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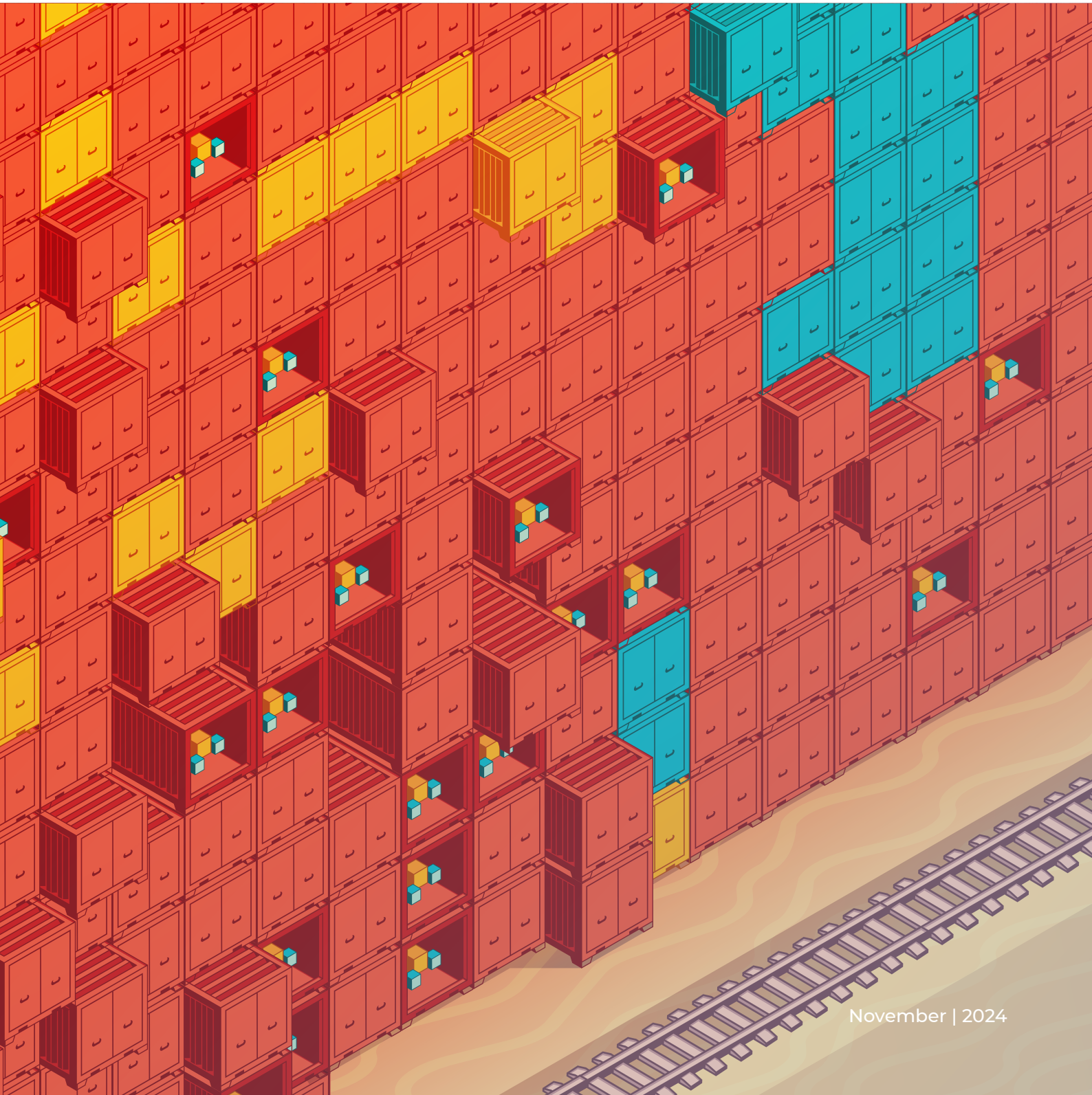
Report

DIGITAL CROSS-BORDER PAYMENTS



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INTRODUCTION

Traditional mechanisms for cross-border payments in international trade are based on the use of banking networks, financial institutions and specialized money transfer systems. A key feature of the existing system is the “network effect,” which is seen in the increase of the platform’s value as the number of its users grows. This effect, among other things, determines the status of the US dollar as the dominant world currency.

Traditional methods of making international payments through correspondent bank accounts are characterized by inefficiency and low accessibility for developing countries. On average, international transfers take from three to five days, but in the event of unforeseen circumstances, this period can increase significantly. In addition, there is the problem of high bank fees, which vary depending on the region, creating an unequal playing field for international business. For example, in Europe, the average fee for a cross-border transfer is less than two percent of the amount, while in Latin American countries it can exceed seven percent.

The above factors have a negative impact on the confidence of developing countries in the modern global monetary system and the existing settlement and payment infrastructure, and also necessitate the development and implementation of a new concept of cross-border settlements.

THE SEARCH FOR ALTERNATIVE MECHANISMS

In recent years, the relevance of searching for alternative solutions in the field of cross-border payments has also been associated with sanctions restrictions against Russia, which negatively affect international trade not only in the Eurasia region, but throughout the world.

In June 2024, the European Union adopted the 14th package of sanctions, which includes a ban on European companies using the Russian Financial Messaging System (similar to SWIFT).

Shortly before this, the US Treasury Department expanded the sanctions list to include over 200 legal entities and more than 30 individuals, including from China. The sanctions have affected the Moscow Exchange and its subsidiaries. In this regard, exchange trading and settlements in US dollars and euros were suspended.

In addition, as part of a set of restrictive measures, the US Treasury issued an updated memo on compliance with sanctions standards. Its purpose is to notify foreign financial institutions of the risks of secondary sanctions when participating in significant transactions involving blocked Russian individuals.

The document expands the range of possible application of secondary sanctions against foreign financial institutions for transactions with Russian blocked persons, as well as transactions involving dual-use goods.

According to the Central Bank of Russia, every fourth Russian exporting company encountered difficulties in arranging settlements with foreign counterparties in July 2024. The main problems with payments in the currencies of friendly countries, respondents noted, were the blocking or refunding of payments, as well as long periods of crediting them. In particular, Chinese banks have significantly tightened requirements for transactions with Russia due to the threat of secondary sanctions from the United States. As a result, billions of yuan have been frozen, and payments have been delayed for weeks.

Payments through intermediaries

Some Russian companies began using intermediaries in third countries to circumvent restrictions, which has led to a sharp increase in the cost of transactions — payment processing fees increased from virtually zero to 6%. This has made the work of small and medium-sized enterprises especially difficult, many of which are facing the threat of closure. According to market participants, at the moment the share of payments for the import of goods from China with the participation of intermediaries is about 70-80% of the volume of payments. Payments through intermediaries have become common practice for both exporters and importers. In general, the algorithm for making payments through intermediaries is presented in the diagram below. The commission for the payment agent's services is 3.5-4% on average, plus the cost of the payment order depending on the volume of payments: when a certain threshold is crossed, the commission tends to decrease. In addition to the payment agent's commission, the client covers the agent's costs for conversion, which are usually calculated as the current rate (benchmark) plus two rubles (for the dollar and euro). The term for executing a payment order is from one to three days.

According to market participants, the above scheme for making payments through agents is significantly complicated when it is necessary to do so with counterparties in jurisdictions which are unfriendly to Russia. In this case, the number of intermediaries increases significantly, as does the speed of payment — up to three to seven days.

GENERAL ALGORITHM FOR MAKING PAYMENTS THROUGH PAYMENT AGENTS (IMPORT TO RUSSIA)

1. Provide in the contract with the foreign supplier the possibility of payment through a third party.
2. Conclude an agency agreement with an intermediary company in a friendly foreign jurisdiction.
3. Open an account in a Russian bank with which the agent works for settlements. Registration for currency control (if the transaction is more than 1 million rubles).
4. Transfer the funds in rubles to the agent's account in a Russian bank (agent's fee and the main payment).
5. The agent makes a payment to the foreign supplier in foreign currency in accordance with the invoice.
6. The foreign supplier ships the goods, the importing company carries out customs clearance.

Source: compiled by the authors

In order to facilitate foreign trade activities amid difficult international conditions, the Central Bank of Russia relaxed currency control rules in April 2024. The following changes were made:

1. The currency control threshold has been increased from 600,000 to 1 million rubles, i.e. when carrying out a transaction of up to 1 million rubles, only the currency transaction type code is reported to the bank, without transaction documents.

2. The right of companies to pay under a registered foreign trade contract through any authorized bank, and not only via the one in which they are registered, has been secured.

3. The obligation of businesses to send shipping, consignment and other documents confirming the movement of goods within the EAEU to authorized banks has been cancelled. The Federal Customs Service will exchange these documents with banks independently.

4. The features of submitting documents to the bank on transactions with foreign counterparties in cash and generating reports on such transactions (within the framework of special economic measures) have been determined; 45 days are given to register such a contract.

In order to circumvent difficulties with payments, some Russian companies are finding other, temporary solutions. A number of companies, for example, have switched to buying gold with subsequent transportation to Hong Kong and selling it there to credit funds to bank accounts. However, it is obvious that such decisions fail to provide a systemic way out of the situation.

Barter transactions

Another relevant solution for bypassing financial restrictions is barter transactions, in which the parties exchange goods without using cash.

Barter transactions can be divided into three types:

1. Closed barter transactions, which involve only two companies. These include counter deliveries — an exchange of goods of similar value, as well as counter purchases — when company A receives goods from company B and sells them, and the proceeds are used to purchase another product in which company B is interested.

2. Open barter transactions — a multilateral exchange of goods in certain proportions.

3. Tolling, in which one company provides another with facilities for the production of a batch of goods, part of which is then paid as a reward.

The main advantage of barter transactions is the ability to implement them in conditions where traditional payment methods may be limited or difficult.

The key risk of such transactions is associated with the conclusion of the contract, namely, with determining the fair value of the goods for the equivalent exchange. In addition, even after the contract is signed, there is a market risk of fluctuations in the price of goods or services, which may result in significant losses for one of the parties. The listed mechanisms are only temporary solutions and cannot be used long-term due to their specificity and the high transaction costs associated with them.

DIGITAL SOLUTIONS

A promising vector for the development of the existing cross-border settlement system is digital payments based on distributed ledger technology, which have a number of advantages over traditional mechanisms. These include the speed of transactions, reduced transaction costs due to a reduction in the number of intermediaries, increased financial inclusion for developing countries and small businesses, a high level of transparency and traceability of transactions, as well as resistance to external challenges in the form of sanctions and regulatory restrictions.

The creation of a digital cross-border payment system requires the formation of a legal framework for regulating the industry in order to ensure the safety of market participants, as well as significant financial investments from interested governments to form the necessary settlement infrastructure.

At the moment, countries are at different stages of introducing digital instruments into national financial systems. In addition, the availability of various instruments for implementing digital international payments raises the question of determining the most optimal and effective mechanisms.

Cryptocurrencies

One of the trending areas of digital payments in international trade is settlements using cryptocurrencies. A cryptocurrency is a form of digital currency that uses cryptography to ensure security and operate on the basis of distributed ledger technology. They are decentralized and are not controlled by central banks or governments.

The most common of these are unsecured cryptocurrencies, which do not have an underlying asset or a specific issuer that bears responsibility. The value of such assets is determined by supply and demand, which causes significant fluctuations in their price. These include Bitcoin, the most famous cryptocurrency, as well as its alternatives.

Another type is stablecoins — cryptocurrencies that are tied to the value of traditional assets, such as fiat currencies (for example, the US dollar) or commodities (for example, gold). In this case, the ‘coin’ is bound to a physical asset or issued via a special algorithmic system that limits exchange rate fluctuations, helping to minimize the volatility which is characteristic of most cryptocurrencies. For example, the most popular stablecoin, USDT or ‘tether’, is pegged to the US dollar at a one-to-one ratio. The stability of the exchange rate and the absence of a speculative component determine the attractiveness of stablecoins for use in cross-border economic activity.

Now cryptocurrencies are already actively used by a number of countries in international trade when making payments.

Singapore and the UAE have the most reliable legislation regarding the mining and circulation of cryptocurrencies, welcoming digital innovations and supporting the crypto industry with tax breaks.

In order to circumvent US sanctions, Iran legalized the circulation of cryptocurrencies in 2019 and recognized mining as an industrial activity, and in 2022 officially secured the possibility of using cryptocurrencies to import goods.

China, on the other hand, legally prohibits cryptocurrency transactions within the country, conducting most transactions under the supervision of Central Bank of China structures via Hong Kong, where cryptocurrencies are legal and legitimate. Hong Kong is one of the leaders in integrating cryptocurrencies into its financial system and takes serious measures to ensure the security of transactions, as well as protection against the legalization of criminal proceeds. It is important to note that in August 2024, the Supreme People's Court and the Supreme People's Procuratorate of the PRC recognized transactions with illegally obtained virtual assets, including cryptocurrencies, as a method of money laundering. In this regard, the media has erroneously reported a complete ban on cryptocurrency transactions in China. In fact, this change in legislation does not equate cryptocurrency trading with money laundering and does not change mainland China's policy on this type of asset, allowing, as before, transactions to be carried out through other jurisdictions, including Hong Kong.

The EAEU countries are actively developing their regulation of cryptocurrencies, which has had a positive effect on the development of the crypto industry in the form of legalization of the activities of market participants and ensuring the security of transactions. In recent years, the Union's member countries have paid special attention to the issue of cross-border payments using cryptocurrencies, which is associated with increased sanctions pressure on Russia and the need to find alternative channels for financial transactions. At the moment, the EAEU states have different norms and regulations regarding the use and circulation of cryptocurrencies, but their positions in this area of legislation are gradually converging. It is worth noting that the main focus is on regulating mining, taxation and preventing the use of cryptocurrencies for illegal activities.

Among the Union members, one of the leaders in the development of regulation regarding the cryptocurrency market is Belarus, which was the first in the EAEU to define and legalize cryptocurrencies and smart contracts at the legislative level. Decree No. 8 «On the Development of the Digital Economy,» signed by President Alexander Lukashenko in 2017, allows the purchase and sale of cryptocurrency, albeit only via official national exchanges and through exchange operators that are residents of the High-Tech Park — a special tax and legal regime created for the development of the IT industry in Belarus. According to Belarusian law, cryptocurrencies cannot be a means of payment in either domestic or cross-border settlements.

In Kazakhstan, the legal framework for regulation in the cryptocurrency sector was established in 2020 by including new provisions on digital assets and mining in existing legislation. Since 2021, Kazakhstan has become one of the world leaders in cryptocurrency mining after large mining companies left China due to a state ban on this activity. Low electricity prices in the country also contributed to the development of mining in Kazakhstan. Further, in order to comprehensively regulate the cryptocurrency market in 2023, the country's President Kassym-Jomart Tokayev signed the law "On Digital Assets," which establishes rules regarding mining, exchange and trading, as well as the issuance of cryptocurrencies. As in Belarus, any operations related to cryptocurrencies in Kazakhstan are permitted only under an experimental legal regime within the Astana International Financial Center. In Kazakhstan, as in Belarus, cryptocurrency cannot currently be used as a means of payment.

In Russia, the cryptocurrency market was also in a grey area until recently; the status of cryptocurrencies was not defined at the legislative level, which was expressed in the absence of either a direct ban on their use in settlements or their recognition as a means of payment. At the same time, Russian authorities, including the Central Bank, have repeatedly noted the growth in the use of cryptocurrencies in international settlements. Thus, the absence of a direct ban allowed the use of cryptocurrencies in cross-border economic activity with the help of intermediaries. The scheme for making cross-border payments in this case is similar to a standard payment with the involvement of a payment agent and looks like this:

1. Conclusion of a foreign trade agreement between the client and the supplier, which must provide for the possibility of settlements in cryptocurrency and indicate the details of the recipient's crypto wallet.

2. The supplier issues an invoice to the client for payment in cryptocurrency and also indicates the details of the recipient's crypto wallet.

3. Conclusion of an agency agreement by the payer company with an intermediary to make a payment under the agreement on behalf of and at the expense of the client.

4. The customer transfers funds under the agency agreement in favor of the intermediary.

5. The intermediary makes a purchase of cryptocurrency at the expense of the client.

6. The intermediary makes a payment under the contract in favor of the counterparty on behalf of the client.

This payment scheme uses stablecoins, the exchange rate of which is tied to fiat currencies. The scheme is actively used for foreign trade settlements between Russia and China in order to bypass financial restrictions that arose after Chinese banks tightened control over transactions to avoid secondary sanctions. The most common method is to involve an additional intermediary in Hong Kong, who receives cryptocurrency in their account, then converts it into cash and makes a payment under the contract. Despite the effectiveness of this approach, foreign trade participants face a number of problems when using cryptocurrencies for cross-border settlements due to the lack of a link between such transactions and bank transfers of funds, which complicates tax, currency and customs control. In this regard, for the full use of cryptocurrencies in international trade, legal legalization of such transactions is necessary, which will take into account their specifics and create control procedures for cross-border payments via cryptocurrency.

On September 1, 2024, a law came into force in Russia that allows the use of cryptocurrencies as a means of payment in cross-border settlements under an experimental legal regime (ELR). According to this law, the ELR program will be approved by the Bank of Russia in agreement with interested departments. Within the framework of the regime, a special settlement procedure will be developed, and the participants and terms of the experiment will be determined. The main goal of the ELR is to create a legal and technological infrastructure for international cryptocurrency transactions, which will increase the transparency and security of payments. The main advantage of the regime will be the ability to make settlements with foreign counterparties without the participation of a payment agent or the need to withdraw funds outside the country. The first payments under the ELR are expected to be made by the end of 2024. At the moment, within the framework of the ELR, the Central Bank and the Ministry of Finance of Russia have created a focus group to test international cryptocurrency settlements. The list of participants primarily includes large importers of dual-use goods, including electronics, which experience the greatest difficulties with payments. Data on participants and transactions is not disclosed in order to ensure the security of the transactions. In the future, it is planned to scale up the EPR and attract more companies. The experiment may last up to three years; based on its results, a decision will be made on the need to amend the general regulation.

Thus, the use of cryptocurrencies in foreign trade cross-border settlements can be an effective tool for bypassing sanctions restrictions and increasing independence from the traditional financial system. However, cryptocurrencies are considered primarily as a short-term solution for businesses due to the fact that this mechanism is associated with a number of risks.

Firstly, the issuer of the most popular stablecoin USDT — Tether — in 2023 officially announced cooperation with US law enforcement agencies, in particular with the Office of Foreign Assets and Funds Control (OFAC), and the collateral for the stablecoin USDC is placed on American accounts. The use of such currencies by Russian companies is associated with the risk of assets being blocked. Secondly, the creation of a centralized platform operator for the circulation of cryptocurrencies within the EPR entails sanctions risks. The introduction of blocking sanctions against this platform, as well as its participants, may lead to the refusal of foreign businesses to settle in cryptocurrency with Russian businesses. In this case, the main advantage of cryptocurrency in the form of decentralization loses its relevance.

Digital Financial Assets

Digital Financial Assets (DFAs) represent the digital equivalent of securities, that is, they certify the specific obligations of the issuer and the rights of the owner, as specified in the offering.

Types of digital financial assets include monetary claims, the right to participate in the capital of a non-public joint-stock company, the possibility to perform rights on equity securities, and the right to demand the transfer of securities.

Digital financial assets can be secured by any assets, including securities, precious metals, real estate, intellectual property, etc.

Like cryptocurrencies, digital financial assets are based on distributed ledger technology, which makes it possible to automate the process of executing transactions using smart contracts that allow transactions to be carried out without intermediaries.

In Russia, the DFA market is regulated by legislation, according to which information system operators, which are platforms comparable in functionality, rights, and capabilities to traditional exchanges, are responsible for the issuance and accounting of the DFAs.

An important role in market processes is also played by DFA exchange operators, which allow transactions with DFAs to be concluded between different parties. In other words, exchange operators ensure the circulation of DFAs on the secondary market.

The Bank of Russia is responsible for legally registering information system operators and/or DFA exchange operators. At the moment, eleven companies are registered as system information operators; at that time, only the Moscow Exchange and the St. Petersburg Exchange have received the status of authorized exchange operator.

According to experts, in the two years that the DFA market has existed, the total volume of their issuance has amounted to 455 billion rubles, the total volume of their issuance has amounted to 455 billion rubles, including the volume of placements during the first eight months of 2024, amounting to 374 billion rubles, which indicates an active growth of interest in these instruments on the part of companies. The most popular, debt DFAs, account for 95% of the market.

It is important to note that in Russia digital financial assets are not a means of payment; however, in March 2024, the President of the Russian Federation signed a law, which establishes the possibility of using DFAs as a counter-provision under foreign trade agreements concluded between residents of the Russian Federation and their counterparties, and also establishes requirements for their use in international settlements. At the same time, DFAs retain the function of rights of claim and, therefore, are not a pure means of payment under contracts.

Until recently, the main limitation for the use of DFAs in cross-border settlements was that such assets could be issued and circulated exclusively within the Russian financial system, which required the registration of foreign counterparties on Russian platforms and thereby reduced the attractiveness of this instrument for foreign businesses.

In August changes in legislation came into force, which make it possible to circulate and record Russian DFAs abroad.

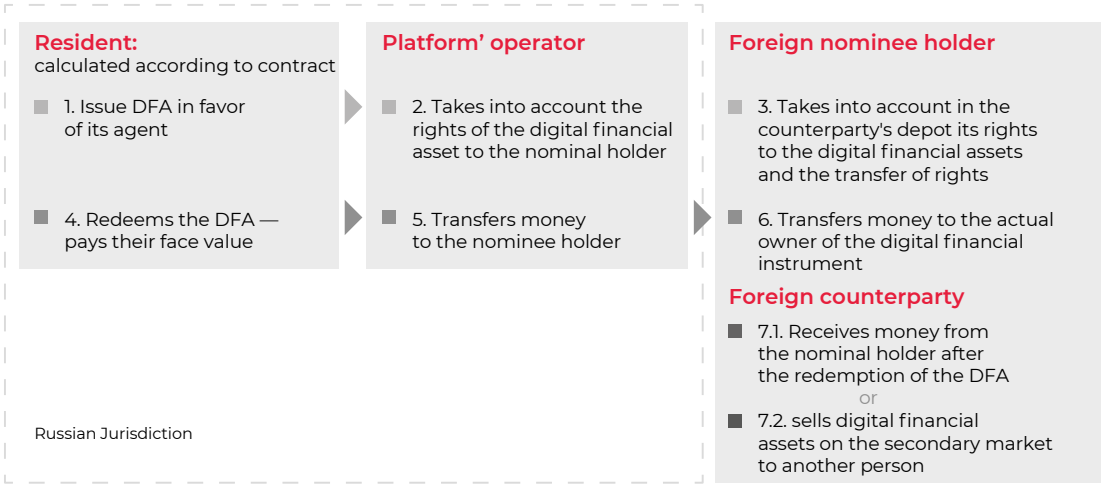
Thus, the mechanism of cross-border mutual settlements for imports using DFAs can be implemented by sending them directly to a foreign counterparty or by transferring assets to it which were previously acquired on the secondary market.

In order to use a digital financial asset in settlements under a foreign trade contract, it is necessary to provide for the counter-provision of a DFA in an amount equivalent to the price of the goods or services, which must also be fixed in the contract. If the contract does not contain this condition, then it will be quite difficult to use a DFA, since in accordance with the law, the counterparty is not obliged to accept a DFA as the repayment of a monetary obligation.

After the transaction is completed, the counterparty can convert the received digital financial assets into cash in two ways:

- by waiting for the issuer to fulfill the obligation to pay cash, as stipulated by the DFA,
- by selling the DFA on the secondary market to a third party.

SCHEME FOR THE COUNTER-PROVISION OF DFAS UNDER AN IMPORT CONTRACT



Source: Bankovskoye obozrenie

In addition, the law now provides for the possibility of circulation and registration of foreign digital rights on Russian platforms as DFA, which allows them to be used in export operations.

Foreign digital rights are understood to mean rights that are issued, recorded and circulated in foreign information systems. In Russia, such rights can be used as DFAs, provided that the operator of the Russian platform recognizes them as corresponding to the characteristics of DFAs. It is important to note that rights that, according to the legislation of the relevant foreign state, can be qualified as securities, cannot be used as DFAs.

In this regard, the main risks arise due to the fact that not all countries have analogues of DFAs, and also because foreign legislation often does not clearly distinguish between securities and digital financial assets. The consequence of this circumstance is increased control over cross-border transactions with DFAs by regulatory authorities for violations of the law.

If an asset is chosen incorrectly, the transaction may be qualified as an illegal currency transaction in Russia, and abroad - as a transaction with securities.

An important advantage of using DFA in cross-border settlements is the lack of need to use funds to complete the transaction, which significantly reduces the influence of external factors due to the absence of intermediaries who can delay or block the transaction.

One strength of DFAs is the high level of confidentiality of transactions: changes in legislation have made it possible to forgo publishing the decision to issue DFAs to specific persons, obliging only the platform operator and the Bank of Russia to provide information. Thus, when conducting cross-border transactions with DFAs, it is possible to do so without publicly disclosing the terms.

At present, the DFA market is actively developing and has fairly high potential in the framework of international activities, despite still needing to solve a number of problems in terms of developing a mechanism for cross-border settlements. An additional impetus for the development of the use of DFAs in foreign economic activity could be Russia's offer to other BRICS countries and their partners to create a unified mechanism for cross-border payments based on the BRICS Bridge settlement platform being developed using DFAs that will be linked to the national currencies of the participating countries.

The use of DFAs within the EAEU could also be a promising mechanism for creating a system of cross-border payments between the Union member countries which is effective, stable and resilient to external challenges.

Central Bank Digital Currencies

The most promising instrument for digital cross-border payments, according to regulators, are central bank digital currencies (CBDCs), which are being actively discussed by governments. In the previous review, CBDCs were considered in the context of digital payment and settlement solutions for rail transit networks in Eurasia; here, the focus is on mechanisms that can ensure the creation of an international payment system using CBDCs.

To ensure the effective use of the CBDC in cross-border settlements, it is necessary to provide for its interoperability with national currency systems. The degree of integration of the payment and settlement infrastructure of different countries depends on the model of interaction of platforms in this case.

At the moment, experts have named three possible models for conducting cross-border payments using a CBDC:

- Model 1 — **Extended interoperability**: assumes the existence of separate independent ecosystems of CBDCs with compatible standards (similar regulatory frameworks, market practices, message formats and data requirements). Settlements in CBDCs are carried out through second-tier banks.
- Model 2 — **interconnected systems**: a deeper level of interoperability. It involves the unification of systems through technical interfaces, common clearing mechanisms or related schemes. In this case, there are no intermediaries for making payments. As a rule, such systems work on a "payment versus payment" scheme: each bank transfers amounts to its own central bank, and then clearing takes place.
- Model 3 — **single multicurrency CBDC system**: involves the creation of a single technological platform for the circulation of several currencies with common interfaces and rules. Settlements can be made using a multilateral "payment versus payment" scheme or using an internal synthetic stablecoin.

The model of a single multi-currency CBDC system is already being implemented in a number of projects. The best known of these is mBridge, a cross-border wholesale project of the Bank for International Settlements. Overall, since 2022, the number of initiatives in the field of cross-border wholesale CBDC projects has more than doubled, reaching 13 to date. In addition, the development of a common settlement and payment infrastructure for CBDCs is being actively discussed among the BRICS member countries.

Although no public statements on this issue were made at the BRICS summit in Kazan in October 2024, the final declaration of the event noted the decisive role of the association in the process of improving the international monetary and financial system and took into account the analytical Report of the Russian BRICS Presidency, one of the key proposals of which is the development of cross-border payments through the development of a platform for mutual settlements based on distributed ledger technology, in particular using the CBDC. As part of the presentation of this report, Russian Finance Minister Anton Siluanov noted that the association expects to reach solutions in the payment and settlement sphere acceptable to all participants within a year.

At present, all the original BRICS countries (members before the 2024 expansion) are at the pilot stage of introducing national CBDCs. For example, Russia has reached the second stage of piloting the digital ruble with an expanded list of participants.

Based on the results of the testing, there are plans to create a roadmap for the implementation of the digital ruble. According to the Central Bank of the Russian Federation, large-scale implementation of the digital ruble is planned to begin in mid-2025 pending the successful completion of the pilot project. In turn, the digital yuan has been the largest pilot project in the CBDC sphere, the accumulated transaction volume of which in June 2024 reached 7 trillion yuan (988 billion USD).

According to a survey of central banks conducted by the Bank for International Settlements, it is expected that by 2030 there could be twenty-four CBDCs in circulation worldwide, of which fifteen will be retail and nine wholesale. Currently, only the Bahamas, Nigeria and Jamaica have fully launched their CBDCs. It is important to emphasize that it is developing countries that are taking more steps to develop and implement their own CBDCs, which indicates their dissatisfaction with the existing global monetary and financial system.

Among the risks of implementing a CBDC, one can highlight issues related to the direct conversion of the CBDC into crypto assets and vice versa, possible currency and capital flows, exchange rate volatility, etc.

There is currently some uncertainty about the long-term impact of CBDCs on the economy and society. Developing the necessary infrastructure and testing it will require significant investments of both funds and time from governments, but a successful CBDC launch will forever change the global financial landscape by creating an inclusive, sustainable and high-tech alternative to the traditional cross-border settlement system. Below is a table that allows you to contrast the characteristics and types of digital payments with each other.

Table 1.

BASIC CHARACTERISTICS OF DIGITAL PAYMENT INSTRUMENTS

	Unsecured cryptocurrencies	Stablecoins	DFA	CBDC
Issuer	No specific issuer	Private companies	Legal entities and individual entrepreneurs	Central banks
Platform	Cryptocurrency exchange	Cryptocurrency exchange	Issue and accounting – information system operators Secondary market – DFA exchange operator Abroad – foreign nominal holder	For domestic circulation (retail system) – central bank platforms For cross-border payments (wholesale system) – multicurrency platforms
Security	No	Yes, except for algorithmic ones	Yes	Yes
Pricing	Speculative	Depends on the exchange rate or the cost of the product to which the coin is linked	Depends on the dynamics of prices of assets that back the DFA	Depends on the national currency's exchange rate
Possibility for use in cross-border settlements	Not a means of payment (possible only within the framework of an experimental legal regime or through a payment agent)	Not a means of payment (possible only within the framework of an experimental legal regime or through a payment agent)	Not a means of payment (possible only as a counter-provision)	Used as a means of payment

Source: compiled by the authors

POSSIBILITIES

The search for alternative mechanisms for cross-border settlements is a critical step for the development of international trade and in ensuring the resilience of national economies to external challenges, including sanctions.

It cannot be denied that traditional mechanisms continue to play an important role in foreign economic activity, but their shortcomings, such as high fees and long transaction times, open up opportunities for more innovative solutions, namely digital payments based on distributed ledger technology.

There are a number of different instruments for making digital payments, including cryptocurrencies, DFAs and CBDCs. The potential for using an instrument in international trade, its scalability and accessibility directly depend on the combination of these characteristics.

Regulators consider the organization of interaction between national CBDC systems to be the most promising mechanism for increasing the efficiency of cross-border payments, while cryptocurrencies and DFAs can be used as a temporary solution.

Cross-border payments using CBDCs may be particularly attractive within interstate associations such as the EAEU and BRICS, which is associated with the desire to reduce dependence on global players such as the US and EU.

Overall, digital cross-border payments are gradually transforming foreign trade, making processes faster, cheaper and more transparent, although significant challenges related to regulation and security remain.