to domestic payment systems. Simplifying somewhat, the latter can be represented as a three-tiered pyramid structure. At the base are households, businesses, and public administrations – those making retail payments, an increasing share of which is now conducted using electronic money, ultimately involving transfers between bank accounts.

This brings us to the second level: when Aldo pays Beatrice €100 in electronic money, the transaction is completed by debiting Aldo's account at Bank A and crediting Beatrice's account at Bank B. Since the 'money' received by Beatrice is essentially a claim on her Bank B, the latter will only accept such a liability if it simultaneously receives a corresponding

asset, in the form of a credit towards Bank A (which, in turn, has reduced its own debt towards Aldo by debiting his account). In other words, the electronic payment from Aldo to Beatrice may be thought of as the transfer of Aldo's credit towards bank A, which is received by Beatrice and virtually transferred to her own bank B, resulting in a liability for Bank A and a receivable for Bank B.

This leads us to the third level: the debt of Bank A towards Bank B must eventually be settled, either for each transaction individually (gross settlement), or in bulk for a set of transactions, e.g. on a daily basis (net settlement). These large-value (or 'wholesale') inter-bank payments are settled using a special kind of money: central bank money. Ultimately, private banks, after having cleared incoming and outgoing payments, settle any outstanding balance between them by using their reserves at the central bank. Reserves are a type of money of account generally available only to private commercial banks in the form of deposits at the central bank. The central bank is indeed 'central' precisely in the sense of acting as a third party that manages on its accounts the payments between commercial banks. This position at the apex of the system is what gives central bank money its hierarchical status and ensures the stability of the payment system.[1]

The payment system may thus be conceived as a three-layered structure, with the payer and payee at the bottom, commercial banks acting as intermediaries in the middle, and central banks at the top, intermediating between commercial banks.

It is worth emphasising that the central bank does not act merely as a bookkeeping entity; its centrality in the financial and payment system consists also in ensuring the uniformity of money at the lower levels of the hierarchy, the so-called 'singleness of money', i.e. the equivalence between units of money held at different banks. This is achieved by the central bank not merely by holding and transferring the reserves of commercial banks for the settlement of their mutual obligations, but through the whole complex of activities of the central bank, from oversight to lending of last resort. To the extent that money takes the form of a credit, the payment system ultimately rests on the reliability of the credit in which that money consists.

Compared to the simple hierarchical structure outlined above, cross-border payments are far more complex. Crucially, transferring money across borders is not analogous to transferring goods. International payments, especially wholesale ones, are primarily conducted through a money of account. Because no physical object travels from one location to another, the process instead consists of adjusting a set of claims embedded in distinct legal and institutional orders. These claims must be rendered compatible and mutually recognisable. Since there is neither a global central bank nor a global currency, international payments also involve differences in units of account, financial regulations, supervisory authorities, crisis resolution procedures, deposit guarantees, and more. If there were an international institution capable of acting as a (global) central bank for (national) central banks, allowing the latter to hold deposits or reserves denominated in a global unit of account, then cross-border payments could be streamlined by simply adding another level to the pyramid we described. A payment from Albania to Brazil would then generate a liability from Bank A in Albania to Bank B in Brazil, settled through a payment from the Albanian central bank to the Brazilian central bank via their respective accounts at the global bank. This was the international monetary system envisioned by Keynes after World War II: an *international Clearing Union* that

would maintain the accounts of all the world's central banks in a supranational unit of account called *Bancor*, distinct from all national currencies (Fantacci 2013).

As amply recollected in historiography (see e.g. Steil 2014), Keynes's plan was eventually discarded in favour of an international monetary system without a truly international currency and without an international central bank: the Bretton Woods system. What has received less attention, even by economic and financial historians, is the fact that some of the principles underpinning the Clearing Union and Bancor were eventually implemented on a smaller scale and for a limited time span in the EPU, which served as a key infrastructure for the settlement of cross-border payments between the 18 member countries of the Organisation for European Economic Cooperation in the period 1950-58 (Kaplan and Schleiminger 1989).

In the following section, we outline the history, rationale, and mechanics of the EPU, which serves as a benchmark for assessing contemporary attempts to build multilateral CBDC-based cross-border payment infrastructures.

The model of the European payments union

The EPU was created to facilitate intra-European trade in the second post-war period, which, despite the Marshall plan, continued to be plagued by a chronic lack of international currency: the so-called dollar shortage. Unlike the Marshall plan, which addressed the dollar gap through injections of liquidity from outside and specifically from the United States, the EPU addressed the task by setting up a clearing centre, following the blue-print of Keynes's International clearing union (Faudot 2020). The central bank of each member country was endowed with an account at the EPU that would be used to settle the obligations towards the central banks of other members arising from international trade. 'The EPU mechanism provided a payment system between European central banks that functioned as a clearing union and used the BIS as the hierarchically highest balance sheet' (Murau and Ehlers 2025, p. 6).

Let us illustrate the functioning of the EPU through an example. Imagine a German company exporting machinery to France. In principle, the payment should be made by using international currency, i.e. under the Bretton Woods agreements, either gold or the US dollar convertible into gold. Until the establishment of the EPU, however, similar trade operations between European countries were obstructed precisely by the lack of dollars. The EPU facilitated intra-European trade by replacing immediate settlement in international currency with a multilateral clearing mechanism centred on a common unit of account. In this framework, the French importer paid its supplier in domestic currency through its commercial bank, while the resulting claim was recorded between the French and German central banks within the EPU clearing system.

As in the example of the domestic payment between Aldo and Beatrice described above, the settlement was accomplished by crediting the account of the German exporter (denominated in Deutsche mark) and by debiting with an equivalent amount the account of the French importer (denominated in French francs). Again, as in the domestic payment, the German bank accepted to see its liabilities grow only with a proportional increase of its assets, in the form of a credit towards the French bank of the importer. However, this time, since the two banks belonged to two different jurisdictions with two different currencies, their respective obligations could not be settled simply

through a transfer of reserves at a common central bank. In fact, the German bank saw its reserves at the Bundesbank, the German central bank, increase by an equivalent amount. And in turn the Bundesbank acquired, together with this liability towards the German bank, an equivalent credit towards the Banque de France. Now, the reciprocal credits and debits accumulated by European central banks as a consequence of intra-European trade were not only recorded by the EPU, but they were subject to intertemporal and multilateral clearing: outstanding balances at the end of each month would be calculated between each member country and the EPU as a whole, and they would be partly settled in gold or in US dollars and partly renewed as debts towards the EPU, which therefore served the purpose of financing temporary trade imbalances and was not a mere settlement system (Figure 1).

The EPU acted, therefore, as a central bank for the central banks of member countries. Significantly, the actual bookkeeping of the EPU was held by the BIS, which had been established already in the 1930s precisely with the original intention of creating a supranational central bank. The accounts were denominated in US dollars, which for this purpose acted as a mere unit of account, without requiring the actual injection of liquidity by the United States. 'The creation of de-facto-USD-denominated credit was allowed within the EPU system. Hence, the European cross-border payment arrangements were set up as a layer below the USD system in the international hierarchy of money' (Murau and Ehlers 2025, p. 4).

Hence, within intra-European trade, the EPU acted as the top layer of the monetary hierarchy, superimposed on national central banks with the distinctive purpose of facilitating cross-border payments. The EPU involved not just a bookkeeping device, but also a set of rules for international payments, concerning e.g. exchange rates, overdraft facilities, settlement instruments. Moreover, the EPU was endowed with a degree of a freedom in the application of those rules: these were not automatically enforced, but were subject to the discretionary interpretation of the governing board of the Union, which was ultimately responsible not only for the enforcement of the rules but also for the management of temporary deviations.

During its eight years of existence, the EPU served not just as a payment system, as its name suggests, but also as a financial system. In fact, it acted as a source of funding for

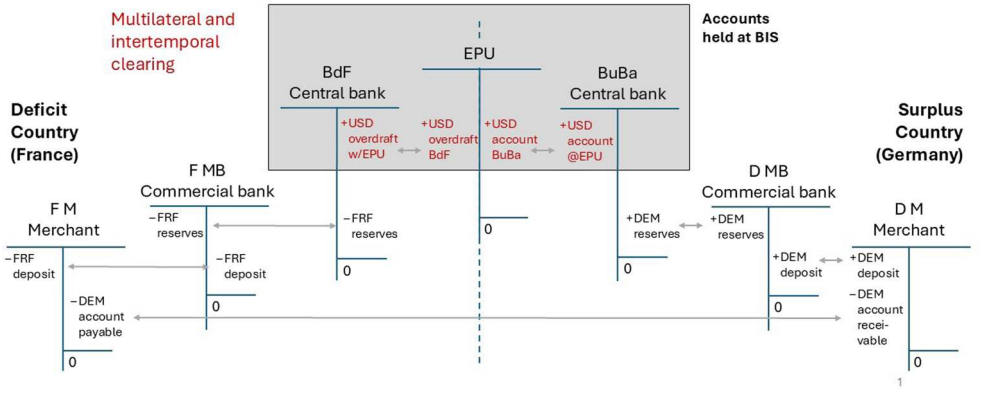

Figure 1. Accounting for cross-border payments in the EPU.

temporary current account deficits of member countries, fostering the growth and the liberalisation of European international trade in the decade that witnessed the take-off of its manufacturing system, and particularly the economic miracles of Germany and Italy (Amato and Fantacci 2012).

The EPU was eventually shut down in 1958. In principle, this was justified by the claim that it had achieved its goal, enabling European countries to join the Bretton Woods system by re-establishing current account convertibility. Yet, given that the Bretton Woods system lacked both an international currency and an international central bank, the closure of the EPU effectively entailed a shift from a multilateral to a hierarchical system, increasingly dependent on the relative positions of national commercial banks within the international monetary system and on the liquidity of last resort and settlement institutions of a hegemon (Schenk 2023). It is no coincidence that this shift took off precisely as Eurodollar markets entered their first phase of major expansion, rapidly becoming a cornerstone of post-war international finance (Faudot 2020). Their ascent, parallel to the EPU's closure, signalled a transformation in Europe: the shift of cross-border settlements from a centralised and public clearing arrangement operated through an international organisation to a decentralised system increasingly dominated by large private commercial banks: 'With the rise of the Eurodollar markets, the USD was used as a unit of account by European banks, marking a shift from public to private balance sheets that facilitated European cross-border payment and funding' (Murau and Ehlers 2025, p. 4).

Correspondent banking and the re-privatisation of international payments

The current international payments system is centred on correspondent banking: a network of bilateral agreements between private banks, located in different jurisdictions, on the basis of which one maintains an account with the other in local currency (Brandl and Dieterich 2023, Robinson *et al.* 2023). This private infrastructure lies at the heart of the current US dollar-centred international monetary system that binds both U.S. and non-U.S. banks to the dollar and structures the cross-border relations underpinning international trade, global finance, and foreign remittances (Murau *et al.* 2020, Beck 2022, Beck *et al.* 2022).[2]

A key structural feature of correspondent banking lies in its dual function as both a payment and funding mechanism (Saeidinezhad 2023). Because access to dollars is not only about processing payments but also about sourcing liquidity, banks in the periphery depend heavily on those at the core to meet their foreign exchange and funding needs. This deepens global financial hierarchies: banks in emerging markets often lack direct access to dollars and must rely on intermediaries to acquire funding through nostro accounts and FX swaps, which in turn exposes them to rollover risk, FX mismatches, and geopolitical vulnerability. The architecture of correspondent banking, in other words, fuses the operational dimension of payments with the structural inequalities of offshore dollar funding.

In the case of dollar payments, a critical role is played by CHIPS (Clearing House Interbank Payments System), a private clearing house operated by The Clearing House in New York. CHIPS acts as a centralised netting system for high-value dollar transactions,

helping to coordinate settlement obligations among major global banks. At the end of each day, net positions are settled through the Fed's Fedwire system, which provides finality in central bank money. Therefore, while the correspondent banking system appears fragmented, it is anchored by key institutional nodes that centralise liquidity and risk management (Figure 2).

The global financial crisis triggered a reassessment of cross-border banking risks, leading to a widespread retrenchment in correspondent banking relationships and increasing concentration (Rice *et al.* 2020). In this context, the governor of the People's Bank of China went so far as to propose a reform of the international monetary system and the introduction of an international currency inspired, like the EPU, by Keynes' Clearing Union (Zhou 2009). More recently, the current configuration of cross-border payments has been the subject of much criticism by monetary authorities, such as Panetta (2023), governor of the Bank of Italy and former member of the board of the ECB, and international bodies, such as the International Monetary Fund (IMF) (Adrian and Mancini Griffoli 2023). The system is judged to be inefficient due to excessive slowness, high costs and lack of transparency. Moreover, since 2011 there has been a major reduction in the number of correspondent banking relationships. The trend toward oligopolistic concentration could be further reinforced by digitisation. The outcome would be particularly inauspicious for the most vulnerable countries which, due to a reduction in the number of 'corridors' available to them, would have increasingly limited access to the international financial system.

Emergent cross-border payments systems based on CBDC: the BIS initiatives

To address these problems, a number of initiatives have been launched internationally to improve the functioning of cross-border payments. Among them, wCBDCs have emerged as a key area of experimentation. The G20 roadmap, established by the Saudi Arabian presidency in 2020, is currently being developed by the Financial Stability Board (FSB), in collaboration with the Committee on Payments and Market Infrastructure (CPMI) of the BIS and other leading international organisations and standards setting bodies. The 2020

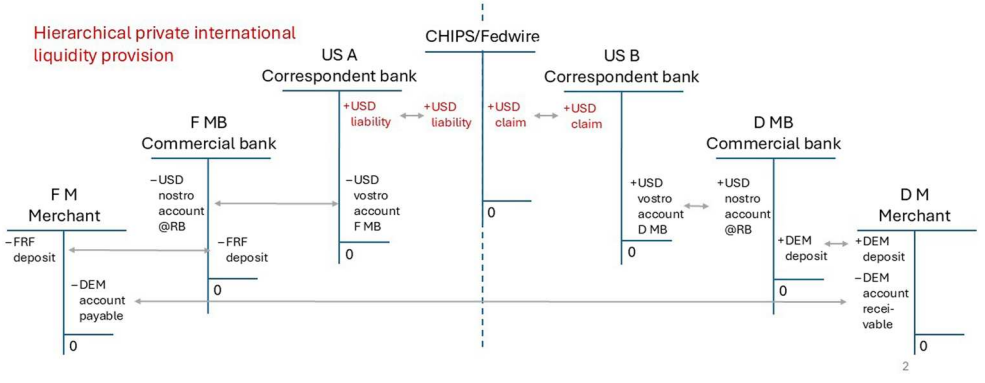

Figure 2. Accounting for cross-border payments via correspondent banking.

CPMI report emphasised the importance of exploring the international dimension of CBDCs to improve cross-border payments (FSB 2020). To this end, the CPMI has been working closely with the Innovation Hub of the BIS, the IMF and the World Bank. The catalytic role has undoubtedly been played by the BIS, which has initiated, in collaboration with various national central banks and in parallel with other types of experiments, several projects aimed at testing the potential of wCBDCs in cross-border payments.

While various technical avenues are being explored, it is crucial to stress that the issue at stake is not merely technological but profoundly political (Amato *et al.* 2025). As Tobias Adrian, Director of the IMF's Monetary and Capital Markets Department, has observed, payment infrastructures stand alongside exchange rate regimes and capital controls as one of the core pillars of the international monetary order (Atlantic Council 2023). It is therefore unsurprising that Denis Beau, Deputy Governor of the Banque de France, recently remarked that ongoing experimentation with wCBDCs may well lay the foundation for a new, multilateral monetary system (2023).

Initiatives around the introduction of wCBDCs for use in cross-border payments carry potential implications for two fundamental pillars of the current international monetary system. Firstly, they bring into view alternative ways of organising the partnerships between public and private actors, thereby opening up the possibility of reconfiguring the logic of established relationships. Secondly, some of these initiatives enable settlement without reliance on bridge currencies in foreign exchange (FX) markets and have accordingly been interpreted by some observers as having potential implications for the long-standing international role of the US dollar. This is particularly significant given the centrality of the dollar as the dominant vehicle currency, appearing on one side of nearly 90 per cent of all FX transactions as of April 2022 (Drehmann and Sushko 2022). A reduction in the dollar's use as a medium of exchange in international payments could, in turn, lead to a further decline in its status as a reserve instrument for central banks, a trend that has already been underway for decades (Arslanalp *et al.* 2022).

It is worth noting that a decline in the dollar's centrality within the international monetary system does not presuppose its replacement by a single alternative currency. Official reserves already show a diversification away from the dollar toward a plurality of smaller currencies (Arslanalp *et al.* 2022). In this same vein, interoperable digital technologies, such as wCBDCs, could reduce dependence on the dollar without requiring its replacement. This presents a scenario of potential progressive fragmentation.

In what follows, we focus on the cases of mBridge and Agorá, two of the most prominent and widely discussed initiatives developed under the auspices of the BIS Innovation Hub to address cross-border payments. As we will show, although both projects propose the creation of a shared multicurrency ledger leveraging distributed ledger technology (DLT) and wCBDCs to facilitate cross-border settlement, and both require coordination among national central banks and commercial banks, they embody fundamentally different visions for the future of the international monetary order.

Mbridge: a multilateral system with the risk of fostering imbalances

The mCBDC Bridge project, or mBridge, explores how CBDCs can improve wholesale cross-border payments through a multilateral, DLT-based platform connecting central and commercial banks across jurisdictions (BIS 2021, 2022a, 2022b, 2023a, 2023b).

Developed by the BIS Innovation Hub together with the central banks of China, Hong Kong, Thailand, the UAE and, subsequently, Saudi Arabia, the project seeks to facilitate settlement in central bank money, support the use of local currencies in international transactions, and reduce reliance on correspondent banking infrastructures.

From a technological perspective, mBridge relies on a private and permissioned DLT ledger that enables atomic payment-versus-payment (PvP) settlement (BIS 2022a, BIS 2023a, BIS 2023b). Cross-border payments are therefore settled directly and simultaneously across currencies, reducing settlement risk and integrating messaging, reconciliation and settlement within a single infrastructure (BIS 2022b). More importantly, however, these technical features imply a potential reconfiguration of how cross-border credit relations are created, settled and governed. It is worth noting that the credit money perspective adopted in this article is particularly relevant to analyse tokens issued on permissioned ledgers as opposed to those issued on permissionless ledgers, since the former, like any other form of credit money, are an asset for the holder only to the extent that they are a liability for the issuer, whereas the latter are an asset without being anyone's liability – hence the notion of bitcoin as a form of digital gold (Amato and Fantacci 2020).

As a CBDC-based multilateral and multicurrency infrastructure, mBridge embodies three core features that have the potential to disrupt the existing architecture of cross-border payments. First, the project introduces a new architecture for conducting wholesale cross-border transactions that gives more prominence to central banks compared to commercial banks. Central banks remain the exclusive issuers and redeemers of CBDCs, control access to the platform, and retain important supervisory functions, while commercial banks can transact only within parameters established by their monetary authorities (Neilson 2021).

Secondly, the shared mBridge ledger enables both domestic and foreign commercial banks to hold wCBDCs in on-ledger wallets and transact with them directly, irrespective of jurisdiction (BIS 2022a). This marks a significant departure from correspondent banking, where cross-border payments are routed through chains of intermediary banks maintaining reciprocal accounts. By contrast, mBridge allows participating banks to settle transactions directly in central bank money through atomic payment-versus-payment (PvP) mechanisms. PvP ensures that a payment in one currency occurs if and only if the corresponding payment in another currency takes place simultaneously, thereby eliminating principal risk in foreign exchange transactions and reducing liquidity needs (Mandeng 2024).

Lastly, mBridge implies a more multilateral governance of cross-border payments compared to the current US dollar-centred system. The very creation of a shared infrastructure for cross-border settlement is a step in this direction, as it requires common rules and collective oversight. This orientation is reflected in the project's governance structure: a steering committee chaired by the BIS Innovation Hub Hong Kong Centre is supported by four subcommittees, each responsible for a specific dimension of the project and chaired by one of the participating central banks (BIS 2021). Further, the multicurrency approach embedded in the mBridge architecture provides peripheral currencies with a mechanism for bilateral exchange that enables them to use their own currencies directly in cross-border transactions (Neilson 2021). This could reduce their reliance on the U.S. dollar as a bridge currency, which not only imposes costs but also exposes them to

spillover effects from the issuing jurisdiction and to financial stability risks linked to potential shortages of dollar liquidity in periods of turbulence (BIS 2022b).

Despite reaching the MVP stage in 2024, the project still faces numerous challenges. As acknowledged in the reports, on the technical side, key questions remain unresolved, including how new DLT systems would interact with legacy infrastructures, what scalability constraints might emerge, and how resilience and security can be guaranteed. Similarly, further work is required on the policy, legal, and regulatory fronts, including an assessment of the project's macro-financial implications, in order to evaluate its overall viability.

In what follows, however, we highlight a critical institutional dimension which, to the best of our knowledge, remains unaddressed in the mBridge project. To clarify what we mean, it is useful to consider how a cross-border transaction would unfold in practice on the platform. For this purpose, we draw on the available information from the large-scale pilot conducted between 15 August and 23 September 2022. During this pilot, 20 of the region's largest commercial banks from Hong Kong SAR, Mainland China, the UAE, and Thailand settled real-value transactions on behalf of corporate clients directly on the mBridge ledger.[3]

Consider a Hong Kong corporation that must pay a Chinese exporter CNY 100,000. Since the Hong Kong corporation's bank does not hold e-CNY on mBridge, it first exchanges e-HKD for e-CNY with a Chinese bank that maintains a CBDC balance in that currency on the platform. The two banks settle this trade through atomic payment-versus-payment (PvP) at a bilaterally agreed exchange rate, ensuring that e-HKD and e-CNY are exchanged simultaneously with finality on the shared ledger. Following this FX transaction, the Hong Kong bank's wallet is credited with 100,000 e-CNY, which it then transfers directly to the Chinese exporter's bank on mBridge. The outcome is that the Chinese exporter receives payment in its domestic currency and that the cross-border transaction is settled in central bank money on a peer-to-peer basis, without reliance on correspondent banks or multiple RTGS systems (Figure 3). From a balance-of-payments perspective, this transaction is equivalent to the extension of cross-border credit: the

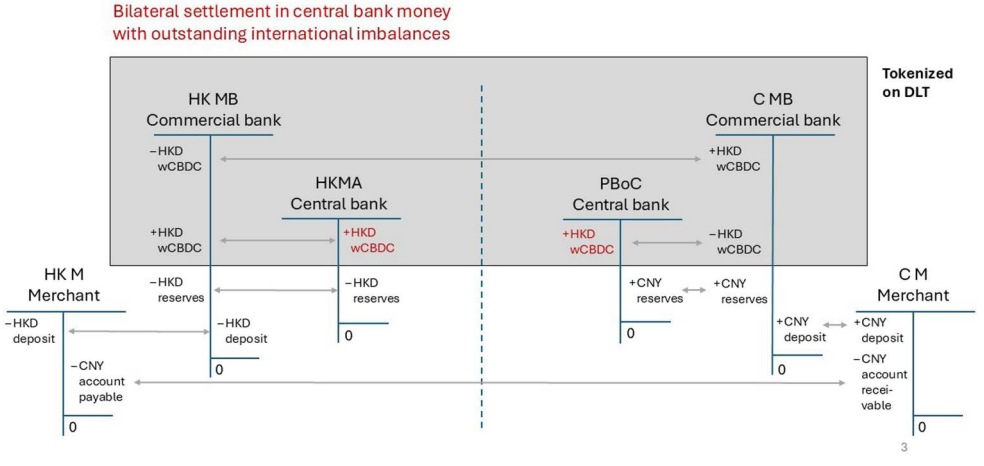

Figure 3. Accounting for cross-border payments in mBridge.

Chinese bank acquires a claim on the Hong Kong Monetary Authority, while Hong Kong incurs a corresponding external liability. In this sense, settlement in CBDC entails the transformation of international credit positions rather than their final extinction.

The BIS Innovation Hub acknowledges in its policy documents that, without appropriate safeguards, facilitating the 'offshore' use of a currency by extending access to wholesale central bank money to non-resident commercial banks could undermine the issuing central bank's monetary capacities. To mitigate these risks, various technical mechanisms have been designed to allow foreign participation without compromising central banks' control over their currency. For instance, CBDCs held on the platform do not accrue interest, only domestic commercial banks can issue and redeem CBDC against reserve balance, and central banks can impose caps on transaction volumes or holdings of their CBDC, as well as set time limits for how long their currency can remain on-bridge (BIS 2022b, 2023b).

What is not recognised, however, is that the bilateral settlement mechanism embodied in mBridge allows any country, Hong Kong in our example, to settle its international debts in its own money. While in Hong Kong the e-HKD sits at the top of the domestic monetary hierarchy, from the perspective of a foreign economy it constitutes a credit. This is clear from a balance-of-payments perspective. On the current account, Hong Kong records an import of goods while China records a corresponding export. On the financial account, settlement through mBridge means that a Chinese commercial bank receives e-HKD, which represents a claim on the Hong Kong Monetary Authority. Hong Kong incurs a new external liability, while China acquires a new external asset. In substance, this is equivalent to the extension of credit: China delivers goods and, in return, holds a financial claim on Hong Kong. The transaction thus establishes both a trade flow and a cross-border credit relationship, with China effectively financing Hong Kong – and at zero interest rate, since the holding of e-HKD by the Chinese bank, and in general CBDC holdings in mBridge, are by design not remunerated.

A system in which jurisdictions were able indefinitely to pay their imports, and in general their international obligations, in their own currency, would create incentives for free-riding with the risk of fuelling persistent structural imbalances, as in the case of the United States in the current USD-based system. In order for this financial dimension to function as a multilateral and intertemporal clearing system such as the EPU, it would be essential to define rules capable of avoiding the build-up of persistent disequilibria. While policy papers discuss a number of governance issues, they neglect those that are most consequential for the design of the monetary architecture, such as overdraft limits, exchange rate adjustments, charges on imbalances and procedures for the reabsorption of disequilibria (Amato and Fantacci 2014).

The weaponisation of the payments system following Russia's full-scale invasion of Ukraine has obviously heightened the political sensitivity of projects, like mBridge, designed to reduce dependence on the USD (Fantacci and Gobbi 2023, Biondi 2024). At the BRICS summit in Kazan in 2024, heads of state announced the intention to develop a 'BRICS Bridge' arrangement for cross-border payments, partly overlapping with the design features of mBridge (The Economist 2024). Weeks later, the BIS declared it would step back from the project's operational phase, explaining that the initiative had matured to a point where regional actors could assume ownership (BIS 2024a). Commentators in Western policy circles voiced unease that such infrastructures might open new

channels for sanctioned jurisdictions to settle payments and could accelerate ongoing attempts to reduce reliance on the dollar in international transactions (Long 2024).

In response, BIS General Manager Agustín Carstens reaffirmed that all BIS-affiliated infrastructures must adhere to international compliance standards, including those related to sanctions (Poenisch 2024, Hofman and Petry 2025). The timing of the BIS's withdrawal fuelled speculation that the organisation sought to distance itself from a project increasingly perceived as a geopolitical tool. The episode highlights the fragility of multilateral cooperation in an increasingly polarised international order and underscores the extent to which infrastructure design has become a site of contestation over the future of monetary governance.

At present, mBridge does not incorporate institutionalised mechanisms for the management of persistent imbalances, such as multilateral clearing arrangements, adjustment rules, or symmetric constraints on creditor and debtor positions. As a result, while settlement is internalised within the platform, the adjustment of imbalances remains external and potentially asymmetric. All these objectives could be more effectively pursued if adjustment mechanisms were built into the system, as in the EPU, by introducing an abstract unit of account, distinct from national currencies of participating countries, and by adopting similar rules designed to finance temporary current account deficits whilst avoiding the build-up of structural imbalances, and to provide both surplus and deficit countries concrete incentives to converge towards equilibrium. Similar provisions would create the monetary conditions for a truly multilateral system.

Buttressing the existing order? Agorá and the tokenisation of correspondent banking

Project Agorá is a public–private initiative aimed at exploring how the tokenisation of commercial bank deposits, wCBDCs, and smart contracts could modernise cross-border payments while preserving the existing two-tier structure of the monetary system (BIS 2026). It does so through the development of a multi-currency financial market infrastructure based on the 'unified ledger' approach, which integrates central bank digital currency, tokenised deposits and other tokenised claims within a shared programmable platform (BIS 2023c). According to the BIS, such an architecture would make it possible to harness the benefits of tokenisation while anchoring settlement in a tokenised form of central bank money.

Coordinated by the BIS Innovation Hub Eurosystem Centre, Agorá brings together major central banks, including issuers of the world's leading reserve currencies, and more than forty private financial institutions convened by the Institute of International Finance (IIF) (BIS 2024b, 2025b). Thus, unlike other BIS initiatives, the project systematically incorporates incumbent private actors into both the design and governance of the platform, maintaining the centrality of tokenised deposits and wCBDCs as its core building blocks (BIS 2024b). Governance is organised through a Committee co-chaired by the BIS and the IIF, bringing together public and private participants in a common framework (BIS 2024b). Announced in April 2024, the initiative has moved from the design phase to the prototype development phase, which is expected to conclude in the first half of 2026 (BIS 2025b).

While built on a similar technological foundation, one could argue that Agorá seeks to use DLT precisely to preserve what mBridge was designed to replace (Kapron 2026). Rather than employing it as a tool to bypass correspondent banking, Agorá seeks to harness its efficiency-enhancing potential to address some of the technical shortcomings associated with the correspondent banking model and preserve its centrality for cross-border payments. The platform would integrate payment messaging and account updates within a single operation and enable the atomic execution of payments. According to its proponents, by reducing the counterparty and settlement risks associated with multi-step correspondent banking chains, both pre- and post-trade processes would be simplified, lowering operational costs and potentially restoring the viability of payment corridors that have become uneconomic under the current system.

While a system such as Agorá may offer technical improvements over the current correspondent banking model, we read it as an attempt to modernise and reinforce the strategic alliances between public and private actors that underpin the existing dollar-centred international monetary system. In this regard, it is difficult not to notice that the coalition of central banks behind Agorá is composed largely of those actors whose influence is closely intertwined with the existing correspondent banking architecture and the broader dollar-centred system.[4] As recent political economy scholarship has highlighted, the geopolitical leverage available to states depends in part on their ability to control key private financial infrastructures and on the position occupied by their national banks within global dollar-centred financial hierarchies (Nölke 2024, Beck and Massoc 2026). Major correspondent banks, payment and messaging infrastructures are therefore increasingly regarded not simply as private businesses, but as strategic assets whose operation is closely intertwined with the exercise of monetary and geopolitical power. This is reflected in the fact that Agorá participants include institutions such as JPMorgan, Citi, HSBC and SWIFT, all of which occupy key positions within the existing dollar-centred financial architecture.

The coalition assembled around Agorá therefore mirrors the existing organisation of international liquidity provision, in which access to liquidity remains closely tied to the dollar and is mediated by a relatively small number of private financial institutions. In this sense, the project reproduces both the hierarchy of currencies that characterises the contemporary international monetary system and the hierarchical structure through which international liquidity is distributed. Rather than challenging these arrangements, Agorá seeks to embed them within a new technological infrastructure.[5]

Agorá may also be interpreted, at least in part, as a strategic response to the prospect of a broader adoption of stablecoins in cross-border payments, a development about which the BIS has repeatedly expressed reservations (BIS 2025a). By reinforcing the traditional alliance between central banks and commercial banks through the use of wCBDCs and tokenised deposits, Agorá could be read as an attempt to ensure that the digitalisation of international payments remains anchored in the institutions that currently govern the international monetary system, thereby limiting the scope for potentially more disruptive forms of tokenisation to gain further traction (Figure 4).

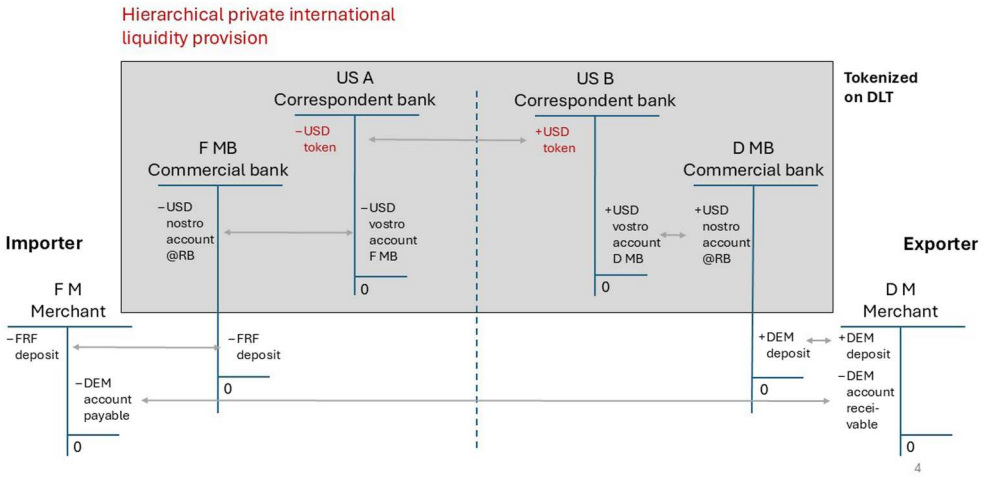

Figure 4. Accounting for cross-border payments in Agorá.

Conclusions

This article has examined emerging initiatives to create cross-border payment systems based on CBDCs and has proposed an interpretation of their significance for global monetary relations. To this end, it has compared two flagship projects launched under the auspices of the BIS Innovation Hub that focus on the domain of wholesale cross-border payments: mBridge and Agorá. It has done so by contextualising these initiatives within a broader historical perspective and using a credit theory of money approach to highlight what is at stake in international payments in terms of financial relationships and institutional arrangements.

The article shows that while both initiatives share a common technological basis in DLT and a commitment to enhancing cross-border payments, they diverge significantly in their accounting and institutional logic, giving expression to two alternative visions for the future of the international monetary system. mBridge appears as a project with disruptive potential, aimed at promoting a more multilateral and less hierarchical international monetary order. By contrast, Agorá's institutional design fits squarely within the existing hegemonic system. Despite these differences, the article argues that both projects face important institutional limitations in accommodating the expansion of international trade and investments while avoiding the accumulation of structural global imbalances.

What is ultimately at stake with these initiatives is therefore not just technical efficiency, but the future of the international monetary system and its potential disruption: who gets to build the infrastructure of global payments, under what rules, and in whose interest? As argued throughout, CBDC platforms are not merely technical solutions, they are institutional constructs that reflect competing visions of the international monetary order and conflicting interests in the control of the provision of global liquidity.

The institutional divergence between mBridge and Agorá is analytically revealing. MBridge reflects the priorities of emerging economies seeking monetary autonomy and disintermediation from dollar-based infrastructures. Agorá, by contrast, reflects the

conservative logic of advanced economies which aim to modernise without fundamentally altering the balance of public–private responsibility and, most importantly, without jeopardising US monetary hegemony and the system of economic warfare carried out through sanctions and the increasing weaponisation of the dollar.

The recent BIS withdrawal from mBridge highlights how geopolitically charged these experiments have become, and how contested the reconfiguration of global payment systems now is in a multipolar world.

This article offers only an initial mapping of the terrain, and important questions remain regarding the viability and scalability of these models and, consequently, their broader implications for US dollar dominance. The EPU may serve as a benchmark to assess the current state of play and future scenarios, particularly concerning the adequacy of monetary governance structures to facilitate multilateral trade, finance temporary imbalances, and avoid the buildup of persistent disequilibria.

Notes

1. It is important to emphasise that this apical position is not given, but reflects a historically constructed capacity, which central banks must continuously preserve (Gobbi *et al.* 2025, Knafo 2013).
2. A similar infrastructure based on correspondent banking characterised the international gold sterling standard (Schenk 2023).
3. More than US$12 million of CBDCs were issued onto the platform, facilitating over 160 payment and FX PvP transactions with a total value exceeding US$22 million.
4. Agorá is the only BIS-sponsored cross-border payments project that includes the Fed as a participant (Duran 2025). Moreover, four of the six other participating central banks, the Banque de France, the Swiss National Bank, the Bank of England, and the Bank of Japan, belong to the Fed's standing network of reciprocal swap lines, while the remaining two participants, the Bank of Mexico and the Bank of Korea, have also received emergency dollar liquidity through temporary swap line arrangements on several occasions (see Spielberger 2025).
5. In so doing, the project reinforces those arrangements that have underpinned the financialisation and globalisation of international finance in recent decades, notwithstanding the structural fragilities and systemic risks associated with them (Biondi 2018, 2023).

Acknowledgements

Earlier versions of this article were presented at the ECPR Joint Sessions workshop *The Future of FinTech: Money, Power and Finance in the Digital Age* (Charles University, Prague, May 2025), a workshop dedicated to the special issue (European University Institute, Florence, November 2025), the DEEP Final Workshop *How Will CBDCs and Stablecoins Redefine the International Monetary System?* (Università degli Studi di Milano, Milan, November 2025), and the *Central Banking and Monetary Power* panel at the BISA Annual Conference (Brighton, June 2026). We are grateful to participants at these events and to the four anonymous reviewers for their constructive comments. We also thank the editors of this special issue for their guidance and encouragement throughout the publication process. Finally, we are grateful to Pasquale Emanuele De Girolamo for helpful discussions and comments on earlier versions of the article.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by the Italian Ministry for Universities and Research, grant PRIN PNRR 2022, financed by the European Union – Next Generation EU. M4.C2.1.1. Project Code: P2022EZBTE, CUP: G53D23006790001. Jacopo Maria Magurno also acknowledges support from the Economic and Social Research Council (ESRC) through the South East Doctoral Training Arc (SEDarc) Doctoral Training Partnership (Grant reference code: ES/Y001656/1).

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