

599 | 8

Views | CrossRef citations to date | Altmetric

71

Articles

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

Marc Lavoie

Pages 145-158 | Received 03 Dec 2018, Accepted 05 May 2019, Published online: 18 Jun 2019

Cite this article <https://doi.org/10.1080/09538259.2019.1616922>

Check for updates

Sample our  
Politics & International  
Relations Journals

>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

[Read this article](#)

## ABSTRACT

In a num  
monetar  
participa  
no reser  
while on  
does  
despite  
of the ta  
the Cana  
forward  
puzzles

### We Care About Your Privacy

We and our 843 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. [Privacy Policy](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

[List of Partners \(vendors\)](#)

I Accept

Essential Only

Show Purpose

t from  
other  
(TS) - hold  
e and net,  
Canada  
market; and  
basis points  
he setup of  
been put  
rs. Some  
ely prospect

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

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

JEL CODES: E02 E42

## Acknowledgments

This paper was presented at the conference Clearing, Social Accounting, and Monetary Systems, held at the University of Picardie Jules Verne, in Amiens, November 15 and 16, 2018. I thank the organizers Adrien Faudot, Odile Lakomski-Laguerre and Nicolay Nonovsky for having invited me. This work was supported by a grant on 'Central bank, crises and income distribution', provided by the Institute for New Economic Thinking (INET).

## Disclosure statement

No potential conflict of interest was reported by the author.

## Notes

1 Some of the issues discussed here were also tackled in Lavoie ([2005](#)) and Lavoie and Seccareccia ([2006](#)).

2 Nobody is responsible for the current public deficits.

3 A similar argument can be made about monetary policy, the better the payment system, the better the monetary policy, the better the payment system.

4 The CF

<https://www>

5 <https://www>

[18/2018](https://www)



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](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.

13 Note [nequable](#)  
deposits [nd of](#)  
Septemb [ncial-](#)  
[statistics](#)

14 W [r repo rates](#)  
beca [l time to find](#)  
borrowe [ed that the](#)  
actual o [kets got](#)  
confused [as in the](#)  
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](#)).

## Related research

People also read

Recommended articles

Cited by  
8

[The gold standard in Mauritius and the straits settlements between 1850 and 1914](#) >

W. Evan Nelson

The Journal of Imperial and Commonwealth History

Published online: 1 Jul 2008

[Malaysia and the End of the Bretton Woods System 1965-72: Disentangling from Sterling](#) >

Catherine R. Schenk

The Journal of Imperial and Commonwealth History

Published online: 7 Jul 2008

[Outsourcing Central Banking: Lessons from Estonia](#) >

Sarkis J

The Jour

Publishe



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



ng to restore  
ed as normal,  
owing.  
My Account  
elayed. We