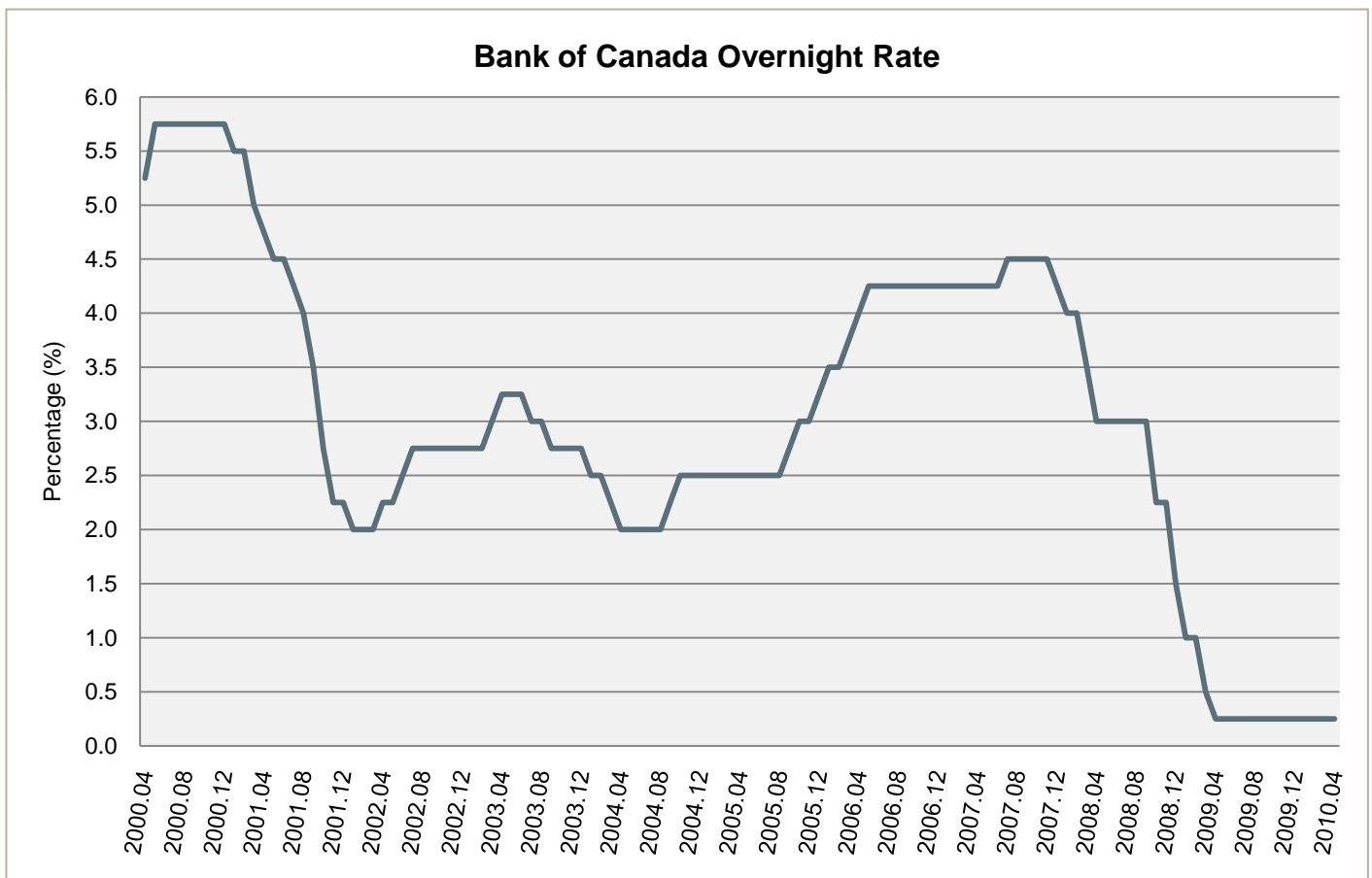


## Bank of Canada: Status Quo on Overnight Rate, But End of Commitment

The Bank of Canada announced on April 20 that it was leaving its key interest rate unchanged at 0.25 per cent. However, because Canada's economy is recovering at a faster pace than the Bank expected at the start of the year, it has decided to end the commitment it made close to one year ago, in which it pledged to maintain the overnight rate at this level until the end of the second quarter of 2010. The next decision regarding the key interest rate will be made public on June 1, 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.