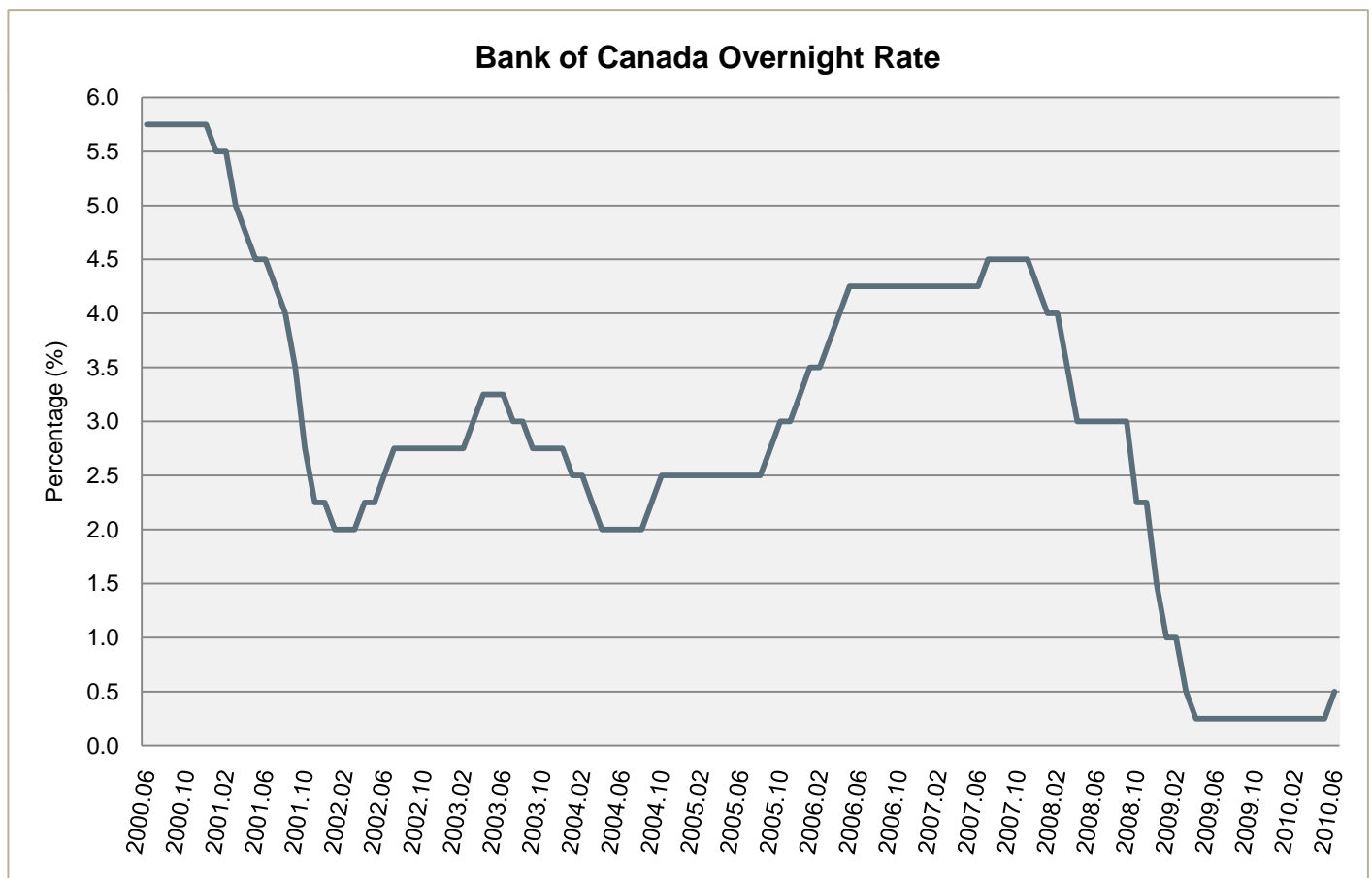


The Bank of Canada Increased Its Overnight Rate By One-Quarter of a Percentage Point to 0.5 Per Cent

The Bank of Canada announced on June 1 that it was increasing its key interest rate one-quarter of a percentage point to 0.5 per cent. This is the first time since July 10, 2007, that the overnight rate has increased in Canada. The overnight rate has been at a record low (0.25 per cent) since April 21, 2009, the date on which the Bank of Canada made its conditional commitment to maintain this rate until the end of the second quarter of 2010. However, the Bank of Canada ended its commitment in its previous decision, on April 20. The next decision regarding the overnight rate will be made public on July 20, 2010.



Source: Bank of Canada

To view the official Bank of Canada press release, [click here](#).

Details About the Bank of Canada's Key Interest Rate

The overnight rate, commonly known as the key interest rate, is the rate at which Canada's large financial institutions lend money for a period of one day. The rate, set by the Bank of Canada, allows the Bank, through the Monetary Policy Transmission Mechanism, to influence the level of economic activity and inflation in the medium- to long-term. Unless there are exceptional circumstances, the Bank of Canada's Board of Directors sets this rate eight times a year during predetermined meetings.

The Federal Fund Rate, which is set by the Federal Reserve, is the American equivalent of the Bank of Canada's key interest rate.

To learn more about monetary policy in Canada, [click here](#).

The Bank of Canada's Key Interest Rate and the Resale Market in Québec

The Bank of Canada, through its decisions on the evolution of the key interest rate, indirectly influences the resale market in Canada and Québec. Any variation in the target for the overnight rate typically affects other interest rates, including short-term mortgage rates and variable mortgage rates, which are important determinants of the level of activity on Québec's resale market.