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Purpose of the Digital Renminbi and the Future of International Finance

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Summary

- This paper provides an overview of China's aims based on the basic mechanism and the latest trends of the digital renminbi, a central bank digital currency (CBDC), and examines the future outlook from the perspective of a new step toward the internationalization of the renminbi.
- The digital renminbi, whose purpose is for use in small payments, is currently under pilot testing, is not expected to have a significant impact on the internationalization of the renminbi. On the other hand, if utilization in international trade and other large-value payments is realized, it may bring about a major transformation in the international financial system and at the same time promote the internationalization of the renminbi. In collaboration with several central banks, the PRC has begun to build a trade clearing system using CBDC.
- In addition, the digital renminbi seems to have the aim of improving the oligopolistic state of the smartphone payment market and encouraging banks to enter the market, and it could greatly change the business environment of payment and settlement services. Currently, the BOJ does not plan to issue CBDC, but if they were to bring it to market, they would be able to take advantage of China's experiences in developing services using CBDC.

Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.42).