



BANK OF THAILAND

BOT Press Release

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Progress of Retail Central Bank Digital Currency (Retail CBDC) Development

Ms. Vachira Arromdee, Deputy Governor of the Bank of Thailand (BOT), has noted that central banks around the world have focused closely on the development of Retail CBDC¹ and see the potential of Retail CBDC as being the foundation of the future financial system.

The BOT has been among the first central banks to recognize the importance of CBDC as a novel financial infrastructure, with the potential to increase opportunities for businesses and the general public to have more convenient and greater access to diverse financial services with lower costs. In addition to previous Wholesale CBDC projects² and Proof-of-Concept Retail CBDC testing with corporates, the BOT deems it necessary to extend the scope of Retail CBDC development to a Pilot phase in which real-life application of Retail CBDC will be conducted in cooperation with the private sector within a limited scale. The BOT will assess the benefits and associated risks from the Pilot in order to formulate related policies and improve the CBDC design in the future. The Pilot will be separated into two tracks, as follows:

1. Foundation track to assess the system's efficiency and safety including the technological design. During this phase, CBDC will be used in conducting cash-like activities, such as paying for goods and services, within limited areas and scale of approximately 10,000 retail users selected by the BOT along with three companies³, namely the Bank of Ayudhya Public Company Limited, Siam Commercial Bank Public Company Limited, and 2C2P (Thailand)

¹ Retail CBDC is a digital form of banknote; therefore, holding Retail CBDC is equivalent to holding banknotes which are risk-free.

² Previous projects include Project Inthanon (Phases I and 2) and Project Inthanon-LionRock (Phases I and 2); the latter was conducted in partnership with the Hong Kong Monetary Authority and has since been extended to become Project mBridge with the joining of the Central Bank of the United Arab Emirates and the Digital Currency Institute of the People's Bank of China. In addition, the BOT has also conducted a separate CBDC project involving the corporate sector by collaborating with the Siam Cement Public Company Limited and Digital Ventures Company Limited.

³ Due to the limited scale and timeframe for the Pilot, the BOT has set criteria to select only 3 participating companies.

Company Limited. This phase of testing will adopt technology developed by Giesecke+Devrient⁴ and is expected to begin at the end of 2022 and last until mid-2023.

2. Innovation track to focus on programmability which will facilitate the development of innovative use cases for CBDC, resulting in new financial services for a wide range of customers. This will help the BOT develop and improve the design of CBDC to suit the Thai context in the future. The BOT will allow the private sector and the public to participate in presenting business use cases for Retail CBDC via a "CBDC Hackathon". Those who wish to participate in the Hackathon can apply during 5 August – 9 September 2022. Selected participants or teams will receive mentorship from experienced financial institution participants from Project Inthanon⁵ (further details will be announced on the BOT website).

The BOT reiterates that this Retail CBDC Pilot is part of the study and development of Retail CBDC to assess the suitability of technology and CBDC design. At present, the BOT does not have plans to issue Retail CBDC as the issuance requires thorough consideration of benefits and associated risks for the financial system.

As stated, this Retail CBDC Pilot will be conducted under a limited scale with selected participants; hence, the BOT warns the public to be cautious of frauds and scams claiming to provide Retail CBDC-related services or investments.

The Bank of Thailand

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CBDC Hackathon Project Details

<https://www.bot.or.th/Thai/BOT80/CBDCHackathon/Pages/default.aspx>

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⁴ Giesecke+Devrient's technology has characteristics that are consistent with what the BOT aims to test, especially with regards to data privacy and security.

⁵ Financial institutions participants from Project Inthanon are Bangkok Bank Public Company Limited, Bank of Ayudhya Public Company Limited, Kasikorn Bank Public Company Limited, Krungthai Bank Public Company Limited, Standard Chartered Bank (Thai) Public Company Limited, Siam Commercial Bank Public Company Limited, and Hong Kong and Shanghai Banking Corporation Limited (Bangkok Branch).