

## BoC email communication QE

----- Original message -----

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

Date: 2021-04-07 12:07 p.m. (GMT-07:00)

To: ecanvasparty <ecanvasparty@gmail.com>

Subject: RE: {External} Members of payments Canada

Category/Catégorie: Non-Sensitive/Non-Délicat

Good day,

Thank you for your email.

The deposits that you see on our balance sheet have resulted from an operation we call "Quantitative Easing" or "QE" for short, whereby the Bank of Canada buys Government of Canada bonds on the secondary market, primarily from financial institutions and in exchange we create "settlement balances" for those financial institutions. This program of QE was initiated in 2020 in response to the pandemic in an effort to reduce interest rates at the medium and longer term end of the yield curve. Here is an [article](#) that explains how this QE program works.

To buy the assets, we hold a type of auction. We buy from the financial institution that is willing to sell them to us at the lowest price.

Eventually, when the crisis has passed and we no longer want to hold the assets, we can sell them back to financial institutions. This will shrink their deposits of settlement balances. Or we can hold the assets until they mature and use the proceeds to reduce the amount of settlement balances.

You can read more about QE [here](#) and find a detailed explanation of our balance sheet composition [here](#).

We continue to stand ready to adjust policy further and to deploy other market tools, if required, to support economic growth and keep inflation on target.

Kind regards,

Sue

Public Information/ Service d'information publiques

Bank of Canada | Banque du Canada

234 Wellington St. | 234, rue Wellington

Ottawa, Ontario K1A 0G9

[info@bank-banque-canada.ca](mailto:info@bank-banque-canada.ca)

Telephone | Téléphone : 1.800.303.1282

Fax | Télécopieur : 613.782.7713

