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Bank of Japan

# **Envisioning the Future of Payment Systems in the Digital Society**

*Opening Remarks at the Ninth Meeting of the Liaison and Coordination  
Committee on Central Bank Digital Currency*

**KAMIYAMA Kazushige**

*Executive Director of the Bank of Japan*

(English translation based on the Japanese original)

Thank you very much for attending the Liaison and Coordination Committee on Central Bank Digital Currency (CBDC) today.

I am back again to take responsibility for the Payment and Settlement Systems Department from this spring, and thus will be participating in this Committee for the first time in a while. I look forward to working with you all.

Looking back, the last Committee meeting I attended in the spring of 2023 was when we explained the start of the pilot program as the next step following the proof of concept that had been conducted up to that point. The objectives of the pilot program, as we explained at that time, were, first, to experiment on the technical feasibility of the system, which could not be fully experimented on in the previous proof of concept, through the development of a system for the pilot program and experimentation, and second, through the establishment of the CBDC Forum, to utilize the technologies and expertise of private companies in both technological and operational aspects towards the design of the CBDC, if it were to be issued.

In the two years since then, with your strong support, we have made steady progress in both the development of a system for the pilot program and experimentation and the CBDC Forum. The secretariat will give a detailed explanation later, but now that the development of a system for the pilot program has been completed, we are identifying and evaluating technical issues and solutions to achieve the performance requirements for implementation through performance tests. The CBDC Forum is continuing discussions in working groups in order to promote the sharing of a wide range of knowledge on practices and technologies related to retail payments. In one of the working groups, we invited volunteer companies to participate in the API Sandbox to have practical discussions on the potential of a CBDC, including its use cases through application development. With such participants having hands-on experience to develop applications and discussing the possible use of new technologies, the pilot program has achieved its initial expectations; that is, to advance both of the tasks, the development of a system for the pilot program and experimentation and the CBDC Forum, efficiently and effectively by feeding into the findings of each other's work.

The government is also intensively working to articulate the Design Outline of CBDC. We

have been participating in the Relevant Ministries and BOJ Liaison Meeting on CBDC, which was launched in January last year, and have been sharing the findings from the pilot program, including a mechanism to address privacy concerns, and a design to improve processing performance in the system for the pilot program, as well as presenting discussions in the CBDC Forum. The second interim report of the Liaison Meeting was just released the other day, and today, the Financial Bureau of the Ministry of Finance, which chairs and serves as the secretariat of the Liaison Meeting, will explain the status of the work on the key considerations concerning the design outline of a CBDC.

I would like to touch upon the developments overseas during the past six months. In the United States, an Executive Order was issued in January of this year to prohibit U.S. federal agencies from issuing a CBDC; it also made clear the United States' position to use stablecoins, which are cryptographic assets whose prices are linked to legal tender, in order to foster innovation and advance services in the financial sector. There is a growing awareness worldwide of U.S. dollar-denominated stablecoins. In Europe, the European Central Bank is conducting experiments and developing various rulebooks as part of its project to prepare for the potential issuance of a digital euro. It is also accelerating its efforts by establishing an innovation platform to collaborate with merchants, fintech companies, start-ups, banks and other payment service providers.

A survey conducted last year by a U.S. think tank (the Atlantic Council) found that 134 countries and regions around the world are considering CBDC implementation in some form. While the depth of CBDC discussions varies from country to country, and it is not certain that all countries and regions will ultimately decide to implement a CBDC, there does seem to be a growing awareness in each country of the importance of ensuring the provision of a generally acceptable means of payments. Perhaps more pressing than the aforementioned awareness of crypto assets such as stablecoins, for example, is the need to address the issues arising from the decline in cash circulation. The increasing use of cashless payments itself should be taken as a step forward in terms of convenience and efficiency, but in countries where refusal to accept cash payments has become commonplace, from the perspective of universal access and user needs, there is a move not only to mandate banks to handle cash but also to legally prohibit stores from refusing to accept payments in cash.

In Japan, where banknote circulation is at a high level, there are still few cases where cash payment is not possible. However, there is a possibility, which may not be too small to ignore, that the use of banknotes as a means of payments will decrease significantly in the future, and we must consider what we can do now to ensure the convenience, efficiency, universal access, and safety and robustness of the retail payment system. In designing ideal retail payments for the digital society, it is important to move forward by envisioning the future of our country's payment system as a whole.

The Bank's basic position to date has remained unchanged: "There are no plans to issue a CBDC at this time." To "issue a CBDC" is still a big decision, but as technology advances only in one direction and the economy and society are expected to become increasingly digitalized, there can be no decision to maintain the status quo with respect to the payment and settlement systems, and efforts to improve their safety and efficiency must continue. Based on this recognition, the Bank, as an entity that provides central bank liabilities including banknotes, will continue to deepen discussions from a wide range of perspectives on the ideal payment system in the digital society. In this regard, close dialogue with you, the major players in payments, is of utmost importance to us. I would like to conclude my remarks by asking for your continued cooperation in our efforts.

Thank you for your attention.