



NATIONAL BANK OF KAZAKHSTAN

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Release of Report on the Results of the Digital Tenge Pilot Project (White Paper)

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Nur-Sultan

The National Bank of Kazakhstan (hereinafter NBK) released the [Report](#) on results of the first stage of the Digital Tenge Pilot Project (White Paper). The project was launched this year and is being implemented by the NBK in cooperation with the financial market participants, expert community and international partners.

Digital tenge can enhance the spread of financial technologies, ensure financial inclusion in regions, boost competition and innovation in the payments industry, and improve competitiveness of the financial sector of Kazakhstan at international level.

At the initial stage, NBK tested the viability of the digital tenge concept, obtained experimental confirmation of the technological feasibility of a retail platform based on blockchain technology, and also determined the key parameters of the Central Bank Digital Currency model for Kazakhstan.

During the pilot project, the basic scenarios of digital tenge life cycle were implemented, including emission and distribution and ending with purchases and transfers using the digital currency.

The final technological solution has several advantages.

1. Tokenization of ownership: digital tenge is stored by a user in the form of tokens in a digital wallet on mobile gadget (or other medium), which allows to ensure full control over money.
2. Offline payments: digital tenge users can make purchases when the Internet is unavailable to both the client and the seller.
3. Configurable anonymity: transaction details can be blinded from all settlement participants (including at user's choice) while providing the ability to carry out necessary verifications.
4. Special purpose tokens: programmability of the digital tenge allows to set spending limits in the token structure and make tracking of intended use easier.
5. Ease of integration: digital tenge infrastructure provides ability to easily connect and implement their own use scenarios for second-tier banks and fintech companies, that is, for both traditional and new players in the financial market.

When implementing the project, NBK considered international experience of other central banks that had significantly advanced in creation of tokenized retail digital currencies as well as technological partners of the pilot project with advanced experience in implementing similar digital currency projects in Sweden, Singapore, Canada, Eurozone, USA, Switzerland, South Africa, and in other countries.

The report covering the results of the Digital Tenge Pilot Project includes testing the hypotheses of technological feasibility of the digital tenge concept. It also defines a list of questions and tasks for further development. Moreover, the document presents a model to assess impact of the digital tenge on the economy, financial stability and monetary policy as well as possible approaches to regulation.

At the next stage, by July 2022, a model will be developed to make a decision on implementation of the digital tenge, taking into account the results of economic and regulatory research, assessment of technological parameters, quantitative and qualitative research of consumer behavior, outcomes of design sessions and expert discussions, whereas the effect for consumers of payment services being set the priority.

The decision to introduce digital tenge will be made at the end of 2022 based on the results of comprehensive study of potential benefits and risks, elaboration of technological aspects, assessment of impact on monetary policy and financial stability as well as possible effect for the National Payment System and its participants.

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