

The Future of Monetary and Payment Systems Under Technological Innovations and Geopolitical Tensions

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1. Impacts of U.S. Presidential Actions

■ Presidential Actions: Strengthening American Leadership in Digital Financial Technology (Jan. 2025)

1. Prohibition of Central Bank Digital Currencies (CBDC)

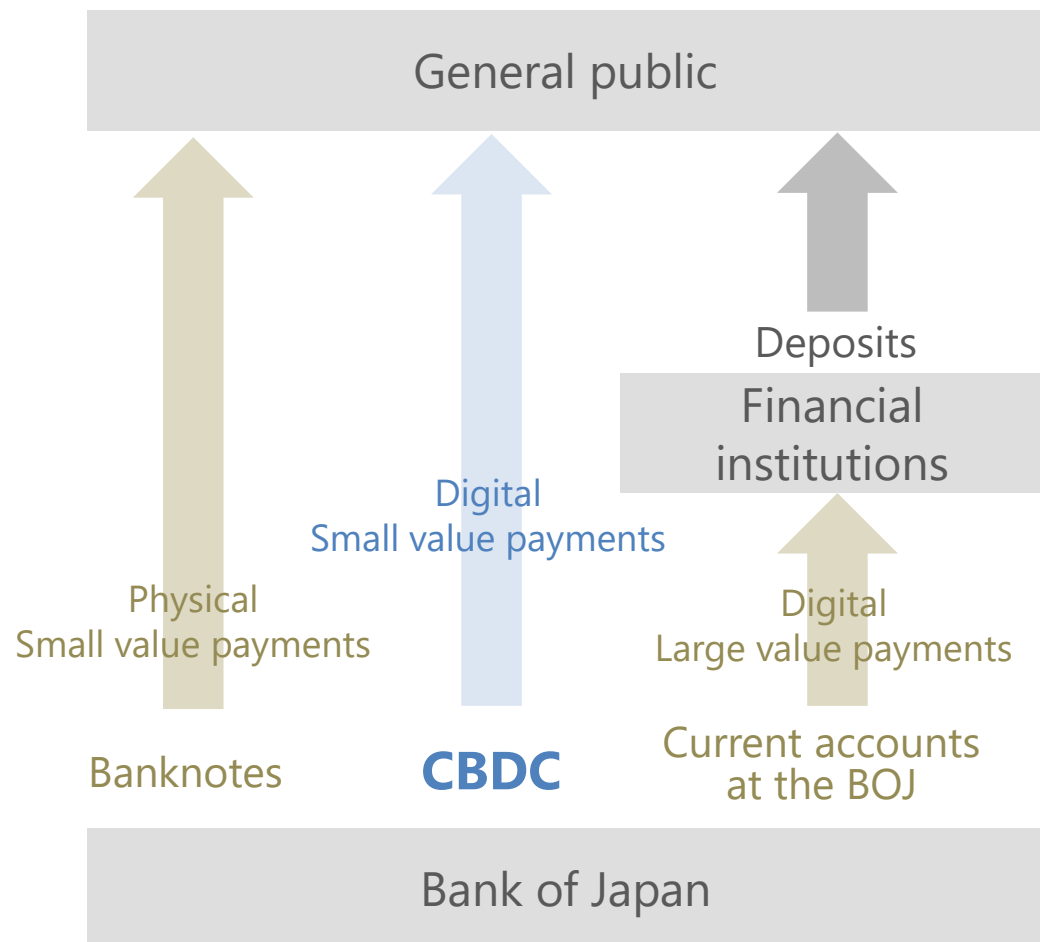
- ✓ “Except to the extent required by law, agencies are hereby prohibited from undertaking any action to establish, issue, or promote CBDCs within the jurisdiction of the United States or abroad”
- ✓ “Except to the extent required by law, any ongoing plans or initiatives at any agency related to the creation of a CBDC within the jurisdiction of the United States shall be immediately terminated, and no further actions may be taken to develop or implement such plans or initiatives”

2. Promotion of USD stablecoins

- ✓ “promoting and protecting the sovereignty of the United States dollar, including through actions to promote the development and growth of lawful and legitimate dollar-backed stablecoins worldwide”

2. Central Bank Digital Currency

■ Money provided by the BOJ



■ Discussions on CBDC

2010s

Initiation of CBDC discussions due to the spread of private digital payment instruments and the decrease in cash circulation (Sweden, China, etc.)

2019

"Libra Project" (formerly Facebook)

2020

"The Bank of Japan's Approach to Central Bank Digital Currency"

Present

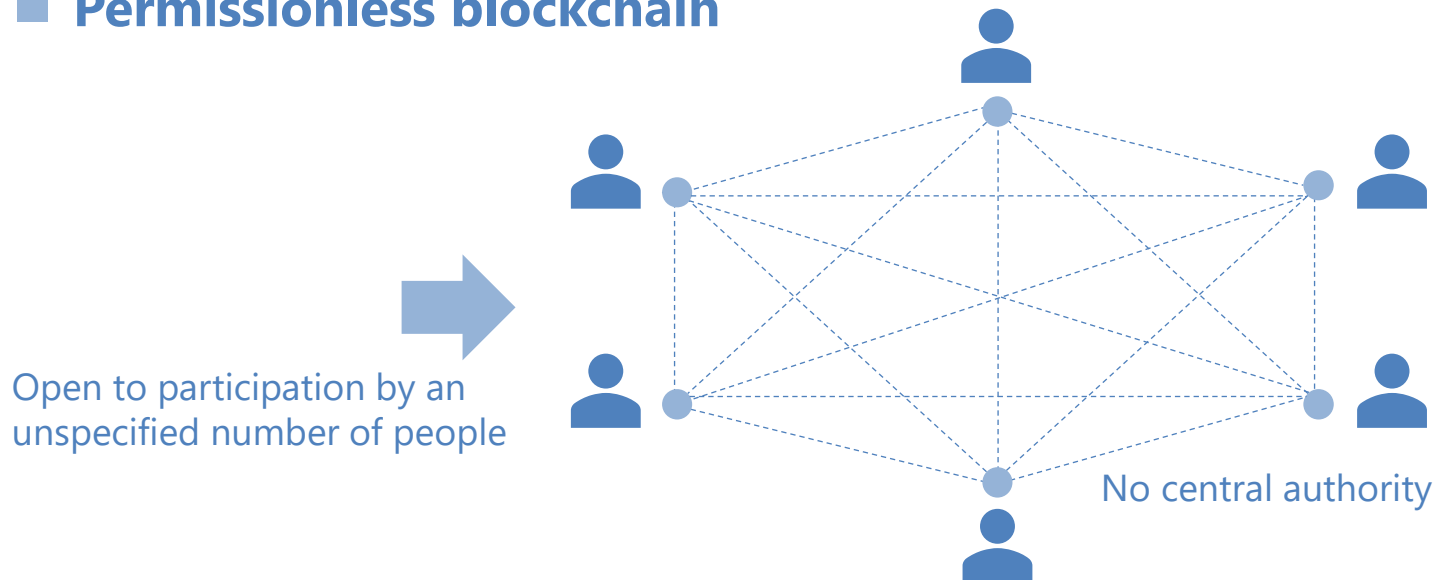
Divergence of views on CBDC across jurisdictions

3. Stablecoins

■ Classification of stablecoins

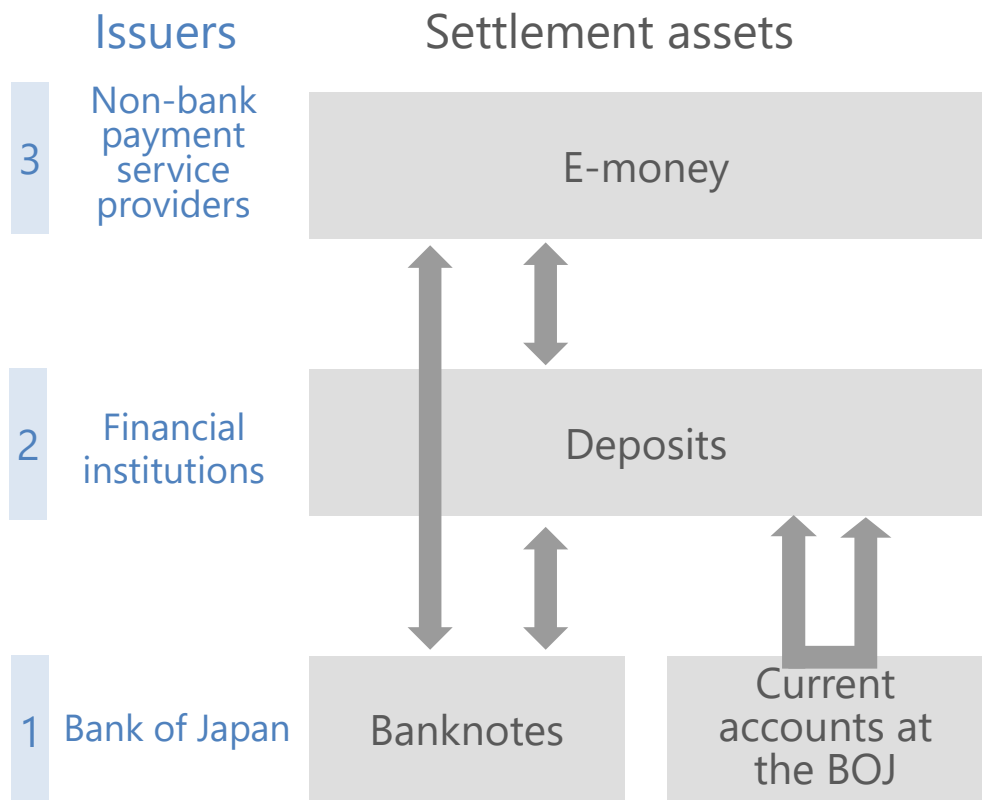
Assets/money on blockchain	Uses	Backing assets	Examples
Crypto assets	Investment/speculation	Many do not have backing assets	Bitcoin
Stablecoins	Waiting funds for cryptocurrency trading, international remittances	Cryptocurrencies, algorithms, none, etc.	DAI
		Cryptocurrencies, fiat currencies, government bonds, etc.	USDT (?)
	Payment stablecoins Payment use (emphasizing stability of value)	Cryptocurrencies, fiat currencies, government bonds, etc.	USDC, PayPal USD

■ Permissionless blockchain



4. Characteristics of modern monetary and payment systems

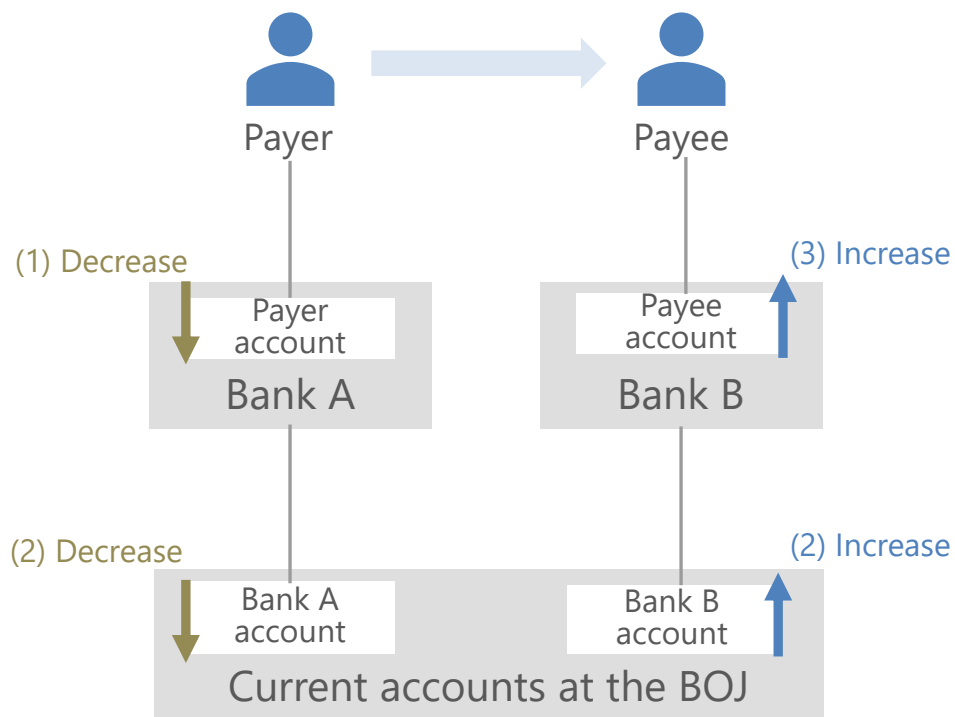
■ Three layers of monetary and payment systems



Note: In principle, prepaid payment instruments (one form of e-money) are non-refundable.

■ Settlement mechanism of conventional money

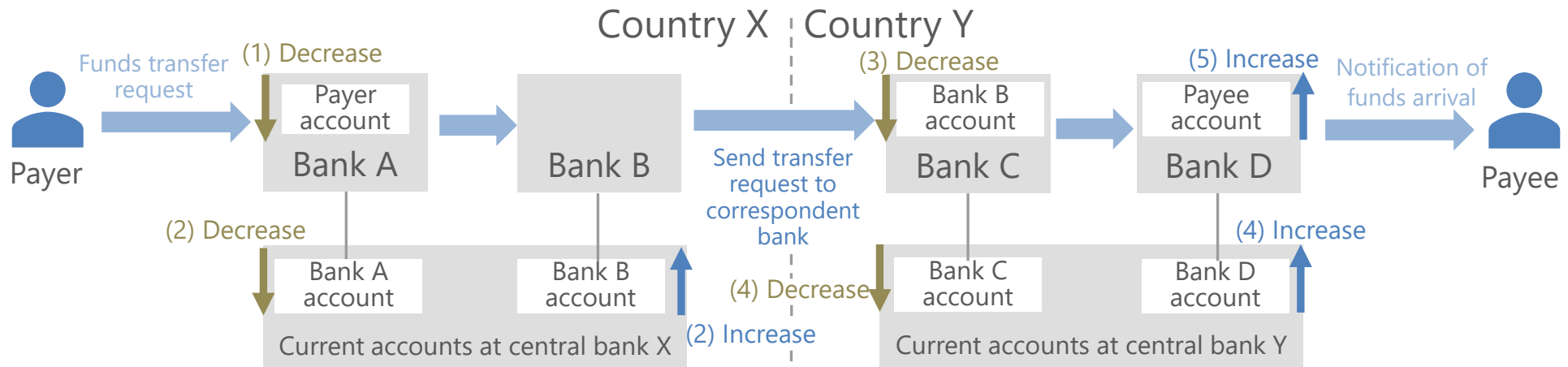
(Case of transferring money using banking system)



Note: For small-value domestic funds transfers, interbank settlement is conducted via Zengin-Net current account (omitted in the chart above).

4. Characteristics of modern monetary and payment systems

■ Complexities of cross-border payments



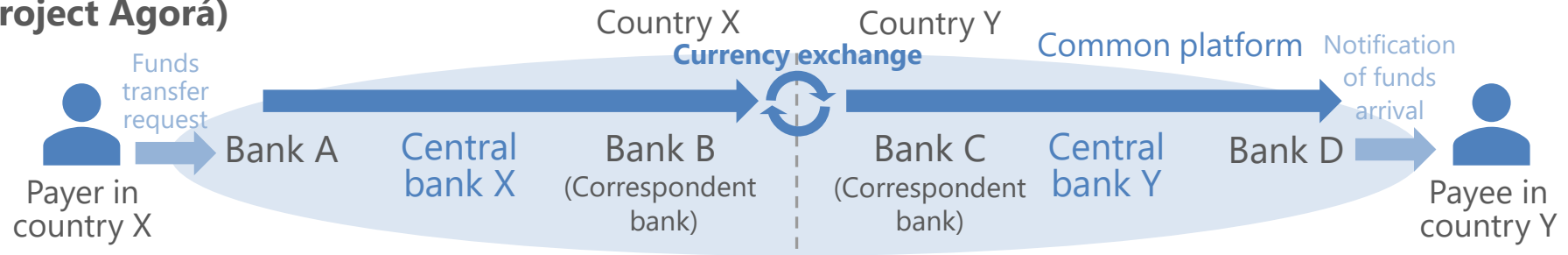
■ Uniqueness of transfer mechanism of stablecoins



5. Improving international payment infrastructure

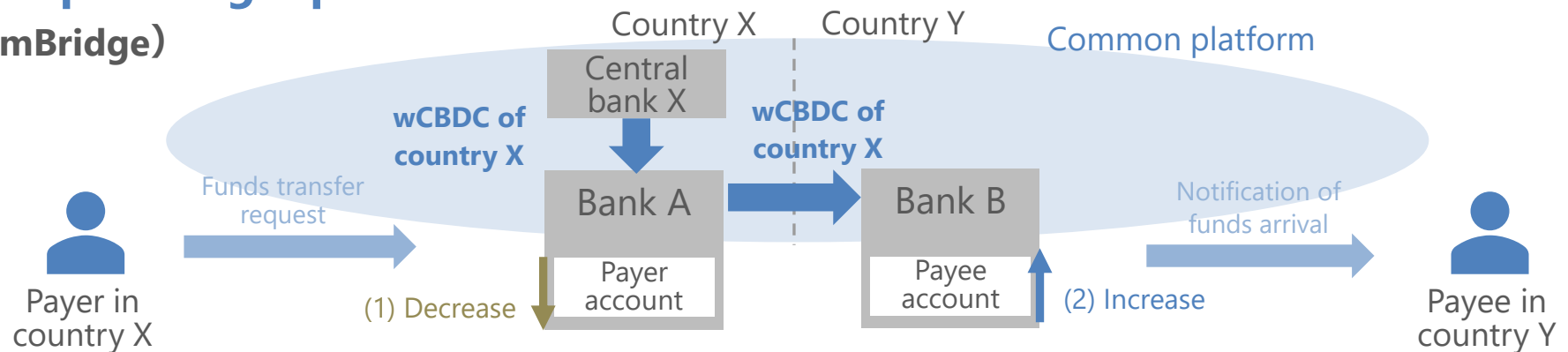
■ Bank-led initiatives using bank deposit money

(Project Agorá)

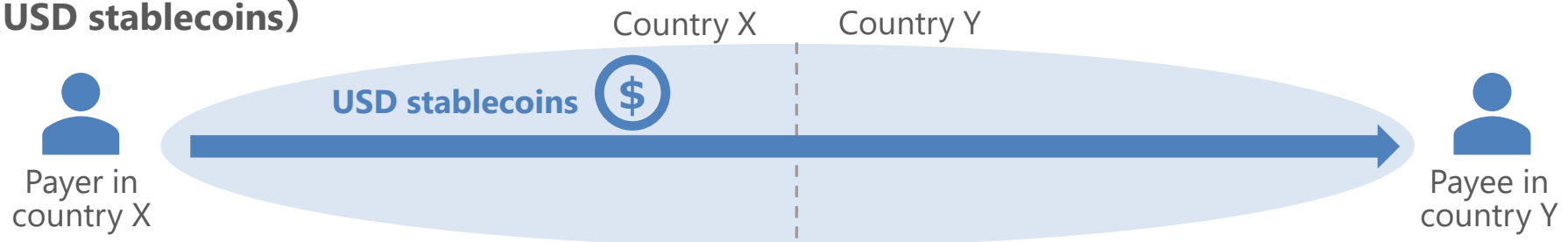


■ Impact of geopolitical risk

(mBridge)



(USD stablecoins)



6. Central bank's responsibility in retail payments

■ Initiatives regarding retail payments

<u>Jurisdiction</u>	Initiative	Objectives
China	CBDC	Stable provision of small value payment instruments amid the large presence of private digital payment instruments
Euro area	CBDC	Ensuring strategic autonomy amid the large presence of private digital payment instruments provided by foreign capital companies
U.S.	FedNow	Widespread adoption of 24/7 instant payment services including for small financial institutions Ensuring resilience of small value payments
Sweden	Operating the backend systems of Swish	Ensuring resilience of small value payments



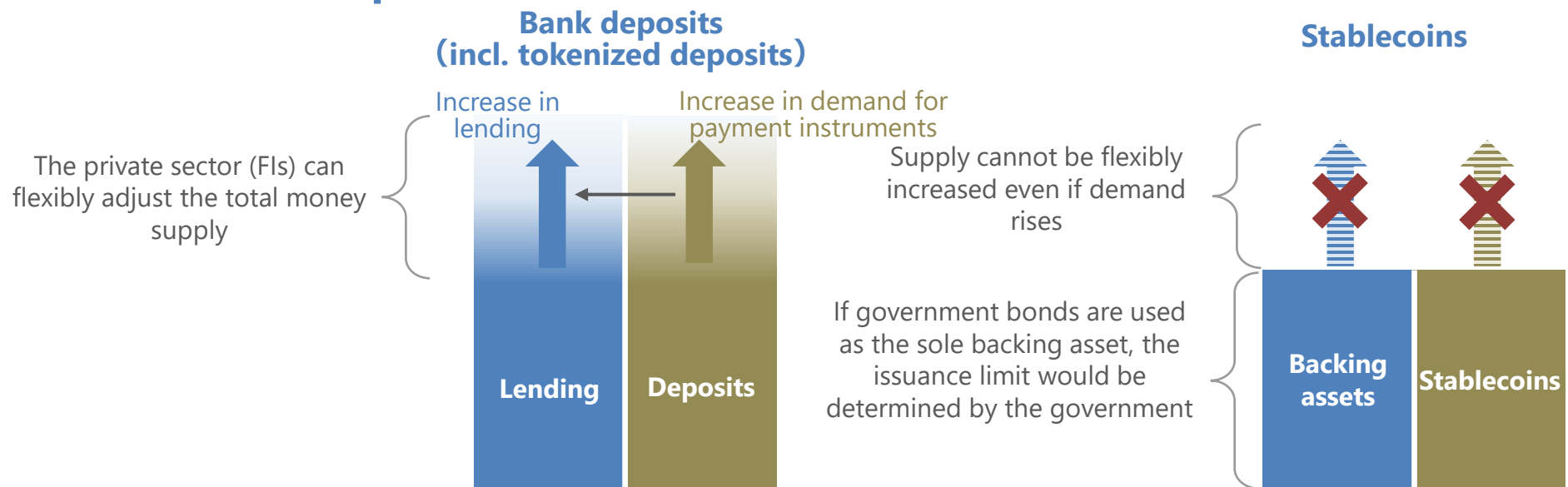
In every jurisdiction, as the economy and society are becoming more digitalized, the central bank will likely be confronted by the issue of achieving universal availability of small value payment instruments in a resilient manner.

7. Future of payments

■ Tokenized deposits and stablecoins

	Tokenized deposits	Stablecoins
Utilization of DLT	✓	✓
Credit creation function	✓	—
Validation of transfer by the issuer	✓	—

■ Roles and implications of stablecoins



7. Future of payments

■ Thinking on an international common platform

- ✓ There is a risk of fragmentation in international monetary and payment systems due to the emergence of new technologies and geopolitical dynamics.
- ✓ BOJ shares the basic thinking on building an international common platform:

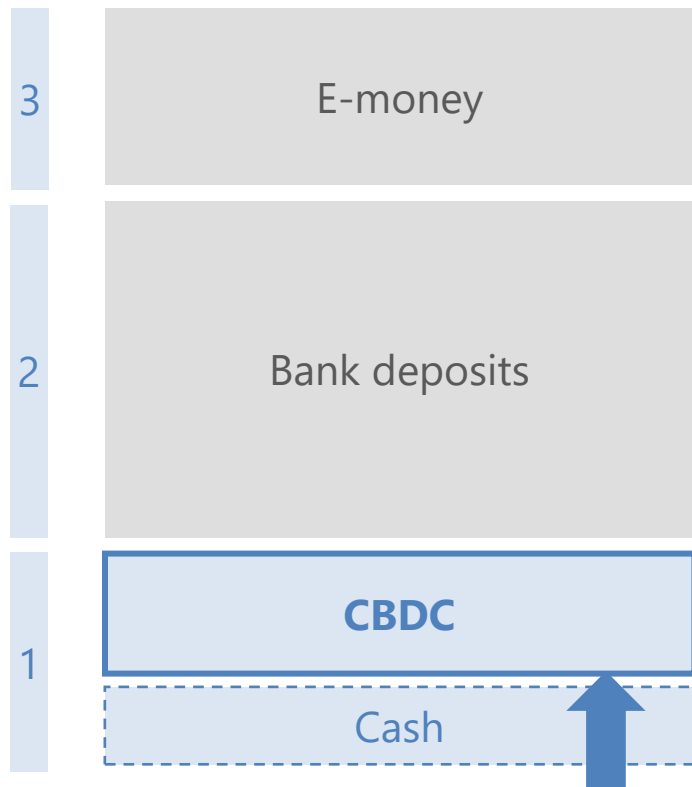
1. A common platform should be open, transparent, and secure while being distributed in terms of monetary sovereignty.
2. A common platform should be designed to avoid harm to the price formation process and market liquidity of the relevant financial markets.
3. A common platform should also provide functionalities that facilitate transaction processes closely related to settlement.
4. A common platform should provide functionalities for ensuring smooth settlement, such as gridlock resolution mechanisms and intraday liquidity funding facilities.

7. Future of payments

■ Roles and implications of CBDC

- ✓ How to ensure universal availability and resilience of small value payments.

(Case where CBDC is introduced)



Direct provision of small value payment instruments through CBDC issuance

(Case where CBDC is not introduced)

