

mBridge project accelerates CBDC adoption amid global financial shifts

mBridge Overview

The mBridge project, supervised by the Bank of International Settlements (BIS), has attracted significant media attention as a transformative step towards the future of finance. This Ethereum-compatible blockchain features the mBridge Ledger, which allows smart contracts to automatically initiate financial transactions, seamlessly connecting digital wallets with wholesale central bank digital currencies (wCBDCs) across multiple nations.

As a cross-chain solution for CBDCs, which are usually built on separate distributed ledger technologies, mBridge has been a catalyst for international collaboration throughout its nearly four-year development. The project unites efforts from the BIS Innovation Hub and the central banks of the UAE, China, Thailand, and the Monetary Authority of Hong Kong, with Saudi Arabia recently joining. Over 26 countries have expressed interest in tracking mBridge's development, and at least three more central banks have joined the monitoring group this year.

mBridge's functionality has been tested successfully several times, notably on January 29, 2024, when the UAE sent 50 million digital AED (equivalent to \$13.6 million) to China using its digital dirham. The successful transaction further accelerated the UAE's digital dirham strategy, which was officially launched in March 2024. The UAE now plans to scale its use of mBridge by mid-2025, with an emphasis on expanding CBDC transactions with India, its primary trading partner, and preparing for the domestic launch of the digital AED.

Global Impact and the mBridge Challenge

mBridge represents a significant step towards the practical adoption of CBDCs, particularly for countries like the UAE. However, a global challenge remains: finding a scalable niche where cross-border CBDC transactions can achieve rapid growth and adoption. Despite the technological progress, CBDCs have yet to make a major impact on world trade, where traditional systems like SWIFT still dominate, processing \$16 trillion in daily transactions.

The dominance of the US dollar persists, with SWIFT payments in USD reaching an all-time high, accounting for 48.03% of all transactions. In contrast, the US has resisted the development of its

own digital currency, with the passage of the **CBDC Anti-Surveillance State Act** by the House of Representatives in May 2024, which could effectively block the launch of a digital USD if it becomes law.

Nonetheless, initiatives like mBridge, alongside similar projects such as Aber, Dunbar, and Mariana, hint at a future where central banks will increasingly rely on distributed ledger technology (DLT) to facilitate cross-border CBDC transactions. This future could be further propelled by the rise of artificial intelligence (AI) entities, which may eventually leverage these systems for international payments.

AI, Crypto, and the Future of Finance

AI systems, increasingly independent from human oversight, may soon begin to play a larger role in the financial sector, including the use of cryptocurrencies and NFTs as their own form of currency. Already, AI's influence is beginning to disrupt traditional structures. Although current patent laws in the US and EU do not recognise AI as inventors, these systems could explore alternative registration methods using NFTs, bypassing legacy intellectual property systems.

As AI becomes more integrated into global finance, cryptocurrencies could become the financial instruments of choice for these AI entities, just as fiat currencies are for humans. Crypto transactions between AI entities could become routine, especially if pro-crypto leadership emerges, such as the potential election of a US president in 2024 who supports digital assets.

Crypto's Role and Its Underestimated Potential

Some observers argue that cryptocurrencies have not yet fulfilled their transformative potential. However, this perspective overlooks the structural barriers that have been deliberately put in place by the global financial system. Cryptocurrencies pose a challenge to the pillars of traditional finance, and while initiatives like Bitcoin futures (launched in 2017) and Bitcoin and Ethereum ETFs (introduced in 2024) have integrated crypto into the world of financial derivatives, this has largely been to channel crypto into speculative markets, rather than to fulfil its original promise of decentralisation and financial autonomy.

Conclusion: A Distributed Ledger System as a Modern Solution

The mBridge project and similar initiatives highlight the growing importance of distributed ledger technology (DLT) in modern finance. DLT, with its decentralised and transparent nature, offers a solution to many of the inefficiencies of the current US dollar-dominated financial system. By allowing central banks to transact directly through wCBDCs, bypassing traditional intermediaries like SWIFT, DLT could democratise international trade and financial settlements.

The adoption of a distributed ledger system presents a challenge to the existing system dominated by the US dollar and Western financial institutions. In the current structure, countries that trade with each other often rely on US-dominated systems, even when the US is not involved in the transaction. For instance, trade between Brazil and Turkey might still be settled through banks in New York or London. By contrast, DLT would allow countries to settle trades directly with one another, reducing the need for intermediaries and lowering the costs associated with cross-border payments.

In this context, the rise of blockchain-based CBDCs and DLT infrastructure could reshape the global financial landscape, offering a more equitable and efficient system. It would challenge the dominance of the US dollar and reduce the reliance on Western financial centres, potentially ushering in a new era of financial sovereignty for many nations. While the transition may be gradual, distributed ledger technology is poised to offer a modern solution that addresses many of the challenges and inefficiencies of the existing system.

See also:

- [The US Dollar-Dominated International Financial System and Its Impact on Global Economies](#)

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