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The Empty Vault

Canada's gold-free reserves, and the case for deciding them in public

The four checks of Channels, Not Dams, applied by David Eqbal

Key messages

- **Canada holds no gold.** Its official international reserves were US$126.1 billion on 15 October 2026, and the gold line was zero. Canada is the only G7 country with none.
- **The world has moved the other way.** Central banks bought more than 1,000 tonnes of gold a year from 2022 to 2024 and 863 tonnes in 2025. By the end of 2025 gold made up 27 percent of global central bank reserve assets, ahead of US Treasuries.
- **Canada's reasons are real.** Its reserves are borrowed, matched against debts and held for liquidity. Gold pays no interest and fits that design poorly. Finance Canada says the dollar has been protected without it.
- **But the choice has never been tested in public.** One minister sets the policy. Parliament has never voted on it. No published costing of a gold allocation exists. About seven in ten liquid reserve dollars are US dollars, the currency of the country now imposing tariffs on Canada.
- **This brief does not say Canada should buy gold.** It says a decision of this kind should pass four checks: an independent evaluation, published reasons, a channel to raise concerns, and a voice for those affected.

The facts

What Canada holds. On 15 October 2026 Canada's official international reserves totalled US$126.1 billion: US$63.6 billion in US dollars, US$32.8 billion in other currencies, US$23.5 billion in Special Drawing Rights, US$4.1 billion as its reserve position at the International Monetary Fund, and US$2.2 billion in other assets. Gold: zero. Of the liquid reserves at 31 March 2025, 71 percent were in US dollars, 14 percent in euros, 10 percent in sterling and 5 percent in yen.

How it got there. Canada once held 1,023 tonnes of gold. The phase-out began in the 1960s, and the last of it was sold in 2016. The reasoning, as reported at the time, was that gold is an illiquid asset that pays no interest and is better replaced with interest-bearing foreign bonds. At mid-October 2026 prices, about US$4,150 an ounce, 1,023 tonnes would be worth roughly US$136 billion, more than the whole of Canada's reserves today. That is hindsight, and hindsight is not a policy. But it is the scale of the question.

What changed. After 2022, when Russia's reserves held abroad were frozen, many central banks began to treat "who can freeze my reserves?" as a practical question. They bought gold, which depends on no other government. In a 2025 survey by the World Gold Council, 43 percent of central banks said they planned to increase their gold holdings and none planned to reduce them; 73 percent expected the US dollar's share of global reserves to fall over five years. In 2025 the largest buyers were Poland (102 tonnes), Kazakhstan, Brazil, China and Türkiye. Meanwhile Canada, the world's fourth-largest gold producer at about 200 tonnes a year, holds none.

Why Canada holds none

Canada's reserves are kept mainly in the Exchange Fund Account, managed by the Department of Finance with the Bank of Canada as its agent. Their purpose is to help control and protect the external value of the Canadian dollar and to provide the government with liquidity if needed. Three features explain the absence of gold.

1. **The reserves are borrowed.** Canada funds them by borrowing in foreign currencies, mainly through cross-currency swaps and global bonds, and matches each asset against a liability in the same currency and term. Gold has no coupon and no maturity, so it cannot be matched.
2. **The objective is liquidity first.** The Statement of Investment Policy puts liquidity and capital preservation first and return second, and requires liquid foreign currency investments of at least 3 percent of GDP. In March 2025 they were 4.4 percent.
3. **The dollar floats.** Canada has not intervened in currency markets since 1998. Nothing "backs" the Canadian dollar, and gold has no technical role in it.

Gold is not forbidden. The current Statement of Investment Policy, dated August 2026, lists gold among eligible assets. Holding none is a choice.

The case, both ways

For a modest gold holding. It would diversify reserves now concentrated in one currency. It carries no counterparty risk. It tends to hold value in exactly the crises reserves exist for. And the trend among central banks suggests that a reserve with no gold is now a deliberate outlier rather than the norm.

Against. Gold is volatile, and buying near record prices carries real risk. It pays nothing, and because Canada's reserves are borrowed, holding gold has a running cost. Canada's real protection lies elsewhere: a floating currency, deep markets and sound public finances. Norway, with one of the world's largest sovereign funds, also holds none.

What it would cost. This brief's own estimate, at mid-October 2026 prices and assuming yields of about 4 percent on the assets gold would replace:

Gold share of liquid reserves	Value	Tonnes	Interest given up each year	Effect of a 20% price move
3%	about US$2.9 billion	about 22	about US$115 million	about US$0.6 billion
5%	about US$4.8 billion	about 36	about US$190 million	about US$1.0 billion

These figures are illustrative. A published federal costing would replace them; none exists.

The four checks applied

The question in the series this brief belongs to is not only whether a decision is right, but whether it was made in a way that can be trusted when the person making it is ordinary.

Check	What exists	What is missing
Independent evaluation	Annual reports on reserve management; the Auditor General can audit	No independent assessment of whether to hold gold, and no published costing
Transparency	Weekly and monthly reserve figures; annual report; investment policy	The reasons for the current composition, and the alternatives considered, are not published
Flagging channel	Anyone may write to the minister	No channel that requires a reasoned answer
Monitoring from below	None	Canadians, whose public money and risk these are, have no voice in the composition

The two conditions also fail. What reporting exists goes upward, to the minister. And no one checks the checker: the Minister of Finance sets the policy and approves any change to it, and Parliament has never voted on it.

The decision may well be right. It has simply never been required to show that it is.

Recommendations

For the Minister of Finance

1. Publish a reasoned review of the composition of Canada's reserves, including gold, setting out the options considered (no change; a small allocation; gradual purchases over several years), their costs and risks, and the reasons for the choice made.
2. Publish the reserves' exposure by currency, issuer and custodian, and a stress test of how the reserves would perform if access to assets held in one country were restricted.

For Parliament

3. Ask the Parliamentary Budget Officer to cost the options independently, and have the Standing Committee on Finance hold a hearing on the review.
4. Require the review to be repeated every five years, in step with the renewal of the Bank of Canada's inflation-control agreement, and tabled in Parliament.

For any decision taken

5. Answer in writing, within a set time, formal concerns raised by Parliament, the PBO or the Auditor General.
6. Whatever is decided, explain it in plain language, so that Canadians can see why their reserves are held as they are.

What this brief does not claim

It does not recommend buying or not buying gold, and it is not investment advice. The cost figures are the author's illustrative estimates. The brief's claim is narrower: that a decision affecting the security of Canada's public reserves, at a time when most central banks are changing course, should pass the same four checks the series asks of any public power.

About this brief

This brief applies the four checks of *Channels, Not Dams: Architectural Republicanism and the Design of Legitimate Power* (David Eqbal, 2026), available on SSRN at **ssrn.com/abstract=7617458**. A companion research invitation sets out open questions for students and researchers. Both are on OSF at **doi.org/10.17605/OSF.IO/UT827**. All Citizen Stance papers are free to read at citizenstance.ca/research.

Sources: Bank of Canada, Official International Reserves (15 October 2026); Department of Finance, Report on the Management of Canada's Official International Reserves 2024–25, and Statement of Investment Policy (August 2026); World Gold Council, Gold Demand Trends Full Year 2025 and Central Bank Gold Reserves Survey 2025; European Central Bank, report of 2 June 2026 on global reserve assets; BNN Bloomberg (17 October 2025); Kitco (4 February 2026); Fortune (15 October 2026).

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