



Press release on the Intergovernmental Fintech Working Group (IFWG) launch of Project Khokha 2

Thursday, 11 February 2021

Project Khokha 2 launched to explore the policy and regulatory implications of tokenisation in financial markets

The Intergovernmental Fintech Working Group (IFWG) Innovation Hub herewith announces the launch of Project Khokha 2 to explore the policy and regulatory implications of innovation in financial markets driven by distributed ledger technology (DLT).

Project Khokha 2 will issue, clear and settle debentures on DLT using tokenised money in a minimum viable product (MVP) to inform policy and regulatory reflections. Industry participants will be able to purchase the debentures with a wholesale central bank-issued digital currency (wCBDC) and a wholesale digital settlement token (wToken). The wToken can be seen as a privately issued stablecoin used for interbank settlement.

The project will produce a public report highlighting the insights gained on a number of policy and regulatory challenges introduced by such innovation. This is in line with the IFWG's objectives to promote responsible innovation and provide regulatory clarity on financial technology (fintech) innovation in support of its members' mandates, including stable and resilient financial markets.

The following industry participants will join the IFWG on Project Khokha 2: Absa, FirstRand, Investec, the Johannesburg Stock Exchange (JSE Limited), Nedbank, Standard Bank and Strate.



Three firms have been chosen to partner on the project. Accenture will be responsible for developing the wCBDC for Project Khokha 2; the company has extensive global experience on CBDC projects, both retail and wholesale, which will benefit the IFWG on this project. Block Markets Africa (BMA) was selected to produce the DLT-based debentures as well as the wToken for the project. BMA's experience in tokenising and trading financial instruments across various DLT platforms will help create a Khokha network to interconnect the DLTs on the project. Deloitte will document the insights gained from Project Khokha 2 in a public report; the company has gained experience on many similar projects internationally and will independently reflect on the implications brought to light through the MVP and through engagement with relevant stakeholders.

Project Khokha 2 is a continuation of the structured analysis of the impact of DLT on financial markets, both the benefits and the risks, by gaining practical experience through experimental trials with industry. The project should not be seen to reflect support for any particular technology or as a radical policy shift. However, it is the project's objective to assist in the formulation of appropriate fintech-related policy frameworks through the publication of a thought leadership report.

For more information on the IFWG Innovation Hub, visit www.ifwg.co.za.

Please direct further queries to innovation@ifwg.co.za

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Note to editors:

Members of the IFWG include the Competition Commission (CC), the Financial Intelligence Centre (FIC), the Financial Sector Conduct Authority (FSCA), the National Credit Regulator (NCR), National Treasury (NT), the South African Revenue Service (SARS) and the South African Reserve Bank (SARB). Formed in 2016, the working group is focused on promoting responsible innovation in the South African financial sector.

For further background on the IFWG and material related to its work, visit the IFWG Innovation Hub website on www.ifwg.co.za.