



Digital Assets: Common Governance Against Fragmentation

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Digital
Transformation

Abstract

This policy brief addresses the growing risks of fragmentation in the global governance of Central Bank Digital Currencies (CBDCs) and crypto-assets. As G20 countries pursue divergent regulatory paths— from strict bans to comprehensive legal frameworks and pilot CBDC programmes—the lack of international coordination may result in incompatible infrastructures, increased cross-border transaction costs, and limited interoperability. Despite the intertwined nature of digital currencies and crypto-assets, current policy efforts, such as the G20 Crypto-Asset Policy Roadmap and IMF-FSB reports, continue to treat them as distinct issues, thereby missing critical synergies and systemic risks. The brief proposes a strategic framework centred on five pillars: (1) the development of harmonised governance frameworks, (2) multilateral collaboration through new global accords, (3) inclusive capacity-building programmes, (4) adoption of technology-neutral standards, and (5) alignment with ethical and privacy norms. It advocates for the G20 to bridge this regulatory divide by fostering modular, interoperable systems and coordination. These steps aim to build a stable, equitable, and future-proof digital financial architecture.

Keywords: Interoperability, Crypto-Assets, Coordination, CBDCs, Geopolitical Fragmentation

Diagnosis

The Challenge: Common Governance versus Fragmentation

The governance of Central Bank Digital Currencies (CBDCs) and digital assets resides at the confluence of two key issues: the pressing imperative for strong control regulation and more efficiency and the disjointed character of current regulatory regimes worldwide. While such issues are intrinsically entwined, in reality, they too frequently enjoy discrete treatment, inhibiting the ability to provide stable world finance and promote economic efficiency.

The lack of cohesion is best exemplified in international policymaking. For instance, the G20 has come far with its Crypto-Asset Policy Implementation Roadmap (FSB, Crypto Working Group and IMF, 2024), which aims to reduce the risks associated with crypto-assets using harmonised policy approaches. Nonetheless, this roadmap does not give much thought to CBDCs, despite their central role in the overall digital financial ecosystem (BIS, 2023). For instance, the United Nations (UN), through initiatives such as the Digital Global Compact, encourages the establishment of inclusive and interoperable digital governance frameworks to bridge regulatory loopholes. Such initiatives especially apply to regions where economic disparities are compounded through inadequate access to financial innovations (UNITAR, 2023).

Following this agenda, the Pact for the Future – adopted during the Summit of the Future (UNO, Pact for the Future, 2024) – reaffirms the imperative of closing governance gaps related to financial system digitalisation and broader financial inclusion. In line with these principles, the G20 has a key role to play in aligning CBDC design with crypto-asset regulation in order to develop a stable, efficient and fair global financial architecture.

Recommendations

Strategic Recommendations

- Develop a harmonised governance framework that coherently unites CBDC initiatives with crypto-asset regulation, ensuring regulatory consistency across nations.
- Foster multilateral collaboration by developing agreements under the Paris Accord, aiming to harmonise standards and promote cross-border collaboration.
- Develop capacity-building programmes and foster technological transfer to help countries in need build regulatory frameworks and enhance digital capacity.
- Adopt technology-neutral governance standards to facilitate interoperability across various platforms and financial systems.
- Incorporate equity, ethical norms, and privacy considerations in regulatory mechanisms to preserve human rights and foster equality.

Context

G20 countries have taken divergent approaches to digital assets—some implementing comprehensive crypto-asset regulations, others advancing national CBDC projects, and some promoting fewer regulations on digital assets such as stablecoins. For instance, the United States aims to foster the global proliferation of dollar-backed stablecoins while simultaneously prohibiting the establishment of a CBDC within the country, citing significant concerns regarding financial system stability, personal privacy protections, and the preservation of national sovereignty (The White House, 2025). For its part, China prohibited cryptocurrency trading activities in 2021, citing concerns regarding illegal financial operations and potential threats to national financial security and

stability (BBC, 2021). Concurrently, China has implemented its CBDC, the e-CNY, across several cities and is engaged in cross-border payment transactions utilising CBDC pairs through initiatives such as m-Bridge, which establishes connectivity between the central banking institutions of Hong Kong, Thailand, the United Arab Emirates, and Saudi Arabia (PBoC, 2021). In the European Union, a mixed strategy merges strong crypto-asset regulation with the project of a CBDC. Its crypto-assets regulation imposes comprehensive requirements on token issuers and crypto-asset service providers. On CBDCs, the European Union is progressing with technical experimentation to develop its digital euro project, aiming to modernise the fragmented European payment system and strengthen the strategic autonomy of Europe (ECB, 2025). In Brazil, the Central Bank has been conducting tests on Drex since July 2023, involving participants from both the financial sector and the general public. However, the official launch of Drex has been delayed.

Major G20 economies have adopted divergent policies on digital assets, leading to incompatible infrastructures, higher transaction costs, and regulatory inconsistencies that hinder cross-border interoperability. This fragmentation is intensified by the absence of multilateral coordination and by policy approaches that treat crypto-assets and CBDCs as separate issues. Despite their interconnected nature, global initiatives like the IMF-FSB report (IMF & FSB, 2024) and the G20 roadmap (FSB, 2024), largely overlook CBDCs, while most CBDC projects focus narrowly on technical aspects. This fragmented approach threatens financial stability and undermines the systemic coherence needed for digital finance.

Core Principles for CBDC

Acknowledging the current politicisation of finance and lack of coordination across countries, we recommend the adoption of core governance principles that balance flexibility with baseline standards to maintain an inclusive

approach and follow an organised roadmap, as pointed further in this policy brief. Although greater interoperability between national CBDCs systems would undoubtedly enhance efficiency, it is crucial to recognise that achieving this level of integration may be difficult due to political and regulatory barriers. While a multi-CBDC (mCBDC) platform represents an ideal solution for global financial connectivity, the political feasibility of such a system remains limited at this stage. Sovereignty concerns, regulatory divergence, and geopolitical competition make widespread adoption of mCBDC frameworks unlikely in the near-term. As a result, G20 should focus on incremental steps toward interoperability principles that respect national priorities while laying the groundwork for future collaboration.

- **Adopt Technology-Neutral Regulatory Standards:** G20 should focus on basic functional requirements (such as baseline standard principles on cyber security or privacy, for example) rather than prescribing specific technologies. This approach ensures that future multilateral principles apply uniformly to similar activities, regardless of the underlying technology. The G20 should formally mandate the Financial Stability Board to develop general principles on regulatory standards for CBDC systems.
- **Design flexibility:** A modular CBDC framework would provide the necessary flexibility for central banks to align digital currency policies with national compliance needs while maintaining interoperability through shared standards. For instance, modular architectures can accommodate different data protection regimes without disrupting cross-border payment flows. The G20 should establish a working group on modular CBDC design to coordinate cross-border functionality. For example, Project Nexus, developed by the BIS Innovation Hub, replaces the need for countries to establish multiple bilateral payment linkages with a more efficient hub-and-spoke model. Under this system, domestic fast payment systems (FPS)

connect to a single, standardised platform (Nexus Hub), which facilitates cross-border transactions.

- **Risk-proportionate regulatory requirements:** Regulatory requirements should be proportionate to the level of risk, ensuring that compliance measures do not stifle innovation while maintaining financial stability. A tiered approach - where lower-risk transactions face simplified requirements while higher-risk activities undergo stricter scrutiny - can help balance security with usability. This approach is in line with global regulations on risk management which are increasingly based on risk-proportionate requirements.
- **Neutral coordination:** To ensure neutrality, efficiency, and global interoperability in the evolving landscape of cross-border CBDCs, the G20 should formally mandate the BIS as a neutral coordinator in CBDC experiments. By reinforcing the BIS's role as a neutral facilitator, the G20 can ensure that cross-border CBDC initiatives adhere to basic principles while allowing jurisdictions to maintain sovereignty over their domestic implementations. This approach would provide a foundation for global CBDC cooperation without imposing rigid technical prescriptions, fostering an inclusive and resilient international monetary system.

Coordinated Approach to Crypto-Asset Regulation

Regulation of crypto-assets is especially difficult due to their decentralised and global nature. A synchronised response is necessary to address systemic risks, foster financial stability, and support innovation in the digital financial system. Crypto-asset regulation must go alongside CBDC development. While nonprescriptive on global governance (The South Center, 2025), the Pact for the Future underlines the need for international regulatory convergence to reduce systemic risks while promoting inclusive development. On the basis of these global

agendas, the G20 can lead the way in harmonising crypto-asset governance within broader digitalisation strategies.

In response to these concerns, global responses such as the G20's Crypto-Asset Policy Implementation Roadmap and regional responses such as the European Union's Markets in Crypto-Assets (MiCA) regulation have been significant milestones in standardising supervisory practices. These proposals aim to standardise principles across jurisdictions, balancing innovation with security and consumer protection, and propose frameworks for transparent reserve management and operational resilience. More locally, but with wide international reach, Japan's experimentation with a digital yen collateralised by a stablecoin is a good example of how private-sector crypto-asset innovation and public-sector CBDC initiatives can be complementary (BoJ, 2023). Global collaboration extends past stablecoins, as encouraged by UN's Digital Global Compact, which advocates for interoperable governance frameworks to ensure equitable access to financial technologies worldwide. In this context, capacity-building programmes are essential to enable countries at various levels of development to adopt good regulatory practice. Institutions like the IMF (in partnership with FSB) and BIS (Project Nexus), provide technical assistance and cross-border collaboration. Those programmes and regulatory standards are essential steps towards fostering a strong and inclusive global digital financial system.

Implementation Roadmap

In addressing the digital governance challenge and ensuring effective implementation require a clear and actionable roadmap, the G20 is best placed to spearhead the process through enhanced collaboration among central banks and financial regulatory authorities of member countries, regional governing bodies and third-party countries.

These reinforced initiatives aligned with the G20 Crypto-asset Policy Implementation Roadmap could be benefitted by promoting the following lines of action:

- **G20-Lead cross-border CBDC Pilot Projects:** Initiatives like BIS's Project Nexus and Kazakhstan's Digital Tenge pilot programme, provide precious experience fostering interoperability and efficiency in cross-border payments (BIS, 2023; NBoK, 2023).
- **Capacity-Building Programmes:** International institutions such as the IMF and BIS need to enhance their support for developing nations. Technical assistance and knowledge exchange programmes would help bridge gaps in regulatory capacity (IMF, 2024).
- **Integrated Oversight Mechanisms:** It is also necessary to develop consolidated governance frameworks encompassing CBDCs and crypto-asset regulation to address systemic risk. The G20 must ensure the mechanisms align with the UN Digital Global Compact principles.
- **Convening a G20-Led International Conference on Crypto-Asset Regulation:** The G20 should spearhead the organisation of a high-level international conference aimed at developing a coordinated global approach to crypto-asset regulation. This forum would serve as a strategic platform to bring together central banks, financial regulatory authorities, international standard-setting bodies, as well as representatives from third-party and developing countries.

Through the continuation of these steps, the G20 can give shape to a sustainable platform for a digital financial system that is robust, effective, and inclusive, as well as contribute to a larger financial architecture and its optimal governance

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