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Bank Negara joins digital currency initiative

Central bank embarks on Project Dunbar

BANKING

PETALING JAYA: Bank Negara will be testing the use of central bank digital currencies (CBDCs) for international settlements under a multi-national initiative codenamed Project Dunbar.

In a joint-statement yesterday, Bank Negara said it would join hands with the Bank for International Settlements (BIS) Innovation Hub, the Reserve Bank of Australia, Monetary Authority of Singapore and South African Reserve Bank for the initiative.

Project Dunbar, led by BIS Innovation Hub's Singapore Centre, aims to develop prototype shared platforms for cross-border transactions using multiple CBDCs.

These multi-CBDC platforms will allow financial institutions to transact directly with each other in the digital currencies issued by participating central banks, eliminating the need for intermediaries and cutting the time and cost of transactions.

"The project will work with multiple partners to develop technical prototypes on different distributed ledger technology platforms.

"It will also explore different governance and operating designs that would enable central banks to share CBDC infrastructures, benefiting from the collaboration between

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Fraziali Ismail

public and private sector experts in different jurisdictions and areas of operation," said Bank Negara.

Project Dunbar's work will explore the international dimension of CBDC design and support the efforts of the G20 roadmap for enhancing cross-border payments.

The results of the initiative, expected to be published in early 2022, will inform the development of future platforms for global and regional settlements.

Technical prototypes of the shared platforms, developed in collaboration with different technology partners, will be demonstrated at the Singapore FinTech Festival in November 2021.

According to Bank Negara assistant governor Fraziali Ismail, the multi-CBDC shared platform has the potential to leapfrog the legacy payment arrangements and serve as a foundation for a more efficient international

settlement platform.

"We hope the project will spur greater public-private collaboration to enable fast and frictionless cross-border payments, combining both the benefits of distributed ledger technology and the efficiency of a common platform," he pointed out.

Meanwhile, BIS Innovation Hub Singapore Centre head Andrew McCormack said that Project Dunbar would bring together central banks with years of experience and unique perspectives in CBDC projects and ecosystem partners at advanced stages of technical development on digital currencies.

"With this group of capable and passionate partners, we are confident that our work on multi-CBDCs for international settlements will break new ground in this next stage of CBDC experimentation and lay the foundation for global payments connectivity," said McCormack.