Aznan Abdul Aziz: Governing digital money in a converging payments ecosystem

Keynote address by Mr Aznan Abdul Aziz, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the CB+DC Conference, Kuala Lumpur, 12 May 2026.

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Selamat datang ke Malaysia, and a warm welcome to Bank Negara Malaysia. It is our pleasure to have you here in Kuala Lumpur for the CB+DC Conference.

We meet at a moment when digital money has moved beyond the periphery of the financial system. What once sat in pilots and proofs-of-concept is now steadily entering the mainstream, shaping how payments are made, how assets are settled, and increasingly, providing the 'central piping' through which economic value circulates.

This shift is unfolding against a backdrop of heightened risk sensitivity. Alongside rapid digitalisation, we are also navigating geopolitical fragmentation, operational disruptions and cyber threats, all of which have sharpened expectations of resilience across financial infrastructures. Together, these forces are reshaping money across the financial system and payments in lasting ways. And it is precisely because of this context of uncertainty that elevates the importance of governance, institutional roles and accountability, and system-wide resilience, rather than the pursuit of any single technological solution.

The CB+DC Conference itself also reflects this evolution. Our discussions have moved beyond the question of whether digital currencies should exist, towards a more complex and consequential set of issues: for example how different forms of digital money should be designed, governed, and integrated into the financial system, and how the policy trade-offs across the digital money spectrum can be managed responsibly.

A Diverse Future for Digital Money

Let me begin with a proposition that I believe most of us have come to accept. that is, the future of money will be inherently diverse.

Current developments point to a future reality that is unlikely to converge on a single form of digital money or a single infrastructure. Instead, multiple digital monetary instruments are emerging alongside existing systems, each shaped to support different use cases and operating within distinct design and risk parameters, reflecting the varied needs of users, markets, and economies.

Alongside central bank digital currencies, interest in tokenised bank deposits and regulated stablecoins has intensified across both advanced and emerging economies. Yet diversity of money itself is not anything new. Monetary systems have long included different forms of money, spanning both public and privately issued money for wholesale and retail payments and settlement, supported by market infrastructures and institutional arrangements.

What is striking however is the pace at which these innovations are evolving, and the risk that this diversity could evolve in a fragmented manner. The task for policymakers is therefore to embrace this diversity and shape how it evolves such that the different forms of digital money can interoperate, risks are appropriately mitigated, and innovation delivers lasting economic value. This calls for a shift towards an ecosystem-wide approach which recognises that all key actors, including banks, other payment service providers, technology companies and regulators, have important complementary roles to play. The challenge lies in managing fragmentation across infrastructures, standards and jurisdictions, while preserving space for innovation that advances clear public policy objectives.

Malaysia's own payments journey reinforces this lesson. In developing our retail payments ecosystem through DuitNow QR, we made a deliberate policy choice to prioritise common standards and system-wide interoperability from the outset. This allowed innovation and competition to flourish while expanding access, scale and convenience without fragmenting the market. These principles become even more relevant today as digital money and tokenised arrangements take root across the broader financial system.

Central Bank Money as a Public Anchor

Central bank money has long served as the anchor of to the financial system, underpinning trust, settlement finality and confidence. As financial activity becomes increasingly tokenised, the question is not whether this anchor remains relevant, but rather how it can continue to be preserved in the new forms of digital money.

In an ecosystem characterised by diverse forms of digital money, central bank digital currencies- or CBDCs, will serve a distinctive role. CBDCs should not be seen as a replacement for private money or existing payment systems. Rather, their value lies instead in reinforcing the public anchor, providing a common reference point for trust and settlement finality in an increasingly digital and interconnected environment.

Importantly, the relevance of CBDC also depends on how well it interacts with other forms of money. A CBDC that exists in isolation offers very little value, but when it strengthens the efficiency and resilience of the broader payment ecosystem, it can contribute meaningfully to financial stability and orderly market functioning.

This thinking has guided Malaysia's exploration of wholesale CBDC. While the Digital Asset Innovation Hub focuses on private digital money, Project Mawar complements this by examining how CBDC could serve as a settlement anchor within a broader tokenised ecosystem. Together, these efforts support the modernisation of RENTAS and facilitate interoperability between existing core systems and emerging tokenised arrangements, allowing us to move beyond theory and examine practical implementation choices such as programmability and round-the-clock settlement in addressing long-standing frictions in bond and repo markets.

Efficiency Gains, Familiar Risks

For privately issued digital money, tokenised deposits and regulated stablecoins offer the prospect of meaningful efficiencies, including faster settlement, more integrated

processes and improved liquidity management. At the same time, we should be clear-eyed about the fact that these innovations do not fundamentally eliminate risk.

Tokenisation often sharpens familiar policy questions rather than resolving them. Under conditions of stress, liquidity and redemption risks can intensify, bringing renewed focus to the design and availability of backstops. Legal certainty and settlement finality also take on renewed importance, while operational resilience, cyber robustness, and clarity of institutional roles become critical design imperatives.

The central implementation challenge, therefore, is not whether these technologies can function as intended, but whether they strengthen rather than harm or fragment the financial system.

Governance: Unlocking the Binding Constraint

This brings me to a lesson that has emerged consistently across jurisdictions: governance, rather than technology, remains the binding constraint in digital money implementation.

Across domestic infrastructure modernisation, cross-border payments, or wholesale tokenised markets, experimentation repeatedly shows that the decisive issues tend to lie in legal enforceability, regulatory and supervisory alignment as well as operational readiness.

While sometimes seen as "last-mile" challenges, these issues are often the hardest to resolve, because they cannot be coded away.

Addressing them requires coordination, trust, and perseverance at the institutional level. This is precisely why our Digital Asset Innovation Hub, or DAIH, was intentionally designed as a use case-driven, governance-focused environment, rather than a technology sandbox.

Through the Hub, we seek to understand not only feasibility, but also scalability, risk management expectations, and institutional readiness – recognising these as prerequisites for safe adoption at scale.

This is also why central banks face a delicate balance. Too much control, too early, risks stifling innovation. But waiting for complete certainty risks policy vacuums, where market practices become entrenched by default and outcomes are harder to steer later, sometimes in ways that are misaligned with public policy objectives.

The more credible path lies in clear guardrails, phased but iterative experimentation, and sustained dialogue. It is about governing innovation that we cannot yet fully see, while remaining anchored to public policy objectives.

Effective governance, moreover, cannot sit in silo within a single regulatory agency. This underlies the close collaboration between Bank Negara Malaysia and the Securities Commission Malaysia, particularly as these innovations scale and regulatory responsibilities closely intertwine.

Resilience as a Shared Responsibility

This leads to my final principle: and that is resilience cannot be delegated, whether to technology or to any single sector.

Operational and cyber resilience are not optional, especially in a tokenised environment. They are foundational requirements that must be embedded into a tokenised ecosystem from the outset if trust in the system is to be sustained.

Here, central banks define public interest objectives and set expectations for safety, continuity, and integrity. The private sector, in turn, innovates and operates infrastructures, and must design systems that remain robust not only under normal times but also under stress.

This underscores the importance of collaboration across borders. Malaysia's participation as a founding member of Project Nexus illustrates this point. While Nexus is often seen as a technical initiative linking instant payment systems, its true complexity really lies in managing a network of networks and sustaining trust across the ecosystem. Confidence must extend from participants to payment system operators and the cross-border gateway, supported by aligned rules, standards, and responsibilities so that interoperability reinforces trust rather than creates new fault lines.

Designing for Coexistence

Let me conclude by returning to a simple idea: the real task ahead is designing for coexistence.

The future financial system will likely involve the coexistence of public and private forms of digital money, tokenised arrangements and existing market infrastructure operating side-by-side. In this environment, success will not be measured by technological novelty, but by the degree to which trust, resilience, and interoperability are embedded in the system.

Let me emphasise this: the future will not be built around a single model, nor does every function benefit from tokenisation. What ultimately matters is whether systems work together, risks are governed effectively, and innovation serves genuine economic needs.

The value of this conference also lies precisely here: It provides a space to align perspectives across institutions and sectors on where innovation adds value, how infrastructures can be integrated responsibly, and how governance can evolve alongside technology.

I am confident that the discussions over the coming days will deepen our collective understanding and help shape a resilient and purposeful digital money ecosystem.

And with that, I conclude. Terima kasih, and I wish you a productive and engaging conference. Please also take some time to enjoy Kuala Lumpur while you are here.