

March 25, 2022

Bank of Japan

Interim Review of *Medium-Term Strategic Plan (Fiscal 2019-2023)*

I. Introduction

The Bank of Japan formulated the *Medium-Term Strategic Plan (Fiscal 2019-2023)* and released it in March 2019. Performance reviews of measures taken under the Plan have been conducted every subsequent fiscal year and the results made public in the *Gyoumu Gaikyo Sho* (Outline of Business Operations, available only in Japanese).

The Plan states that the Bank shall conduct an interim review of the Plan in or around fiscal 2021, in order to enable the Bank to address any changes in the environment, and the Bank has duly done so. This document summarizes the Bank's accomplishments in the first three fiscal years of the Plan and clarifies its strategy for the remaining period, particularly for the main challenges the Bank has faced in conducting business operations and organizational management since the formulation of the Plan.

II. Developments in the External Environment and the Bank's Responses

The Plan describes the environment surrounding central banks as follows. Innovation and application of information technology (IT) such as digitalization have accelerated, and this has started to have wide-ranging and diverse effects on economic and financial activities. In the broader context of the global economy and society, Japan is expected to address the Sustainable Development Goals (SDGs). In recent years, central banks have commonly faced mounting expectations to take further action concerning central bank digital currencies (CBDC) and climate change. These developments can be considered as concrete progress in the environment described in the Plan. Under these circumstances, the Bank clarified its stance regarding these challenges in *The Bank of Japan's Approach to Central Bank Digital Currency* (October 2020) and *The Bank of Japan's Strategy on Climate Change* (July 2021), and has made steady progress accordingly. As a response to the new challenges to the Bank's business operations that accompany advances in digitalization, the Bank has been making active use of alternative data, such as high-frequency data and granular data, in research and

analysis on economic and financial conditions at home and abroad, amid the increasing availability of such data.

The novel coronavirus (COVID-19) pandemic, which began after the formulation of the Plan, is another challenge facing central banks. Since 2020, the Bank has implemented measures to prevent the spread of COVID-19 and has done its utmost to continue providing essential central banking services to ensure the stability of people's daily lives and economic activities as a designated public institution under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. In this process, the Bank has made use of its expertise in strengthening business continuity arrangements, which it has accumulated steadily over the past years, and also of the experience of addressing the challenges accompanying IT advances as laid out in the Plan.

III. Looking Forward to the Remaining Period

The Bank will continue to perform appropriately its role as the central bank of Japan, addressing a wide range of strategic objectives for its business operations and organizational management under the Plan in fiscal 2022 and beyond. The Bank will give due consideration to the following matters given changes in the environment that have occurred since the formulation of the Plan.

The Bank will proceed with the CBDC project in line with the approach it published in October 2020. Specifically, for the experiments that it started in fiscal 2021, the Bank will move forward to Proof of Concept (PoC) Phase 2 in April 2022, after completing Phase 1, to implement additional functions of CBDC and test their feasibility. Based on these experiments, if the Bank judges it necessary to step things up further, it will also consider a pilot program that involves private payment service providers and end users. It will also proceed to explore institutional arrangements for CBDC, while closely exchanging views with stakeholders at home and abroad regarding, for example, cooperation and role-sharing arrangements between a central bank and private payment service providers and the impact on the financial system.

In addition to the above, the Bank will tackle a wide range of tasks in its response to progress

in digitalization, taking into consideration the impact on its business operations. The Bank will, for example, steadily promote efficiency in business operations between the Bank and counterparties such as financial institutions and further advance the use of alternative data in its research and analysis.

The Bank will continue to address climate change in line with its strategy released in July 2021. Specific measures are laid out in the strategy in the areas of monetary policy, financial system, research, international finance, and the Bank's business operations and external communications. The Bank will continue to make progress on each measure in coordination with relevant departments within the Bank through the Climate Coordination Hub. In the *Gyoumu Gaikyo Sho* (Outline of Business Operations) for fiscal 2021, which is scheduled for publication in May 2022, the Bank will provide explanations of its climate-related efforts, including disclosures that take into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

With regard to responses to COVID-19, the course of which continues to warrant attention, the Bank will continue to conduct its business operations as a designated public institution, while continuing to implement measures to prevent the spread of the virus. Making use of the expertise it has gained through the experience of addressing COVID-19, the Bank will also take the initiative to promote business operations and organizational management suitable for the post-pandemic era, such as enhancing the efficiency of business operations using IT and further improvements in the flexibility of working arrangements.

The Bank positions the above matters as complements to the Plan for the remaining period, namely, for fiscal 2022 and 2023.