

Keynote Address by H.E. Dr. Serey CHEA
STI 25th Anniversary Celebration Event “Central Bank Digital Currency: Emerging Good Practices”
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Excellencies, ladies and gentlemen!

Today I have the honor to participate in the IMF-Singapore Regional Training Institute’s 25th Anniversary Celebration event “Central Bank Digital Currency: Emerging Good Practices”. The topic of Central Bank Digital Currency (CBDC) holds significant interest to the National Bank of Cambodia (NBC), who has been actively exploring the concept of a CBDC since 2016. In 2020, the NBC introduced the BAKONG payment system, which incorporates many features similar to those of a CBDC, in particular the immediate payment finality feature.

I would like to take this opportunity to discuss some of the practical aspects in developing the BAKONG payment system. First, BAKONG aims to promote interoperability and connectivity across different financial institutions in the country. Second, it enhances the efficiency of payment systems with respect to cost, speed, security, and transparency. Third, the system facilitates digital financial inclusion amongst the underbanked population, and finally, it encourages the use of local currency in electronic payment.

In the early stages, the NBC assessed its foundational readiness in term of resources and technical capacity while reviewing its relevant regulatory frameworks. We also decided to involve players in the financial industry very early on in the discussion, and were very transparent about the project’s potential success and failure. Undoubtedly, the participation of the private sector was key to the project’s kick-off and its success. With the necessary support, the NBC established a steering committee and a technical task force to review relevant issues such as legal context, technical aspects, as well as governance and commercial issues. We also decided on expanding in-house technical capacity to ensure the smooth and long-term operation of the project and to reduce reliance on external vendors.

When foundational readiness was favorable, we moved forward to consider the system’s design process and technology adoption. Based on availability of technical capacity and resiliency of the system, the NBC selected a Distributed Ledger Technology (DLT) solution for the BAKONG payment system. I would like to stress that technology selection was done after we had a clear understanding of our objectives and the problems we aimed to address. As you may all be aware, BAKONG has two main features: the backbone and extended features. The backbone feature allows real-time transactions to process across institutions, whereas the extended feature allows peer-to-peer transactions between end users. The relevance of the BAKONG system to the concept of a CBDC lies in its peer-to-peer nature, as it allows end users to conduct transactions using their own ledger and funding.

Upon completion of the design stage and business model, the project moved from proof of concept (PoC) to prototype development. By 2019, the BAKONG system started its pilot phase and was finally launched in late 2020. The project took approximately five years to complete, and we are currently dedicated to refining and innovating the system. Despite our progress over the last two years, challenges persist, particularly in the realm of consumer protection, where digital literacy plays a crucial role. The NBC also remains vigilant on the implication of the BAKONG payment system adoption on key policies such as financial inclusion, monetary policy, and financial stability.

Presently, the BAKONG system has 74 participating members, reaches over 10 million customers and handles a total of 63 million transactions which equals around 75% of the GDP. Between 2021 and 2022, the value of KHR transactions and USD transactions processed by the BAKONG system increased by 410% and 322% respectively, and altogether totaled USD 15.4 Billion by 2022. Furthermore, we are soon introducing a more integrated platform which will support this rapid development, as well as enhance user-friendliness and enable cross-border transactions. This new platform will also align with the royal government's initiative on the digital economy and society framework.

Excellencies, ladies and gentlemen!

I hope the National Bank of Cambodia's journey in the development of the BAKONG payment system has provided some key insights as you consider the future development of a Central Bank Digital Currency.

I would like to conclude by wishing all participants here today good health and success in all your endeavors. Thank you for your kind attention.