

4. BRICS Digital Currencies – Economy

Recently, the Reserve Bank of India (RBI) has recommended that the linkage of BRICS Central Bank Digital Currencies (CBDCs) be placed on the agenda of the 2026 BRICS Summit to simplify cross-border trade, tourism, and payment settlements, which India will host later this year

BRICS–CBDC Linkage

1) Background- Why the “BRICS CBDC linkage” idea is gaining traction

Rio de Janeiro BRICS Declaration (July 6, 2025) signalled political intent to improve cross-border payments and explicitly acknowledged work on the BRICS Cross-Border Payments Initiative and the potential for greater interoperability of BRICS payment systems through the BRICS Payment Task Force. In January 2026, Reuters reported that RBI has proposed linking BRICS CBDCs to enable smoother trade/tourism payments, building on the 2025 BRICS language on interoperability. India’s domestic foundation– RBI’s Digital Rupee (e₹) continues in retail and wholesale pilots; the RBI’s official FAQs (updated Nov 20, 2025) confirm pilots in both segments.

Offline capability direction– public communications around 2025 fintech events indicate an “offline e₹” push for resilience and inclusion, which strengthens India’s claim to be ready for cross-border experimentation.

“Interlinking BRICS CBDCs”

A digitally connected settlement ecosystem where participating BRICS central banks can enable CBDC–to–CBDC cross-border transfers for–

1. trade invoice settlement
2. tourism and remittances (where permitted)
3. investment-related payments, subject to capital controls

It is best understood as a payments-layer interoperability project, not necessarily a single “common BRICS currency.” The idea is being discussed as a formal agenda item for the next BRICS cycle (reported as a proposal to be raised for a future BRICS summit hosted by India).

Objectives– Why BRICS would want a CBDC linkage

A) Faster, cheaper cross-border payments

Reduce transaction time (near real-time) and fees compared to

1. correspondent banking chains
2. multiple intermediaries
3. limited operating hours in legacy systems

Improve settlement certainty for MSME trade and tourism payments.

B) Reduce US dollar dependence (de-dollarisation at the margin)

Enable direct settlement in local CBDCs, lowering the need for USD as an intermediate settlement asset.

Important nuance– Reuters notes RBI has indicated it does not necessarily frame the move as “de-dollarisation,” even if it can reduce USD reliance in practice.

C) Strengthen financial sovereignty

Maintain national control over

1. monetary policy transmission
2. capital flow management
3. settlement visibility and compliance architecture

Avoid dependency on private foreign payment rails or single-currency chokepoints.

D) Technology and standards leadership

Build shared standards for

1. messaging formats
2. identity/credentialing
3. compliance checks
4. settlement finality rules

This can position BRICS to shape emerging global norms for CBDC interoperability.

CBDC basics

CBDC– a central-bank issued digital legal tender, equivalent to sovereign money, held and transferred electronically.

Not a cryptocurrency– CBDCs are state-backed and operate under a regulated framework; cryptos typically lack sovereign backing and can be volatile.

Types

Retail CBDC– public use (persons/merchants). India's pilots cover retail.

Wholesale CBDC– interbank/high-value settlements; pilots exist in many jurisdictions including India.

State of play in BRICS CBDCs – Reuters reports that no core BRICS nation has fully launched a CBDC at national scale, but pilots are active across the five original members. China is widely described as the most advanced among major economies in large-scale retail pilots, while India is progressing through retail/wholesale pilots and scaling adoption (Reuters reports millions of users).

Technical framework– What “interoperability” requires in practice

A) Interoperability standards

Common rails must align on

1. message standards (payment instructions, confirmations, reversals)
2. API interoperability for wallets/banks
3. FX conversion workflows (rate discovery, spreads, hedging)
4. finality (when payment is legally complete)

B) Settlement architecture choices

Potential models

1. Bilateral corridors (India–UAE, India–Brazil etc. as separate links)
2. Hub-and-spoke (one shared platform coordinating settlement)
3. Multi-CBDC platform approach (as seen in BIS experimentation globally, though BRICS would tailor it)

C) Identity, compliance, and risk controls

Cross-border CBDC transfers must build in

1. AML/CFT checks
2. sanctions compliance (especially relevant given geopolitical divergence)
3. fraud monitoring and dispute resolution

The hard design question– how to share “minimum necessary” data while protecting sovereignty and privacy.

Governance and regulation– The most difficult layer

A BRICS CBDC linkage needs agreed rules on–

1. who operates the rails (central banks? supervised entities?)
2. liability and dispute resolution across jurisdictions
3. data storage and access rights (who sees what, when, and why)

4. onboarding standards (KYC equivalence / mutual recognition)

Since BRICS includes diverse political economies and regulatory philosophies, governance harmonisation may be slower than the tech build-out.

Trade settlement imbalances- A known “BRICS pain point”

Past local-currency settlement efforts (e.g., India–Russia) ran into the surplus currency accumulation problem (surplus rupees with limited utility), prompting policy workarounds (like allowing investment of balances in permitted instruments). A BRICS CBDC linkage will have to design mechanisms for–

1. periodic net settlement (weekly/monthly)
2. FX swap lines / bilateral currency swaps to manage liquidity
3. rules for holding/using surplus CBDC balances

Cybersecurity and privacy- Systemic risk dimension – Multi-jurisdiction CBDC linkage expands attack surface

1. wallet compromises, key theft, endpoint fraud
2. cross-border contagion risk (one corridor becomes a weak link)

Privacy design must balance

1. user confidentiality
2. law enforcement needs
3. data localisation constraints
4. avoidance of “platform dominance” by any single member’s technology stack

CBDCs vs Stablecoins- India’s policy stance

India has been consistently cautious on stablecoins. Reuters reports RBI Deputy Governor T. Rabi Sankar warned stablecoins raise concerns for monetary stability, fiscal policy, banking intermediation and systemic resilience and has positioned CBDCs as a superior, state-backed alternative.

Policy framing for answers

1. CBDC = sovereign money with policy accountability
2. stablecoin = potentially private money with macro-financial spillovers

Implications- If implemented

Positive outcomes

1. Lower cross-border transaction costs and delays for BRICS trade and tourism.
2. Greater currency diversification in settlement (reduced USD intermediation).
3. Stronger BRICS institutional cooperation via shared standards and payment infrastructure.

Risks/downsides

1. Governance fragmentation and trust deficits may block deep integration.
2. Data and cybersecurity risks multiply.
3. Settlement imbalance issues could re-emerge in digital form.
4. Potential external pressure if perceived as a strategic challenge to existing monetary order (Reuters notes geopolitical sensitivities around BRICS).

Source- <https://www.thehindu.com/business/Economy/rbi-proposes-linking-brics-digital-currencies/article70525693.ece>