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A System with Zero Reserves and with Clearing Outside of the Central Bank: The Canadian Case

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ABSTRACT

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of introducing blockchain technology in the Canadian clearing and settlement system.

Q KEYWORDS: Clearing and settlement overnight interest rate systemic risk government deposits

Q JEL CODES: E02 E42

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Disclosure statement

No potential conflict of interest was reported by the author.

Notes

5 https:/

18/2018

1 Some of the issues discussed here were also tackled in Lavoie (2005) and Lavoie and Seccare (2006)

2 Nobod deficits.

3 A simil tary policy, syment

4 The CF https://w

6 https://www.payments.ca/about-us/our-systems-and-rules/retail-system/statistics

7 See Payments Canada at : https://www.payments.ca/our-directories/high-value-system-lvts-participants There are only 12 direct clearers in the ACSS.

8 For instance, in the USA, payments can clear through Fedwire Funds Service, which is operated by the Fed and is a real-time gross settlement system (RTGS), while the Clearing House Interbank Payment Systems (CHIPS) is privately owned and nets payments, which are thus not irrevocable until the end of the day, when net final payments must be made through Fedwire.

9 https://www.payments.ca/sites/default/files/10-Sep-18/2018 lvts_volume_and_value_summary_-_july_1.pdf

10 More on this below.

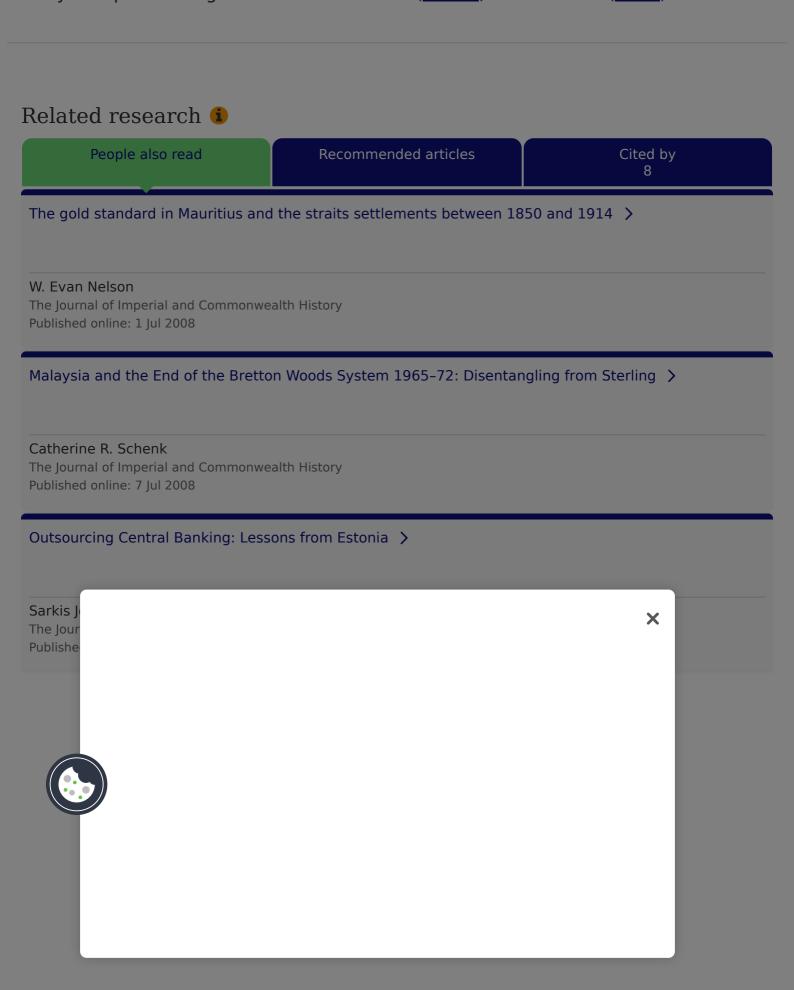
11 The Bank of Canada has not performed any outright open market operation since 1995 (Lundrigan and Toll 1997-98, p. 36).

12 For a long time these liquidity operations were offered in fixed amounts at the target interest rate and carried out through the so-called special purchase and resale agreements (SPRA, to increase intraday liquidity) and sale and repurchase agreements (SRA, to remove intraday liquidity). When the Bank abandoned this way of proceeding and moved to competitive auction procedures at market-determined interest rates, the names changed to those indicated here. The Bank claims that this change sends funds to those that most need it.

nequable 13 Note nd of deposits Septeml <u>ncial-</u> statistics 14 W r repo rates time to find becal ed that the borrowe actual o ets got as in the confuse USA, wh

15 Bindseil (2004, 2014), a central banker, also provides an institutional analysis of the defensive nature of central banking, in the U.S. and within the Euro zone.

16 How this can be reinterpreted within the post-Keynesian theory of endogenous money is explained in greater detail in Lavoie (2010b) and Fullwiler (2013).



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