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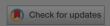
Articles

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

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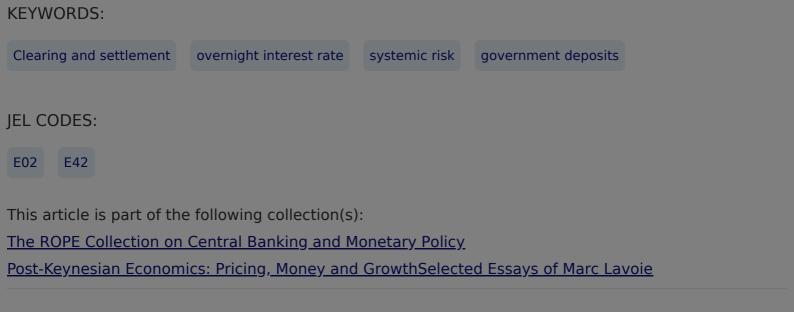
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of introducing blockchain technology in the Canadian clearing and settlement system.



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).



system'.

4 The CPA provides an excellent pedagogical website. See https://www.payments.ca/resources/learning-exchange

5 https://www.payments.ca/sites/default/files/10-Sep-18/2018 <a href="https://www.payments.ca/sites/default/files/10-Sep-18/2

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

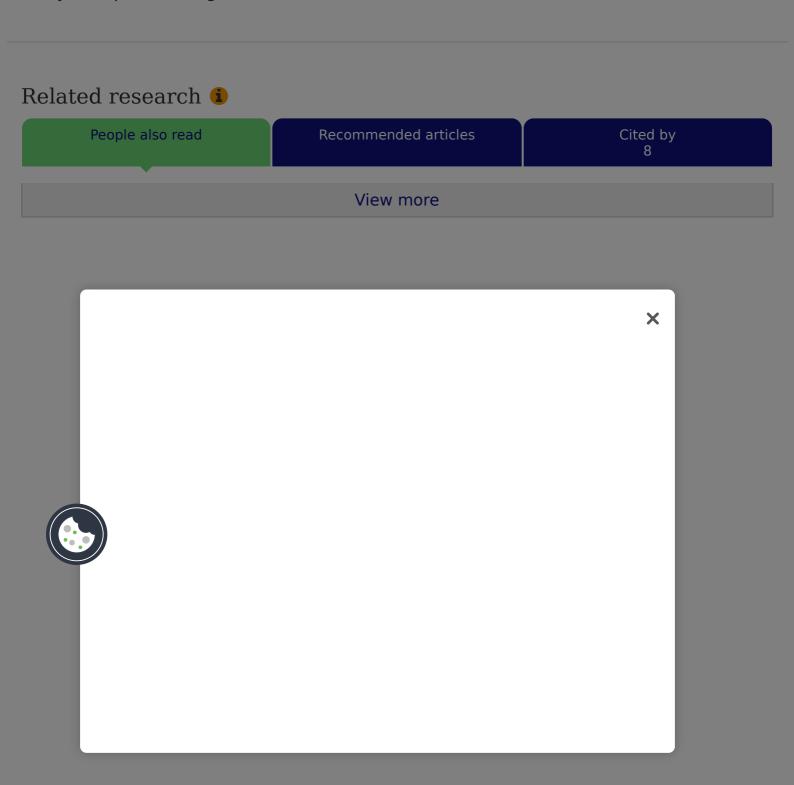
10 More on this below.



14 When good collateral is scarce, its repo rate tends to fall relative to other repo rates because lenders will tend to accept lower rates of return if they have a hard time to find borrowers who can provide good collateral. On one occasion, the Bank argued that the actual overnight rate was systematically below target because money markets got confused as they thought that the target rate was the uncollateralized rate, as in the USA, whereas in Canada the target is the collateralized rate.

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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