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## **CBDCS FOR CROSS-BORDER PAYMENTS: A COMPARATIVE ANALYSIS OF OPPORTUNITIES AND CHALLENGES**

Cross-border payments play a vital role in international trade and commerce. However, the existing system could improve speed, cost, and the number of intermediaries involved. Payments from one country to another often necessitate correspondent banks, legal checks, and foreign exchange, leading to customer delays and frustrations. Central bank digital currencies (CBDCs) have the potential to streamline cross-border payments and reduce reliance on intermediaries.

Some countries have made significant progress towards implementing CBDCs. According to [1] over 80% of central banks worldwide were exploring or researching the implementation of CBDCs in some capacity. For instance, China has been testing its digital yuan since 2020, with over 100,000 merchants accepting the digital currency as of October 2021. Similarly, the Bahamas became the first country to launch a digital version of its currency in 2020, with the Sand Dollar becoming available to all residents. Other countries are also exploring the use of

CBDCs for cross-border payments. The Bank of Canada, the Monetary Authority of Singapore, and the Bank of England have collaborated on the Jasper-Ubin project, which explores the use of CBDCs for cross-border payments between Canada, Singapore, and the UK. The European Central Bank has also launched a digital euro project, with a public consultation in late 2021 [2].

CBDCs have been the subject of extensive academic research in recent years. From a theoretical standpoint, CBDCs raise questions about public and private money provision and the central bank's ability to use CBDCs to transmit monetary policy directly to households [3]. Recent studies have evaluated the implications of CBDCs for monetary policies, focusing on a standard policy, where the central bank holds treasuries, and quantitative easing, where the central bank possesses risky securities [9].

CBDCs are expected to have significant implications for the banking industry, potentially altering the dynamics of financial intermediation and impacting bank profitability. While CBDCs could displace some services commercial banks provide, banks may still find opportunities to innovate and introduce new digital business models in the changing landscape. On the other hand, CBDCs necessitate the establishment of novel regulatory structures and adherence protocols to ensure their secure and efficient operation in the finance sphere, possibly leading to increased compliance costs for banking institutions [3].

Several studies have examined the potential effects of CBDCs on an entire banking sector, concluding that incorporating CBDCs does not hinder bank lending functions and may even foster competition among banks [6]. Furthermore, there is a growing demand for CBDCs that integrate digital ID systems to ensure their secure application within the financial realm [5].

CBDCs are also scrutinised for their potential consequences on international money transfers, emphasising instantaneous and more effective transactions [3; 6; 9]. However, most CBDC projects still have a domestic focus, and interoperability and a unified model for cross-border payments between different CBDCs are necessary. Multi-CBDC arrangements have been suggested to improve cross-border payment efficiency and reduce costs. However, technical considerations related to the minting, distribution, and payment rails of CBDCs must be addressed to ensure a seamless cross-border payment system.

This paper aims to provide insights into the potential impact of CBDCs on cross-border payments. A comparative analysis aims to better understand the prospects and obstacles associated with CBDCs in international transactions, as well as their broader implications for the financial industry. This study will contribute to the ongoing conversation about the future of currency and finance, providing critical perspectives on the influence of CBDCs on global payments and the broader financial structure.

The Bank for International Settlements (BIS) has proposed three frameworks for establishing wholesale CBDCs and enhancing the effectiveness of global transactions [1].

The first framework is the harmonised CBDC system, which aims to establish compatible CBDC systems by adhering to global norms. This model emphasises standardisation in the technical aspects of CBDCs, such as design, issuance, and distribution. Doing so ensures that CBDCs from various central banks can work together effortlessly, irrespective of their specific design or implementation. This model could prevent fragmentation and incompatibility among different CBDC systems, which might impede the efficiency of international transactions.

The second model involves a mutual platform for CBDC issuance and interbank settlements. This model emphasises the creation of a shared infrastructure for CBDC issuance and interbank payments, reducing the complexity and costs of global transactions. This platform would provide a common infrastructure for participating central banks to issue and circulate their CBDCs and reconcile transactions between them. This model could reduce the need for intermediaries, such as correspondent banks, in global commerce, thus lowering transaction expenses and enhancing efficiency.

The third framework proposed by BIS encompasses a common platform for global transactions. This model seeks to develop a shared infrastructure for international transactions, enabling central banks to settle transactions with each other directly. This would decrease reliance on intermediaries like correspondent banks or payment processors. This model could lower the costs and complexity of international transactions while increasing transparency and security.

Acknowledging that each framework presents its challenges and implementation concerns is crucial. For example, the compatible CBDC system may require significant coordination among central banks and the development of shared technical standards. The shared infrastructure for global transactions might necessitate considerable collaboration between central banks and the establishment of joint legal and regulatory structures.

Notwithstanding these challenges, the possible advantages of these models are substantial. By enhancing efficiency and decreasing the expenses of international transactions, they could encourage global economic expansion and diminish financial exclusion. Nevertheless, thorough contemplation and coordination among central banks and other stakeholders will be crucial for successfully implementing a shared infrastructure for CBDC issuance and interbank settlements, reducing the intricacy and expenses of global transactions. This platform would offer a common infrastructure for participating central banks to issue and circulate their CBDCs and reconcile transactions between them. This

concept could decrease the need for intermediaries in worldwide commerce, such as correspondent banks, cutting transaction costs and increasing efficiency.

Table 1

**Potential opportunities  
and challenges for international payments with CBDCs**

<b>Opportunities</b>	<b>Challenges</b>
1. Real-time payments between banks	1.1 Interoperability of different CBDC systems 1.2 Development of shared technical standards
2. Reduced settlement times and lower costs	2.1 Technical considerations related to minting, distribution, and payment rails. 2.2 Coordination among central banks for a unified system
3. Enhanced transparency of cross-border payments	3.1 Compliance with AML/CFT regulations 3.2 Data privacy and security concerns
4. More efficient compliance with AML/CFT regulations	4.1 Development and implementation of robust compliance measures 4.2 Balancing compliance requirements with ease of use for end-users
5. Reduced reliance on intermediaries	5.1 Transitioning from traditional correspondent banking models. 5.2 Ensuring accessibility and resilience of the new payment infrastructure
6. Encouraging financial innovation	6.1 Impact on the traditional banking sector 6.2 Legal and regulatory frameworks for emerging financial services

Sources: [1; 6].

CBDCs hold great promise for enhancing the efficiency and security of international payments, as detailed in Table 1. Among the most significant opportunities presented by CBDCs is their potential to enable real-time payments between banks, thereby reducing settlement times and associated costs. This, in turn, could bolster the transparency and efficiency of cross-border payments, simplifying the monitoring of fund transfers and facilitating more effective adherence to anti-money laundering (AML) and counter-terrorism financing (CTF) regulations.

By streamlining real-time payments, reducing settlement durations and costs, and promoting compliance with AML/CTF regulations, CBDCs could revolutionise international transactions, making them more efficient, secure, and transparent. Banks and businesses involved in cross-border trade benefit significantly from these improvements, as they can facilitate quicker and safer payments, reduce reliance on intermediaries, and lower transaction expenses.

Despite these opportunities, several challenges must be addressed to realise the full potential of CBDCs for international payments. Interoperability between different CBDC systems represents a primary concern. As central banks develop their CBDCs, fragmentation and incompatibility among systems could hinder the efficiency of cross-border payments. To mitigate this risk, the Bank for International Settlements has proposed a harmonised CBDC system that adheres to international standards, ensuring interoperability between different CBDC systems.

Technical considerations, such as minting, distribution, and payment rails, pose challenges for CBDCs in international transactions. Establishing a complex infrastructure – including secure digital wallets, payment rails, and digital identity verification systems – is crucial for CBDCs to function effectively. Ensuring this infrastructure is safe and accessible to all users, particularly those in less developed countries, is paramount for CBDCs' success in global transactions.

Moreover, compliance with AML/CTF regulations presents a challenge for CBDCs. If not effectively regulated, CBDCs could inadvertently facilitate illicit financial flows. To address this, CBDCs must have robust compliance procedures, including transaction monitoring, reporting standards, and know-your-customer (KYC) regulations. Integrating CBDCs with existing AML/CTF frameworks could streamline monitoring and enforcement, allowing financial institutions and regulators to identify and address potential risks more effectively [7].

In addition to these challenges, central banks and other stakeholders must collaborate to ensure universal access to CBDCs across developed and less developed countries. This entails addressing issues such as digital literacy, financial inclusion, and access to the necessary technological infrastructure. A concerted effort is needed to develop strategies that promote equitable access to CBDCs and foster financial inclusion.

Balancing privacy and transparency in CBDC transactions is another critical challenge. While enhanced clarity can help combat illicit activities, it may raise concerns about user privacy and data protection. Central banks and regulators must develop guidelines that balance maintaining the necessary transparency to enforce AML/CTF regulations effectively and protect user privacy.

The M-CBDC Bridge Project is a prime example of collaboration among central banks to improve cross-border digital transactions and enhance the efficiency of payment systems. Launched in 2019, the project explores the technical feasibility of employing CBDCs for international transactions. Its objectives encompass the development of a proof-of-concept for a CBDC-based cross-border payment system, examining distributed ledger technology (DLT) for global commerce and establishing a shared platform for settling international payments using CBDCs [8].

Considerable progress has been achieved in realising the project's goals. In 2020, the M-CBDC Bridge Project published a report outlining the technical specifications for a prototype CBDC-based international payment system. This prototype, built on DLT, leverages smart contracts to automate the settlement of cross-border transactions.

The system also incorporates anti-money laundering and know-your-customer checks to ensure regulatory compliance.

The M-CBDC Bridge Project holds significant importance as it signifies a cooperative endeavour among multiple central banks to investigate the potential of CBDCs in global transactions.

The project's focus on creating a unified platform for settling international payments with CBDCs is particularly noteworthy. This pioneering initiative could pave the way for a worldwide CBDC system that facilitates real-time international transactions, circumvents intermediaries, and minimises settlement times and costs. By bridging the gaps between different CBDC systems, the M-CBDC Bridge Project demonstrates the potential of collaborative efforts in overcoming some of the critical challenges facing CBDC implementation for international payments.

Thus, CBDCs have been identified as a potential solution to challenges in global transactions. CBDCs can boost the efficiency of international transactions by enabling real-time payments between banks, decreasing settlement times and costs, and enhancing payment transparency. However, using CBDCs for worldwide commerce, on the other hand, involves several problems, including interoperability, technological issues, and regulatory compliance. Notwithstanding these obstacles, academic research suggests that CBDCs have the potential to transform international transactions by increasing speed, security, and cost reduction.

Further study and collaboration among central banks and other stakeholders are required to create effective ways for implementing and employing CBDCs in global transactions. CBDC has a sizeable international dimension in facilitating global transactions. Central banks and other stakeholders must work together to address these issues and realise the potential benefits of CBDCs for global commerce.

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## **ACHIEVING THE SUCCESS OF THE HILTON WORLDWIDE CORPORATION NETWORK (FROM THE HISTORY OF HOTEL BUSINESS MARKETING)**

The history of the world-famous HILTON group of corporations demonstrates a successful example of the application of hotel technologies and innovations, compliance with high standards of service quality, capture and retention of its share of the service market through the introduction of the philosophy of hospitality.

Due to the set of principles, Konrad's brands have acquired a well-known appearance against the background of competitors. In Table 1, based on numerous publications and countless advertising sources, the main components of success and directions for realizing the victory of the corporation are outlined.

Consequences are systematized by groups: the leading role of the founder of the Hilton Hotel Groupe corporation, Mr. Konrad Hilton, milestones in the