

Central bank signals worst of credit woes over

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OTTAWA — The Bank of Canada ended a short-term emergency lending program, signaling the worst of the credit crisis is over.

Canada's central bank said today it won't renew a \$1-billion "term purchase and resale agreement" set to expire July 10. Policy makers closed an additional \$1-billion credit line June 23.

Bank of Canada Governor Mark Carney started the so-called term PRAs as a way to inject liquidity into a lending system starved for cash. Banks and other lenders bid for short-term loans from the central bank and agreed to return to money, with interest, 28 days later.

"This decision reflects the continuing improvement in market conditions since the end of April, including funding conditions out three months," the Bank of Canada said in its statement.

That assessment stands in contrast to the United States.

The Federal Reserve last month said American credit markets "remain under considerable stress." Fed Chairman Ben Bernanke said Tuesday that he may extend a special lending program for securities dealers.

"The Federal Reserve is strongly committed" to financial stability and is "considering several options, including extending the duration of our facilities for primary dealers beyond yearend," Mr. Bernanke said in a speech at a conference in Arlington, Virginia.

The Bank of Canada stopped short of declaring victory over the credit crunch.

Canadian policy makers remain "committed to provide liquidity in support of the efficient functioning of financial markets as needed," the Bank of Canada's statement said. "The case for any further operations will be reviewed in light of conditions in financial markets."