

Jeff Eder
Fri 2019-06-28 4:34 AM

Public Information/Information Publique

Dear Sue,

I apologize for the overload; I really shouldn't need to ask these questions. The Bank of Canada website is an excellent source of information nonetheless it falls short on the subject of money creation. The Bank of Canada is a public institution, information on money creation and our banking system should be readily available and transparent. However, when it comes to money creation there seems to be an aversion by authorities to acknowledge the reality of it.

Europe looks to be several years ahead of us in this regard. One example of this is provided by the Bank of England in a quarterly bulletin published in 2014, "Money Creation in the Modern Economy." <https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy>



[Money creation in the modern economy](https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy)

Quarterly Bulletin 2014 Q1

www.bankofengland.co.uk

Have a good day, Jeff

PP

Public Information/Information Publique <info@bank-banque-canada.ca>
Thu 2019-06-27 6:06 AM

You

Good day,

While we appreciate your interest in the Bank of Canada, we have responded to your line of questioning and provided suggestions as to other avenues and resources you could pursue.

The Bank receives a great deal of correspondence from Canadians, and we endeavor to respond to each and every request with the same care and attention we have given to yours. As such, we can only devote a certain level of resources to each inquiry. Therefore, no further response will be forthcoming from the Bank on this matter.

Kind regards,

Sue

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Jeff Eder

Thu 2019-06-27 3:53 AM

● Public Information/Information Publique

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Hello Sue,

The BoC purchases bank notes from the Canadian Bank Note Company at whatever the production costs are (much less than the face value of the notes). Then commercial banks purchase those same bank notes for the face value and the cash is circulated throughout the economy to whoever wishes to use it. In exchange for the banknotes commercial banks forward a digital entry into the BoC cash account. Currently, there is approx. 89 billion dollars in cash circulating in commercial banks and the public. Then this 89 billion dollar digital entry in the cash account of the BoC can be used to purchase government securities. Following that the bank's portfolio of government securities generates interest revenue known as seigniorage. How can one say that this is not money creation that can be used to purchase government securities?

Privately owned commercial banks have been given the right to create digital money through the issuance of loans. Once a loans officer in a commercial bank is satisfied the customer is a good credit risk he or she simply type that money into existence. When the loan is paid back the bank keeps the accrued interest (or the spread in bank parlance) and then can use those funds to purchase securities.

Commercial banks and the BoC purchase government securities using their "own funds". However, they gather those funds using two different types of money creation described above, which can be used to purchase whatever the banks desire.

Have a good day, Jeff

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Public Information/Information Publique <info@bank-banque-canada.ca>

Wed 2019-06-26 8:07 AM

● You

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Good day,

We regret that we cannot comment on this publication as it is not ours. Because it is a summary document, there may be complex concepts that are summarized in a manner that does not fully explain the main concept.

Regards,

Sue

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Jeff Eder

Wed 2019-06-26 4:20 AM

● Public Information/Information Publique

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How the Bank of Canada Creates Money for the Federal Government.pdf

424 KB

Hello Sue,

Does that mean that the attached document “How the Bank of Canada Creates Money for the Federal Government: Operational and Legal Aspects, publication number 2015-51E, 10 August 2015 from the Parliamentary Library of Canada is completely false?

Have a good day, Jeff

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Public Information/Information Publique <info@bank-banque-canada.ca>
Tue 2019-06-25 12:19 PM

● You

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Good day,

In reply to your follow-up question, no, we do not use the money creation process to buy government securities at auction. We use our own funds.

Regards,

Sue

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Jeff Eder
Tue 2019-06-25 6:30 AM

● Public Information/Information Publique

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Hello Sue,

Thank you for your response. I have a follow-up question with regard to the Bank of Canada operations in securities auctions. **While commercial banks do not employ the money creation process, does the Bank of Canada use this process when acquiring treasury bills and bonds in non-competitive bids from the federal government?**

I am familiar with the “Statement of Policy Governing the Acquisition and Management of Financial Assets for the Bank of Canada’s Balance Sheet” and know that generally, the Bank of Canada’s holdings of financial assets are driven by its role in issuing bank notes. According to the latest published BoC Assets and Liabilities: Month End, the BoC holds approx. \$25,638,000,000.00 in Treasury Bills and \$79,197,000,000.00 in Government of Canada Bonds in assets, while its liabilities in bank notes stand at \$88,728,000,000.00.

In other words, the BoC holds a little over 104 billion dollars in Government of Canada debt.

Have a good day, Jeff

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Public Information/Information Publique <info@bank-banque-canada.ca>
Mon 2019-06-24 11:36 AM

● You

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Good day,

We apologize for the delay in responding to your query.

When banks bid for and acquire securities at Bank of Canada auctions, they follow a specific process. The “money creation” process does not apply.

Only “government securities dealers” are allowed to participate in these actions; the public can not take part directly. And when a securities dealer is successful with a bid, they transfer funds – which already exist - from their account to the government’s account.

The full legal description of how the auction process works is here:

<https://www.bankofcanada.ca/wp-content/uploads/2016/08/standard-terms-securities180816.pdf>

For complete information about all aspects of government securities auctions, see:

<https://www.bankofcanada.ca/markets/government-securities-auctions/>

Regards,

Sue

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Jeff Eder

Fri 2019-05-17 3:43 AM

● Public Information/Information Publique

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Hello,

I was hoping to verify Bank of Canada operations with regard to auctions of government securities (Bonds and Treasury Bills). In previous correspondence I asked the question, do commercial banks use the same money creation process to purchasing securities at BoC auctions as it does when granting loans to private individuals?

Linda Groulx, Tue 2013-11-26, 12:36 PM replied, "When a commercial bank buys bonds issued by the Canadian government, it has to pay for them with its own funds, just as an individual has to pay for Canada Savings Bonds with her own money."

However, according to a document from the Library of Parliament entitled, "How the Bank of Canada Creates Money for the Federal Government: Operational and Legal Aspects", publication no. 2015-51-E, 10 August 2015, money is created the same way privately owned commercial banks do when issuing a loan to a business or a person.

Could you please clarify?

Have a good day, Jeff