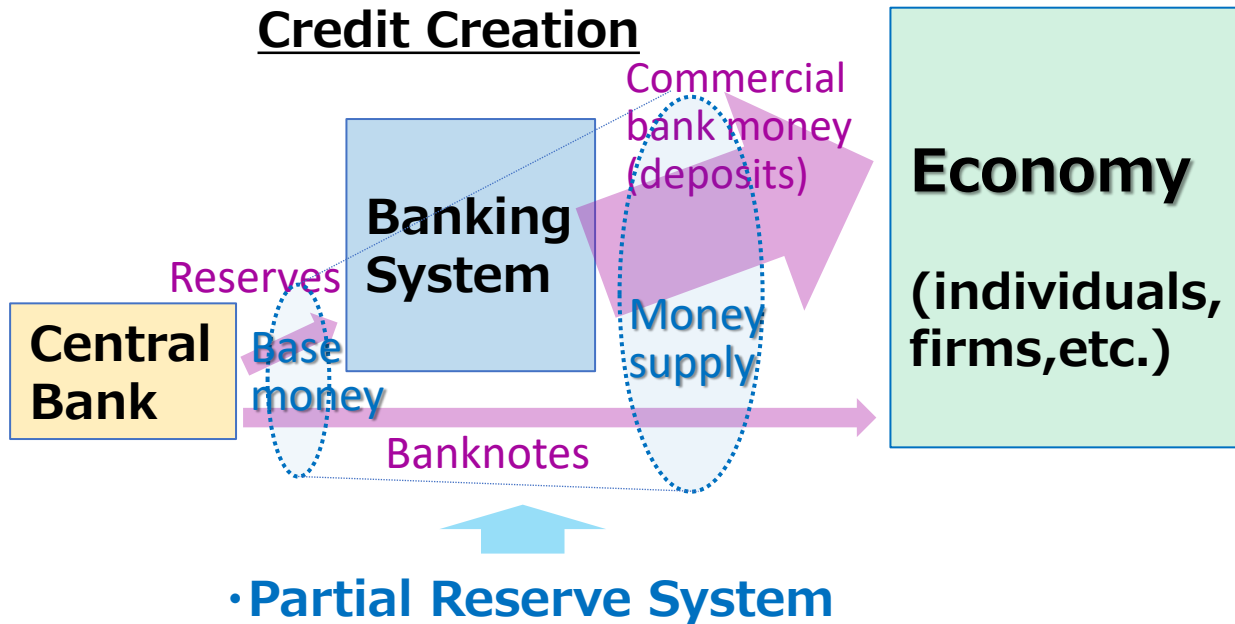
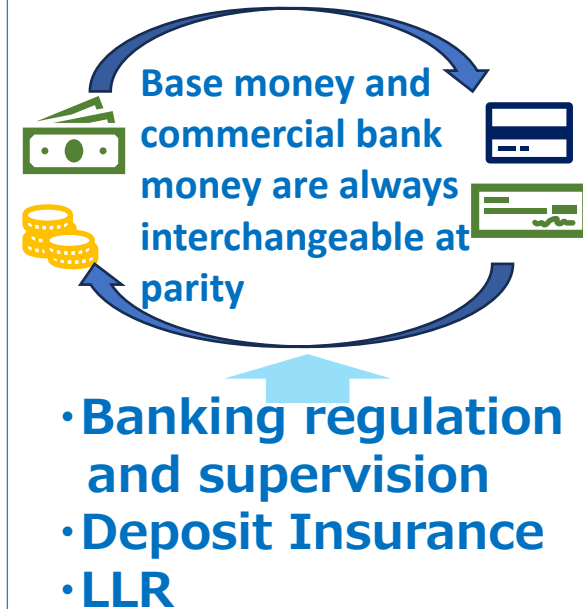


# Modern Monetary System

- “two-tiered” structure and credit creation -



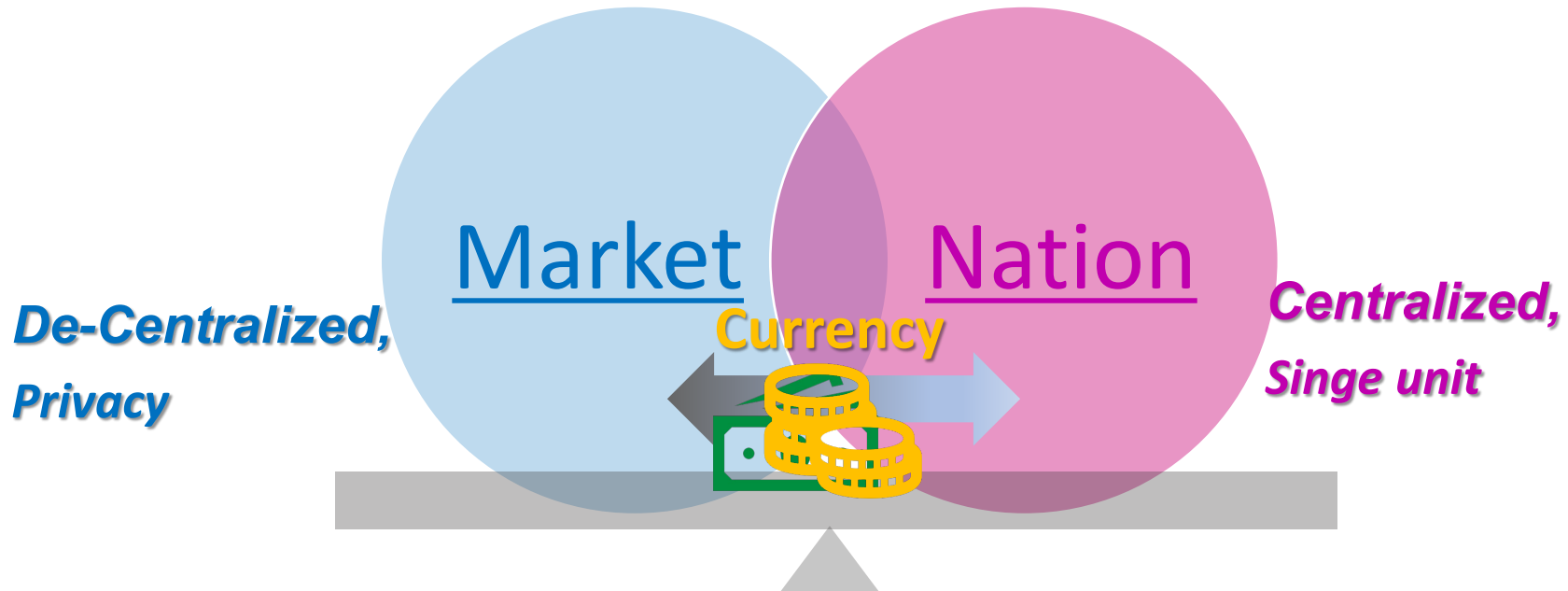
**Singleness of Money**



- **Banks’ financial intermediation**  
⇒ Market-based resource allocation
- **Banks’ creation of deposits**  
⇒ Abundant supply of “money” to the economy
- **Private-led innovation, data utilization, AML, KYC,,,**

# Modern Monetary System

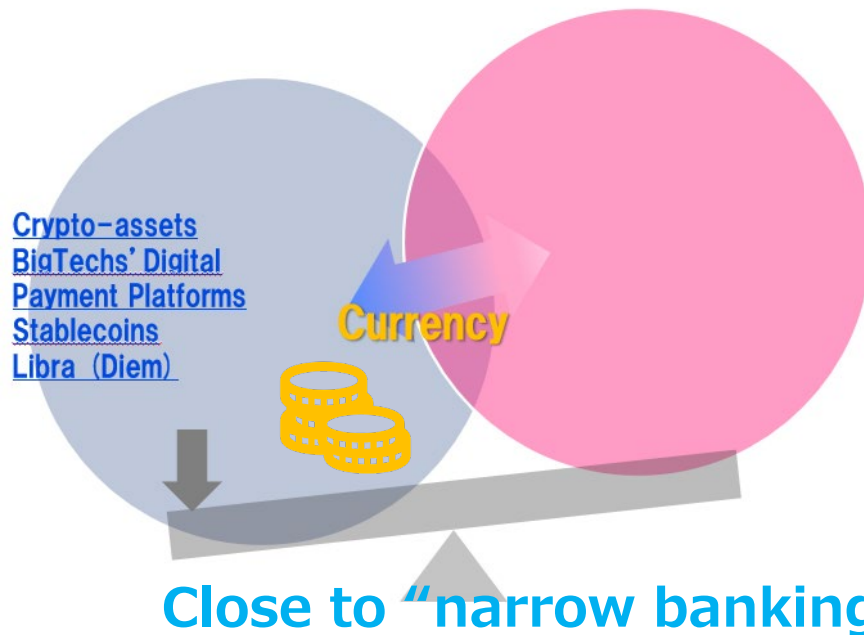
- Balance between Market and Nation -



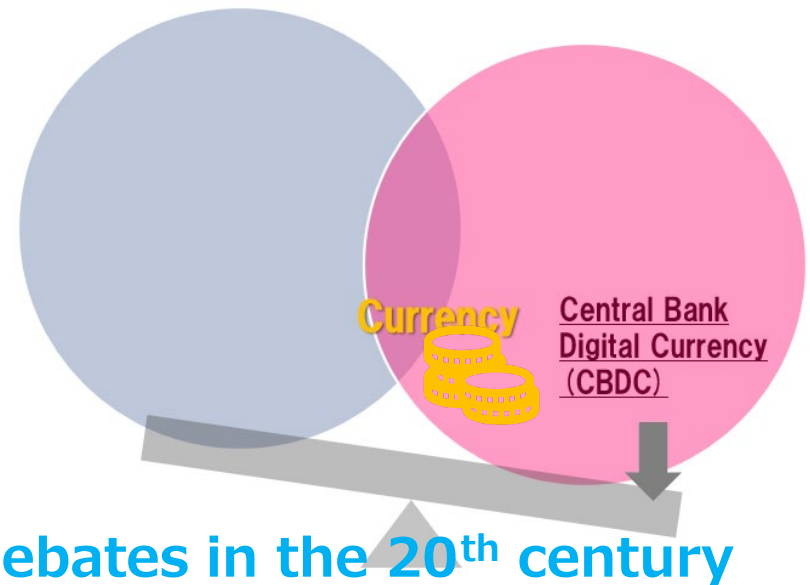
- Currency, issued by the nation, has been the driving force of the market economy.
- The stability and the credibility of the currency are supported by institutional framework of the nation state.
- The authorities and the central bank do not directly access to the information and data on people's daily transactions and privacy.

# Possible Impacts of Digitalization on Monetary System

- Crypto-assets, stablecoins and Big-Techs' payment platform could change the two-tiered structure of modern monetary system and affect the balance.



- Retail CBDC could be regarded as a counter-measure against those challenges to two-tiered monetary system.
- But, retail CBDC may also change the two-tiered structure into the single-tier and affect the balance.



# Digital Currency Forum in Japan and “DCJPY”

- Digital Currency Forum consists of over 100 leading companies, banks and institutions.
- DCJPY is a platform for private-based digital currency denominated by JPY.
  - DCJPY is planned to be issued initially by banks. (DCJPY can be regarded as the platform for “tokenized deposits”.)
  - DCJPY incorporates blockchain technology (Hyperledger BESU).
  - DCJPY has two-tiered structure with “financial zone” and “business zone”.
    - “Financial Zone” performs core functions of settlements.
    - “Business Zone” is designed to be highly “programmable”. (Users can incorporate “smart contract” to satisfy their needs.)

# Possible Benefits of DCJPY

- Stable value as bank deposits
- Maintaining banks' financial intermediation
- Abundant supply of money to the economy
- Avoiding digital bank-run
- Programmability and Smart contacts
- Utilizing bank regulation and deposit insurance
- Fostering private-led innovation
- Utilizing information and data

 Applying new digital technologies to increase people's welfare while maintaining the benefits of modern monetary system

# Issues for Future Monetary System

- Impacts on Financial Intermediation and Resource Allocation, Banks' credit creation
- Ideal Banking Regulation and Deposit Insurance
- Data Governance, ideal Balance between Data Utilization and Privacy
- Legal and Institutional Framework for Tokenized Assets
- Future of Central Banking, ideal roles of CB money in payments and settlements
- Ideal Balance between Nation and Market