

February 17, 2023
Bank of Japan

Commencement of Central Bank Digital Currency Experiments: Pilot Program

In line with "The Bank of Japan's Approach to Central Bank Digital Currency" released in October 2020, the Bank of Japan has been conducting experiments on Central Bank Digital Currency (CBDC) since April 2021.

The Bank will complete the Proof of Concepts (PoCs), through which it has been confirming the technical feasibility of the basic functions of a CBDC, in March 2023, as initially scheduled. Following this, in April 2023, the Bank will launch a pilot program.

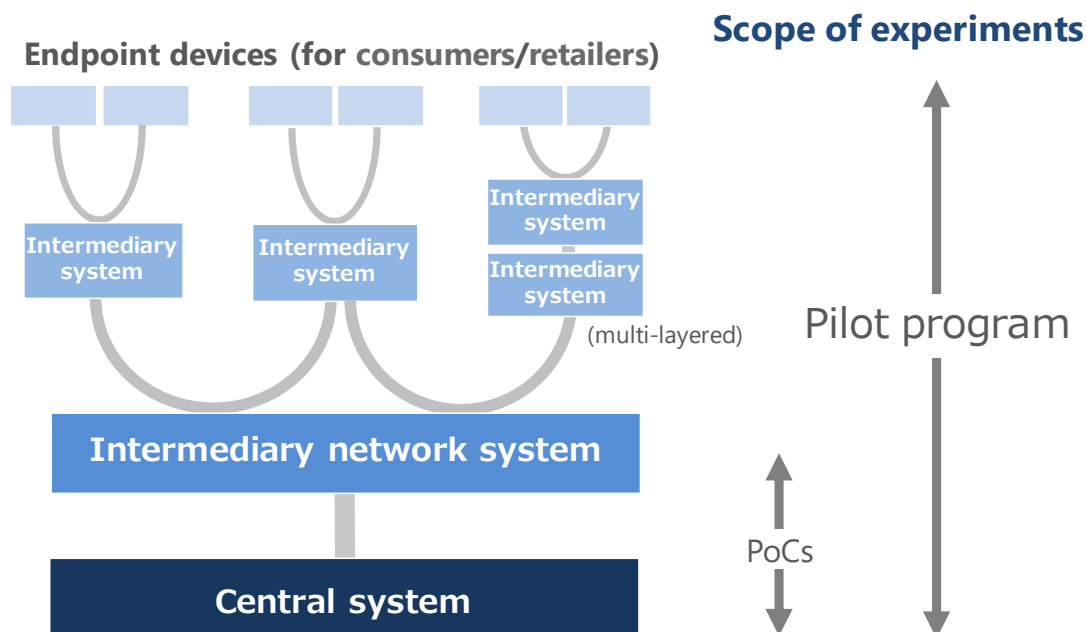
In the pilot program, the Bank will develop a system for experiments, in which a central system, intermediary network systems, intermediary systems, and endpoint devices are configured in an integrated manner. The Bank will, for example, test the end-to-end process flow while exploring the measures and potential challenges for connecting the experimental system with external ones. At present, actual transactions are not assumed to take place among retailers and consumers in the program.

With a view to proceeding with institutional arrangements for CBDC in an appropriate manner, the Bank will establish a CBDC Forum to discuss and explore a wide range of topics with private businesses related to retail payments. The Bank plans to hold information sessions in March to explain the selection process and requirements for participating in the CBDC Forum.

Whether to issue a CBDC should be decided by discussions among the Japanese public. With a view to facilitating such discussions, the Bank will continue to make thorough preparations to respond to changes in circumstances in an appropriate manner.

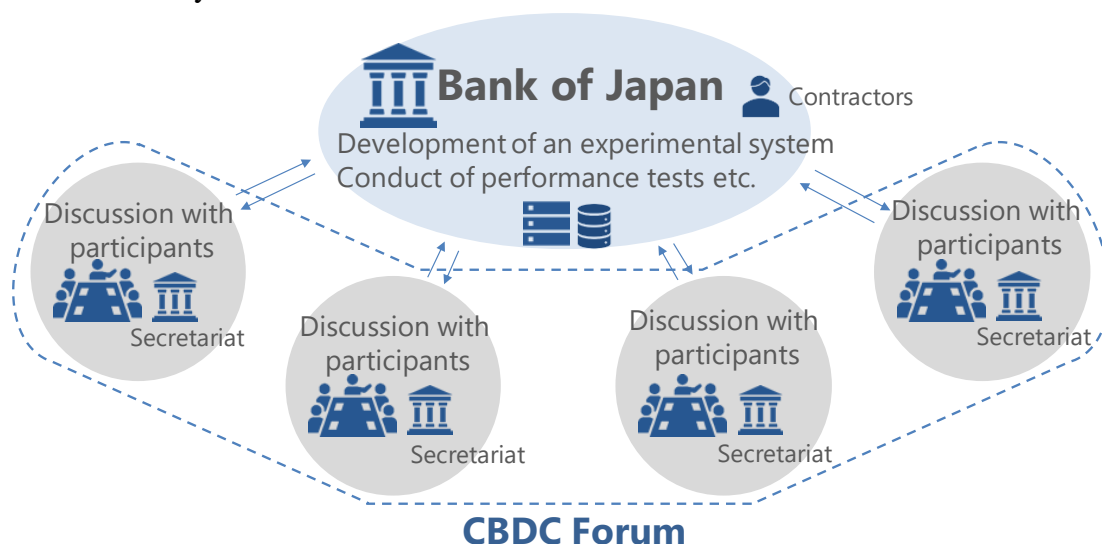
The Pilot Program: An Overview

- The Bank will develop a system for experiments, in which a central system, intermediary network systems, intermediary systems, and endpoint devices are configured in an integrated manner. It is through this program that the Bank will test the end-to-end process flow while exploring the measures and potential challenges for connecting the experimental system with external ones.



- With a view to proceeding with institutional arrangements for CBDC in an appropriate manner, the Bank will establish a CBDC Forum to discuss and explore a wide range of topics with private businesses related to retail payments.

— The findings gained through (1) development and examination of the experimental system and (2) discussions with private businesses are expected to be shared as necessary.



- Through the CBDC Forum, the Bank will discuss and explore with private businesses the following topics in particular for the time being.

— With a view to stimulating and facilitating the discussions, the Bank plans to establish working groups, taking into account linkages among the topics in consideration.

Agenda (provisional)
<ul style="list-style-type: none"> • Confirm the end-to-end process flow in view of the operational processes of intermediaries; explore the measures and potential challenges for connecting the CBDC system with external ones including core banking systems of intermediaries. • Continue research on alternative data models (e.g., token-based) to account-based ones and on offline payments; propose alternative data models and compare with account-based data models. • Upon gaining participation of private businesses with interest in overlay services on top of a CBDC as a public good, exchange views from the perspective of “the business and technology of CBDC,” thereby exploring design requirements for the CBDC system in facilitating overlay services. • Investigate the technical feasibility of challenges and technologies or functions -- such as privacy protection and universal design -- that could become necessary, in particular where a touchpoint with users arises in providing a CBDC as a public good.

- In fiscal 2023, the Bank will select participants for the CBDC Forum and contractors for developing the experimental system, proceeding with discussions and explorations with the participants and the development of the system accordingly. The Bank will issue public updates on these matters in a timely manner.

