THE PROBLEMS

OF

EXCHANGE CONTROL IN CANADA

by

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The Problems of Exchange Control in Canada

Chapter 1 Introduction

The problems of exchange control fall into two categories: administrative difficulties and economic effects. Since exchange control is not new, there has grown up a detailed literature on its operating techniques. In spite of the fact that the bulk of this technical literature has developed in the last fifteen years, remarkably few of the observable results of exchange control are of much direct interest to Canadians. The European control systems were developed early under political and military stress, and the countries concerned have for the most part met with total destruction. On the other hand, The Foreign Exchange Control Board of Canada introduced into the Dominion a closely integrated system only under economic stress brought on by a sudden emergency, and, unlike the defeated totalitarian states, Canada has come through the conflict as a changed member of a world economy considerably altered by six years of total war. During that war, Canadian and British experts helped administer our exchange control system in the totalitarian fashion. Under such direction, Canada rationed her American dollars, and with the help of more available under the Hyde Park Agreement, managed to send war supplies to England and other Allied nations overseas. The War effort expanded the

Canadian economy tremendously, and caused a wave of wartime prosperity. After the war, this productive machine must operate to prevent unemployment. Britain, however, who used to buy so many North American exports, as a result of her wartime loss of overseas income must now export more to make up the difference. The United Nations have agreed that disturbing capital flights must be prevented. While this insures the continuance of the Canadian exchange control, the extent to which Britain can export to the United States governs its severity. If the dollars are in New York through British sales, we can buy them with the pounds sterling we get from exports to Britain - exports that we must ship to keep Canada working. Some relief may be found through direct loans and advances from the International Monetary Fund and the International Bank for Reconstruction and Development, but in the last analysis, if the United States imports from Britain we can buy American goods. The extent to which this condition will obtain is unpredictable. If America does not import, we shall be unable to buy dollars in New York with our sterling, and we shall be forced to sacrifice many luxuries from the United States.

In the pages that follow, we are going to trace the development of this triangular problem, starting from a discussion of exchange rates and the technique of control, and working through the war to the trade picture of the future. We shall see that,

as a supervisor in the Canadian arsenal, exchange control insured the acquisition of American supplies and the production of British arms at a much lower cost in terms of material sacrifice and economic maladjustment than would otherwise have been the case. In conclusion we shall find that our new servant may perforce become a hard master.

Chapter 11

The Determinants of the Rate of Exchange

The rates of exchange between currencies in the international money markets are set by the forces of supply and demand in these markets. Such forces, operating under inconvertible paper currency standards, can cause wide fluctuations in exchange rates. These fluctuations are limited only by the elasticity of the supply of and the demand for exchange as reflected in the condition of the international balance of payments, and by the faith of traders in the political and economic stability of the participating nations.[1]

These forces of demand and supply in the money markets have no relation to the volume of transactions, but are called into being by the net percentage difference between the amount of domestic currency offered for sale and the amount of foreign currency sought; it is a purely relative consideration.[2]

Professor Ellsworth has made a summary of the sources of demand for, and supply of, foreign exchange.[3] This summary is particularized for Canada and reproduced below:

A. <u>SOURCES OF DEMAND FOR FOREIGN EXCHANGE:</u>

1. Commercial transactions:

   (a) Commodity imports.

   (b) Services (shipping, insurances, communications, banking, etc.) rendered Canadians by foreigners.

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1 Providing, of course, that there is no compensatory interference in the market by national authorities.

2 When we say "currency" here we mean all the forms of media of payment that are bought and sold internationally, bills of exchange, including drafts, notes, as well as bankers' bills. See also App. A. infra.

3 P. T. Elsworth-International Economics, pp 156-7

(c) Expenditures of Canadian tourists travelling abroad.

(d) Earnings (interest and dividends) on foreign-owned Canadian securities.

(e) Miscellaneous transactions: immigrants' remittances, foreign expenditures of the Canadian government and of Canadian charities, etc.

2. Financial transactions:

(a) Long-term investments in foreign securities, or repurchase of foreign-owned Canadian securities.

(b) Short-term loans by Canadian to foreign borrowers, or repayment of Canadian short-term borrowings from abroad.

3. Speculative transactions:

(a) All speculative purchases of a foreign currency for a rise, involving "going long" of that currency.

(b) Flight of capital from Canada.

B. SOURCES OF SUPPLY OF FOREIGN EXCHANGE:

1. Commercial transactions:

(a) Commodity exports.

(b) Services rendered by Canadians to foreigners.

(c) Expenditures of foreigners travelling in Canada.

(d) Earnings on Canadian-owned foreign securities.

(e) Miscellaneous items involving payments by foreigners to Canadians.

2. Financial transactions:

(a) Long-term investments in Canadian securities by foreigners, or their repurchase of Canadian-owned foreign securities.

(b) Short-term loans by foreigners to Canadian borrowers, or repayment of Canadian short-term loans to foreigners.

3. Speculative transactions:

(a) All speculative sales of a foreign currency for a fall in its dollar value, involving "going short" of that currency.

(b) Flight of capital from a foreign centre.

All this is quite straightforward. Demand and supply set the rate of exchange. It is also clear that these market forces are to a large degree governed by the prices of products that are bought and sold between countries. The price of commodities is governed by the prices of their factors. The price of the factors determines the income of the individuals who hold them. In turn, their income creates the effective demand for the commodities offered for sale. This, briefly, is the principle of the interdependence of prices that is the distinctive feature of our complex price systems.

The exchange rate is one of the prices in this system, unique in that it is the variable that brings different national prices systems into direct relation with one another. More than other prices, however, it is affected by optimism and pessimism in international affairs, and at times may be dominated by panics which cause flights of capital that result in sharply increased demand for foreign exchange.

Suppose that the exchange rate were to be fixed at a certain ratio. That means, in terms of our thinking, that this particular price becomes an independent variable. This situation obtains

under exchange control regulations. It should be clear that fixing the exchange rate ought to have considerable influence on the movement of goods. If the pressure on the controlled variable is to be resisted, then there must be close supervision of international trade. We shall now see how this is done.

Chapter 111

Chapter 111 Exchange Control: Aims and Methods

Exchange control in its broadest sense might be regarded as embracing all the forms of regulation of the value of one currency in terms of other currencies.[1] This definition covers all central bank activities in any way connected with the foreign exchange markets, including discount policy, and open market operations. Even general monetary policy, through the relationship between the volume of money, prices, and the value of money will affect the exchanges, and may be regarded as a form of exchange control. These measures are "normal" measures in the widest interpretation of the term.[2] In fact, under a gold standard, specie flows, within the limits of the gold supply, keep exchange rates from fluctuating beyond the "gold points".

Exchange control, in its popular connotation, embodies the idea of "restriction" of the activities of businessmen and pleasure-seekers in their dealing in other people's currencies. This is true exchange control - "the limiting of the right of individuals to deal freely in the foreign exchange market",[4] and it is in this sense that we shall use the term. This narrow interpretation is not selected because the more general aspects of exchange control are neither interesting nor important for some purposes. In the first place, the development in recent years of skilfully designed "systems" of exchange control, which include all manner of regulations conceivable, has placed the study of

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1. M. S. Gordon: Barriers to World Trade pp 49-50
2. P. Einzig: Exchange Control pp 11-12
3. In view of the doubtful future of the gold standard, discussion of exchange rates under such a system will be omitted.
4. Gordon, pp 50

of central bank policy as it used to be[5] beyond the scope of this investigation. Secondly, this thesis is concerned with the current problems of Canadian exchange control. These problems are unique. Few really useful parallels exist for study. The historical foundations of control are well known, but there is a paucity of material on the effects of such systems because they are of such recent origin that the necessary perspective is lacking.

Why were these systems set up? What were the methods used in their construction? Although exchange control is not new,[6] and while even, as we have seen, the gold standard implies a "control" of exchange rates, there was relatively little in the way of exchange control to hamper world trade before World War I. Commerce, under a sound gold standard, was fairly free. During the war, however, there was a considerable degree of exchange control, accompanied by economic, and especially industrial, development. For example, India, China, Japan, and the United States learned to produce for themselves many goods formerly imported from western Europe. The United States, having stayed out of the war until 1917, acted as a refuge for allied capital and as an armoury for allied equipment, and thus became very wealthy. After 1918, therefore, a huge American capital supply

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5 not to be confused with modern exchange control systems which some central banks administered - e.g. in Bulgaria, Czechoslovakia, Estonia, Germany, Roumania, Greece, Turkey, and certain South American republics.

6 see H. Michell, Economics of Ancient Greece, pp 232 and G. Haberler: Theory of International Trade pp 85 cit. by Gordon pp 52 n. 4

was open to European borrowers, and this sent plenty of purchasing power abroad. By 1930 the gold standard was almost universal again. However, the European nations re-created by the Treaty of Versailles, in spite of the fact that they were more or less economically interdependent, wrapped themselves up in their national pride and set off on the long, exacting climb towards autarky. The depression, with its sudden collapse of American credit, also brought new strength to nationalistic governments at home and abroad, and these governments promptly raised tariff and other barriers to world trade in the face of falling prices, and spurred on their people in quest of the ideal of economic independence.

Since few could sell abroad and thus get money to buy imports, new domestic sources developed to fill the need. Among others, Argentina, Brazil, Chile, Russia, Italy, Austria, Czechoslovakia, France, and Belgium, sponsored the growth of home industry. Germany, in particular, organised her home economy to an amazing degree, for she, perhaps more than any other nation, was obsessed by the idea of economic self-sufficiency.[7]

The collapse of the capital market, and the withdrawal of American loans abroad, led to large-scale defaulting of debts. This shortage of credit, coming on top of a lack of exports to obtain money for debt payment, created a sorely-felt scarcity of exchange in debtor countries. But by this time, attempts to

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7 e.g. Germany, in 1935, paid a price for Chilean wool that was 45% above the world level because she had a trade agreement with that country; see Marcus Nadler: "Economic Interdependence, Present and Future", American Economic Review, Vol.XXVII sup March, 1937. pp 6.

maintain exchanges in the face of economic disaster had forced the world off the gold standard. Most of this gold found its way to the United States in payment for needed American goods and services, and the world wallowed in depression while the United States piled up its "embarras de riches" in Fort Knox and faced the problem of large-scale unemployment.

It was when Britain abandoned the gold standard in September 1931, that she introduced a mild form of exchange control. No rate for the pound was fixed, but there were restrictions on transfers of capital. In May, 1932, these unpopular orders were removed, and shortly after this the Exchange Equalization Account was set up. The fund was used to buy and sell sterling in order to prevent undue fluctuations. Such general supervision is characteristic of mild systems of exchange control, although sometimes such regulations are supplemented by prohibitions on the export of bank notes and securities as an additional means of checking capital outflow. Embargoes on foreign loans are generally either explicit or implicit in the regulations.

Recovery after 1931 was slow in coming. It was, however, stimulated by the resumption, in 1935, of the pre-1914 armament race. The prospect of conquest on one hand, and the threat of invasion on the other did more to stimulate world trade than any of the previous conferences.[8] But instead of capital flowing from the rich to the poor as it should have done, money poured into the United States for protection from European political disturbances, and the bellicose continental powers clamped

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8 see Ibid., pp 4

control after control on their trade[9] in order to make possible importation of raw materials for the war that they knew was coming. The main objective of their commercial policies was to export as little of their vital supplies and as much of their non-essential commodities as possible. Their economic programs fitted in with the rest of their doctrines, and their chauvinistic nationalism resulted in a steadily widening gap between nations.[10] "Instead of obtaining their goal (of national prosperity) through peaceful means, through strengthening the competitive position of their export industries, they directed their efforts towards the production of war supplies to pursue this end by force."[11]

For such revolutionary mobilization schemes, mild control measures of the British and Norwegian type - funds, "advice", etc., were hopelessly inadequate. The new totalitarian governments were interested in:

1. Keeping all the wealth of their nationals at home to be used by the authorities as they saw fit.
2. In making the best use, from the national point of view, of available resources of foreign exchange.

Let us see how a system of exchange control would be set up in a typical nation requiring such measures. In view of the fact that exchange controls are devised to cope with shortages, the first move,[12] obviously, is to commandeer all available and

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9 It is ironical that world trade picked up under the restrictions because the arming nations were forced to adjust controls to increase imports of war material.
10 Ibid., pp 6
11 Ibid., pp 10
12 It is hardly necessary to point out that with the seizure of exchanges by Control, all speculative activity ceases immediately the rate is stabilized.

potentially available exchange. This means the surrender of current foreign balances, all foreign currency held by residents, and all foreign drafts, for example, for services rendered abroad by residents. Exporters must submit reports on all shipments out of the country, and these reports are checked for any possible under-valuing. This is done so that an exporter will not have any balance on deposit abroad over and above the stated value of his shipment, which, of course, he must surrender to the Control in return for domestic currency at a fixed rate. Licence systems for exports allow product differentiation on the part of the Control.[13] Offenders must bear heavy fines and may lose their trading privileges. Finally, all resident holders of foreign securities must register them as to principal and be prepared to sell them to the Control. Naturally, all foreign dividend and interest cheques in currencies in short supply under the Control must be cashed in the Control office in domestic currency.

Having directed all available exchange to the Control, the next procedure is to limit the demand for exchange in every way possible.[14] The severity of both types of regulation varies with the shortage of exchange. The primary objective is to prevent any form of capital transfer. No purchasing of foreign securities is allowed, and censorship of the mails will support such measures.

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13 e.g. in New Zealand - Gordon pp 67 n 40 - and under FECB regulations in Canada

14 Note that certain companies with international structures may be allowed blanket transfer permits on sufferance for inter-company accounts.

Tourists may not take out any more than a certain amount of even domestic currency, and perhaps no foreign currency at all. Licences are required for all imports.[15] The invoices are carefully checked for over-valuing before the necessary exchange is alloted. This prevents the accumulation, by residents, of foreign balances over and above the required remittance to the foreign exporter. All foreign-held domestic securities are registered so that Control will have an idea either as to the amount of exchange required to meet interest and dividend payments, or an estimate of the net gain to be realized between good-will lost and money gained by disallowing such payments.

Aside from limiting the free use of exchange either from the standpoint of the recipient or the remitter, the Control generally implements the governmental trade policy,[16] and world preferences are built up.

Under such restrictions, some method of carrying on trade and servicing debt must be devised. The most common solution has been the development of blocked accounts, compensation agreements, clearing agreements, payments agreements, in lieu of straight currency devaluation.[17]

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15 Advance permits may be required so that countries with whom Control has a "favourable" i.e. active, balance of trade, might be favoured - e.g. under the Runciman-Roca Agreement of May, 1933, between Britain and Argentina. The latter favoured British claims for Britain was her best customer. Gordon, pp 80

16 This allows considerable discretion on the part of the government between countries, and on the part of the Control between individuals.

17 Note that Italy devalued the lira in 1936. Other forms of devaluation may also be devised. Exporters may be allowed to seel an increasing amount of exchange freely on the domestic market, e.g. Austria, 1932-38. Certain types of transaction

Blocked Accounts:

Exporters from foreign countries merely have to wait indefinitely for their money. Proceeds from the domestic sale of their shipments are placed in special untouchable bank accounts. While long term debts, often refunded at lower interest rates during slump periods, are not generally affected by blocked accounts, short term debts are cleared by means of this technique. The accounts may be cleared in installments as was the case with Germany, Greece, and Bulgaria. Argentina, and Germany also, funded a considerable portion of their balances into interest-bearing domestic securities. It was, however, in the use of these balances for certain internal expenditures, and for the use of tourists, that Germany built up a clever conversion schedule, with various kinds of mark differentiated on the basis of the use to which each would be put. These marks varied from 10% to 45% of the value of the free mark.[18] After 1937, only the most restricted and risky investments were open to blocked mark holders, and this reduced their market value still further.[19]

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may be allowed on governmentally-fixed rates higher than "official" rates. The "multiple" rate systems of Chile and Argentina are combinations of these latter two. Premia on exports and surcharges on imports may be applied by Control as a means of compensating for differences between the official rate and the rate which would prevail in the absence of restrictions; e.g. Hungary, Roumania, and Yugoslavia. See Gordon p99

18 see Ibid., pp 91-98

19 It is interesting to note that Germany reduced her external debt by some 63% between 1930 and 1938 by this system. One of the most significant means of doing this was to allow German exporters to buy foreign-held domestic securities with a portion of their export receipts. This compensated them for export losses because the repatriated securities were worth more at home than abroad. See Ibid., pp 95-96

Compensation Agreements:

This involved the elimination of bilateral payments between countries, through the offsetting of equivalent obligations; private barter deals also played a part in this type of scheme.

Clearing Agreements:

These agreements meant that trade was controlled to prevent the accumulation of a net balance by either country of the bilateral arrangement. Importers' remittances were deposited in their home central bank against foreign claims held there. It was necessary, in a debtor-creditor agreement, that the creditor maintain an "unfavourable" balance of trade. This was either implicit or explicit in all clearing agreements, and allowed debt servicing.[20]

Payments Agreements:

Payments agreements involved no interference with the monetary mechanism of trade; but there was an explicit ratio of imports to exports laid down in these dual plans. A typical case would be a payments agreement between an exchang-control country[21] and a non-control country, where the control country's available exchange would be divided between imports and debt requirements, with a small residual proportion placed at the free disposal of that country. This latter point is the most essential difference between payments and clearing agreements.[22]

The several "methods of exchange control aim at conserving exchange for application to "desirable" purchases. These imply a judgment by an authority as to what is good for the

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20 Most clearing agreements had a compensation clause. See Gordon pp 119-120 for the somewhat fine distinction.

state. It would appear, then, that aside from the actual difficulties and discriminations in the way of moulding commercial policy towards a decided goal, the relation between the state and the individual governs the degree of benefit accruing to the citizens of a country with controlled exchanges. Thus, while we associate exchange control with continental governments, and while Britain and the United States had only a mild form of exchange control in the operation of the equalization funds up until the start of World War II in 1939, on September 15 of that year there descended on the residents of Canada an approved regimen of exchange control that rivalled in strictness those of the authoritarian powers. In this study we shall have occasion to examine this program of the Foreign Exchange Control Board of Canada.

We have seen that the necessity for exchange control comes from strain on the trade of a nation, and that control of that trade is necessary for the control of the rate of exchange. The rationale of exchange control in Canada then must be ascertainable in the movements of Canadian goods in international trade, and in the relations between Canada and her economic neighbours. These movements and relations are outlined in the figures of the Canadian balance of international payments. In the next chapter, in investigating these figures up to 1939, we should be able at least to lay the basis for a discussion as to why exchange control was needed in wartime Canada.

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21 The exchange-control country would be allowed an excess of exports to the other partner.
22 Gordon pp 122

Chapter IV

Chapter IV: The Canadian Balance of International Payments.

From 1900 to 1913 Canada underwent a tremendous economic expansion. The period was marked by a strong excess of merchandise imports, that with a debit of over $872,000,000 in interest and dividend payments, resulted in total net debits of over $2,369,000,000. The foreign exchange value of the Canadian dollar remained at about par because investment credits from abroad balanced the excess of imports. Foreign investments in Canada increased $2,374,000,000 (net), to make a total, in 1913, of $3,508,000,000.[1] Of this increase, some $1,753,000,000 was subscribed, chiefly through public issue, by British investors.[2] Canadian Investment was small, and the balance originated in the United States. A threatened break in this boom in 1913 was forestalled by the advent of the first World War, and the exigencies of war contributed materially to a changed Canadian financial outlook.

During the war years, expanding exports took the place of capital inflows in meeting Canadian foreign debts. Unlike the first years of the century, net interest and dividend payments were now heavy expenditures. The period from 1913 to 1919 saw total net credits of $400,000,000 pile up. This was principally the difference between $1,700,000,000 in net commodity exports and $1,300,000,000 in net interest and dividend pay-

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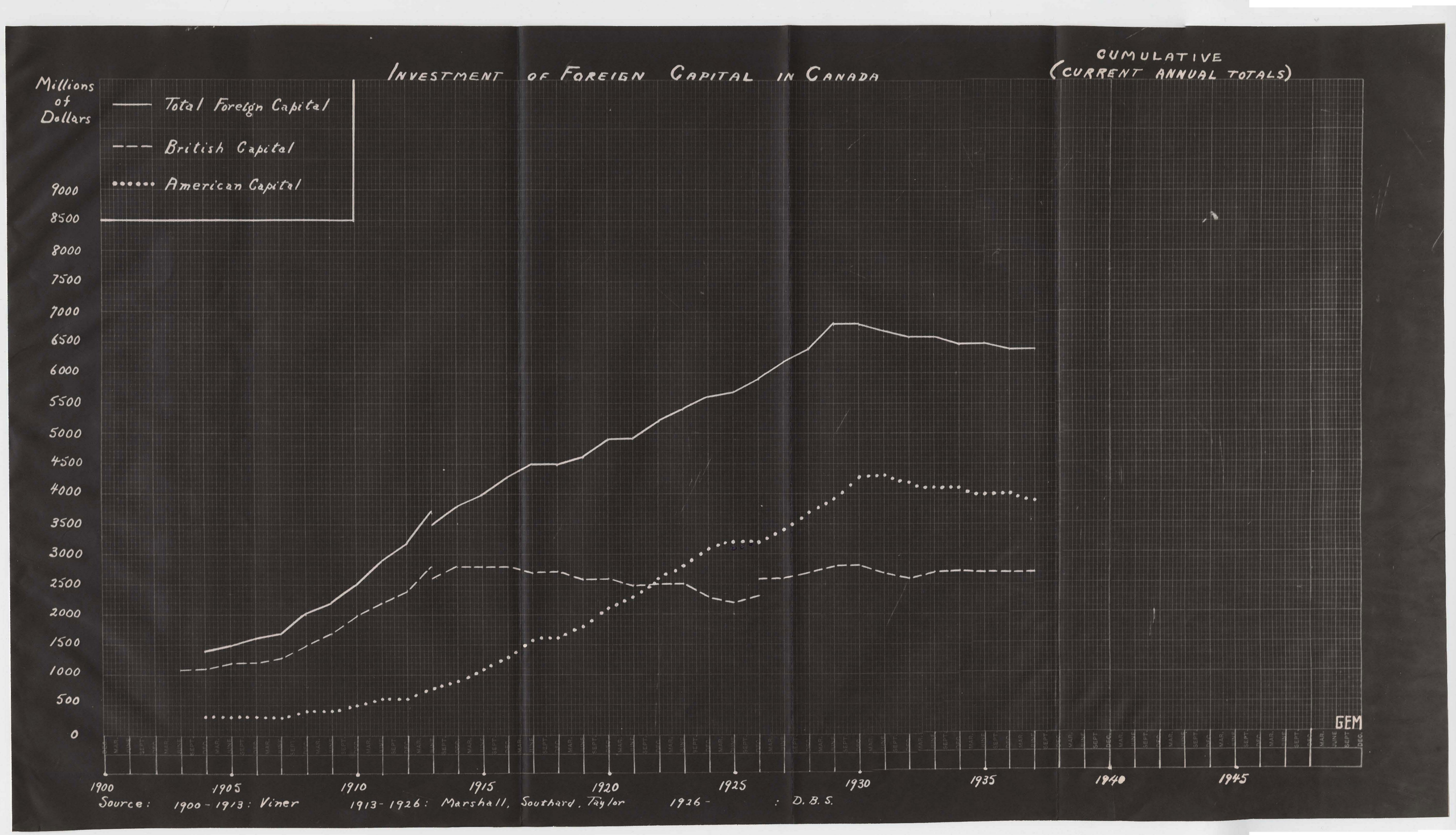
1 C. Elliott: The Canadian Dollar and Capital Movements, in Canadian Investment and Foreign Exchange (ed. by J. Parkinson). pp 111

2. J. Viner: Canada's Balance of International Indebtedness, 1900-1913, cit. by W. Bush, A History of British Investment in Canada. pp 31


INVESTMENT OF FOREIGN CAPITAL IN CANADA
CUMULATIVE
(CURRENT ANNUAL TOTALS)
Millions of Dollars
Total Foreign Capital
British Capital
American Capital
9000
8500
8000
7500
7000
6500
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
0
1900
1905
1910
1915
1920
1925
1930
1935
1940
1945
GEM
Source: 1900 - 1913: Viner 1913 - 1926: Marshall, Southard, Taylor 1926 - : D.B.S.

ments on foreign debt. For the first time net tourist receipts assumed significant proportions - about 6% of the export surplus.[3]

After 1920, when the favourable trade balance associated with war years slumped to a negative position, there were a couple of bad years when the Canadian dollar was at the bottom of a New York depreciation slide that had started in 1918. But the seeds of change in the Dominion's capital structure that had been sown during the war now began to bear fruit. British lending to Canada had almost ceased by 1916, and at the same time American investment in this country rose, with New York taking the place of London as Canada's chief source of foreign capital for the middle war years. But the bulk of war investment had been made with Canadian funds. After being helped through adolescence by the United States, Canada had thus gained her financial majority by the close of hostilities.[4]

From 1919 to 1924 sterling remained at a considerable discount (about $4.50) in New York. At one and the same time this encouraged liquidation of British-held Canadian securities and discouraged new British investments in Canada. Sir Henry Drayton, Minister of Finance, requested the Canadian investment dealers not to facilitate such purchases in London of securities

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3 Parkinson, P 112

4 see Chart

for resale in Canada because these transactions interferred with the Victory loan Stabilization Committee. The embargo was entirely unofficial and quite unsuccessful.[5] 1923, Canada's biggest year since the war, saw an investment of $493,000,000 in Canada. Of this, 82.17% came from Canadian, 17.16% from American, and only .53% from British investors.[6] While, therefore, New York had replaced London as a source of Canadian funds, and though the United States supplied Canada with the bulk of her post-war foreign capital, it is important to note that the major portion of new Canadian capital in the 1920's came from Canadians.

In 1925, sterling returned to (an overvalued) par and the British government's embargo on foreign loans in London was removed. But internal capital demands, notably for housing, kept British interest rates high and decreased the relative attractiveness of Canadian investments.[7] However, up till 1928, the period saw net credits of about $550,000,000 caused in the main by an increase of tourist earnings to 30% of the export surplus of $2,400,000,000, again balanced off against a major net debit of interest and dividend payments.[8]

The great depression began in 1929. "Evasion and postponement of fundamental readjustment in the 20's and the adoption of wrong political and economic policies increased its violence

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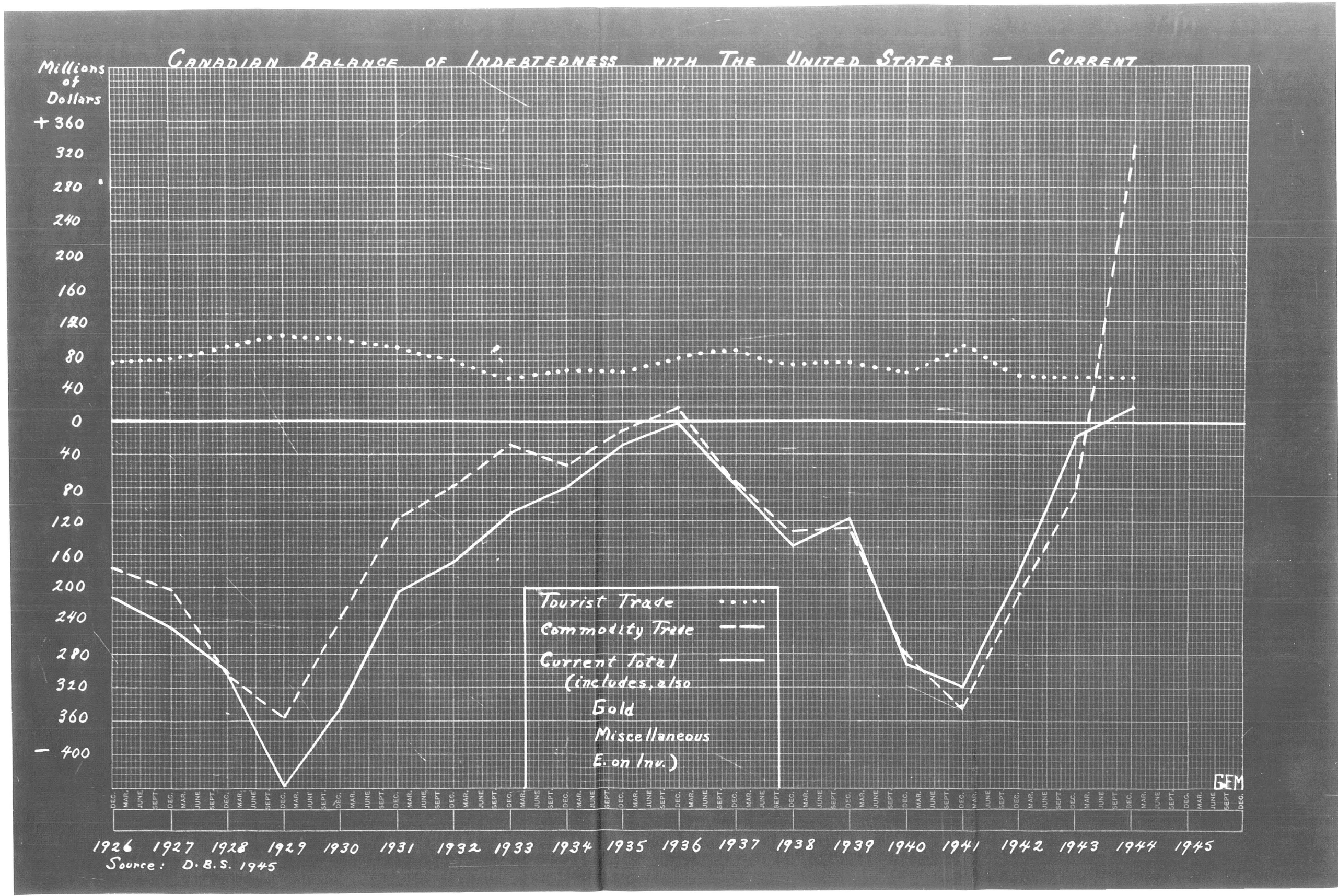
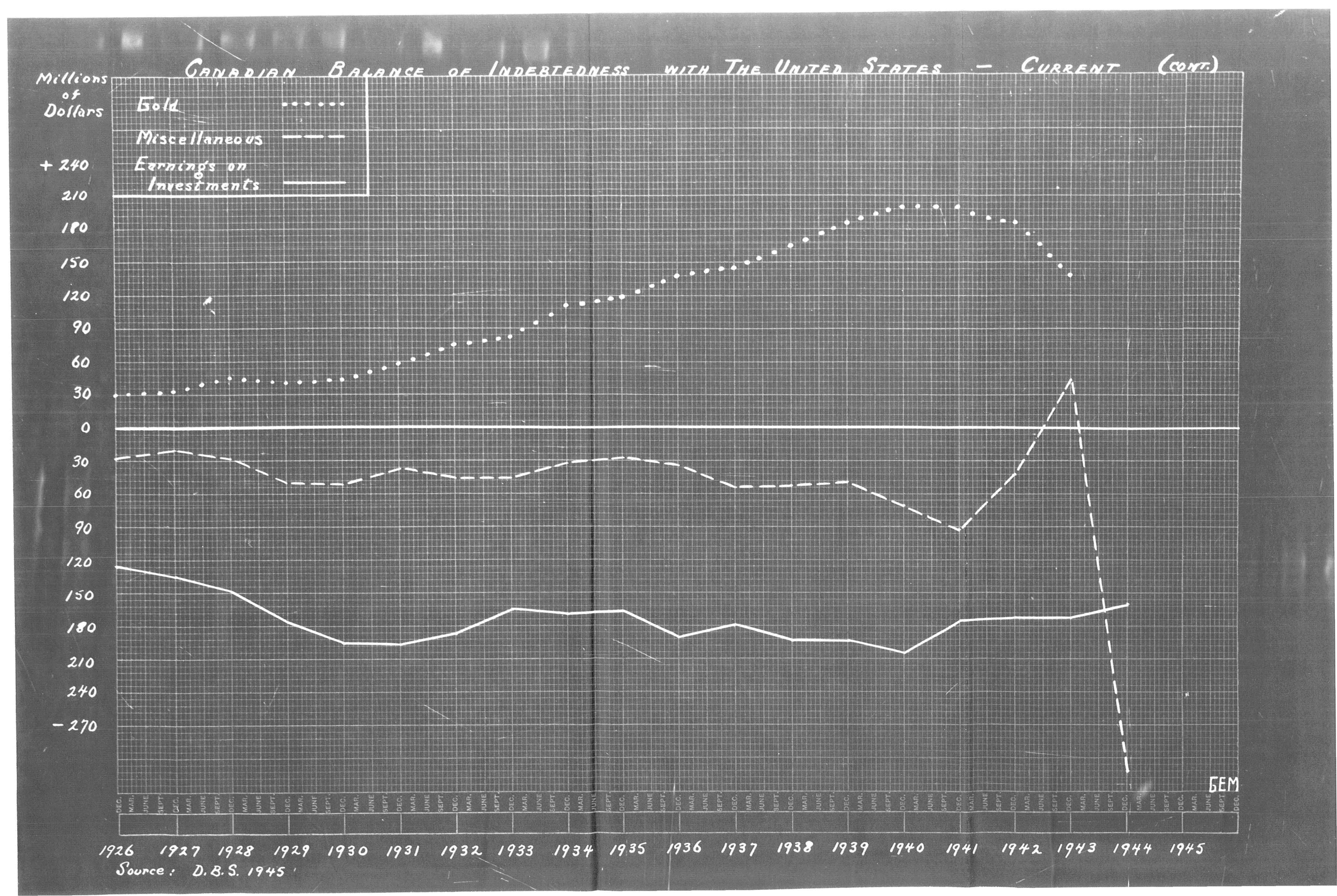
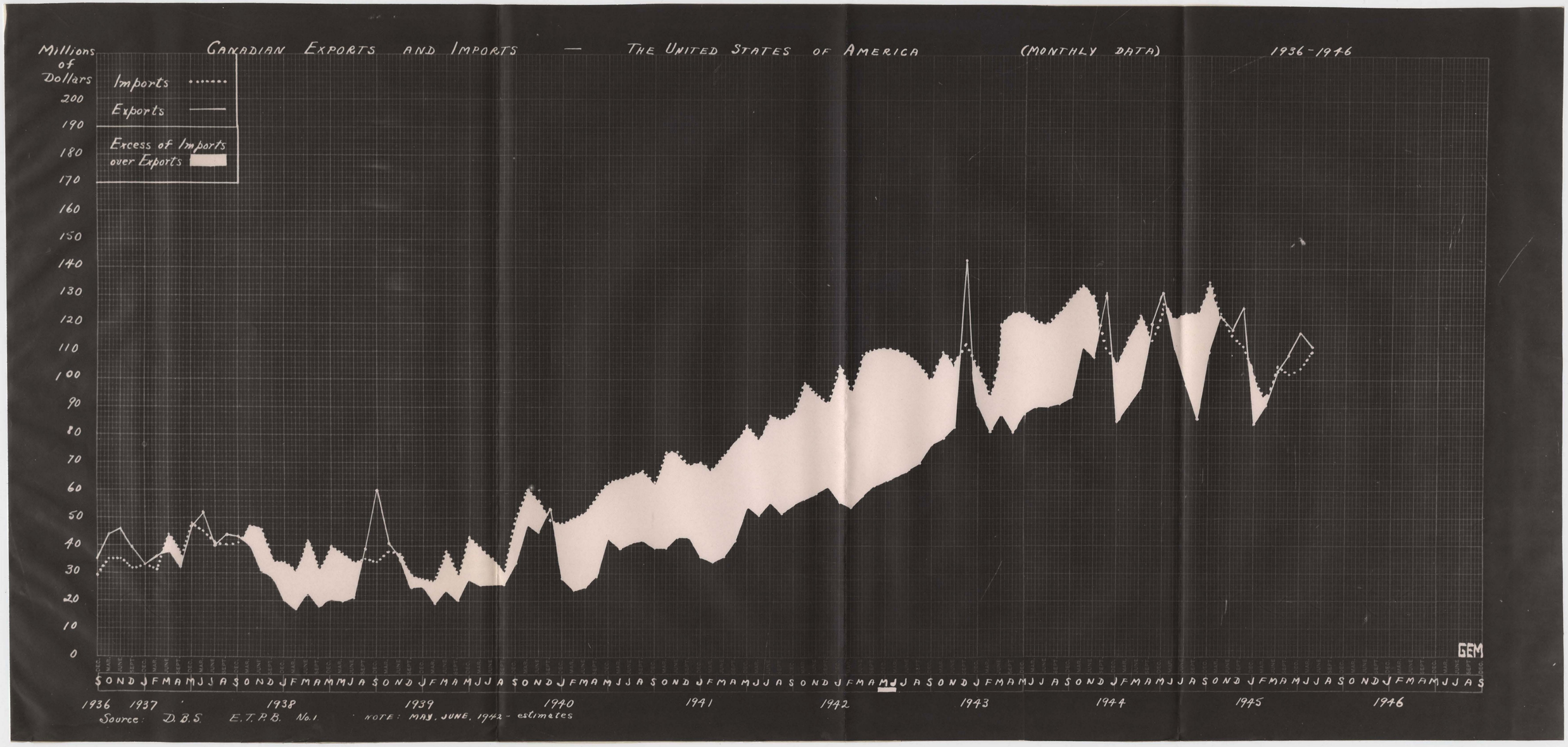
5 L Rasminsky: Foreign Exchange Control: Purposes and methods, pp 1, n 1.
6 Bush pp 65
7 Ibid., pp 66
8 Parkinson, pp 114


Canadian Balance of Indebtedness with The United States — Current
Millions of Dollars
+ 360
320
280
240
200
160
120
80
40
0
40
80
120
160
200
240
280
320
360
— 400
Tourist Trade
Commodity Trade
Current Total (includes, also Gold Miscellaneous E. on Inv.)
GEM
DEC. MAR. JUNE SEPT.
1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945
Source: D.B.S. 1945



Source: D.B.S. 1945


CANADIAN EXPORTS AND IMPORTS — THE UNITED STATES OF AMERICA (MONTHLY DATA) 1936-1946
Millions of Dollars
Imports
Exports
Excess of Imports over Exports
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
1936
1937
1938
1939
1940
1941
1942
1943
1944
1945
1946
GEM
Source: D.B.S. E.T.R.B. No.1.
NOTE: MAY, JUNE, 1942 - estimates

and magnitude to unprededented proportions."[9] As far as Canada was concerned perhaps its two most severe elements were the catastrophic decline in agricultural prices and the contraction of international trade, for restrictions in Canadian export markets increased the real burden of Canadian debts. The Canadian dollar was quoted in New York at a mild discount of one to two percent in 1929 and the beginning of 1930. But in the latter part of 1930, a combination of unusual circumstances kept the Canadian dollar at or over par in New York at a time when similar debtor currencies were depreciating rapidly.[10] Why was this so when the 1930 current account showed the biggest deficit in the 1928-1935 period? In the first place, it happened that maturities of foreign-held Canadian securities totaled, in 1930, only $99,000,000, the lowest figure for the 1927-1936 period. Secondly, the marked net purchases by Canadians of foreign and foreign-held securities that had been made in 1925, 1927, and 1928, 1929, fell from $105,000,000 in the latter year to almost nothing in 1930. On one hand these purchases had helped relieve earlier boom pressure, and now their cessation reduced the demand for foreign exchange and eased the strain on the rate. Thirdly, new issues of Canadian securities, notably in New York, amounted to the amazing total of $426,300,000. These three

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9 Mackintosh, W.A., The economic background of Dominion Provincial Relations, A study prepared for the Royal Commission on Dominion Provincial Relations, pp 55

10 See F. A. Knox: Dominion Monetary Policy 1929-1934. A study Prepared for the Royal Commission on Dominion- Provincial Relations, pp 11. This study supplies most of the material for our brief discussion of the years between 1929 and 1933.

circumstances produced the net import of capital amounting to $327,100,000 (the largest since 1913) which brought the Canadian dollar to par in 1930.

This situation deteriorated violently in 1931. Total Canadian international income fell 58.9% through a fall of capital imports (net) to only 6% of their 1929 value, and through a concomitant reduction of exports by 25%. The exception was an increase of 6% in net tourist and other income which amounted to merely $7,000,000. That the excess of payments was not greater is due to a reduction in merchandise imports so drastic that the account showed a favourable balance. Three-quarters of the deficit of $105,000,000 for the year was made up by the Chartered Banks through gold shipments and the sale of foreign assets.

In September, 1931, Britain abandoned the gold standard, in October the Canadian Government prohibited gold exports, and by December the American dollar was being quoted in Montreal at a premium of 21%.

During 1932, the renewed decline in world business which began in the summer of 1931 was accentuated by its spread to the United States. The Canadian Government refused to abandon its "sound money" policy and depreciate the Canadian dollar to sterling parity, and during 1932 the Canadian dollar remained between the pound and the American dollar, at a premiumto the former and a discount to the latter. Panic sales of Canadian securities and a decline in both imports and exports left a net deficit for the year of $83,900,000, about 80% of the 1931

deficit. The Imperial Economic Conference at Ottawa eschewed further currency devaluation, but accepted the Dominion's resolution, instigated by New Zealand, that an effort be made to raise sterling prices to maintain sterling exchange rates.[11]

On March 5, 1933, the President of the United States froze all gold in that country. In October the United States decided to devalue their dollar by offering to buy gold at a higher price than the standard $20.67. In February, 1934, the President fixed the American dollar at 59.06%, of its former value by raising the price his government would pay for gold to $35.00 an ounce. This action immediately increased the volume of currency in the United States. But the preponderant use of credit, not currency, in commercial transactions lessened the inflationary effect of this devaluation and turned the attention of American authorities from currency plans to expansion of the credit structure and to the problems of the tax system. Whatever the major cause, these actions brought the American and Canadian dollars to the level of the pound by the end of 1933, and even sent sterling to a premium in Montreal, thus ending for Canada a two-year period of disturbing significance. Canadians such as wheat exporters who had been in the habit of selling to Britain, had been faced with the disadvantages of having their customers' currency worth less than theirs, while Canadians exporting to the United States had a considerable advantage since their customers' currency was worth more to them than their own.

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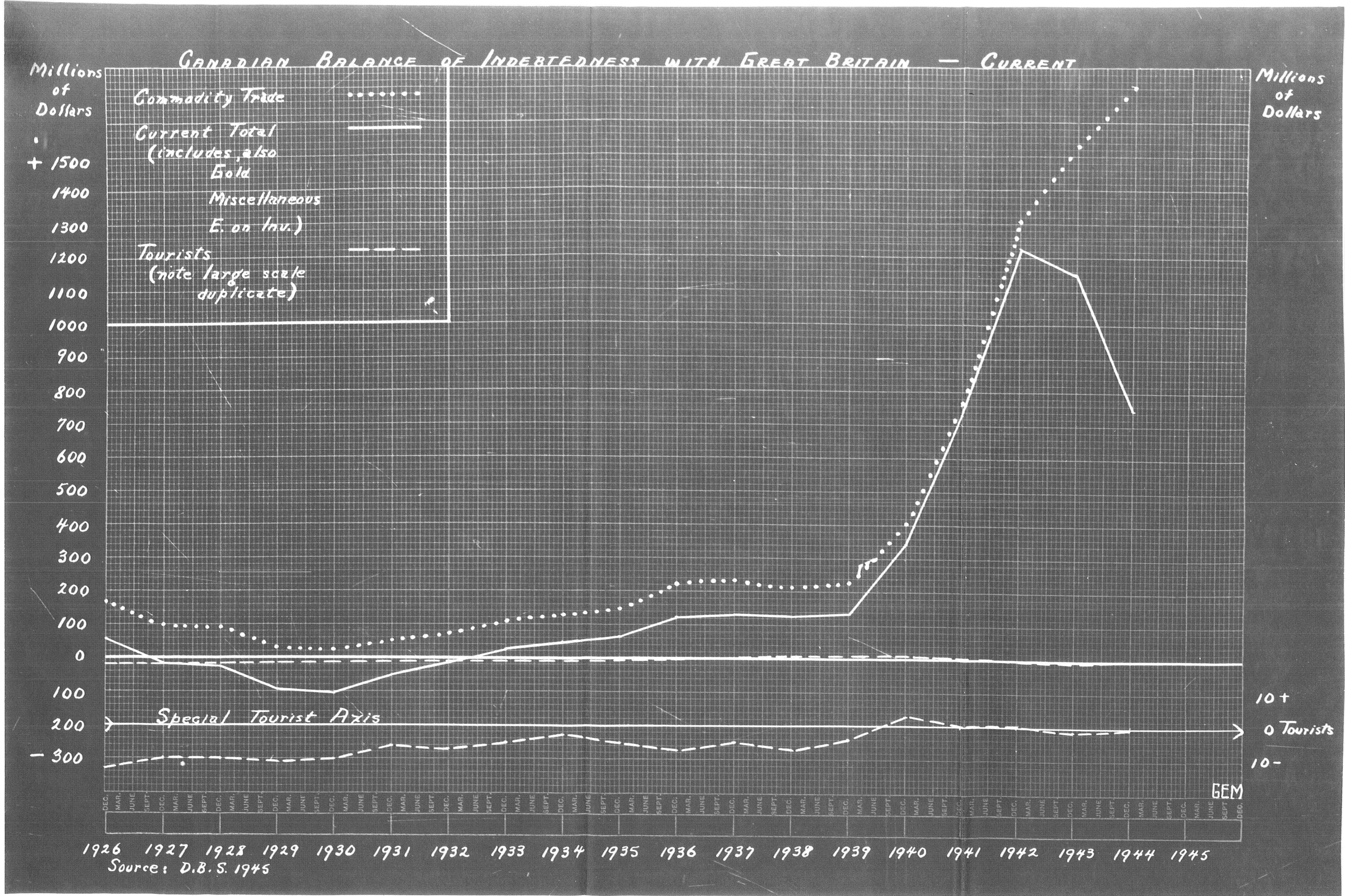
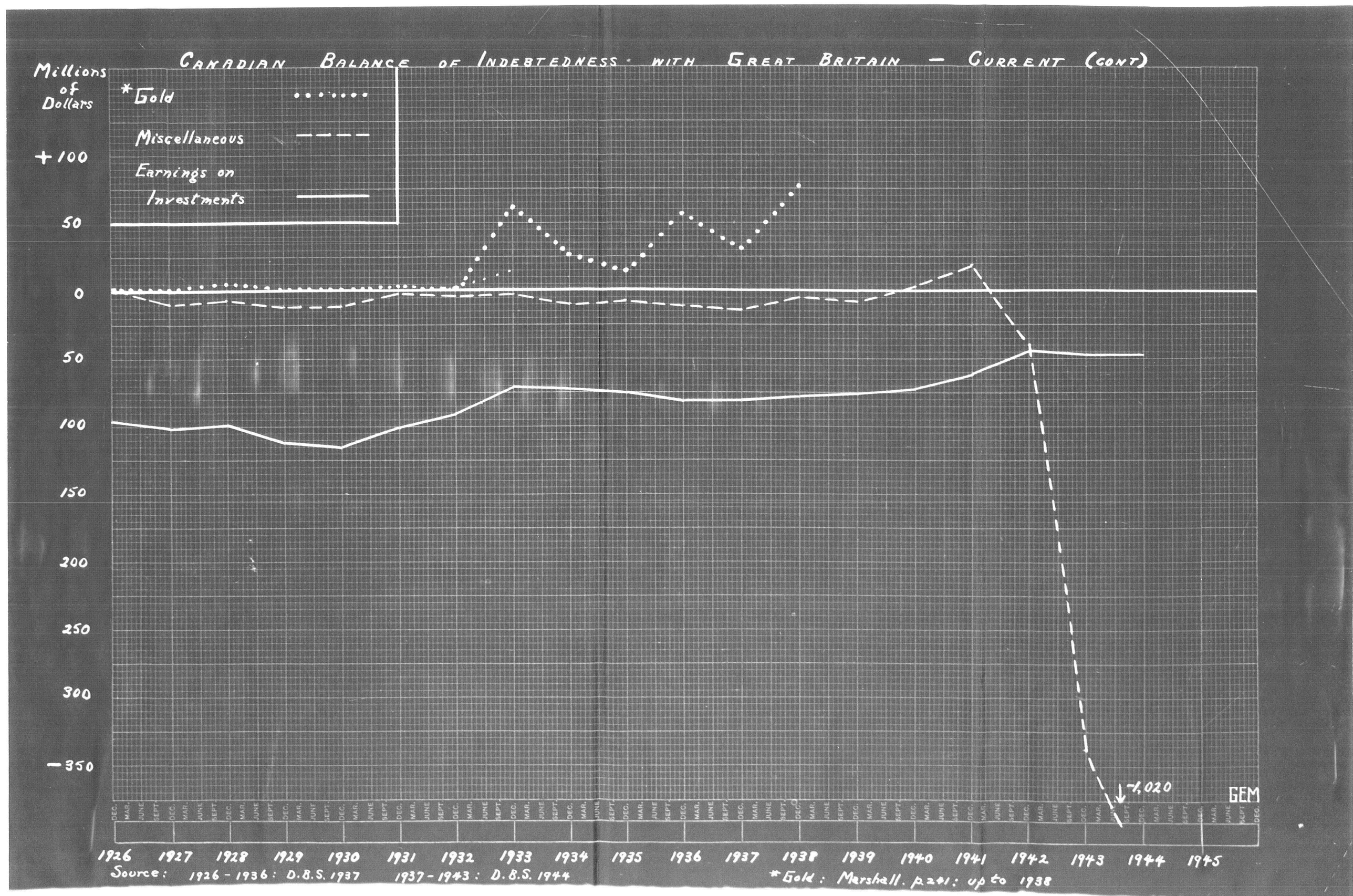
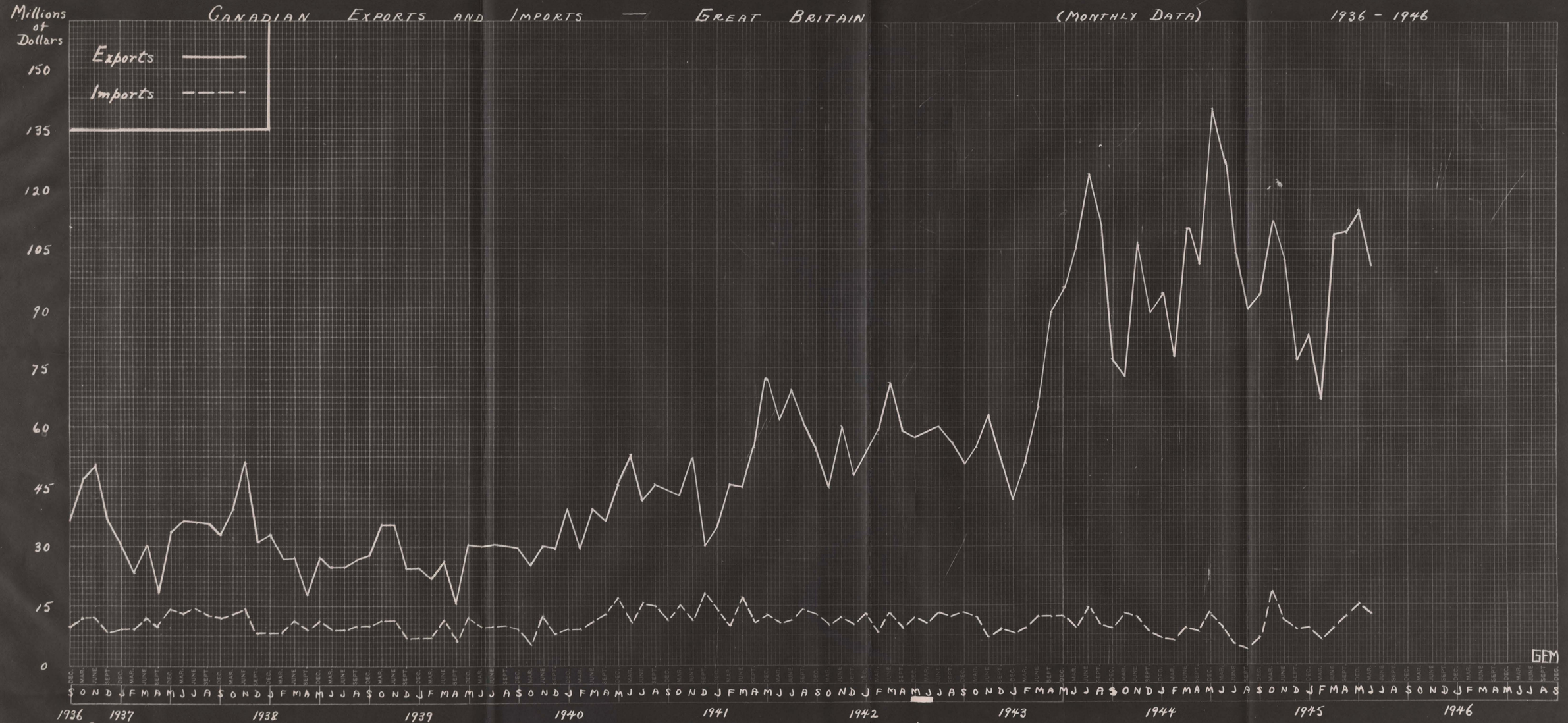
11 Imperial Economic Conference 1932; Report of the Conference (Ottawa) pp 37 ff cit. by Knox pp 29


Canadian Balance of Indebtedness with Great Britain — Current
Millions of Dollars
Millions of Dollars
Commodity Trade
Current Total (includes, also Gold Miscellaneous E. on Inv.)
Tourists (note large scale duplicate)
+ 1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
0
100
200
- 300
Special Tourist Axis
10 +
0 Tourists
10 -
GEM
1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945
Source: D.B.S. 1945


CANADIAN BALANCE OF INDEBTEDNESS WITH GREAT BRITAIN — CURRENT (CONT)
Millions of Dollars
*Gold
Miscellaneous
Earnings on Investments
+100
50
0
50
100
150
200
250
300
—350
-1,020
GEM
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
1939
1940
1941
1942
1943
1944
1945
Source: 1926 - 1936: D.B.S. 1937 1937 - 1943: D.B.S. 1944
*Gold: Marshall. p.241: up to 1938



Sources: 1936 - Apr. 1942 : D.B.S. E.T.P.B. No. 4 July 1942 - D.B.S. E.T.P.B. No. 1 May, June, 1942 : estimates

The total deficit for 1933 was $38,800,000, a reduction of over 50% from the year before. As in 1932 also, the exchange rate was reflected most positively in the capital account, where, in view of the new currency parity, the emphasis was now on purchases by the sterling and transfers to the dollar area. The net result was an export of capital to the United States of about $24,100,000. The London market in 1933 was more favourable to Canadian borrowers than New York, and the rise of the pound enabled the Dominion Government to borrow $42,000,000 in London to meet maturities in New York. On the 1933 current account, in spite of the steady disappearance of the premium on New York funds, Canadian exports to the United States rose slightly, while imports from that country fell. The more valuable pound attracted sterling area purchases, and thus Canadian exports to countries other than the United States rose by $39,000,000, a 52% increase from 1932. In contradiction of this classical movment, and in response to higher Canadian incomes, imports to Canada from the sterling area rose somewhat. Net receipts from American tourists reacted to the lower American national income and the New York dollar parity by dropping off to the extent of $22,000,000 - a decrease from 1932 of over 30%. In all, the current balance showed a small net debit of $2,000,000 - the nearest it had come to a credit balance since 1926. Most of the $50,000,000[12] capital debit was financed

12 Knox pp 41

through a large sale of the foreign assets of the Chartered Banks and a small export of gold.[13]

The worst depression period was over by the end of 1933 and the spring session of Parliament saw no bitter monetary debates such as had been precipitated earlier by inflationist groups of western members. The coming years were to see a slow, steady recovery movement drawn into the whirl of a world armament race.

In 1934, there appeared a credit of $68,000,000 in the Canadian current account after seven years of unfavourable balances. For the second consecutive year, after six years of net debits, the British account showed an export surplus of $46,000,000, which, together with a $102,000,000 surplus from other countries,[14] more than balanced off an $80,000,000 debit to the United States. Although new security issues exceeded retirements in 1933 and 1934, such current account surpluses were used throughout the later years of the decade, along with greatly increased gold production at the new high price, to

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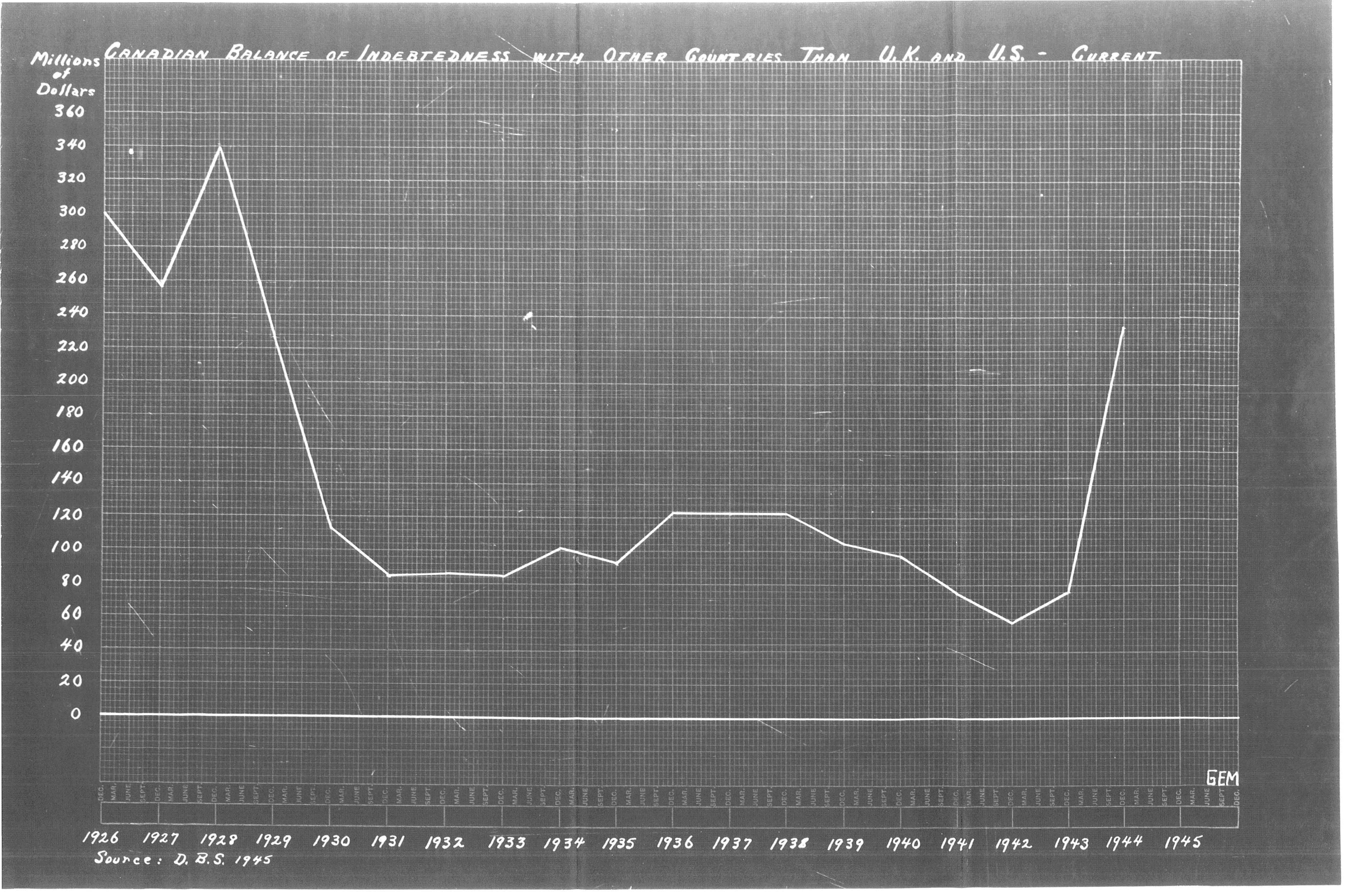
13 One of the notable events of 1933 was the World Economic Conference that met in June in London. Britain and the U.S., in opposition to France and Co., refused to consider a return to gold. A post-conference declaration by Empire delegates reiterated "easy-money" policy resolutions of 1932. It was at this time that the Dominion Government decided to push organization of a Central Bank for Canada. In 1934 legislation based largely on the Macmillan Report created the Bank of Canada, and the institution commenced operations in the following year.

14 During the period from 1926 to 1937, the principal source of credits to meet the American trade deficit was "countries other than Great Britain and the United States. These arose mostly out of wheat exports to Europe. With the post-depression rise of autarkial governments, these and similar Canadian exports never regained their pre-1929 level. After 1937, exports to Great Britain became the major source of Canadian credits. It is after 1937 that the significant British-American-Canadian triangle really developed. D.B.S. 1945 p 13


Canadian Balance of Indebtedness with Other Countries Than U.K. and U.S. - Current
Millions of Dollars
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
1939
1940
1941
1942
1943
1944
1945
Source: D.B.S. 1945
GEM

reduce the amount of Canadian foreign indebtedness on capital account. During this period, because of the increased industrialization of Canada, imports from the United States never regained their pre-depression level. These exports of Canadian capital mainly took the form of redemptions of Canadian bond issues held in the United States and elsewhere, along with some American direct investments in Canada, some expansion of direct investments in the United States, and outflows of funds by insurance companies.[15]

In the 1930's Canada was growing up. Canadians supplied their economy with much capital and the subsequent demand for equipment constituted a large part of the Canadian purchases in the United States. The current account with that nation showed a deficit of only $1,000,000 in 1936, but while a recession raised this to $149,000,000 in 1938, total Canadian credits on current account with all countries varied only from $180,000,000 to $100,000,000, and continued to climb through the thirties - indeed right up 1943. In summary, the current account for the period from 1934 to 1939:[16]

Balances

(millions of $)

	Britain	U.S.	Total	
Commodity Trade	1182	- 398	1365	
Tourist Income	- 31	416	386	
Gold	213	724	847	2598
	1364	742		

15 D.B.S. 1945 pp 11
16 D.B.S. 1945

Dividend & Int.	- 467	-1092	-1369	
Miscellaneous	- 65	- 249	- 394	-1763
	- 112	-1341		
			Total net credits	835

When war began in 1939, Canada was in a strong position under the old multilateral trade system. However, the net reduction of foreign-held Canadian securities amounted to some $570,000,000 in the 1930's,[17] and it is possible that it would have been more advisable to accumulate foreign assets rather than repatriate foreign-held securities. For example, war found the short term foreign assets of the Canadian banking system at about half of their 1927 figure of $518,000,000.[18] But one cannot blame financiers for refunding foreign security issues in Canada at low interest rates instead of in the United States at higher rates merely because the nation might someday need such sources of foreign exchange. Against this figure, Canadian investment in the United States had risen by 1939 to some $900,000,000,[19] from a 1926 figure of $778,000,000,[20] and stood at about twelve times the amount of similar investments made by Canadians in Great Britain.

In our brief survey of the Canadian balance of international payments we have noticed, from time to time, the effects of

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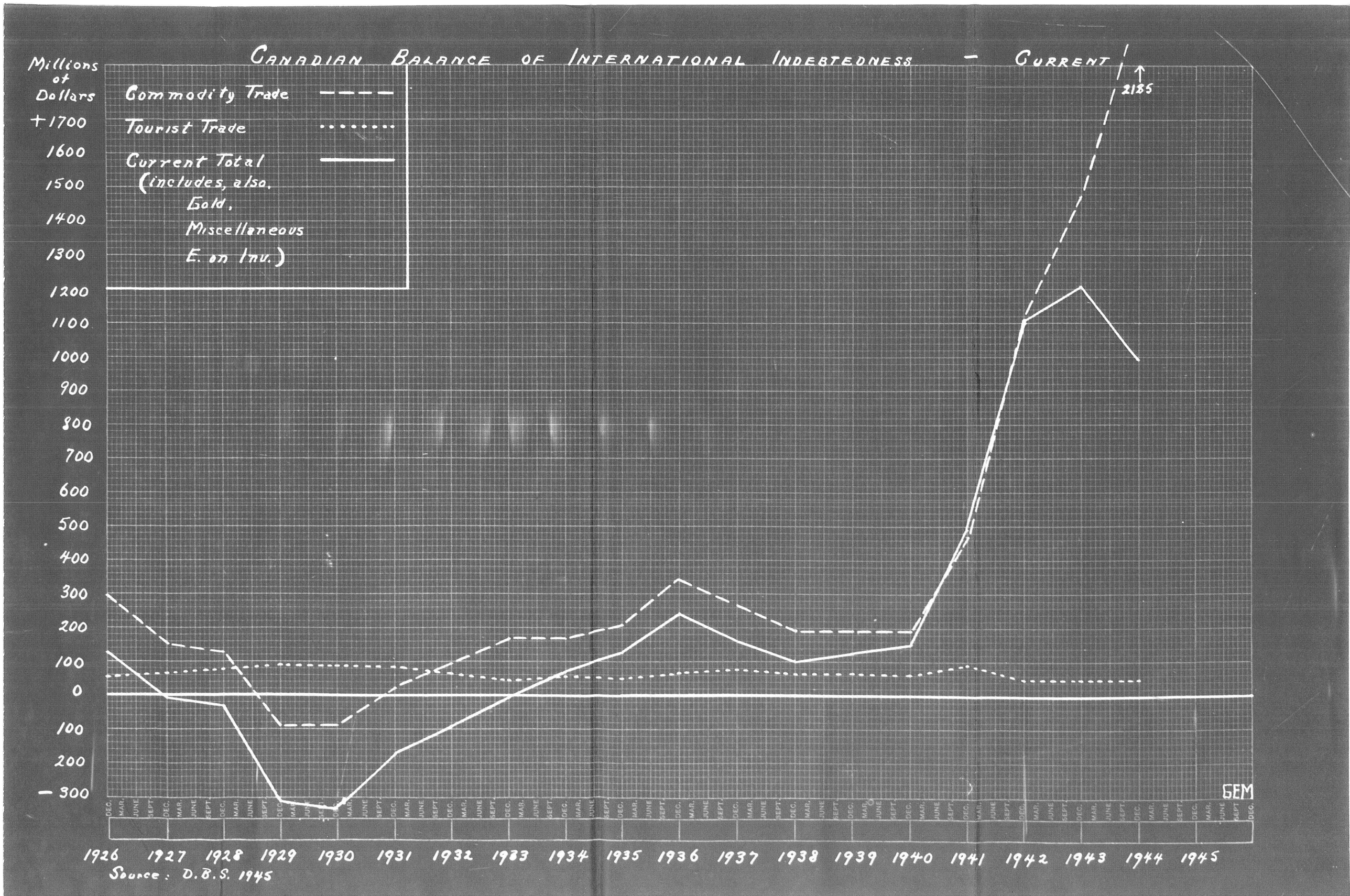
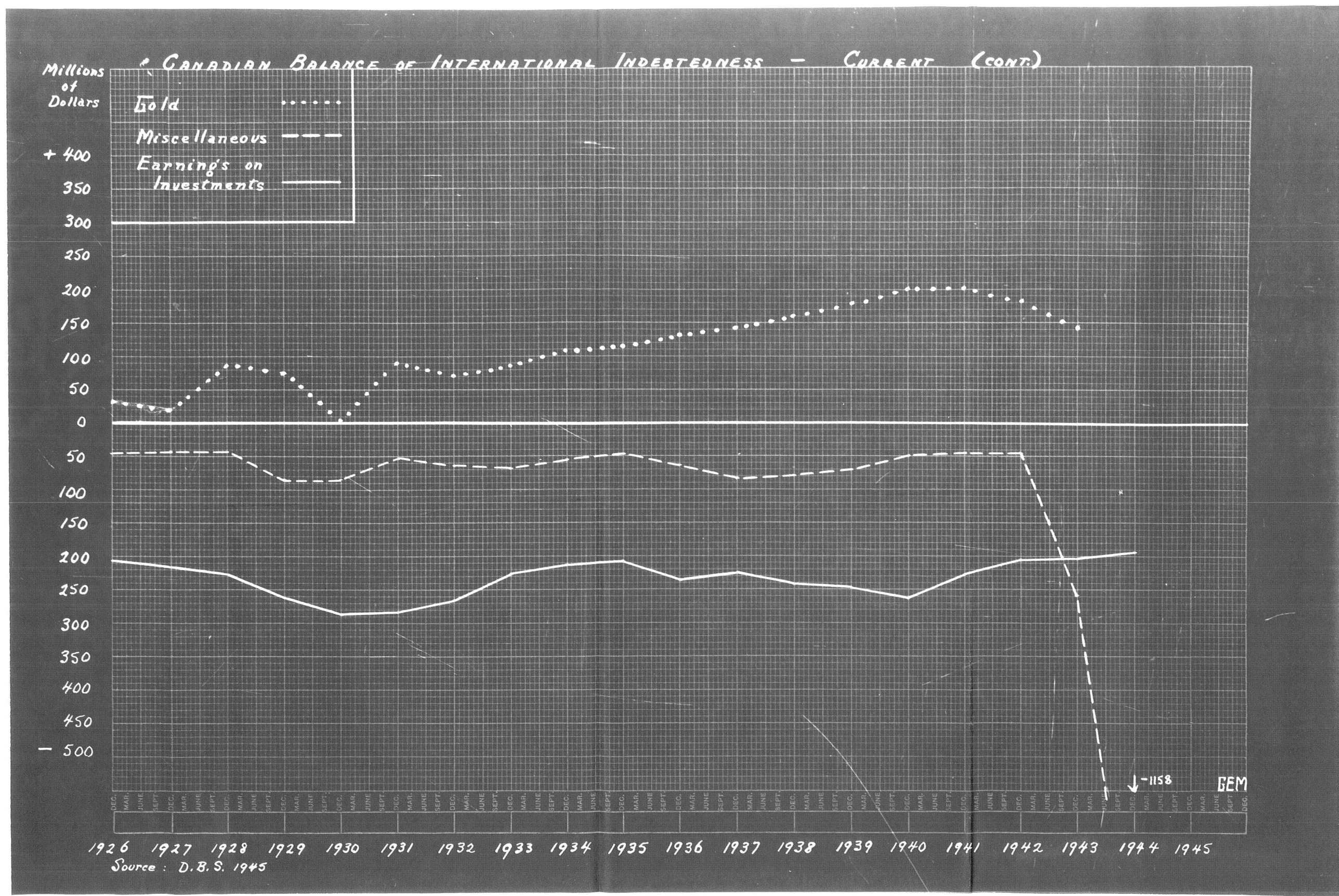
17 Parkinson, pp 118
18 Plumptre, A.F.W.: Central Banking in the British Dominions, pp 241.
19 D.B.S. 1945
20 Canadian Balance of International Payments: a Study in Methods and Results by H. Marshall of the Dominion Bureau of Statistics, pp 180

trade movements on the value of the Canadian dollar in terms of other currencies: how it took up an intermediate position between the pound and the American dollar between September 1931 and January 1934, and how it fluctuated narrowly with these two currencies during the 1930's. We shall now see that it again fell in September, 1939 to that intermediate position, and was suddenly pegged there by the Foreign Exchange Control Board of Canada in conjunction with similar action of the part of the British Treasury. Why? In the next chapter we shall sum up our discussion of the pre-war Canadian trade picture with some conclusions about the acticity of the Canadian dollar in periods of stress, its relation to the pound and American dollar. We should be then in a position to understand why exchange control was necessary in wartime Canada, and why the Canadian dollar was pegged at an intermediate position to the pound and American dollar on September 15, 1939.


CANADIAN BALANCE OF INTERNATIONAL INDEBTEDNESS - CURRENT
Millions of Dollars
Commodity Trade
Tourist Trade
Current Total (includes, also, Gold, Miscellaneous E. on Inv.)
+1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
0
100
200
- 300
2185
GEM
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
1939
1940
1941
1942
1943
1944
1945
Source: D.B.S. 1945


CANADIAN BALANCE OF INTERNATIONAL INDEBTEDNESS — CURRENT (CONT.)
Millions of Dollars
Gold
Miscellaneous
Earnings on Investments
+ 400
350
300
250
200
150
100
50
0
50
100
150
200
250
300
350
400
450
— 500
-1158
GEM
1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945
Source : D.B.S. 1945

Chapter V

Chapter V: The Canadian Dollar

In recent years Canada has exported more to the British Empire than she has imported in return. That means that there has always been a considerable sum of pounds sterling in London belonging to Canadian exporters.

On the other hand, Canada has traditionally imported more from than she has exported to the United States. That means that there has always been a considerable sum of American dollars owing to Americans in New York on account of these Canadian purchases in the United States.

Canadians have always taken their surplus pounds to New York, turned them into American dollars the current rate of exchange, and used them to pay debts in the United States. The rleation between the number of pounds offered for sale and the number of people wishing to buy them with American dollars determined the rate at which the two currencies exchanged.

During the first World War, the American Government loaned money to the New York agents of the British Government. These agents, Morgan and Co., were instructed by the British Government to buy all pounds offered for sale in New York. This kept the number of pounds from accumulating to the point where they would become too plentiful and therefore too cheap in terms of American dollars.

If pounds had become too cheap in terms of American dollars, then the Br. Government would have got fewer dollars for its pounds, and hence would have had to pay too much for its purchases in the United States. In such a situation of cheap

pounds. Canadians transferring pounds from London would not be able to get enough American dollars for them. With fewer American dollars, they would not be able to get as many Canadian dollars as a result of their London sale as they had originally calculated. Here we have a situation where pounds are cheap in terms of American dollars, while Canadian dollars are not cheap in terms of American dollars. What would happen?[1] First of all, the Canadians who were trying to sell their pounds in New York at the moment of the rise in the sterling price of American dollars would lose on their sales. However, immediately a considerable amount of pounds would be bought in New York by Americans on the theory that the pound would rise in the future and yield them a profit in American dollars on resale. If this occurred, of course, there would be an immediate tendency for pounds to appreciate in the direction that they desired. What are the Canadians doing in the meantime? They are importing more from and exporting less to Great Britain than before, because, since their dollar is worth as much as the American dollar in terms of pounds, they can buy more British goods with a given number of dollars than they can American. Also, as we have seen above, they do not get as many Canadian dollars from their sale in New York of pounds received from exports to Britain. All these things tend to cause Canadians to increase their purchases of pounds in New York, so that

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1 We suppose that the British pound (all "pounds" are assumed to be "British", i.e. United Kingdon, only) the American dollar, and the Canadian dollar were all at par at the time of the export from Canada to Great Britain, and that the exporter did not "hedge" his draft against loss in New York through depreciation.

pounds become scarcer, and thus more expensive in terms of Canadian dollars. But this means that Canadian dollars can no longer remain as expensive as American dollars in terms of pounds, since Americans could buy cheap pounds, convert them into Canadian dollars at those dollars' new low sterling price, and convert these Canadian dollars (numbering many more than their original American) into an equal number of American dollars. This would give them a big profit and every one would want to do it. The very threat of such actions, which would mean that everyone would be selling Canadian dollars, would make these dollars cheaper in terms of the American.

The process cannot go on indefinitely. If it did, the Canadian dollar would finally become just as cheap as the pound in terms of American dollars, and then the change in Canadian imports and exports would take place, but with the difference that where the argument above referred to Britain, it would now refer to the United States, and vice-versa.

Where will the process stop? - when the Canadian dollar is at a half-way price in terms of British pounds in American dollars. This point would be such that the unfavourable change in the Canadian balance with Britain would equal the favourable change in the trade balance with the United States.[2] Thus, the Canadian dollar generally is said to "take up and intermediate position between the British pound and the American dollar."[3]

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2 See Plumptre, pp 408-420

3 Because of the proximity of Canada and the United States, dominance in Canada of American trade, with its wide variety of goods, and the facility of quick capital transfers, i.e., because of the "elasticity" Canadian trade relations with the United States, the Canadian dollar tends to follow the American dollar more closely than it does the British pound.

The outstanding example of this intermediate position is to be found in the movements of the Canadian dollar in New York between September 1931, and October 1933. During that period, between the abandoning of the gold standard by Great Britain and the move towards devaluation of the American dollar by the United States Government, the Canadian dollar remained at roughly one-half the discount between the pound and the American dollar. If our theory is correct, then the Canadian balance of payments might be expected to provide empirical proof. The fact, is, however, that it does not, and for the very good reason that the sequence of events described in theory did not occur, and probably never could. The important thing to remember is that, like many other economicforces, those of the money market are often potential forces, and as such produce the same results as would be achieved by their actual operation. The catalyst that speeds up their action is none other than the desire to make money that is ever-present in traders. Men in touch with the market, standing ready to take advantage of rate differentials, ensure very close cooperation between currency values. The only real explanation of the intermediate position to be derived from the Balance of payments would seem to be that the pressure on the Canadian dollar in New York is only partly as great as the pressure on sterling because only part of the Canadian debits in New York are paid in sterling bills.[4] In general, the theory must stand

4 See the Monthly Review of the Bank of Nova Scotia, December, 1933.

pending proof to the contrary.[5]

During 1934, the movements of sterling and Canadian dollars in New York were somewhat irregular, but from 1935[6] on, the Canadian price of American dollars has been steadier than that of sterling. Added to the economic reasons above, the contrasting political conditions made both the North American currencies more stable, and therefore more integrated than a British pound which was influenced by continental crises.

During 1936, the range of fluctuations of the American dollar with the Canadian was less than 1¼%, and the Canadian dollar closed the year with a small premium as compared to the reverse in the earlier months. European capital movements connected with the abandonment of the gold standard by France, Holland, Switzerland in September, resulted in sterling fluctuations of 4%, although the pound remained above its old par. This range was considerably reduced as a result of the tripartite monetary agreement between the United States, France and the United Kingdom on October 13.

Consequently, rate fluctuations were reduced in 1937, with the Canadian-American rate confined to 37/64%, and the Canadian-British rate to 3-1/16%. This stability was caused by the more stable relation of the two major currencies, the British pound and American dollar.

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5 Mr. Courtland Elliott is of the opinion that the Canadian dollar declined in 1931 because:
1. Restrictive influences in the current balances.
2. Inaccessibility of foreign investment funds.
3. Inrush of securities for sale from alarmed foreign holders. See Parkinson, pp 115.

We offer these, as he did, without comment.

6 For the 1936-1939 period the summary review of exchange rates has been taken from Annual Reports of the Bank of Canada.

Political events in 1938 in Europe disturbed the sterling exchanges, which began to decline in July, and by December the pound had slumped from a premium of 1.88% to a discount of 4.03%. Including the sudden fluctuations on September 28, the range of the Canadian dollar in New York was about 3½% as compared to little more than ⅛% in 1937. Its discount, however, was never more than about 1%. There were no heavy capital exports from Canada as was the case in the United Kingdom. On the contrary, there was an increase in the foreign purchases of Canadian securities, and a moderate inflow of funds from the United States for deposit in Canadian banks. These circumstances supplemented a continued strength in the Canadian foreign trade balances as stabilizing factors.

Up until August, 1939 rates were steady, and sterling remained about $4.68 in New York even in the face of capital movements. Similarly, the Canadian rate was stable at a discount of less than 1%, but with the support of continued capital inflows, and a strong current balance of payments.

Looking back, we now see that, generally speaking, if the American dollar becomes more expensive to buy in New York with pounds, the price of Canadian dollars in New York should fall by about half that amount. Therefore, as pounds depreciate in New York, i.e. become cheaper in terms of American dollars, the Canadian Government has to pay, like any other Canadian, more for its purchases in the United States. Furthermore, this

increase should be about half of that inflicted on 'sterling purchasers' by the depreciation of the pound.

Thus, it is easy to see the importance of the relation between the British Pound and the American Dollar vis-a-vis the Canadian dollar. During the first World War, progressive and drastic depreciation, such as would inevitably result from continued selling pressure on sterling in New York, did not occur, and thus there was no need for Canadian exchange control. At the cost of a four billion dollar war debt to the United States,[7] the British Treasury borrowed enough American money to convert all offered sterling at 476 7/16 for the last three years of the war.

In 1939, the situation was different in one vital respect. There were not enough American dollars at the disposal of the British Government in New York to buy all the accumulated sterling it would have liked to buy. This circumstance arose from the essentially different nature of the second World War. This conflict, requiring vast amounts of complicated and expensive equipment necessitated heavy British imports of food, raw materials, and finished products from both Canada and the United States. The American Neutrality Act prohibited Americans from lending money to belligerents. This forced the British Government to pay cash for its purchases and for its advances to

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7 Journal of the Canadian Bankers' Association, Vol. XXVI, 1918-1919, pp 209

American arms industries. Every American dollar that could be found was needed by the British Government. Many British-held American securities were sold to get more American dollars. British exports could not be increased in war to supply exchange. There were no dollars to spare to sell to Canadians who had exported to Britain and who wanted American dollars to pay debts in New York. Added to this there was a necessary increase of imports into Canada from the United States to supply this country with the materials of war. Therefore, in 1939, there was the prospect of a sudden increase in both imports from the United States into Canada, and exports from Canada to Britain. Had Canadians been able to exchange pounds received from their imports from the United States, everyone would have been happy, but, as we have seen, this could not be done. The Canadian Government was face to face with a serious financial problem. It was bound to increase its exports to Britain. But to do this and to step up its own war production, it required increased imports from the United States. Not only that, but these imports had to be paid for in cash. On top of all this was the determination of the Canadian Government not to burden the people of Canada with an external debt[8] such as had resulted from government borrowings in New York in the first World War. It should be clear that there were only two good methods of achieving this aim:

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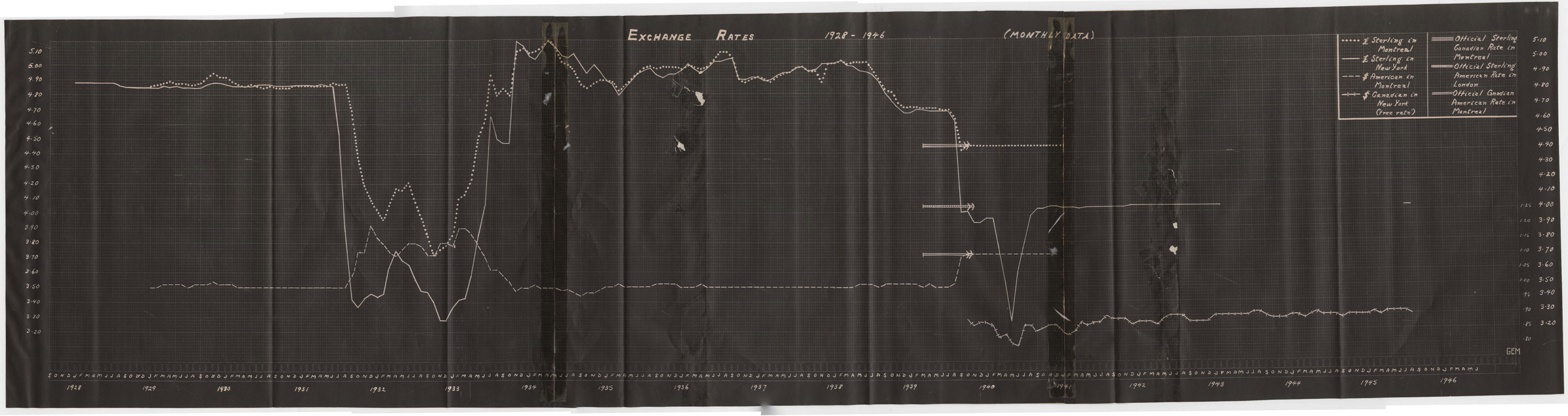
8 Budget Speech: Mr. Ilsley, September 12, 1939. Hansard, 1939, pp 138.

1. Lend Canadian dollars to Great Britain if she found payments for Canadian goods embarrassing.
2. Conserve and augment the Canadian supply of American dollars in every way possible short of long-term borrowing in the United States.

This course was relentlessly pursued through nearly six years of war. In co-ordination with national price control, wage control, taxation, and industrial mobilization, the control of Canadian international trade helped to establish for the people of Canada a production record of resounding credit.

With this general introduction, we shall proceed to examine the execution of the two methods of economic warfare suggested above. The operation of Exchange Control covers the second of these, and the clues to both may be found in the Canadian balance of international indebtedness insofar as wartime secrecy allows.

As we have seen, the United States and Great Britain occupy the centre of the stage in our economic drama, and since they are likely to retain their present roles for some time, it behooves us to recognize and respect the importance to Canada of Anglo-American trade relations. In our study of the wartime control of the Canadian dollar, through the operations of the Foreign Exchange Control Board of Canada, we shall see reflected in Dominion policy the wartime movements in the famous British-American-Canadian trade triangle.


EXCHANGE RATES 1928 - 1946 (MONTHLY DATA)
£ Sterling in Montreal
£ Sterling in New York
$ American in Montreal
$ Canadian in New York (free rate)
Official Sterling Canadian Rate in Montreal
Official Sterling American Rate in London
Official Canadian American Rate in Montreal
5.10
5.00
4.90
4.80
4.70
4.60
4.50
4.40
4.30
4.20
4.10
4.00
3.90
3.80
3.70
3.60
3.50
3.40
3.30
3.20
1.25
1.20
1.15
1.10
1.05
1.00
.95
.90
.85
.80
GEM
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
1939
1940
1941
1942
1943
1944
1945
1946

Chapter VI

Chapter VI: War and Peace - The Foreign Exchange Control Board of Canada

On September 1, 1939, the Governor-in-Council proclaimed the old 1914 War Measures Act, and in so doing vested the Cabinet of the Dominion Government with almost unlimited power over matters deemed "necessary or advisable for the security, defence, peace, order, and welfare of Canada."[1]

On September 2, as a result of the British Treasury's removal of the peg in the sterling exchanges the month before, sterling was at $4.04 American, and at a corresponding middle mark of $4.44 Canadian. Here it was pegged with the British declaration of war on Germany the next day.

During the summer of 1939, the Canadian dollar had fluctuated slightly with a maximum discount to the American dollar of 1%. By August 26, however, it had fallen to a discount of 8%. After a temporary recovery, the rate on September 9 stood at 7%. By the 15th it had fallen to 11%, approximately the intermediate position between the pound and the American dollar.

On September 15, under the authority of the War Measures Act, was issued the Order in Council that created the five-man Foreign Exchange Control Board of Canada, outlined its powers, set forth its regulations.[2] These regulations in-

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1 Revised Statutes of Canada, 1927, Chapter 206

2 These regulations, carefully worked out during the previous months, were circulated among the banks on Saturday, September 16, and became operative Monday.

cluded a licensing system for imports and exports of goods, currencies, securities, and other property. The ten Chartered Banks were authorized as the principle agents of the Board, i.e. the dealers through whom exchange could be bought and sold. Simultaneously the Canadian buying and selling rates for pounds sterling and American dollars were set: $4.43-$4.47 for the pound, and $1.10-$1.11 for the American dollar. These rates held until October 15, 1945. On that date the selling price of sterling was lowered to $4.45 and that of American dollars to $1.10½. Such a spread allowed the Board to more than cover its administrative expenses. The rates, although they did not reflect the current trade position, were a fair compromise. They encouraged Canadian exports to the United States and British exports to Canada, both of which movements the Board saw would help offset the flow of war goods that obviously would dominate wartime international trade. Between September, 1939, and September, 1945, the Order and the Regulations were amended from time to time. The course of the war, reflected in the Canadian balance of international payments, may be traced in the regulations of the Board as it sought to get rid of its excess sterling and mobilize its scarce American dollar resources in accordance with Government exchange policy, and in cooperation with tax policy, customs rules, and price control.

In this regard, it is well to remember that the Board was not created to terrorize Canadian business and to police the Canadian economy generally. The principal duty of the Board is to look after exchange, not commodities, to deal in money, not taxation and prices. This places purchase and sale of exchange, restriction of capital outflow, and prevention of dissipation of Canadian-held foreign assets as its major functions. In short, the Board does not make, but rather administers, policies. Because of the competence of its members, however, advice tendered by the Board as to methods of conserving and augmenting supplies of American exchange has been almost invariably accepted by the Government. Nevertheless, de jure, Board policy has been Government policy, and as such, subject to the same degree of actual and potential scrutiny as any other policy laid down in Orders in Council under such authority in these matters as has been possessed by the Governor-in-Council.

From the start, there was no doubt that shortages of American exchange would constitute one of Canada's major problems of war finance. The Board and the Government set out to cope with this problem of increasing exports to Britain and imports from the United States in the face of the inconvertibility of sterling into American dollars. With what in the way of financial resources the Board was armed is

a government secret. We may, however, estimate its resources: in the first place, it possessed a fund of some $60,000,000 Canadian which had been created by the Exchange Fund Act of 1935,[3] to utilize the profits accruing from the revaluation of Bank of Canada gold holdings in stabilizing the Canadian dollar.

The Board exercised part of its option to buy gold and American exchange in September 1939, and is reputed to have purchased amounts of these valued at between $75,000,000 and $150,000,000 Canadian.[4]

Aside from such resources of gold and American dollars as it actually possessed, the Board's potential holdings were considerable. In anticipation of war,[5] the Bank of Canada had increased its gold holdings over 20% since 1937, until on December 31, 1939, they stood at $225,677,320.37[6]. This amount could be transferred by Order in Council to the Board at any time.

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3. Statutes of Canada, 1935, Chapter 60. Never so used, this money had been invested in some unmarketable C.N.R. bonds.
4. A.F.W. Plumptre: Canadian War Finance, Washington, April 1, 1941, and a later Appendix on the 1941 Budget and the Hude Park Agreement. pp 207
5. Bank of Canada, Annual Report, February 11, 1941 pp 7
6. Ibid., pp 18. Of just what significance was a corresponding 350% increase in foreign exchange holdings is unknown, since the ratio of sterling to American dollars therein is not disclosed. We estimate that the 1939 figure of $64,324,717.55 was about 60% sterling.

Total holdings of American Exchange resources have been estimated as follows: (in millions of dollars):

	Sept. 1939	Dec. 1939
Gold	215	225[6]
American dollar balances	355	(355)
Marketable securities	445	501[8]
Direct investments	475	397[8]
Miscellaneous investments	80[7]	(80)
	1,570	1,558

In all, a total figure of one and one-half billions of dollars seems a fair estimate of Canadian assets realizable in American dollars.[9]

On September 12 the Minister of Finance had noted with satisfaction the lack of hysteria, the improved banking system, good wheat crops, a bigger mine and metal industry, and in general, a sounder 1939 than 1914 Canada. He announced that taxation and domestic borrowing at low interest rates would pay Canada's war bills, and that the chief aim of the Government was to get everyone working as soon as possible, and to curb any tendency towards inflation at full production.[10]

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7 National City Bank of New York's 'letter', February, 1941: an estimate by the Federal Reserve System.
8 D.B.S. 1945 pp 56
9 Since the sale of foreign assets would reduce current American dollar income through loss of interest and dividend cheques, the American dollar resources which the Board would have felt free to use were probably only about $600,000,000.
10 Canada, House of Commons, Debates, 1939, pp 135-145, September 12. Budget Speech by Mr. Ilsley.

In line with the confidence of the Minister, and in view of the fact that no one could foresee the military disasters of 1940, the initial F.E.C.B. regulations were less stringent than some of their successors. Since we are more concerned with the principles than with the details of policy of the Board, the following summary of the original regulations should suffice:

1. All exchange had to be purchased through authorized dealers. These dealers were the Chartered Banks, and certain other financial institutions at the discretion of the Board. Various forms were issued to these dealers, and with certain minor exceptions, all dealings in exchange were to be transacted on appropriate forms.[11] The matching of forms had been designed to put the control on a hard currency basis - that is, to ensure that exports from Canada to non-Empire countries brought in American dollars. This soon proved unsatisfactory in some instances. For example, the export and payment of each shipment of goods proved too clumsy in the case of large international businesses. By June, 1941, 4000 blanket permits of various kinds, conditional on periodical reporting, had been issued to these residents. There were actually seven different types of reporting account permits, covering, as well as commercial accounts, such things as accumulated American dividends, rents from the United States, miscellan-

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11 See Appendix C infra for details of the forms of the Board. This Appendix has been submitted separately.

ecus Canadian-owned American accounts used for charity and other expenses. These covered corporations, with some slight adjustments in the matter of form. There were also security dealers' accounts and regulations regarding trustees, executors, and agents of estates in Canada. The orders regarding blanket permits are to be found on pages 30 and 31 of the Office Consolidation of control orders published by the Board on November 1, 1944. Advance notice of demand for exchange was required in some cases. These rules gave the Board contact with all international financial transactions.

2. All Canadian-held foreign exchange, and that accruing from future exports had to be offered for sale to the Board at its official rates. This allowed the Board to appraise its exchange position, and to prevent the dissipation of Canadian-held American currency.

3. All Canadian-held foreign securities totalling over $1,000 were ordered registered with the Board for possible sale. These might be transferred from one resident to another, or from a resident to a non-resident for sale for foreign exchange, but could neither be exported nor imported without the permission of the Board. This allowed the Board further to appraise its exchange position, but it also prevented the loss of securities and their interest payments from the United States, as well as the diminution of Canadian borrowing

power.[12]

4. All major imports and exports were to be licensed. This prevented capital exports in the form of goods. Valuation of shipments was checked to ensure against hidden capital exports.[13] Imports "within the usual scope of the applicant's business" could command exchange, as could "reasonable travelling expenses or personal expenses". Anyone could purchase one hundred American dollars per month without forms or other restriction.

The Board had a staff of experts to track down violators of its regulations. More interesting than this aspect of their work was, however, the fact that such Control investigations often uncovered more serious breaches of Canadian laws concerning high-grading, income tax evasion, etc.

A relaxation was introduced on January 8, 1940, when the Board announced that a non-resident could re-sell a security purchased after that date with American or Canadian funds eligible for export, and could export the proceeds, provided he had registered his original purchase with the Board. He could also switch and export the subsequently acquired equity. As a result, security levels in Canada and New York tended to keep in line with each other.[14]

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12. See supra where the Finance Minister announced a program of taxation and domestic borrowing to meet war costs.
13. See Chapter III supra.
14. Rasminsky: pp 27

The demand for American exchange did not increase markedly during 1939. Reversing the 1936-1939 trend, the net import surplus with the United States fell 22% from 1938 to $116,000,000 as the Americans went on a "forward-buying boom". On the other hand, net Canadian exports to Britain continued their steady rise after the 1938 recession, and increased 8% to $137,000,000.[15] In November, 1939, the Government borrowed $200,000,000 from the banks for two years at 2½%. Of this, $92,000,000 was used for repatriating British-held Canadian securities in order to put the British Government in needed Canadian funds.[16]

The unexpected turn of events in the spring of 1940 changed the whole aspect of the war from the British and Canadian viewpoints alike. The "phony war" was over, and Britain and Canada pushed production to make up losses. Their purchases in the United States and British purchases in Canada climbed rapidly. The United Kingdom strained her supplies of American and Canadian dollars[17] in this rush for equipment.[18]

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15. D.B.S. 1945. Unless otherwise stated, all trade figures in this chapter are taken from revised figures of the "Canadian Balance of International Payments" published by the Dominion Bureau of Statistics in 1945. This publication was a revision of the 1926-1943 figures, and included an estimate of the 1944 amounts. Certain other figures are taken from revised lists of the previous two years. All are comparable.
16. Debates, 1940, p 1012 Budget Speech by Mr. Ralston, June 24.
17. Securities such as equities in Montgomery Ward, F.W. Woolworth and Co., Union Pacific, were sold to a hungry American market with little drop in price. See National City Bank 'Letter', February, 1941 p 22
18. The British Government took over French war contracts in the United States, but got no French assets.

Canada also felt the shortage of American dollars acutely, and t the Government moved immediately to deal with the situation.

On April 30, 1940, the Foreign Exchange Aquisition Order was issued under the authority of the War Measures Act. This required residents of Canada to sell to the Foreign Exchange Control Board all holdings of foreign exchange in excess of certain short-term requirements, and working balances deemed necessary for the conduct of foreign business. Prior to this time, the Board had allowed American firms holding stocks of Canadian dollars to sell them in Canada for their own currency. Under the order this was discontinued, and certain large American corporations were caught with moderate amounts of Canadian dollars which they were unable to convert. The $5,000 base for the conversion of non-resident Canadian bank accounts was ruled out. The Order also instructed the Bank of Canada to sell the Board its ($27,000,000) holdings of American dollars. The Exchange Fund Order of the same day provided for the sale of the Bank's ($225,770,000)[19] gold reserves to the Board. Dominion Government 1% one-year notes covered the transactions. Again it is estimated that the Board bought from $75,000,000 to $150,000,000 American from residents at this time, and that this made a total aquisition of about $400,000,000 for the first sixteen months of war.[20]

The Budget contained more new measures. The Minister

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19. Bank of Canada, Annual Report, February 11, 1941, pp 6,7
20. Plumptre, op. cit. p 207

announced that the Government was trying to cut down its American purchases, and proposed: restrictions on certain civilian goods, increased gold production, more encouragement to American tourists.[21] Thereupon he announced a War Exchange Tax of 10% on all imports from non-Empire countries, subject to a drawback. This in effect doubled the premium on American funds. It purported, however, not to restrict, but to re-direct Canadian imports. $65,000,000 in prospective revenue and the promise of tight price control to prevent compensatory price increases enhanced its appeal.

By the middle of June it had become apparent that Canadian war prosperity was draining money out of the country. Dividends rose. These were paid as usual to American holders to preserve "good-will", i.e. to preserve the American market for Canadian securities. People also had more money to spend in the United States. American tourist expenditures were recalculated at a much lower figure. The application of a ban onCanadians taking either their own or American money out of the country without special permission, combined with a bottle-neck on American passports caused by the sudden action of the American Government, reduced to a marked extent the number of tourists leaving Canada.

In December, 1940, the War Exchange Conservation Act was passed. The tax on automobiles which had been included in the Budget, having proved ineffective, was raised to 20% on cars

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21. Debates, 1940, p 1021 Budget Speech by Mr. Ralston June 24.

with a manufacturer's price of less than $900, 40% between $900 and $1,200, and 80% on the value exceeding $1,200. This halted auto imports. The most important clauses of the Act did not concern motor vehicles, however, but other imports. A certain number of articles ranging from oysters to luggage was stricken from the list of imports from non-Empire countries. A second group was condemned to a slow death in order to get Canadian substitutes on the market. The third group, consisting of similar Canadian products, was taxed to prevent undue expansion in these non-essential fields.[22] Payment of royalties to producers of banned goods with American patent rights was prohibited by the Board - i.e. the Board would not supply foreign exchange. By the same Act, tariffs on a variety of British exports were either reduced or abolished, chiefly to provide Britain with more Canadian dollars through increased exports to Canada.

On December 21, 1940, the Board further restricted American travel by requiring that no resident could leave Canada without a permit, which was approved for business, health, and educational reasons only. On January 22, 1941, the various official travel exchange permits were supplemented by the famous little Form H (short form) that allowed so many Canadians $4.25 worth of fun in American border cities.

1940 was the momentous year that saw the real development of Canadian exchange control. A glance at the Allied financial

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22. Debates, 1940, - pp 610-612, December 2, Plumptre, op. cit. p 154 n 1,2,3.

situation will more than prove its need. Britain had used up 50% of her American dollar resources in the first sixteen months of war, and faced 1941 debits of $1,892,000,000 on old contracts alone in the United States. It is no wonder that Lord Lothian appealed for American financial aid in November. Up 150% from 1939, Canadian net exports to Britain had pushed sterling area indebtedness to Canada for the same period to $930,000,000.[23]

On Canada's part, in spite of the 1940 legislation, which did not become really effective till 1941, net imports from the United States also rose 150% to bring total United States debits, from September, 1939 to March 1941 to $447,000,000. Even with the British gold shipment, this deficit stood at $225,000,000.[24] The deficit was met by depletion of Canadian gold and American dollar resources and by the sale of about $26,000,000 worth of foreign assets.[25] The Minister estimated another $467,000,000 deficit with the United States for the new fiscal year. While it was possible to lend Britain money, and take her gold, goods and securities to deal with the flood of sterling, the American situation was desperate for both Britain and Canada. Just as Britain had been aided through the Lease-Lend Act of March 11, now the Canadian exchange control was spared either a complete seizure or a breakdown when on the day before the Budget Speech, the Prime Minister announced to the House of Commons the signing of the famous Hyde Park Agreement. Besides certain arrange-

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23. National City Bank 'letter' February, 1941 pp 20-22
24. Debates, 1941, p 2339 Budget Speech by Mr. Ilsley, April 29
25. D.B.S. 1945 p 46

ments about Canadian aluminium and ships, the main text of this agreement with the United States speaks for itself: "Insofar as Canada's defence purchases in the United States consist of component parts to be used in equipment and munitions which Canada is producing for Great Britain, it was also agreed that Great Britain will obtain these parts under the Lease-Lend Act and forward them to Canada for inclusion in the finished articles."[26] Mr. King was careful to point out that this would make Canadian sacrifices no less, but their results greater. "The economic corollary of Ogdensburg went a long way towards the solution of the exchange problem".[27]

The results of both increased exports to Britain and the 1940 restrictions on Canadian imports from the United States were revealed in the 1941 trade figures. The net American deficit on current account stood at $318,000,000, an increase of only about 10% from the year before. This reflected a 55% decrease in Canadian travel in the United States as well as greater exports. The books of the Board probably showed a net loss of $142,000,000 in gold and exchange.[28]

On the other hand, British purchases in Canada, notably merchandise and shipping, rose considerably, but principally on account of increased Canadian Government war expenditures in England, the net credit in this relationship was kept down to $734,000,000. Removal of tariffs on British goods had had little effect, and even though things were not as bad as they

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26. Debates, 1941 p 2287 Mr. King April 28
27. Ibid., p 2289
28. Debates, 1942, p 3573 Mr. Ilsley, June 23

might have been, the surplus represented an increase of over 100% from 1940.[29] A problem of what to do with this sterling was emerging.

As the conflict wore on into 1942, British shipment of imports continued to fall, and while Canadian Government expenditures in England more than covered this decline, Canadian deliveries to Britain increased steadily, and were to show a 50% margin over the 1941 figure of $914,000,000. This state of affairs was already evident late in 1941, and on January 26, the Prime Minister announced that measures would be taken to aid Britain. On March 18, Mr. Ilsley proposed the gift of one billion dollars to Great Britain,[30] the conversion of $700,000,000 in London sterling balances into an interest-free loan for the duration, and the power to raise the necessary money by taxation. In speaking on his resolution the Minister pointed out that a combination of heavy purchases and some $238,000,000 in advances to Canadian arms

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29. This surplus of sterling was used by the Board to purchase American exchange from Canadian exporters. The Bank of Canada bought the Board's sterling to the extent of $295,000,000 up to June 1941, and so put the Board in the Canadian funds needed to purchase American exchange from Canadian shippers. With receipts of the first Victory Loan, the Board repurchased this exchange. From time to time similar transactions facilitated the control operation. See Annual Report of the Bank of Canada, February 9, 1942, pp 6-7
In the absence of such measures, the Board procures Canadian funds in a slightly different fashion. It sells to the Bank of Canada Treasury Bills or other securities it is authorized to hold, and disburses the cash to holders of foreign exchange. The Bank of Canada may, then, if it desires, sell securities in the market to cut down the inflationary effect of this indirect increase in the reserves of the Chartered Banks. See Annual Report, Bank of Canada, February 11, 1941 p 12.

30. Debates, 1942, pp 1416-1418: War Appropriation (United Kingdom Financing) Act.

industries had left Britain $1,770,000,000 in debt to the Dominion by March, 1942. This debt had been met as follows: (approximately):

Gold	$ 250,000,000[31]
Official repatriation of securities	400,000,000[32]
Private repatriation of securities	125,000,000
Accumulated sterling	1,000,000,000
	1,775,000,000

The sterling left after the conversion into the $700,000,000 loan would be largely dissipated through a repatriation of the remaining $295,000,000 in outstanding C.N.R. securities in British hands. The billion dollar gift would meet the rest and cover British purchases in Canada during the coming months. The Bill passed, and the Bank of Canada prepared to sell its sterling back to the Foreign Exchange Control Board to cover the repatriations.

On June 23, in his Budget Speech,[33] Mr. Ilsley pointed out that "to-day it is bitterly plain that we have far to go before

31. The last gold shipment had been received in December 1940. Cessation put further strain on Canadian dollar resources until the signing of the Hyde Park Agreement in the following April.

32. These were:

October 1939	$ 90,000,000	Dom. 1930/50	3½%
June 1940	75,000,000	Dom. 1940/60	4%
October 1940	105,000,000	Dom. Guar. Grand Trunk	4% per.
August 1941	130,000,000 (by February) of two issues: Dom. 1953/58 4%, and 1958/63 3½%.		

33. Debates, 1942 pp 3570-3642

victory is in sight." He reviewed the past and coming year, pointed out that the past twelve months had seen a net drain of only $50,000,000 on Canadian gold and American exchange. This could partly be explained by the purchases of Canadian securities by Americans, and by advances under the Hyde Park Agreement. The Minister added that the Government's travel restrictions had saved $200,000,000,[34] its embargoes and tariffs $130,000,000, but that this favourable condition could not long continue. Fewer American tourists would come to Canada because of their gas and rubber restrictions, and newsprint exports were falling. Estimates for the coming fiscal year envisaged $500,000,000[33] in Canadian war purchases in the United States, of which only 45% would be covered by the Hyde Park Agreement.

On the United States account, as a result of American investments and military dispositions in Canada, and even more through increased Canadian exports, by the end of the year 1942 the net deficit of Canada had fallen 40% from 1941, to $180,000,000. Increases in Canadian bond quotations in New York induced by Americans desiring to purchase Canadian Dominions, Provincials, and Municipals, attracted these securities to New York. These purchases, some liquidations, and advances under the Hyde Park Agreement as mentioned above, helped meet this deficit.

The beginning of 1943 was for the war the beginning of the end. Canadian war production had reached the stage where it was

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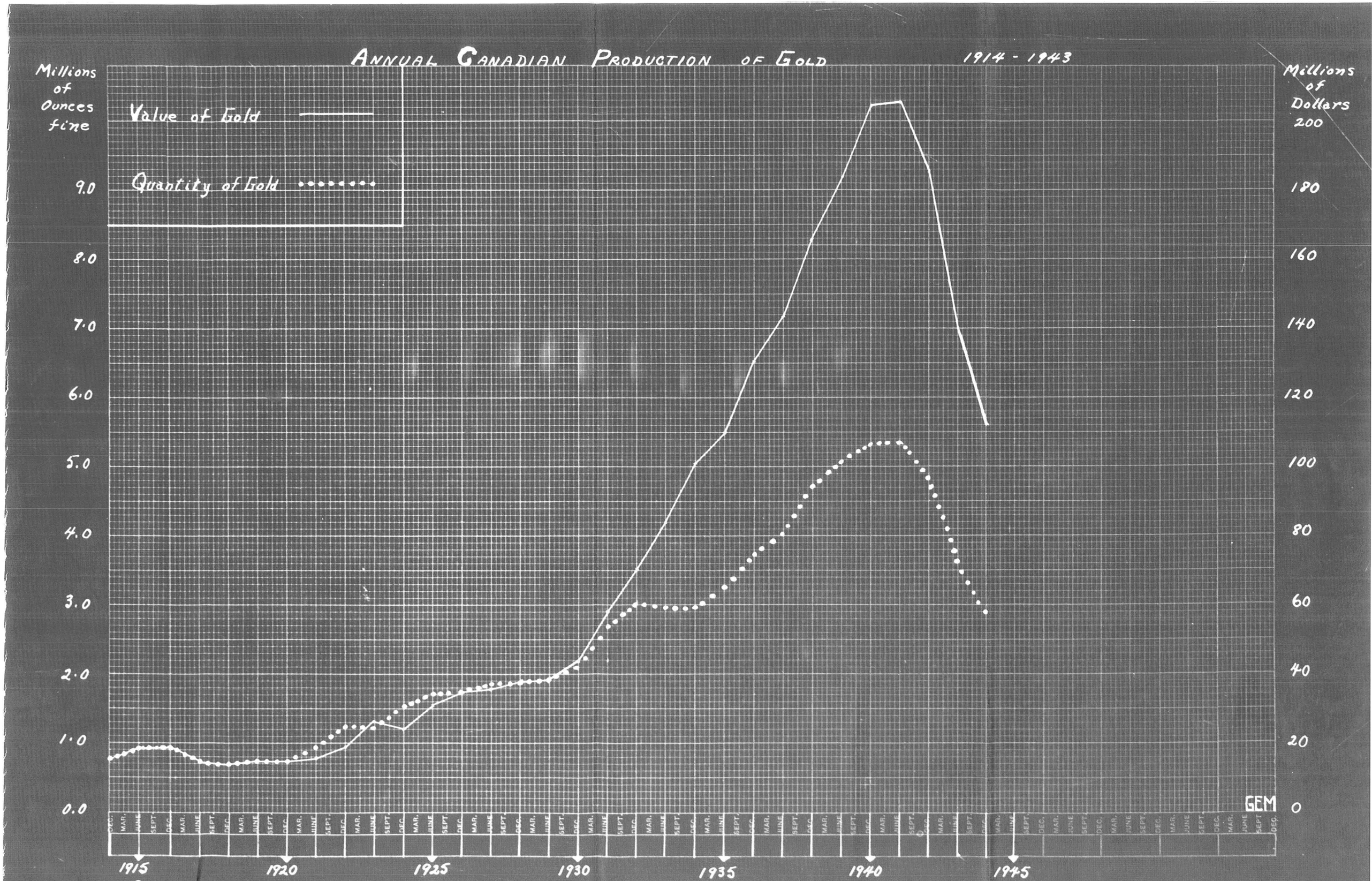
33. Debates, 1942 pp 3570-3642
34. This figure is of doubtful quality, as are other tourist figures.


ANNUAL CANADIAN PRODUCTION OF GOLD 1914 - 1943
Millions of Ounces fine
Millions of Dollars
Value of Gold
Quantity of Gold
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
200
180
160
140
120
100
80
60
40
20
0
GEM
1915
1920
1925
1930
1935
1940
1945
Source: 1914-1937: Canada Year Book. 1939. p. 337
1937-1943: C.Y.B. 1943-4. p. 305

limited only by manpower and resources. In another wartime Budget Speech[35], Mr. Ilsley impressed on the House the necessity of pushing on to complete victory, but his address had not the urgency of the year before. He pointed out that "the shortage of American dollars (had) ceased to be a major problem". The events of the year bore out this contention. Through sharp increases in American Government expenditures in Canada, and greater exports to the United States, the net current deficit for 1943 with the United States turned out to be only $19,000,000, up to that time, the second lowest in the nation's history.[36] While capital debits through Hyde Park repayments, maturities, etc., overbalanced refunding issues, continued sales of outstanding Canadian bonds in New York, and special receipts of $143,000,000 American from Great Britain helped cover the deficit.

On the other hand, a 150% increase in Canadian Government expenditures in Britain, chiefly on Dominion troops, more than offset a 13% drop in British merchandise shipments, and reversed the upward trend in British deficits to Canada. The United Kingdom owed Canada $1,149,000,000 for 1943, a decrease of about $75,000,000 from the year before. The Minister had pointed out in his Budget Speech that the War Appropriation Act had estimat-

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35. Debates 1943 pp 840-906
36. As we shall see, Mr. Ilsley later referred to these events as "unprecendented". Sharply increased exports of wheat and feed grain doubtless contributed, but "other commodities" shields, perhaps, shipments of valuable Canadian uranium in connection with the atomic bomb. Gold shipments provide no key, since they had slowly declined since 1941, as a result of labour and equipment shortages in Canadian mines, and amounted in 1943 to only $184,000,000.

ed war expenditures of three billions for the 1942-1943 period. This figure had been exceeded by $803,000,000, including $200,000,000 for the purchase of British interests in Canadian war plants,[37] and $190,000,000 for British advances of working capital to Canadian industries. He therefore proposed a Mutual Aid Bill to distribute to the Allies equipment and supplies to the value of another billion dollars. Since a portion of this allotment would go to the sterling area, the Bill in effect would dissipate sterling balances, and so prevent the accumulation of an unwanted post-war British debt to Canada that might interfere with future Canadian export markets. Over $500,000,000 was expended in 1943 under this bill.

1944 saw victory in sight. Canadian merchandise exports to the United States continued their wartime rise, reached that year an all-time high of nearly a billion and one-half dollars, including $300,000,000 in grain. American Government expenditures in Canada dropped back again, but American tourists began once more to visit Canada, thereby sending their purchases to the highest figure for the war years. A slight easing of Canadian travel restrictions sent more money to the United States, and the two accounts almost balanced. On the whole, Canadian exports to the United States continued their wartime increase under the influence of rising merchandise exports, and for the first year in Canadian history topped the two billion dollar mark. As in previous years interest payments dominated dividends be-

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37. Debates 1943, p 842

cause of large American holdings of Canadian bonds. At the same time, Canadian merchandise imports fell back to the 1943 level because of reduced capital equipment requirements, and in spite of certain Canadian Government payments that we shall discuss presently along with the changes in Canadian travel restrictions. The import total rose less than any other year since 1939. The net effect of all this was that the current account with the United States, for the first time in history showed a favourable balance, $17,000,000. The American exchange problem had disappeared. The changes in the Hyde Park Agreement that were made as a result of this condition, were mentioned above. Let us look at them briefly, and also touch on the changes in travel regulations and commodity trade regulations. On April 21, 1944, Mr. Ilsley announced in the House of Commons that an agreement concerning Canadian holdings of gold and American dollars had been reached with the American Government. It was agreed that if these increased beyond a stipulated maximum we would take "appropriate steps to offset the tendency, and the United States on its part agreed to follow a program of procurement of war supplies such as to prevent our holdings of these reserves from falling below an agreed minimum".[38]

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38. Debates, 1944 p 2227. The Minister pointed out that the legal provisions of the Exchange Fund Act prevented disclosure of exchange fund figures, but that the range was "measureably below the country's total holdings of gold and United States dollars at the outbreak of war, a time at which they were not unduly large".

The Minister went on to say that during 1943 "unprecedented developments" had served to increase foreign exchange beyond the range agreed. To reduce these holdings certain measures were taken, and culminated in the termination, in March, 1944, of the financial clause of the Hyde Park Agreement:

1. Immediate payment for certain past purchases of American equipment and supplies for which bills had not yet been presented.
2. Canadian purchase of all airfields constructed by the United States Government in Canada.
3. Canadian assumption of the cost of improvements to airfields on the north-west staging route.
4. Canadian purchase of the telephone line from Edmonton to Alaska that had been built by the American Government.
5. Cancellation or transfer to the Mutual Aid Board of a number of contracts placed by the United States Army and Navy in Canada.

On May 18, the Board announced a revision of the Short Form H border travel permit. Under the new ruling, a maximum of $5 American could be taken out of Canada by residents as well as the $5 Canadian previously allowed. For larger amounts than $10 standard Form H's or other special permits had still to be acquired through application to the Board, but such permits were granted on more liberal terms than previously. Such relaxation helped raise 1944 tourist expenditures in the United States to

$56,000,000, an increase of 60% from 1943, but still only about 80% of the 1939 figure. As mentioned above, this brought the tourist account to about par.

The Budget that was presented on June 26, 1944, contained more changes in trade policy, principally the lifting of the war-time import restrictions on American goods that were mentioned above in connection with the War Exchange Conservation Act of December, 1940. Mr. Ilsley reiterated his 1940 statement that the prohibitions of Schedule I and the restrictions of Schedule II of the Act were strictly war measures because they violated the Canadian-American Trade Agreement. Thereupon the Minister announced that his Government wished to repeal Schedule 1 that deprived Canadians of many non-essential imports from the United States,[39] effective August 1, 1944.

On August 15, 1944, the Export Credits Insurance Act[40] set up the E.C.I. Corporation "to promote the revival of trade by the provision of Dominion Government guarantees to encourage exports from Canada."

Thus it was, that, in spite of the termination of the Hyde Park Agreement, somewhat freer travel in the United States, and

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39. Debates, 1944, p 4185. See also p 91 supra where Debates 1940 pp 610-612 December 2 are cit. and quoted by Plumptre, Canadian War Finance, p 154, n 1,2,3.
40. Statutes of Canada 1944-1945 Ch. 39 pp 333-340

a lifting of import restrictions on American goods, Canada's net favourable balance of trade with the United States reached $17,000,000 in 1944.

On the British account, Canadian military expenditures in England increased with the Italian campaign and after D-day, and for 1944 amounted to over a billion dollars, as contrasted with half that figure for 1943. Although freight and shipping imports to Canada fell slightly with merchandise imports, and in spite of record $1,800,000,000 merchandise exports to Britain, the net British current account deficit fell for 1944 to $879,000,000,[41] the lowest figure since 1941. $834,000,000 in Mutual Aid helped, along with $55,000,000 in British remittances of American dollars, to meet this deficit.

It would have been a rash citizen indeed who in January, 1945 would have predicted that the war would be over by Christmas, for while an offensive on Germany was shaping up, the more knotty problems of Pacific warfare were still to be faced. Through the agency of atomic power there was, as Mr. Churchill feared, a "breaking-out of peace" in August. The Allies were faced with a first-magnitude conversion problem that was intensified, especially in the case of Great Britain, by the loss of the opportunity to taper off war production during operations in the Pacific theatre.

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41. Representing about $150,000,000 to sterling area countries other than Britain.

As far as Canada was concerned, she too had conversion tasks thrust upon her, but since the coming of peace made no pronounced alteration in the volume of matured wartime international trade, the 1945 operations of the Foreign Exchange Control Board dealt chiefly with the continuing American dollar surplus and the changed status of nations formerly occupied by the enemy.

Earlier in the war, it had been laid down by the Government that no debits were to be allowed against the Canadian accounts of occupied, enemy, etc. territories. There was simply a rubber stamp on their account that stopped the Canadian bank or agent from honouring drafts and cheques. It is interesting to note that Swiss payments were allowed throughout. After December, 1944, Canadians had been permitted to send small benevolent remittances in United States or Canadian dollars to France. After the first of the year, money could be sent to Italy by Canadians through purchases of sterling that were sent through London to Italy in American Military Government currency. In March, Belgium and Greece were put in the French category.

On May 11, new Board regulations were issued regarding American travel. The "exit permits" that had been required of Canadians regardless of whether or not they were carrying money, and the Short Form H, were dropped. Thenceforth, no permit was needed to purchase up to $50 American for travel in the United States.

In the same month, the Dominion Government decided to guarantee Province of Alberta bonds, and set up the machinery to seize the profits of the market appreciation that was bound to concur with this announcement. The Board cooperated by preventing the speculative export of these to non-residents.

In July, the Board removed all special restrictions on currency transactions with nations which had been released by the Custodian of Enemy Property (the Secretary of State), and put them on the same basis as the United States. A long list of European nations was affected, and the process continued with releases. The exemption limit, below which no form was required for gift remittances, was raised - e.g. in connection with the United States: formerly every gift of over $25 per month in American funds required a permit. Now no permit was required up to $100.

Since the August revisions in Exchange Control dealt chiefly with the sterling area, it would now be appropriate to review briefly the coordination of exchange control between London and Ottawa. This cooperation is an important and interesting aspect of British-Canadian currency problems. The first of the two main divisions of action was the joint prevention of all capital exports from the sterling area to Canada. No Canadian could withdraw from a sterling security position. No sterling area subsidiary of a Canadian corporation could transfer to Canada more sterling than the sum of its purchases from Canada plus

its current profits. Until August 31, 1945, any resident of Canada receiving a legacy or other estate payment from a resident of the sterling area could transfer £100 and no more. If he invested the balance, payment could be made to Canada of interest and dividends either in pounds or Canadian dollars. On September 1, the limit was raised to £1,000. No provision was made for any sterling area resident to emigrate to Canada and transfer any funds other than £10 on departure, with the exception of small remittances for the support of war guests. These regulations all helped cut off the export of sterling capital from overseas to Canada.

The second of the two main divisions of action aimed at getting to the sterling area all its rightful receipts of Canadian dollars, a currency in short supply like American dollars. Aside from the procedures of the British Control re current transactions, the Canadian authorities helped see to it that every holder of direct investments of the sterling area in Canada was forced to transfer his profits to London. A couple of hundred such firms were in this category, mostly in Ontario. The Canadian Board scrutinized each financial statement, recommended to the British Treasury that this or that firm be required to submit a certain sum to London as its "reasonable net profits" above reserve requirements. The Treasury generally accepted the Canadian recommendation, and demanded the sum of Canadian dollars under threat of seizure.

On September 2, Mutual Aid ceased; through this medium, and with the additional billion-dollar gift, Canada had contributed $2,862,000,000 to the British war effort,[42] in the form of material. To understand the significance it is only necessary to indicate the proportion of the Canadian war effort that was directed to the assistance of other nations:[43] (millions of dollars):

Aid to Britain 1942	1,000
Repatriation of British-held debt	700
Interest-free loan to the U.K.	700
Purchase of U.K. assets in Canada	200
Private repatriation of debt	100
Mutual Aid 1943	1,000
Mutual Aid 1944	800
	4,500

Most of the Mutual Aid went to Britain, but there was $50,000,000 to Russia, Australia, China, the West Indies, and India. Thus, out of a total Canadian war expenditure of about $15 billions, one-third was for aid to other nations. Exchange control played a role in making this possible.

The 1945 Budget was presented on October 12.[44] Mr. Ilsley reviewed the Dominion's war effort, noted that 45% had been paid for out of current revenues, that Canadian savings had increased

42. This was gratefully acknowledged by Chancellor of the Exchequer Hugh Dalton as reported in a CP dispatch from London in the Globe and Mail on November 20.
43. As reported from Mr. Howe's statement in the Economist July 22, 1944. The $100,000,000 discrepancy comes from the amount from this date till Sept. 2, 1945.
44. Debates, 1945, pp 1034 - 1060. Budget Speech by Mr. Ilsley, October 12.

from $3,000,000,000 in 1938 to $9,500,000,000. He estimated an increased appropriation under the Export Credits Insurance Act of about $800,000,000 for the coming year. The Government, said Mr. Ilsley, proposed to discontinue the War Exchange Tax. He pointed out that the cost imposed upon importers, especially primary producers, of non-war capital equipment must not be capitalized into the costs of the future. This would immediately benefit consumers, and would "ease the problem of readjusting the somewhat higher prices of our neighbours to the price level we have maintained in this country."[45] The Tax repeal was effective midnight of that day.

On October 25, the Minister of Trade and Commerce made a report on the Export Credits Insurance Corporation.[46] Since its creation on August 15, 1944, E.C.I.C. had made the following loans.

Country	Amount	When Repayable	Interest Rate
Belgium	$25,000,000	1946-76	3%
Czechoslovakia	19,000,000	1950-54	2½%
The Netherlands	25,000,000	1950-54	2½%
The Netherlands Indies	15,000,000	1950-54	2½%
Norway	13,000,000	1951-59	2¾%
Russia	3,000,000	1950-	2%
	$ 100,000,000		

45. Ibid., p 1040
46. Ibid., p 1472 Mr. McKinnon, October 25, 1945.

This exhausted the provisions of the Act. The Minister pointed out that these and other nations[47] wanted to borrow further, and reminded the Commons that the money so lent had to be spent in Canada. Such loans, although offered to meet a need, are obviously an integral part of the Dominion Government's post-war full employment plans.

On November 9, still more travel freedom was granted Canadians, who could purchase with Form H any amount of American money, within reason, for travel in the United States. Purchases of exchange on New York, Shanghai, Florida, at $1,000 a month are not uncommon. Very large sums, of course, look like capital exports. In December, China joined the category of nations released by the control.

We mentioned above that the 1944 Canadian surplus of American dollars was a continuing feature of Exchange Control. Freer travel and gift regulations were 1945 results. The Dominion Bureau of Statistics at the date of writing (February 1946) has not completed compilation of the estimates of the 1945 Canadian balance of payments. Monthly merchandise trade figures for the first ten months of the year, including seasonal fluctuations, point to an even greater current account surplus of Canadian exports to the United States than the $17,000,000 of 1944.

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47. France wanted $250,000,000. On November 29 (Ibid., p 2693) the House raised the E.C.I.C. limit to $750,000,000. On December 4, (See Ibid., p 2949), the Government announced a $242,500,000 loan to France.

"However, it is possible to give some general indications of the possible trends. Under the merchandise heading neither gross exports nor gross imports changed materially from 1944 levels although of course composition and country distribution altered considerably owing to the end of the war. Gold production fell somewhat further. Our net tourist income rose appreciably. Changes in freight, interest and dividend accounts were of relatively minor proportions. As a result of the ending of the war our overseas expenditures fell sharply. War service receipts from abroad declined also but the net result was considerably in our favour. From present indications it appears that our total current account net credit balance will be substantially higher than in 1944."[48]

The Dominion Bureau of Statistics' monthly figures show sales of outstanding securities to the amount of $160,000,000 for the first ten months. Against this there have been a number of retirements of Canadian issues held abroad including one Dominion of Canada issue of $40,000,000 in New York. Thus American investors have increased their already substantial holdings of outstanding Dominions under the influence of higher yields and the supposed prospect of impending parity between the Canadian and American dollars. Beyond noting this, we can see little in the 1945 figures except a continuance of the unnatural balancing of the Canadian-American current account that is completely contrary to the pre-war situation.

48. Mr. G.S. Watts of the Bank of Canada, January 30, 1946

The year 1946 opened with a disturbing international economic situation on hand. With Britain still short of American dollars and loaded with sterling area debts, there is little prospect of immediate convertibility of Canadian-held current sterling in New York. Only the optimist would place any significance on the permanent absence of need for such convertibility. It is true that we are faced with an embarrassing surplus of American dollars, and that speculative American funds are seeking entry into Canada. The Board has refused to allow foreign bond issues to be floated in Canada, and will accept only equities for registration. To discourage further entry of this potentially "hot" money, the Board declines to grant any United States exchange to American liquidators.

This situation is almost certainly temporary. When Americans at last realize that their money is not point to par with Canada's, and when the rise of Canadian mining stocks collapses, this clamour of American funds for entry into Canada will cease. By that time, American and Canadian industry will be on a peacetime footing as in the 1930's, except on a much larger scale. Canadians again will be able to buy American cars and other semi-luxury goods. The re-addition of the long list of articles in the schedules of the War Exchange Conservation Act to Canadian shopping lists will tend to produce again an import surplus on the American current account. Canada will need to regain an export surplus with the United Kingdom, and will want to be able

to pay her debts with this sterling in New York, as she did before September, 1939.

The possibilities of such a return to the conditions of the late 1930's is bound up with the future of international trade. Post-war international trade must be looked at vis-a-vis the Bretton Woods agreements and the British-American loan in order to discover the role, if any, that the Foreign Exchange Control Board of Canada may be expected to play in Canadian economic life.

In this study of exchange rates, and their control through the control of international trade, there appear certain fundamental, inescapable realities about the disposition of the world's productive resources and markets. These somewhat unpalatable situations do not lend themselves to the language of international idealism. They are, however, deeply involved in post-war international trade plans, and as such, are more important to Canada than many Canadians realize. In our next chapter, under "The Limitations and Future of Exchange Control", we shall examine the basic issues underlying the control of foreign exchange rates. Then, with a glance at the pattern of post-war international trade, we should be able to estimate the future of Canadian Exchange Control.

Chapter VII

Chapter VII: The Limitations and Future of Exchange Control

From the start of the war the task of the Foreign Exchange Control Board was recognized to be that of helping the people of Canada conserve and increase their scarce supplies of American dollars, and at the same time keep excess sterling from becoming a big post-war problem. The Board succeeded well in the second and moderately in the first; the Hyde Park Agreement saved the American dollar situation from 1941 to 1943, and made the Canadian war effort possible. Thus it is plain that exchange control is limited to the degree that trade can be controlled. Suppose that the Hyde Park Agreement or some similar arrangement had not been made. Canada would have had two choices: either to stop buying many American goods altogether, or else indulge in the luxury of a sharply depreciated exchange rate that would have increased American purchases in Canada to a sufficient degree to give the Canadian Government increased American purchasing power over and above the burden of importing with a depreciated currency. In view of the raw material and labour situation in Canada, the second could never have succeeded; the first was unthinkable in a war for survival, and hence the Hyde Park Agreement.

This question of the limitations of exchange control may now be generalized to some extent. There has been considerable discussion recently about the "equilibrium rate" of exchange. Just what it is is difficult to say. Actually it probably could never exist except momentarily, or perhaps as envisioned over a long period of time. The pound sterling was overvalued from

1925-1931, and yet no disequilibrium showed in the British balance of payments because of the concomitant contraction of total domestic income and demand.[1] Balanced trade accounts would seem, then, to be no criterion whereby to judge whether or not the accompanying exchange rate is an "equilibrating" one, even if normal and panic movements of capital are considered as well. The purchasing power parity theory which purports to show exchange rates as a ratio between the general price level indices is on the surface a meaningless concept, chiefly because it neglects the fact that demands for goods may rise and prices fall, as occurred in the United States in 1938.[2] It also neglects capital movements, the important time element in movements of international goods, and hence transport and tariff costs, as well as the basic fact that internationally traded goods may both have different places in other national price structures vis-a-vis the general price level, and may move divergently.[3] On top of all this, the ability of the science of index numbers to calculate comparable, significant general price indices for two countries is overvalued.

But while the idea of a "purchasing power parity" is inherently unsound as a positive guide to an equilibrium exchange rate, the basic concept is quite sound. If one is careful to assume full employment (as "free trade" economists are wont to do) then the equilibrium rate of exchange for a country will be

1. Ragnar Nurkse: International Currency Experience, League of Nations, p 126.
2. Ibid., p 127
3. Ellsworth pp 250-254

that rate that tends not to push its cost structure either up or down. This idea has been called the "cost-structure parity"[4], and seems unquestionable as a theoretical concept. It would appear, however, that since many factors enter into the problem of whether or not a nation is fully utilizing all its resources, international cost-structure comparisons in judgment of the suitability of exchange rates would be very difficult. Actually, however, such a concept leads us to the explanation of the general nature of the relation between two national currencies. In each country we have demands, prices, factors, incomes, commodities, etc. These are all related nationally by a national currency. As the products of the two countries are related through demand, so are the currencies. A simplified illustration will make this clear. The United Kingdom and Canada both manufacture a certain type of shoe, let us say, for £1 and $5.00 respectively. Thus the value of £1 is approximately $5.00. The "cost-structure parity" thus demonstrates the general relation between currencies, and both are vaguely connected with the standards of living of the nations under consideration. That is the best we can do in tying up exchange rates and factor prices. "The equilibrium rate must bring the two related price systems (interpreted in the broadest sense) into a stable relationship with one another".[5] If, as is certain, the economic

4. Alvin H. Hansen: America's Role in the World Economy. p 189
5. Ellsworth p 254

and political conditions that give rise to fixing of the exchange rate also give rise to pressures on the national reserves of foreign exchange through capital and (even) temporarily adverse trade balances, then these must also be closely guarded to prevent impoverishment of the afflicted nation. Therefore exchange control and trade control must go hand in hand to be effective. Similarly, then the only limit to exchange control is the limit to trade control. More specifically, when Canada was faced with a shortage of American dollars, the Control Board was limited in its restriction of American goods to the degree of elasticity of American imports - e.g. certain imports such as oil, coal, citrus fruits, iron ore, were absolutely essential, at least in the short run, to Canada. Only American dollars over and above this amount could be sent to the United States for government purchases of war supplies. In the critical exchange situation between December 1940 and April 1941, the hopelessness of Canadian Exchange Control was revealed, and the Hyde Park Agreement met the shortage. The Canadian-American exchange rate is still fixed, with American dollars at a 10% premium to Canadian. Since Canada is potentially a large holder of sterling, there is little likelihood of the disappearance of this premium until sterling and American dollars come much closer to parity. In the United States, the price control system, never very effective at any time, is breaking up under the strain of short supplies, attacks of organized labour and organ-

ized marketers. The result is a series of inflationary price increases in the United States that is being transplanted to the Canadian economy because of our heavy purchases in the United States. Canadian subsidies shift this tax from the pattern of consumption to the pattern of tax distribution, but this cannot go on indefinitely.[6] Already Canadian price control authorities are facing shortages because of leaks in their systems, and Canadian labour is demanding pay increases that will help break our price control and further penalize the white-collar worker and pensioner. One partial solution for this problem would be to bring the Canadian and American dollars to par once more. The result would be the same as achieved by the removal of the War Exchange Tax - that is, to lop 10% off all American prices as far as Canadians are concerned. This might help check Canadian price rises originating in the United States, but it would also penalize Canadian gold and newsprint producers,[7] exporters to Britain, hotelmen, etc., and would not only check the current influx of American funds but would start heavy withdrawals to cash in on 10% exchange profits on the Canadian market. The chief point that all this illustrates is, that with

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6. e.g. on February 25, 1946, the Globe and Mail reported that the subsidy on jams and jellies was to be removed and affected prices to be fixed at a new, higher level.
7. Those corporate cost structures have become adjusted, in one way or another, to the present exchange rate.

a fixed exchange rate and necessary goods movements, price changes are more directly transmitted from one economy to another, since the most important price, that of the currency, cannot move in compensation. But that is not all. There is some doubt as to the influence of exchange rates on the balance of trade. Canadian-American experience has shown, not only recently as above, but in the early 'thirties, that goods often move internationally against the exchange rates and in response to general economic conditions and national income.[8] In summary, therefore, we come first to the conclusion that the actual exchange rate is not as important as the change in the rate, and that often disequilibrating tendencies in the trade balances parallel the movements of the depreciating currency.[9] Secondly, we conclude that control of the exchanges is limited only by the extent to which trade may be controlled.

Having touched briefly on the limitations of exchange control, let us turn now to some consideration of its future, and more particularly, that of the Foreign Exchange Control Board of Canada. The Board has always had its two main duties of conserving dollars and disposing of sterling. These were imposed on it by the fact that sterling, traditionally a surplus in Canada, could not be converted into American dollars in New York.

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8. See, e.g., D.B.S. 1945 p 34 for reports of 1931-1933 trade figures, when Canadian exports to the United States fell $140,000,000 under a currency depreciation comparable to the present period, in response to poor economic conditions in the United States.
9. Cf. United States exports fell in 1933 as foreign buyers held off purchases in anticipation of further depreciation of the dollar. See United States Dept. of Commerce: The Balance of Payments of the United States in 1933 p 9 cit. by Nurkse p 120

The chief aspect of the conservation of dollars was the prevention of possible capital transfers from Canada to the United States.[10] As we have seen, rigid control of trade is necessary to do this. We may safely assume that if sterling again becomes freely convertible, and if there is no danger of future Canadian capital flights to the United States, the control of Canadian exchange markets and hence the control of Canadian international trade will become quite unnecessary.

Aside from the problems of the free convertibility of sterling into American dollars, the necessity of world-wide control of short-term capital movements under the Articles of Agreement of the International Monetary Fund[11] precludes any possibility of the freeing of Canadian international trade and insures the future existence of the F.E.C.B. with its surveillance of current transactions.[12]

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10. Two factors are of interest here:
    1. British-Canadian cooperation also prevented undesirable flights of capital from the sterling area to Canada.
    2. American confidence in Canadian stability lessened the problem of capital flights to the United States from Canada.

11. Bill 238, about to be passed by the Canadian House of Commons, commits Canada to the Fund and the International Bank for reconstruction and Development. See Article XIX, par 1: Final Act: H.M. Stationery Office, Cmd. 6546, 1944 p 37: "The Fund may, after consultation with the member concerned, determine whether certain specific transactions are to be considered current or capital transactions."

12. See Minutes of Proceedings and Evidence of the Standing Committee on Banking and Commerce, re Bill No1 238, p 15 December 11, 1945, for statements to this effect by Mr. Louis Rasminsky, Chairman (alternate) of the Foreign Exchange Control Board of Canada.

The question of the possible future convertibility of sterling, far from being of as local a nature as the problem of capital flights, is completely tied up with the Bretton Woods Agreements, the British-American loan, national employment policies, British reconversion speed and efficiency, the blocked sterling balances, and the general future of international commercial and political relations. Canada would be forced by non-convertibility of sterling into American dollars to continue her wartime control arrangements with Britain and the United States. Since this would involve limiting imports from the United States and hence a drastic reduction in the Canadian standard of living, Canadians have probably as great an interest as any other people in the free convertibility of all currencies, but especially sterling and American dollars.

Great Britain and the sterling bloc, Canada, and the United States, are the principals in our discussion of post-war trade relations, and in that order we shall discuss their positions.

In 1939, Great Britain was a first class economic power. As a result of her unselfish wartime sacrifice of men, money, and materials, to-day she is not. Traditionally the world's largest importer, she must now import even more to repair war damage and meet the demand of her citizens for the necessities of life. There are only two ways of achieving this end -

by continued and heavy borrowing, or by increased exports. The first is unsound, so that the attention of British and foreign experts has recently been focussed on the vexatious problem of re-installing Britain in her old position of key-stone in the arch of international prosperity.

Summary of the British Position[13]

(£ millions & millions of tons)

	1939	1945	Change
Exports (£)	440 (94)[14]	272 (42)[14]	-38%(-55%)[18]
Shipping (tons)	37.4	15.9	-60%
Overseas Investment[16]	4,000[15]	2,882	-28%
Overseas Debt	476	3,355	-605%
Gold and U.S. dollar res.[17]	605	453	-25%

13. These figures, unless otherwise indicated, are taken from: Statistical Material Presented During the Washington Negotiations (re the American loan); H.M. Stationery Office, Cmd. 6707, London, December, 1945.
14. Volume index with base year 1938 as 100. The 1945 figure, reversing a wartime downward trend, nearly 40% higher than that of 1944, is weighted by British relief shipments to the continent. Cf. Ibid., App. I p 8
15. Bloomfield, A.I., The British Balance of Payments Problem, p 4
16. 38% of the loss was North American - and included nearly all Britain's marketable American dollar securities.
17. Reserves touched £74,000,000 in 1940, and rose subsequently from United States military expenditures in the sterling area.
18. Larger volume loss is a function of sharply increased prices, as revealed these index numbers representing the volume of trade in the two years, and the percentage fall therein.

During the war, 4,000,000 British homes were either destroyed or damaged, as well as many industrial plants. Added to such losses, shortages of critical materials and labour caused much internal disinvestment in the form of neglected depreciation.

In conclusion, then, we have those figures:[19] (in millions of pounds sterling):

Physical destruction - on land	1,500
- shipping (and cargoes)	700
Internal disinvestment	900
External disinvestment (including increased debts)	4,200
	7,300

This £7,300,000,000 represents a loss of about 25% of the British national wealth. These losses damaged the cardinal feature of the pre-war British economy - its capacity to import - just when the need for imports is greater than it has ever been in the past. Normally, Britain imported some £800,000,000 in goods and services each year. This block of purchases was paid for by income from British foreign investments, shipping services, and exports. As a result of the wartime changes tabulated above, this capacity has been reduced approximately as follows: (millions of pounds sterling)

	1939[20]	post-war[21]
Income from foreign investments	170	124
Shipping services	105	50
Exports	520	?

The annual loss amounts to 20% of the 1939 figures, alone. Taking into account the reconstruction task facing Great Britain, it has been estimated that for 1946, the British commercial deficit will be about £60,000,000 PER MONTH, dropping to 1/3 of this figure for the average of 1947-1948.[22] Britain's need, therefore, is twofold:

1. An intermediate credit -to tide over the transition period.
2. An increase in exports that has been placed high between 50% and 75% of the 1938 volume -[23] to take the place of lost overseas income.

Leaving Britain for the moment, in Canada we find part of the other side of the problem. Britain requires goods. But as pressing as her need for imports, is the necessity for Canada to export to her traditional best customer. Unassisted

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20. G.B. Hoover: International Trade and Domestic Employment. p 102
21. These figures derived from percentage losses calculated above. The somewhat doubtful comparability of such separated sources must be taken into account here. Adjusted for exchange.
22. The Economist: Vol. CXLIX No. 5339, December 22, 1945. p898
23. Food, whiskey, coal, tobacco exports cannot be increased appreciably, so that British manufacturers are faced with the problem of obtaining a £350,000,000 per annum increase in their exports. Ibid., p 898

by improving barter terms as was British trade in the 'twenties and 'thirties, and unprimed by large-scale deficit spending as was American trade, increasing exports have been required to sustain a given Canadian national income.[24] A very high correlation also is revealed in this relationship, and the ratio of national income to exports is about 4 to 1. These are significant figures, and they tell us that to operate the Canadian productive machine at the desired high level, we must export heavily.[25] Newsprint, wood pulp and lumber ($231,000,000), nickel, copper, lead, and zinc ($131,000,000), wheat and flour ($125,000,000), animals, fish, meats, dairy and other animal products ($132,000,000),[26] iron and its products ($63,000,000), were chief Canadian exports in 1939.[27] Three out of eight Canadians depend on the continuance of such exports for their employment. For fifty years, Canadian export surpluses to Great Britain have been 50% larger than the

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24. See a statistical study by E. Munzer: Exports, National Income in Canada, in the Canadian Journal of Economics and Political Science, Vol. 11, No. 1 February, 1945 p 39.
25. Such exports must, according to Mr. Gilbert Jackson's calculations, surpass by $700,000,000 (annually) the Canadian peak year of 1928, if we are to have "full employment". 1928 saw total Canadian exports of $1,788,000,000. D.B.S. 1945 p 32.
26. Britain takes not only 35-40% of all Canadian exports, but 90% of our meat, and heavy percentages of wheat, flour, non-ferrous metals and lumber. Cf. the Economic Journal: Louis Rasminsky, Anglo-American Trade Prospects: A Canadian View: Vol LV, No. 218-219, June-September, 1945, p 163.
27. Wood, Gundy, and Co.: Canada's International Trade Position, January, 1946.

the corresponding import surplus with the United States. At the same time, this current deficit with the United States has been twice as big as current export surpluses with countries other than the United States and the United Kingdom.[27] Great Britain is truly Canada's best customer. These figures serve to underline once more another cardinal point - the United States is Canada's largest single supplier, and with her we have had a traditional deficit on current account. The purchases causing this deficit, although partly inelastic necessities, are not so much needed by Canada for full employment as they are for a higher standard of living. We want oysters and luggage, machine tools and house-hold gadgets, big cars and American travel - in short, some luxuries.

Inexorably, the problem of making these two ends meet rises to plague us. WE MUST CONVERT OUR EXCESS STERLING INTO AMERICAN DOLLARS. Failing this, we might well export to Britain to keep ourselves working, if we had to lend money and give away goods. But we would not be able to buy from the United States anything beyond the bare necessities that could be covered by our available supplies of American dollars. Such a dilemma would be insoluble except through a drastic revision of the entire historic pattern of the Canadian economy. "So long as we retain our present climate, and our present political, industrial, and agricultural structure, we cannot for any length of time replace the necessary stimulus of income from exports, by remedies applied internally. This relationship between

exports and national income could only be drastically changed by means of occupational transfers on an enormous scale, accompanied by great movements of population. In order to break the connection, we would need virtually to liquidate certain of our exporting industries; and incidentally, to revolutionize the Canadian mode of life."[28] No long run solution of post-war international trade problems can be satisfactory to Canada unless:

1. It gives Canada an opportunity to export to Britain, and
2. An opportunity to convert the resulting surplus sterling into American dollars in New York.

We are now in a position to discuss the United States of America. America's role in the world economy, for our purposes, must be considered from our basic British -Canadian viewpoints:

1. Britain must import beyond her means now, export beyond her past records in the future. Will the United States help by:

(a) immediate dollar credits

(b) refraining from using her economic power, to-day supreme, to encroach on traditional British export markets.

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28. G.E. Jackson and Associates: Exports and the National Income of Canada, Toronto, January, 1945. p 2.
Dr. E. Munzer, mentioned above, is one of these Associates.

(c) taking British exports, either directly from England, or indirectly through third countries.

2. Will she thus cooperate to a sufficient extent to create a British dollar pool in New York from which Canadian exporters to Britain may draw American dollars in exchange for their sterling?

Superficially, everything augurs well for the future. The United States is at least considering a $3,750,000,000 to Britain, and no American official has made any declaration of international economic warfare. And yet, it is in contemplation of the American economy[29] that we see the fundamental economic problem that is facing the world as a whole. In almost every way, the United States is the greatest nation on earth, and if Great Britain is the key, then the United States is surely the foundation of international prosperity. Emerging from the war more powerful than ever before, America is the nation on which the future of world trade depends. If her national policies mesh with the necessary policies of the rest of the world, then all will be well. But if the United States resumes its isolation, then all will be chaos.

In order to create national "prosperity", it is estimated that 7 to 10 million jobs over the peak year of 1940 must be

29. To a much smaller degree, Canada is in the same position as a "creditor nation on current account". Perhaps we should say "the North American economy".

found for American workers. This represents about a 35% to 40% increase in production.[30] Since production requires consumption, the central question of our entire discussion is: "WILL THE SEARCH FOR OUTLETS FOR THESE GOODS ENCROACH ON BRITISH AND CANADIAN EXPORT MARKETS?". Possessing the requisite raw materials, the "know-how" and salesmanship, and lacking German competition, American producers, especially of consumers' goods, feel sure they can compete in any free world market, and therefore they press for the removal of others' exchange controls. With agricultural exports down 60% and manufactures up 100%[31] in forty years, they do not fear the future. Far from being unable to compete in world markets because of high wages, etc., the fact is that "the United States competes altogether too well."[32]

Ironically, from England has come an idea that may prove expensive for that country in the future. Sir William Beveridge and his American imitators have made the North American continent "full-employment crazy". Unless it is prepared to withstand serere criticism, the American and Canadian Governments must both strive to keep everyone working all the time with a minimum of occupational shifting. If generous export credits

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30. Hoover, op. cit., A Note on C.E.D. p 149
31. Ibid., p 134 n 2.
32. Hansen p 135. It is interesting to note that difficulties similar to the cotton and sugar trouble of the United States may make farmers the "effective proponents of protective tariffs while the manufacturers might become advocates of lower tariffs." See Hoover p 139

seem to be the easiest method, then they are used, as we have seen. One of the prices we pay for political democracy is the privilege we grant to individuals under the Export Credits Insurance Act to continue their wartime production trends regardless of the pattern they perpetuate in the post-war Canadian economy. While we are perhaps unwilling to have it any other way, it is just this craze for production and more production that will threaten future international economic cooperation. Our central question cannot be answered. No one knows how much the United States must export and where those exports must go.[33] The future alone will provide the answer as to whether or not the United States can import, export, and have full employment without incurring the enmity of those nations that would be hardest hit by aggressive American export subsidies. In the latter case, a system of trading blocs, based on economic and geographical considerations as the former sterling area, would probably be formed. "Political friction arising from competition for raw materials and markets under such conditions might easily be accompanied by the growth of political as well as economic rivalry with the United States."[34]

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33. Some American groups are already suggesting that the proper outlet for excess American funds should be a credit-supported surplus of $3,000,000,000 a year. See National Planning Association Pamphlet nos. 37-38, November 1944, cit. by R.G.D. Allen: Post-War Economic Policy in the United States: The Economic Journal Vol.LV, No1 218, April 1945, pp 44-45. Such a policy would certainly dampen British hopes for increased exports, and especially if it turned out that British exports to the dollar area could not be increased.

34. Hoover p 6. See Appendix B infra for a short discussion of the relationship of the International Monetary Fund and the International Bank for Reconstruction and Development to post-war international economic relations.

We have come to the end of our investigation. The future offers little or no grounds for optimism on the side of either economic or political cooperation between nations. Selfish pressure groups and selfish nations are still the rule rather than the exception. Since this condition is likely to obtain in the future, the problem facing the world to-day is one of convincing the nations that in cooperation lies their best long run interest.

One thing, however, stands out: The Foreign Exchange Control Board of Canada has changed from a temporary to a permanent feature of the Canadian Economy. The severity of its controls is not governed by the whims of its members, but by the extent to which Canadian trade must be controlled in view of the degree of convertibility of pounds sterling and American dollars in New York. If the pool of dollars is there we can buy them with sterling. But if Canadian and American economic policy should prevent the United Kingdom from providing that pool through exports of goods and services to the dollar countries, then the lot of the Dominion's citizens would be hard indeed, both immediately and through the period of painful adjustments in the Canadian economy that would inevitably have to follow.

Appendix A - The Free Rate of Exchange

Appendix A The Free Rate of Exchange

Under British and Canadian wartime regulations, exchange control authorities took over the exchange markets' task of handling the buying and selling of currencies in Britain and Canada. Since all foreign exchange had to be bought and sold to the Control through permits and at fixed rates, London and Montreal were no longer the haggling places of exchange dealers.

But in several European centres, and most important of all, in New York, British and Canadian wartime regulations naturally had no jurisdiction. Here, money markets, with their freely fluctuating rates, functioned as before the war. Their operations were, however, restricted because they were dependent for their supplies of sterling and Canadian dollars on the leaks in the British and Canadian exchange control systems. Some of these leaks were present by design, and some were the result of carelessness or inexperience. As the war progressed, official leaks became scarce and carelessness extinct.

By examining the sources of supply of and demand for Canadian dollars in the New York exchange market, we should be able to judge the scope of these "free Market's" activities, and the true significance of fluctuations in its rates.

There are three main sources of Canadian dollars for the New York market. First, some Americans have Canadian dollars left over from pre-war sales and travelling in Canada. These they sell for American dollars in the free market. Second, certain capital payments from Canada to the United States supply the market with Canadian dollars. Maturing or called Canadian obligations held by Americans, payments to American heirs of legacies from estates of Canadian benefactors, sales of American-held Canadian real estate, all provided Americans with Canadian dollars that they could offer in the free market. Another aspect of Canadian capital payments concerned the reduction of the Canadian investments of American firms having subsidiaries in this country. In the beginning this was not allowed at all. Later, withdrawals in the form of Canadian victory bonds were permitted, and finally, in Canadian dollars. Canadians emigrating to the United States were allowed to take a limited amount of their assets with them in the form of Canadian funds. A small amount of illegal smuggling of Canadian currency to the United States also contributed. We have not yet mentioned the third and largest source of free Canadian dollars. On January 8, 1940, a new securities regulation was put out by the F.E.C.B. It stipulated that any American who thereafter purchased Canadian securities

and registered them with the Board could sell them in Canada and withdraw the funds in Canadian dollars. These registered sales of securities after January, 1940 supplied the free market with many Canadian dollars.[1]

In the market after this supply of Canadian dollars were Americans who wanted them, generally, for three purposes. The overwhelming majority of Canadian dollars were used to buy Canadian securities, chiefly government bonds.[2] During the war years, British investments in Canada that totalled in 1939 approximately $2½ billion[3] have been cut down probably about $900,000,000.[4] On the other hand, Canadian obligations to Americans have increased far beyond the $4 billions[3] of 1939 through the sale of Dominion Government bonds. Tourists sometimes buy their Canadian dollars at the slightly lower free rate[5]

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1. Sometimes these Americans had used Canadian dollars purchased in the free market in New York to buy the Canadian bonds in the first place. This, of course, constituted an initial demand for Canadian funds, and helped to keep the rate up.
2. Since there is no direct check on the holders of most these bonds, and none at all on some of them, then it is impossible to estimate the amounts held by Americans.
3. D.B.S. 1945 p 21
4. This figure was derived from British Government document Cmd. 6707: Statistical Material Presented during the Washington Negotiations, December 1945, p 9. Bloomfield (p 9) estimates £335,000,000.
5. A glance at the Chart of the exchange rates will reveal that after a slight initial drop and a flurry in the spring of 1940, the free rate in New York for Canadian dollars corresponded closely with the official rate. In fact, the free market rate was often a little higher, so that Americans holding dividend and export cheques in Canadian dollars sometimes took them to New York to sell at prices better than the official Canadian buying rates. (Chart p 37 supra).

in New York before coming to Canada. The Board does not insist that they bring their own money to Canada, but encourages them to do so by requiring merchants to display signs offering the official discount on visitors' funds. Nor are Americans required to remit their national currency when making gifts to Canadians.[6]

While the market was "thin" during 1939, 1940, and 1941, by 1942 it had relaxed with greater trading. This trading was the result of purchases of Canadian dollars by American companies on the point of expanding Canadian subsidiaries. It is important, however, to remember that at best this trading is so light that e.g. a demand for half a million Canadian dollars will play havoc with the rates. "Hot" rumours will thaw the flow of Canadian dollars into little rushes that cause fluctuations in the rates. Tightness of control resulting in only moderate supply, and strong American confidence in Allied victory and Canadian political stability have kept, and will keep the free market price of Canadian dollars in New York close to the official rates. In any event, the delicate constitution of the skimpy market renders even marked fluctuations of practically no basic significance.

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6. Note that executors of United States estates cannot convert legacies and securities into Canadian dollars before sending them to Beneficiaries in Canada.

Appendix B: The Bretton Woods Proposals

Appendix B: The Bretton Woods Proposals:

Discussion of these proposals has been relegated to this Appendix to emphasize the fact that machinery in itself does not solve problems, especially in the field of international government.

The United Nations Monetary and Financial Conference met at Bretton Woods, New Hampshire, in July, 1944. Formulated here were two main proposals the machinery of post-war trade: The International Monetary Fund and the International Bank for Reconstruction and Development. Both are simple, general[1] institutions, and both are pools of national currencies and gold.

The Fund is really a bank in that it makes "short-term loans" in the form of currency sales, whereas the Bank is really a fund since from it are drawn long term credits for capital development. In fact the Bank is strikingly similar to a Credit Union in that a general, contributed fund of currencies and credit backs a loan to an individual member - i.e. distributed risk under callable reserves on a centralized loan. A $10,000,000,000 institution, the conventional Bank has not aroused any considerable comment, and we shall

1. In fact, the (unavoidable) lack of "singleness and purpose and internal consistency essential to its (the Fund's) successful operation" has been scored by critics: e.g. B. H. Beckhart: The Bretton Woods Proposals versus Alternatives: Economists National Committee on Monetary Policy, New York, January, 1945, p 2.

have no more to say about it.

In contrast, the more unorthodox Fund has raised a storm of criticism. There are a few well-recognized, fundamental problems connected with the successful operation of this unique institution, and after briefly sketching the structure of the Fund itself, we must look into the most important of them.

The International Monetary Fund is a pool of national currencies and gold. Each of the 44 eligible nations contributes its quota in full on entry into the Fund, and shall pay in gold, as a minimum, the smaller of:[2]

(i) twenty-five percent of its quota; or

(ii) ten percent of its net official holdings of gold and United States dollars.

and

(iii) the balance in its own currency.

Any member may buy exchange with its own currency, provided it does not increase the Fund's holdings of that currency over 200%, or 25% per year.[3] Such exchange may be used to expand exports but must not constitute a transfer of capital.[4]

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2. Art. III Sec. 3 (b)
3. Art. V Sec. 3 (a)
4. Art. VI Sec. 1, 2. Unless the Funds holdings of the currency concerned is less than 75% of its quota.

National exchange control "may" be retained (in fact will have to be retained) to regulate such capital movements.[5]

The quotas are as follows:[6]

	Millions of $ American	Initial[7] votes % of total
The United States	2,750	28%
The United Kingdom	1,300	13
Russia	1,200	12
China	550	6
France	450	5
India	400	4
Canada	300	3
Others	1,850	28
	$ 8,800	99%

The initial par value at which these are to be calculated are the rates prevailing on the sixtieth day before the entry into force of the Agreement.[8]

5. Art. VI Sec. 3. Under Art. XX (i) (4) : (as mentioned in Chapter VII supra): "The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.".
6. Schedule A
7. Art. XII Sec. 5 (a) 250 each, plus 1 for every $100,000 American that their quota represents. (1% error)
8. Art. XX Sec. 4 (a)

Since the participating nations are, and will remain, sovereign states, obviously there must be considerable flexibility in the Agreement. Through these clauses, we can see that the Fund was tailored to fit a certain international situation, and that the garment will be altered as that situation changes:

1. 4/5 of the vote, and consent of the member concerned is required to change any quota.[9] The British Empire and the United States hold over 50% between them. Political considerations gave Russia a disproportionately large 13%.

2. A member need not carry out his annual repurchase commitments if such operations reduce his monetary reserves below his quota.[10]

3. Charges on over-purchases grow greater as time goes by, but average always less than 4%. These were inserted by the creditor United States. They may, however, be paid in national currency if the country charged lacks gold.[11]

4. Changes of 10% may be made in the par value of a member's currency with consent of the Fund provided it is to correct a "fundamental disequilibrium". Further such changes are allowed under a majority vote of the Governors who use the voting power of their nations. Thus, no member can change his par value legally beyond 10% unless the United States and the

9. Art. III Sec. 2
10. Art. V Sec. 7 (c)
11. Art. V Sec. 8

British Empire consent. Nevertheless, the arrangement is flexible, British objections notwithstanding.

5. One of the purposes of the Fund is "to aid in the establishment of a multilateral system of payments in respect of current transactions."[12] To this end members are pledged to the removal of exchange barriers at the earliest date. But the Agreement recognizes that some countries (e.g. Britain) must retain control of current transactions for the transition period.[13]

6. But the most important Article in the Agreement from our point of view is Article VII that deals with scarce currencies. This clause was obviously intended to cope with any future shortage of American dollars in the best way possible under the circumstances. The Fund may, under Section 2:

(i) "Propose" to the member whose currency is becoming "scarce" that it lend some of the needed currency to the Fund.

(ii) "Require the member to sell its currency to the Fund for gold". That means that the United States will continue to buy gold. The mines of South Africa and Canada will continue to prosper, and our gold will help us buy American imports as it did to an increasing extent in the late 'thirties.

"If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to

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12. Art. I (iv)
13. Art. XIV Sec. 2

supply that currency, the Fund ..... shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of the members, the general international economic situation, and any other pertinent considerations .....".[14]

Paragraph (v) goes on to authorize "any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency." Such limitations are to be administered "with sympathetic consideration".(sic).[15]

These six points suffice to show that while the various nations want to cooperate, they insist that their interests be protected. The operation of the Fund, and the Bank too, is finally dependent on the national policies of the major trading countries. Both Canada and the United States are considering substantial loans to Britain for the transition period. The United Kingdom's £4,000,000,000 sterling area debt gives her bargaining power in post-war trade. If North American policies cause the Fund to run dry of American or Canadian dollars, few of these balances will be converted, and the sterling area's trade will be more firmly centred on London. By loans, but in the end by imports, we must make

14. Art. VII Sec. (3) (a) in totum
15. Art. VII Sec. 4

sufficient dollars available to the United Kingdom to enable her to buy from us on the scale that is necessary to our prosperity. No one knows if this is possible.

Our conclusion must be that, although the Fund and the Bank give the world a reserve of currencies to start its post-war trade and investment, they do not change the basic economic relationship between countries. If national policies are such that these institutions eventually collapse, international cooperation will not recover the faster for having been disillusioned.

Appendix C - Forms used by the Foreign Exchange Control Board of Canada.

Appendix C - Forms used by the Foreign Exchange Control Board of Canada.

B.13 & B	Customs, Canada, Export Entry combined with application for Foreign Exchange Control Board Licence to Export Goods.
E (rev)	Application for Licence to Import Goods.
F	Application for Foreign Exchange.
G	Declaration of Foreign Exchange Offered for Sale.
FT	Application for United States Cash.
GT	United States Cash Offered for Sale.
G	Application to Transfer Canadian Dollars to or to the Account of a Non-Resident.
H	Application for Travel Permit.
H (short)	Border Travel Permit.(obsolete).
K	Application for Permit to Sell, Assign, Transfer or Deliver Securities to a Non-Resident and/or to Export Securities.
M	Declaration of Foreign Exchange and Foreign Securities in the Possession, Ownership or Control of a Resident of Canada, on September 15,1939.
S	Application for Permit to Sell Securities in Canada by or for a Non-Resident.
SE	Application for Licence to Import Securities.(obsolete after September 1,1945.)
DIV.	Application to Pay Dividends or Profits where any Portion Thereof is Receivable by a Non-Resident.
NS	Listing the operations of a holder of a special resident bank account under Permit No. NS.....
CF	Returns of persons operating a special resident bank account under Permit No. CF.....
BDE	For the return of persons carrying on business under authority of: A) Special export-import licence, No.BE..... B) Special permit authorizing the use of foreign currency bank accounts and/or inter-company accounts with foreign parent, subsidiary, or associated companies, No.BD...
106	Application to Register Canadian Domestic Securities Purchased by a Non-Resident.
107	Application by Resident of Canada for Change of Status to that of a Non-Resident.

Note: there are certain other forms of Customs and War Industries Control that were and)or are used in conjunction with the above.

Form B. 13
(CUSTOMS)
COMBINED WITH
Form B
(F.E.C.B.)
AMENDED 6/42

SEE INSTRUCTIONS ON REVERSE SIDE

Complete 1, 2 or 3 as may be appropriate.

1. BD, BE, CF or NS Permit No. (if any) .....
(For number of copies see para. 5 (a) on back) (Give Prefix and No.)

Or 2. Name and Branch of Authorized Dealer .....
(For number of copies see para. 5 (b) on back) (Bank)
.....
(Branch)

Or 3. Temporary Entry ☐ Car No. .....
(For number of copies see para. 5 (c) on back)

Report No. .....

Entry No. { ~~Outport~~ ..... / Port .....

This space for use of Statistical Branch only
(Country)
(Class)
(Series)

CUSTOMS, CANADA, EXPORT ENTRY
COMBINED WITH
APPLICATION FOR FOREIGN EXCHANGE CONTROL BOARD LICENCE TO EXPORT GOODS

A. ..... (Place of lading) B. The following articles of domestic production and/or foreign articles are delivered by or on behalf of ..... (Name of owner)
.....
(Address of owner)

C. to ..... (Name of railway or vessel, etc. If by highway, so state) D. for exportation to ..... (Country of final or ultimate destination) E. via ..... (State if shipped via United States port, or direct from Canadian port) and consigned to:

F. .....
(Name and address of consignee)

N.B.—Goods must be described accurately as "domestic" or "foreign", and correct details must be given of quantities, values and ultimate destination of exports.

G. Marks on Packages	H. Number of Packages	I. Description of Goods — Describe fully as, canned pork, printed cotton cloth, printing presses, apples, oats, wheat, etc. General terms such as meats, dry goods, machinery, prints, etc., will not be accepted	J. Quantity — State number of pounds, tons, gallons, yards, etc.	Actual amount received or to be received in terms of Canadian Dollars, exclusive of all charges. If for no payment, estimate value. (See Note 6 on Reverse Side). K. Domestic products, including imported goods processed in Canada	L. Foreign or imported products in same condition as imported	This column for use of Statistical Branch Only
				Nearest whole	dollars (no cents)	

M. On overseas shipments direct from Canadian ports, state or estimate here amount of inland freight from place of lading to port of exit, plus handling charges to and at port of exit—Canadian $ .....

If column L used state here country of origin of goods imported. ↑ .....

Complete N, O or R (except for temporary export entries).

N. Export for Payment in Canadian Dollars

	Canadian Dollar Amount (Omit cents)
(i) Actual amount received or to be received in Canadian Dollars exclusive of charges	$
(ii) Actual or estimated amount of prepaid freight and other charges recoverable from consignee in Canadian Dollars ..... (If recoverable in foreign exchange enter in section R.)	$
(iii) Total amount received or to be received in Canadian Dollars	$

(iv) Date payment received or expected .....

O. Export for which no settlement has been or will be received

Reason for no settlement .....
.....

P. Approved on behalf of the Foreign Exchange Control Board.
(This approval required in certain cases where Sections N or O completed—see paragraph 7 on back)

Special authorization received by
..... dated .....
(Letter, etc.)

....
(Date) (Authorized Signature)

STAMP OF OUTPORT	STAMP OF CHIEF PORT
	..... Officer of Customs and Excise

R. Export for payment in foreign exchange.

	Foreign Currency Amount (Omit fractions)
(i) Actual amount received or to be received in foreign exchange exclusive of charges	
(ii) Actual or estimated amount of prepaid freight and other charges recoverable from consignee in foreign exchange	
(iii) Total amount received or to be received in foreign exchange	

(iv) Is shipment freight collect? ..... (Yes or No)
(If "no" actual or estimated amount of prepaid freight must be included in line (ii))

(v) Kind of foreign exchange received or to be received (e.g. U.S., Stg.) .....

(vi) Date payment received or expected .....

Delete either (a) or (b)

Date .....

S. I, or we, ...
(owner or agent) hereby certify

(a) that the above is a full and true statement of the kinds, quantities, fair values and destination of all the articles delivered by me for exportation as aforesaid and that the kind of currency received or to be received in payment thereof and the manner of such payment is or will be in accordance with the Foreign Exchange Control Order and Regulations, and that such payment has been or will be dealt with only in accordance with such Order and Regulations.

Or (b) that this is a temporary entry and I hereby engage to make a perfecting entry within six days.

Signed by .....

Residence .....

FORM B. 13 (CUSTOMS) combined with FORM B (F.E.C.B.)

INSTRUCTIONS AND CONDITIONS

1. This form when completed by the owner of the goods or his agent and stamped and signed by the Collector of Customs is a Customs export entry and, subject to the Foreign Exchange Control Order and Regulations, is a licence from the Foreign Exchange Control Board for the export of such goods from Canada. (For exports of securities, the Board's Form K is to be used.)

2. This form, completed in the number of copies required, shall be delivered to the carrier accepting the shipment for export, one set per carload or lesser shipment to a single consignee except as provided for in paragraph 5 (c). The carrier will hand the complete set to the Collector at the last port in Canada through which goods for exportation pass outwards for places beyond the limits of Canada when **exported by land,** and at the port where laden on the exporting ship when **exported by water,** each such port being herein designated as "the port of exit from Canada". It is **most important** to have this form furnished and firmly attached to the way-bill from inland places in order to avoid the necessity for detention and side-tracking of the goods at the frontier awaiting delivery of this form to the Canadian Customs-Excise Officer.

3. When goods for exportation arrive at the frontier unaccompanied by this form the Collector is to report the facts to the Commissioner of Customs and state particularly the place of lading, in order that the neglect to forward this form may be traced to the proper railway agent, and that the manager of the railway may be notified through the Department of National Revenue of such irregularity and neglect.

4. This form must be signed by the owner of the goods or his agent (who may also be the railway agent) and is not required to be attested.

5. (a) If the owner of the goods to be exported is the holder of a Foreign Exchange Control Board permit BD, BE, CF or NS, he must insert the prefix letters and number of such permit in space **1** at the top of the form. In this case at least four copies of the form must be submitted to the Collector who will, after stamping and signing the forms, return one copy to the owner and forward one copy direct to the Foreign Exchange Control Board, Ottawa, following the same procedure in every respect as when forwarding export entries to the Department at Ottawa.

(b) If the owner of the goods to be exported **is not** making an export under the terms of paragraph 5 (a) above, he must insert the name and address of his Authorized Dealer (Canadian bank and branch) in space **2** at the top of the form. In this case, if the goods are to be exported to a country outside Newfoundland and the sterling area, he must complete at least five copies of Form B, the Collector distributing two copies as shown in paragraph 5 (a) above and forwarding the **original** direct to the Authorized Dealer named; if the goods are to be exported to Newfoundland or to a country in the sterling area, Form B must be completed at least in quadruplicate, the Collector distributing the copies in the manner outlined in paragraph 5 (a) above, no copy being sent to the exporter's Authorized Dealer.

(c) When goods are exported by rail or water and the Collector at the port of exit from Canada is satisfied that it is impossible for this form to be completed in all particulars and handed to the carrier at the point of lading along with transportation documents covering export from Canada, this form may be submitted in duplicate as a temporary export entry, one set per carload or lesser shipment. Where the form is used in this way, Item **3** at the top of the form, Sections **A** to **J** inclusive, and **S** (b), are to be completed. The quantity in Column **J**, where more than one carload is concerned, may be entered as the total of the shipment divided by the number of cars. An estimated value at point of lading should be entered in Column **K** or **L**. The Collector of Customs at the port of exit will not number these forms but will stamp and return one copy to the owner of the goods and hold the original for substitution within six days of the date of entry by completed sets of forms, **one set per consignee,** for exports in any one day or by any one ship, as specified in paragraphs 5 (a) and 5 (b) above.

6. The Canadian dollar values entered in columns **K** and **L** must not include any freight, insurance, handling or other charges included in the selling price. (For conversion of other currencies into Canadian dollars, see Customs Memo D No. 106). **It should be particularly noted** that column **K** should be used when the goods for exportation are classed as "domestic products", and column **L** when they are "foreign or imported products". If column **L** is applicable, the country of origin of the goods exported should be shown in the space provided at the foot of the column. The following points should be noted:

(a) Goods exported from a Customs bonded warehouse are to be reported on this form, the Canadian dollar value less charges being shown in column **L**. The form is to be marked at the top: "ex-warehouse for statistics".

(b) Goods exported from an excise warehouse are to be reported on this form, the Canadian dollar value less charges being shown in column **K**. The form is to be marked at the top: "ex-warehouse for statistics".

(c) This form is required for coin or bullion exported.

7. Sections **N**, **O**, **P** and **R** represent information required by the Foreign Exchange Control Board. Either Section **N** or **O** or **R** of the form must be completed by the exporter, depending on whether he is to receive, respectively, payment for the goods in Canadian dollars, no settlement, or payment in foreign exchange. In certain cases where an export is made for payment in Canadian dollars or for no settlement, the form requires the approval of an Authorized Dealer on behalf of the Board (Section **P**) before the export of the goods may be permitted by the Collector of Customs. Full details are obtainable from the Board, Authorized Dealers, or from Collectors of Customs, but it may be mentioned specially that the more general cases where such approval is **not** required are:

(a) Exports for Canadian dollars or for no payment to the sterling area and Newfoundland.

(b) Goods purchased by a non-resident tourist while in Canada as bona fide tourist purchases which are shipped to the non-resident tourist by the Canadian vendor of the goods; the form must be marked "bona-fide tourist purchase".

8. It should be noted particularly:

(a) That a "general" entry is not acceptable in which the shipments of several shippers to the same consignee are "bulked" together without specifying the particulars of each shipment and the name of the owner in each instance; and

(b) That when drawback of customs duty is claimed an extra copy or copies of this form marked "subject to drawback", should accompany the goods to the frontier port of exit.

9. No charge will be made by Customs officers for the certification of extra copies of this form required for drawback, sales tax or other purposes provided that such extra copies are submitted to the Collector along with the set of forms filed at the time of export.

PENALTY FOR NEGLECT TO DELIVER EXPORT ENTRY, $400.00.

NOTICE TO AUTHORIZED DEALERS

When the Authorized Dealer referred to in paragraph 5 (b) has received the original of this form from the Collector of Customs and Excise, he will proceed as follows:

(a) If the export is for payment in United States dollars he will retain the copy on file until payment for the goods is received when he will note particulars of payment below and attach this form to the relative Form C which is sent to the Board through his head office. If the export has been prepaid in United States dollars, i.e. if the relative United States dollars have been sold to the Authorized Dealer prior to his receiving this form he will insert the appropriate particulars below and will send this form direct to the Board immediately. (Note particularly that where a single Form C does not represent full payment to be made for these goods, the partial payments are to be identified as such and this form retained by the Authorized Dealer until final payment).

(b) If the export is for payment in Canadian dollars or for no payment, he will deal with the form in accordance with the Instructions of the Board.

PARTICULARS OF UNITED STATES DOLLARS RECEIVED IN PAYMENT.

	Date	Amount relating to this Export applied on Form C or CT. (omit cents)	Description of Form C (If Form CT so state)	
			Reference No.	Amount
Partial payment or only payment				
Partial payment				
" "				
" "				
" "				
" "				
Total of partial payments			If this Total does not agree with Total in Section R, a reconciliation must be shown on the Form C which covers final payment.	

.E. C. B.
FORM
E
EVISED)

Port of.....19.....

Arriving per.....

Imported by.....

ds Exported to Canada direct from.....

Via.....
(Country through which carried in transit if any)

FOREIGN EXCHANGE CONTROL BOARD

Form E (Revised)

APPLICATION FOR LICENCE TO IMPORT GOODS

For use with Customs Form B.1, B.5, or B.11
(See instructions on back)

SENDING PORT NO.....

PORT DATING STAMP

PRO. NO.....

Report No.....

Entry No. { Outport..... / Port.....

Marks and Numbers	Number of Packages	Description of Goods	Quantity	See Note Below (or if sight entry, appraised value)	Value for Duty in Dollars	Rate of Duty or Free	Total Customs Duty $	Total Customs Duty C.	Duty Paid Value $	Duty Paid Value C.	War Exchange Tax $	War Exchange Tax C.	Sales Tax $	Sales Tax C.	Rate of Excise Tax	Excise Tax $	Excise Tax C.	Tariff Item Applied

E:—Show above actual amount paid or to be paid **IN TERMS OF CANADIAN DOLLARS** exclusive of all charges. (Any freight, insurance, handling charges, Canadian duties or taxes which are included in the purchase price must be deducted therefrom). For conversion of other currencies into Canadian dollars see Customs Memorandum D-No. 105.

Show hereunder the invoiced price of the goods in the currency of settlement and unless already included add all charges (freight, etc.) payable to non-residents.

Currency.....Amount.....

I hereby licence and certify to the importation described hereon.

.....
Collector of Customs and Excise on behalf of
Foreign Exchange Control Board

C. Country of origin shown on Customs invoice.....

D. Application to Foreign Exchange Control Board for licence to import goods entered at Customs on Form ..... (State whether B. 1, B. 5, or B. 11.)

.....
(Signature of importer)

E. Complete either (1) or (2) as may be appropriate:
(1) BD, BE, CF or NS permit No. (If any)

.....

or (2) Name of Authorized Dealer:

.....
(BANK)

.....
(NAME OF BRANCH)

PWG.—268-3-45—PRINTED IN CANADA

FORM E (REVISED)—INSTRUCTIONS AND CONDITIONS

1. Cases in which this form is used.

This form is to be used as an application to the Foreign Exchange Control Board for a licence to import goods in the case of every importation into Canada of goods which are entered at Customs on Customs entry form B.1, B.5 or B.11 with the following exceptions:

(*a*) For goods shipped from the sterling area or Newfoundland destined to Canada;
(*b*) For goods whose country of origin is any part of the sterling area or Newfoundland;
(*c*) For an amending or a perfecting entry;
(*d*) For periodical publications.

For imports of securities the Board's Form SE is to be used and not Form E (Revised).

2. Particulars to be shown on the form.

The same particulars must be given on this form as on the set of Customs Import Entry forms B.1, B.5, or B.11, which it accompanies, except that the affidavits on the back of such Customs forms are not necessary for the purposes of this import licence.

The form is designed so that it may, if desired, be completed as a carbon copy of Customs form B.1, B.5, or B.11, in which case it must be inserted as the third copy in the set.

In addition the importer **must** show in the space provided **either** (1) the number of his BD, BE, CF or NS permit, if any, **or** (2) if the importer does not hold such permit he must show the name and full address of his Authorized Dealer (Canadian branch bank).

3. Procedure.

This form is to be signed by the importer or his attorney in the space provided and submitted (as a single copy only) to the Collector of Customs and Excise along with the usual number of copies of Customs form B.1, B.5 or B.11. If approved, the Collector will sign, number, and port date the form and will return it to the importer for use by him as provided in the Regulations and Instructions of the Board.

A Collector may not certify in any way any Form E other than the original form presented at the time of accepting the relative import entry and it is therefore important that the form be carefully preserved for use as directed by the Board.

NOTE: Signature of this application by the importer or his attorney constitutes a declaration to the Board and to the Collector of Customs and Excise at the port or outport in question that all the particulars and information given are true and correct and that application is made for a licence subject to the conditions herein set forth and subject in all respects to the provisions of the Foreign Exchange Control Order.

4. Transfers.

If the importer named in the form has bought the imported goods from a resident of Canada who will be making payment to a non-resident supplier of the goods, the importer, after receiving the licence back from Customs, should fill in the following particulars and deliver the form to his resident vendor. (The expression "resident of Canada" includes a non-resident operating a special resident bank account in Canada under permit from the Board).

Resident vendor is (name and address).....

.....

who holds (here give number of his BD, BE, CF or NS permit, if any).....

or whose Authorized Dealer is (name and full address).....

.....

.....
(*Signature of importer*).

This licence is granted only for the purpose of the Foreign Exchange Control Order and does not exempt the importer from any licence or permit requirements under any other law nor authorize any import or the doing of any act by the importer in contravention of any other law.

NOTICE TO AUTHORIZED DEALERS

If an import licence on this form is submitted to an Authorized Dealer in support of an application for United States dollars or for permission to pay Canadian dollars to a non-resident other than a resident of the sterling area, particulars of the payment in United States dollars or in Canadian dollars are to be noted below and this import licence is then to be forwarded to the Board in accordance with standing instructions. (Note particularly that where a single Form F or a single Form G does not complete the payments to be made for these goods, the partial payments are to be identified as such and this form is to be retained by the Authorized Dealer until final payment).

Particulars of United States dollars sold or payments authorized in Canadian dollars

	(a) Date of payment	(b) Amount relating to this Form E (State whether U.S. $ or Can. $)	(c) If U.S. $ description of Form F (If Form FT so state)		(d) If Can. $ description of Form G	
			Reference No.	Amount	Reference No.	Amount
Partial payment or only payment.....						
Partial payment.....						
" "						
" "						
" "						
" "						
" "						
" "						
" "						
Total of partial p			If this total does not agree with amount shown in item A on the front explanation of the difference should be given on the			

To be prepared in DUPLICATE (OR in TRIPLICATE if the applicant is a permit holder or otherwise requires a copy for his own use)

APPLICATION FOR FOREIGN EXCHANGE

REFERENCE NUMBER

MADE .....

THROUGH .....
(NAME AND ADDRESS OF AUTHORIZED DEALER)

FOREIGN EXCHANGE CONTROL BOARD FORM **F** .....

BANK TRANSIT NO. | BRANCH TRANSIT NO. | SERIAL NO.

PERMIT NO. BD.....**BE**.....**CF**.....**NS**.....**OTHER**.....
(GIVE PREFIX)

A. NAME AND ADDRESS OF APPLICANT (If non-resident give address in country of residence)			
	IF FORWARD CONTRACT DATE OF DELIVERY	RATE	AMOUNT (IN FIGURES) OF U.S. DOLLARS OR STERLING
B. AMOUNT OF FOREIGN EXCHANGE REQUIRED			
C. NAME AND ADDRESS OF PERSON TO WHOM FOREIGN EXCHANGE TO BE PAID			

D. PURPOSE FOR WHICH FOREIGN EXCHANGE REQUIRED (**Complete Section 1 or 2**)

	KIND OF GOODS	COUNTRY OF ORIGIN
★1. **PAYMENT FOR IMPORTS OF GOODS** (Also complete either (a) or (b) marking "X" in appropriate square)		

(a) ☐ GOODS WHICH HAVE NOT BEEN CLEARED THROUGH CANADA CUSTOMS | LATEST DATE GOODS EXPECTED.....

(b) ☐ GOODS WHICH HAVE BEEN CLEARED THROUGH CANADA CUSTOMS AS FOLLOWS:
(If more than one payee or if space insufficient use back of form)

(i) ★★ State if Full or Partial Payment (Mark "F" or "P")	(ii) Port of Entry and Port Entry No. of Form E (If exempt from Form E state "E Exempt"★★★)	(iii) Invoice amount in currency of settlement shown on Form E or Customs Invoice	(iv) Amount paid under this application	(v) Where full payment, explanation of difference between amounts in columns (iii) and (iv)
	TOTALS			

2. **PAYMENT FOR PURPOSE OTHER THAN IMPORTS OF GOODS**—(If travel funds, and Form H is approved at the same time covering the same transaction, give Form H reference number only; in all other cases give sufficient particulars to disclose nature of transaction and describe evidence, if any, submitted to Authorized Dealer.)

E. I/WE declare the foregoing statements to be true and correct and that no other application by me/us or on my/our behalf has been submitted for the purpose specified in Section D above.

..... DATE ..... SIGNATURE OF APPLICANT

F. Special authorization from F.E.C.B.

date.....

reference.....

G. **APPROVED ON BEHALF OF THE FOREIGN EXCHANGE CONTROL BOARD**

..... DATE OF APPROVAL OF FORM ..... STAMP AND SIGNATURE OF AUTHORIZED DEALER

★ BD, BE, CF and NS Permit Holders should complete Section D.1 in accordance with special instructions issued to them by the Board.
★★ If full payment Form E must be attached to the original of this form which reaches the Board; if a partial payment amount must be endorsed on back of Form E and latter held by Authorized Dealer until payment completed.
★★★ If "E Exempt" Customs Form E.46 or Customs invoice must be submitted to Authorized Dealer; any number of payments to one payee for "E Exempt" imports may be shown as one item.

6TH PRINTING 500-5-44 PRINT IN CANADA

(i) ★★ State if Full or Partial Payment Mark "F" or "P")	(ii) Port of Entry and Port Entry No. of Form E (If exempt from Form E state "E Exempt"★★★)	(iii) Invoice amount in currency of settlement shown on Form E or Customs Invoice	(iv) Amount paid under this application	(v) Where full payment, explanation of difference between amounts in columns (iii) and (iv)	(vi) Name and address of payee applicable to each payment
	TOTALS				

★★ If full payment Form E must be attached to the original of this form which reaches the Board; if a partial payment amount must be endorsed on back of Form E and latter held by Authorized Dealer until payment completed.

★★★ If "E Exempt" Customs Form E.46 or Customs invoice must be submitted to Authorized Dealer; any number of payments to one payee for "E Exempt" imports may be shown as one item.

To be prepared in DUPLICATE (OR in TRIPLICATE if the applicant is a permit holder or otherwise requires a copy for his own use)

DECLARATION OF FOREIGN EXCHANGE OFFERED FOR SALE

REFERENCE NUMBER

MADE .....

THROUGH .....
(NAME AND ADDRESS OF AUTHORIZED DEALER)

FOREIGN EXCHANGE CONTROL BOARD FORM **C**

.....
BANK TRANSIT NO. BRANCH TRANSIT NO. SERIAL NO.

PERMIT NO. BD.....**BE**.....**CF**.....**NS**.....**OTHER**.....
(GIVE PREFIX)

A. NAME AND ADDRESS OF DECLARANT (If non-resident give address in country of residence)			
	IF FORWARD CONTRACT DATE OF DELIVERY	RATE	AMOUNT (IN FIGURES) OF U.S. DOLLARS OR STERLING
B. AMOUNT OF FOREIGN EXCHANGE OFFERED			
C. NAME AND ADDRESS OF PERSON FROM WHOM FOREIGN EXCHANGE RECEIVED			

D. PURPOSE FOR WHICH FOREIGN EXCHANGE RECEIVED **(Complete Section 1 or 2)**

	KIND OF GOODS	COUNTRY OF DESTINATION
★1. **PAYMENT FOR EXPORTS OF GOODS** (Also complete (a) or (b) marking "X" in appropriate square).		

(a) ☐ GOODS FOR WHICH FORM B13-B STAMPED BY CANADA CUSTOMS HAS NOT BEEN OBTAINED | APPROXIMATE DATE OF SHIPMENT.....

(b) ☐ GOODS FOR WHICH FORM B13-B STAMPED BY CANADA CUSTOMS HAS BEEN OBTAINED AS FOLLOWS:
(If more than one consignee or if space insufficient use back of form).

(i) ★★ State if Full or Partial Payment (Mark "F" or "P")	(ii) Port of Exit and Port Entry No. of Form B13-B	(iii) Total amount in foreign exchange as shown in Section R of Form B13-B	(iv) Amount in foreign exchange offered under this declaration	(v) Where full payment, explanation of difference between amounts in columns (iii) and (iv)
	TOTALS			

★2. **PAYMENT OTHER THAN FOR EXPORTS OF GOODS**—(If for an export of securities give Form K reference number if already obtained; if not, give approximate date of export. In all other cases give sufficient details to disclose nature of transaction and where a single receipt covers both capital and income, e.g. principal and interest, show here amount relating to each.)

E. I/WE hereby declare the foregoing statements to be true and correct.

..... (DATE) ..... (SIGNATURE OF DECLARANT)

F. Special authorization from F.E.C.B.

date.....

reference.....

G. **APPROVED ON BEHALF OF THE FOREIGN EXCHANGE CONTROL BOARD**

..... DATE OF APPROVAL OF FORM ..... STAMP AND SIGNATURE OF AUTHORIZED DEALER

★ BD, BE, CF and NS Permit Holders should complete Section D. in accordance with special instructions issued to them by the Board.
★★ If full payment, the Authorized Dealer must attach copy of Form B13-B received from Customs to the original of this form which reaches the Board; if a partial payment amount must be endorsed on back of Form B13-B and latter held by Authorized Dealer until payment completed.

6TH PRINTING

(i) ★★ State if Full or Partial Payment (Mark "F" or "P")	(ii) Port of Exit and Port Entry No. of Form B13-B	(iii) Total amount in foreign exchange as shown in Section R of Form B13-B	(iv) Amount in foreign exchange offered under this declaration.	(v) Where full payment, explanation of difference between amounts in columns (iii) and (iv)	(vi) Name and address of remitter applicable to each payment.
	TOTALS				

★★ If full payment the Authorized Dealer must attach his copy of Form B13-B received from Customs, to the original of this form which reaches the Board; if a partial payment amount must be endorsed on back of Form B13-B and latter held by Authorized Dealer until payment completed.

To be prepared in duplicate. Forward original to Foreign Exchange Control Board, attached to statement on F.E.C.B. Form 60 at the end of each month.

TILL MONEY FORM **FT**

Reference No.

BANK TRANSIT NO. ..... BRANCH TRANSIT NO. ..... SERIAL NO. .....

APPLICATION FOR UNITED STATES CASH

By.....

(PRINT NAME AND ADDRESS PLAINLY)

PURPOSE

(MARK X IN APPROPRIATE SQUARE)

1. **IMPORTS**..... ☐
   (GIVE PORT ENTRY NO. OF FORM E IF USED AND ATTACH IF PAYMENT COMPLETED)
2. **OFFSET**..... ☐
   (GIVE REFERENCE NO. OF OFFSETTING FORM C, IF USED)
3. **RETURNING AMERICAN TOURIST** ☐
4. **SERVICES** (salaries, commissions, etc.) ☐
5. **TRAVEL**..... ☐
   (GIVE REFERENCE NO. OF FORM H.)
   - Special Business Travel Permit . . ☐
   - Special Border Permit . . . . . ☐
6. **OTHER** (give details below) . . . . . ☐

.....

.....

.....

.....

Amount of U. S. Cash . . $.....

Premium at.....%

Canadian dollar equivalent $

I/We declare the foregoing to be true and correct.

.....

(SIGNATURE OF APPLICANT)

Approved on behalf of
Foreign Exchange Control Board

(Special authorization received by.....
(LETTER, TELEGRAM, ETC.)

dated.....)

.....
(DATE)

.....
(NAME AND SIGNATURE OF AUTHORIZED DEALER)

F.E.C.B.—4TH PRINTING—1-42

PRINTED IN CANADA

To be prepared in duplicate. Forward original to Foreign Exchange Control Board, attached to statement on F.E.C.B. Form 60 at the end of each month.

TILL MONEY FORM **CT**

Reference No.

.....

BANK TRANSIT NO. | BRANCH TRANSIT NO. | SERIAL NO.

UNITED STATES CASH OFFERED FOR SALE

By.....

(PRINT NAME AND ADDRESS PLAINLY)

CLASSIFICATION

(MARK X IN APPROPRIATE SQUARE)

1. **EXPORTS**..... ☐
   (GIVE PORT ENTRY NO. OF FORM B IF USED AND ATTACH IF PAYMENT COMPLETED)
2. **GIFT.** For travel in U.S.A. (if specially authorized by the Board) . . . . . ☐
3. **GIFTS** (other than No. 2) . . . . . ☐
4. **SERVICES** (salaries, commissions, etc.) ☐
5. **OFFSET**..... ☐
   (GIVE REFERENCE NO. OF OFFSETTING FORM F, IF USED)
6. **UNUSED TRAVEL FUNDS** . . . ☐
7. **OTHER** (give brief details below) . . ☐

.....

.....

.....

.....

Amount of U. S. Cash $.....

Premium at.....%

Canadian dollar equivalent $

I/We declare the foregoing statements to be true and correct, and acknowledge receipt of the Canadian dollar equivalent mentioned.

.....

(SIGNATURE OF DECLARANT)

.....

(DATE)

.....

(TELLER'S STAMP OR OTHER IDENTIFYING STAMP OF AUTHORIZED DEALER)

F.E.C.B.—4TH PRINTING—1-42

PRINTED IN CANADA

To be prepared in DUPLICATE (OR in TRIPLICATE if the applicant is a permit holder or otherwise requires a copy for his own use)

APPLICATION TO TRANSFER CANADIAN DOLLARS TO OR TO THE ACCOUNT OF A NON-RESIDENT

FOREIGN EXCHANGE CONTROL BOARD FORM **G**

MADE .....

THROUGH .....
(NAME AND ADDRESS OF AUTHORIZED DEALER)

AUTHORIZED DEALER INSERT HERE G OR G/F STAMP PLACED ON CHEQUE, ETC. WITH REFERENCE NUMBER (BANK AND BRANCH TRANSIT NUMBER AND SERIAL NUMBER)

PERMIT NO. BD..... **BE**..... **CF**..... **NS**..... **OTHER**.....
(GIVE PREFIX)

A. NAME AND ADDRESS OF APPLICANT	
B. AMOUNT IN CANADIAN DOLLARS (figures only)	$
C. NAME AND ADDRESS OF NON-RESIDENT TO WHOM OR TO WHOSE ACCOUNT TRANSFER TO BE MADE	

D. PURPOSE FOR WHICH TRANSFER OF CANADIAN DOLLARS REQUIRED (**Complete Section 1 or 2**)

	KIND OF GOODS	COUNTRY OF ORIGIN
★**1. PAYMENT FOR IMPORTS OF GOODS** (Also complete either (a) or (b) marking "X" in appropriate square)		

(a) ☐ GOODS WHICH HAVE NOT BEEN CLEARED THROUGH CANADA CUSTOMS — LATEST DATE GOODS EXPECTED.....

(b) ☐ GOODS WHICH HAVE BEEN CLEARED THROUGH CANADA CUSTOMS AS FOLLOWS:
(If more than one payee or if space insufficient use back of form)

(i) ★★ State if Full or Partial Payment (Mark "F" or "P")	(ii) Port of Entry and Port Entry No. of Form E (If exempt from Form E state "E Exempt"★★★)	(iii) Invoice amount in currency of settlement shown on Form E or Customs Invoice	(iv) Amount paid under this application	(v) Where full payment, explanation of difference between amounts in columns (iii) and (iv)
	TOTALS			

★**2. PAYMENT FOR PURPOSE OTHER THAN IMPORTS OF GOODS**—(If payment for securities and Form S obtained give reference number. In all other cases give sufficient particulars to disclose nature of transaction and describe evidence, if any, submitted to Authorized Dealer.)

E. I/WE declare the foregoing statements to be true and correct and that no other application by me/us or on my/our behalf has been submitted for the purpose specified in Section D above.

..... DATE ..... SIGNATURE OF APPLICANT

F. Special authorization from F.E.C.B.

date.....

reference.....

G. APPROVED ON BEHALF OF THE FOREIGN EXCHANGE CONTROL BOARD

..... DATE OF APPROVAL OF FORM ..... STAMP AND SIGNATURE OF AUTHORIZED DEALER

★ BD, BE, CF and NS Permit Holders should complete Section D. in accordance with special instructions issued to them by the Board.
★★ If full payment Form E must be attached to the original of this form which reaches the Board; if a partial payment amount must be endorsed on back of Form E and latter held by Authorized Dealer until payment completed.
★★★ If "E Exempt" Customs Form E.46 or Customs invoice must be submitted to Authorized Dealer; any number of payments to one payee for "E Exempt" imports may be shown as one item.

500M-10-42_(5TH PRINTING)

(i) ★★ State if Full or Partial Payment (Mark "F" or "P")	(ii) Port of Entry and Port Entry No. of Form E (If exempt from Form E state "E Exempt"★★★)	(iii) Invoice amount in currency of settlement shown on Form E or Customs Invoice	(iv) Amount paid under this application	(v) Where full payment, explanation of difference between amounts in columns (iii) and (iv)	(vi) Name and address of payee applicable to each payment
	TOTALS				

★★ If full payment Form E must be attached to the original of this form which reaches the Board; if a partial payment amount must be endorsed on back of Form E and latter held by Authorized Dealer until payment completed.

★★★ If "E Exempt" Customs Form E.46 or Customs invoice must be submitted to Authorized Dealer; any number of payments to one payee for "E Exempt" imports may be shown as one item.

Prepare in DUPLICATE—read carefully before signing—also note conditions on back.

(EACH APPLICANT SIXTEEN YEARS OF AGE AND OVER MUST HOLD A SEPARATE PERMIT)

FOREIGN EXCHANGE CONTROL BOARD FORM **H**

REFERENCE No. .....

APPLICATION FOR TRAVEL PERMIT

The approval of this application does not relieve the holder of the necessity of complying with immigration requirements of countries to be visited or of obtaining any other permit to leave Canada which is required by law.

SURNAME (FAMILY NAME) *Print in block letters*

CHRISTIAN NAME (GIVEN NAME) MR. MRS. MISS

ADDRESS (IN FULL)

OCCUPATION

A. I hereby apply to the Foreign Exchange Control Board for permission to leave Canada and to export cash and travellers' cheques up to the amounts specified. (If none, mark "nil" in appropriate spaces.)

CASH AND TRAVELLER'S CHEQUES		
CANADIAN FUNDS	STERLING	U.S. FUNDS
$ — 10.00 —	£.....	$.....

B. Name and age of each child under sixteen included in application

C. Means of transportation from Canada — Train ☐ Bus ☐ Plane ☐ Automobile ☐ Other..... (SPECIFY)

D. Estimated number of days outside Canada required for purpose stated in G below.

E. Intended date of departure

F. Destination
If Canada is to be re-entered temporarily in course of the journey, list principal places to be visited in United States and Canada in order of visit.

G. Reason for journey
If on business, describe purpose of trip.

H. Date of last permit on Form H obtained by applicant other than for (i) travel on business or (ii) in transit travel through the United States between two points in Canada.

J. I declare the above information to be true and correct, and that no other application by me or on my behalf has been made through any other Authorized Dealer or Special Agent in connection with this trip.

Date..... Signature of Applicant.....

K. TO BE SIGNED BY EMPLOYER WHERE APPLICANT IS UNDERTAKING BUSINESS TRAVEL ON HIS BEHALF.

I/We certify that the applicant is a regular employee of the undersigned and that the trip described in this application is being undertaken in my/our business interests.

Date..... Signature of Employer.....

L. FORM TO BE STAMPED BY CUSTOMS OR IMMIGRATION OFFICER AT BORDER POINTS
(IF ADDITIONAL SPACE REQUIRED USE BACK OF FORM)

TO BE STAMPED AT FIRST PORT OF EXIT WHEN HOLDER IS TO RE-ENTER CANADA TEMPORARILY ON JOURNEY.

PORT DATING STAMP

TO BE STAMPED AT LAST OR ONLY PORT OF EXIT AND FORM TO BE SURRENDERED.

PORT DATING STAMP

M. APPROVED ON BEHALF OF THE F.E.C.B. FOR DEPARTURE FROM CANADA ON OR BEFORE.....
(SEE ITEM 2 ON BACK)

(DATE) (NAME AND AUTHORIZED SIGNATURE)

N. SPECIAL AUTHORIZATION FROM F.E.C.B.

DATE..... REF.....

7TH PRINTING—PRINTED IN CANADA

FORM H—INSTRUCTIONS

Approval of a permit on Form H entitles the holder to export temporarily without further permit from the F.E.C.B., personal baggage and effects, and automobile for the use of the permit holder.

1. The form is to be completed in duplicate and submitted by the applicant to his Authorized Dealer (i.e. bank) or Special Agent of the Board who may deal with the application if it is within his authority to do so in accordance with the Regulations or Instructions of the Board or who will otherwise refer it to the Board.

2. The Authorized Dealer or Special Agent must when approving the form fill in the date up to which the form is valid for departure from Canada. This date shall be not more than two weeks after the date on which the application is approved unless the applicant is re-entering Canada temporarily on his journey, in which case the validity date shall be not more than two weeks after the date on which the application is approved plus the time between the applicant's first and final exit from Canada.

3. If an Authorized Dealer or Special Agent approves the application or receives it back from the Board after approval by the Board, he will furnish one copy to the applicant and retain one copy.

4. The applicant must surrender his copy of the form to a Canadian Customs officer at the time of leaving Canada. If the trip involves entering Canada temporarily, either going or returning, or if the travel is in transit between two points in Canada and the traveller will return through the United States, the Authorized Dealer or Special Agent should mark the Form H "Valid for return trip". The Customs Officer at each port of exit from Canada should stamp the permit and it should be surrendered to the Customs Officer at the final port of exit from Canada.

5. The Customs officer to whom the form is surrendered will stamp it and forward it direct to the Board at Ottawa.

CONDITIONS OF PERMIT

1. **No expenditures may be made in the United States or other non-sterling area countries except for purposes connected with the trip for which the permit is issued.**
2. **No debts or obligations may be incurred to any resident of the United States or other non-sterling area country for purposes incidental to the trip except those which will be paid with the funds authorized for export under the permit.**
3. **Any unexpended balance of the funds exported under the permit must be brought back to Canada by the permit holder and, in the case of United States funds, must be sold to an Authorized Dealer immediately upon the permit holder's return.**
4. **If, for any reason, the trip described in the permit is not undertaken, any United States funds authorized for export must be sold immediately to an Authorized Dealer and the travel permit surrendered for cancellation.**
5. **The permit holder must not leave Canada with the intention of proceeding to any destination other than that specified in the permit.**

IT IS AN OFFENCE UNDER THE FOREIGN EXCHANGE CONTROL ORDER TO DECEIVE AN AUTHORIZED DEALER OR THE FOREIGN EXCHANGE CONTROL BOARD BY MAKING FALSE STATEMENTS IN AN APPLICATION OR TO FAIL TO OBSERVE THE CONDITIONS OF A PERMIT APPROVED BY OR ON BEHALF OF THE BOARD. PENALTIES OF BOTH FINE AND IMPRISONMENT ARE PROVIDED FOR SUCH OFFENCES.

FOREIGN EXCHANGE CONTROL BOARD

BORDER TRAVEL PERMIT — (SHORT FORM H)

TO: COLLECTORS OF CUSTOMS AND EXCISE

.....

(PRINT NAME PLAINLY)

.....

(NUMBER AND STREET) (CITY, TOWN, ETC.) (PROVINCE)

a resident of Canada, is authorized to proceed to the United States from time to time and to take with him or her NOT MORE THAN $10 of which NOT MORE THAN $5 MAY BE U. S. FUNDS acquired as change on previous trips under this permit and subject to the conditions on the back of this card.

NOT VALID UNTIL STAMPED WITH DATING

STAMP AT CUSTOMS PORT AT WHICH ISSUED

3RD PTG. 5-44—PRINTED IN CANADA

Foreign Exchange Control Board

Robert H. Tarr.

Secretary.

Penalties of both fine and imprisonment are provided for violation of the conditions of this permit and, in addition, this permit may be withdrawn.

CONDITIONS UNDER WHICH PERMIT MAY BE USED

1. The traveller may not take out of Canada on any trip
   (*a*) any securities or travellers' cheques;
   (*b*) more than $10 in banknotes or coin of which not more than $5 may be in U. S. banknotes or coin acquired by the holder as change on previous trips under this permit.
2. The traveller may not use any railway, aeroplane, bus or other transportation purchased in Canada for a destination in the United States except a city or town immediately across the border from the place of leaving Canada.
3 No debts or obligations may be incurred in the United States except those which will be paid for with funds taken out under the authority of this permit and any funds not required for expenses connected with the trip must be brought back to Canada by the traveller.

I have read the above conditions and undertake to comply with them in all respects.

.....

(SIGNATURE OF PERMIT HOLDER)

A resident desiring to travel to the United States in circumstances where this card is not suitable, should apply to his bank for a travel permit on Form H.

See Instructions on back

APPLICATION FOR PERMIT TO SELL, ASSIGN, TRANSFER OR DELIVER SECURITIES TO A NON-RESIDENT AND/OR TO EXPORT SECURITIES

FOREIGN EXCHANGE CONTROL BOARD FORM **K**

REFERENCE NO.

.....

(TO BE INSERTED WHEN FORM APPROVED)

A. NAME AND ADDRESS OF APPLICANT

B. NAME AND ADDRESS OF OWNER OF SECURITIES. (If owner is applicant, insert "Same as applicant.")

C. NAME AND ADDRESS OF PERSON TO WHOM SECURITIES TO BE SOLD, ASSIGNED, TRANSFERRED, DELIVERED AND/OR EXPORTED

D. DESCRIPTION OF SECURITIES

Par value of bonds or number of shares	DESCRIPTION (To include certificate numbers where counter value in money or other securities not being obtained)	*Price per Unit	*Value

E. PURPOSE OF TRANSACTION (check appropriate square and insert required information at right)

(1) ☐ Outright sale to non-resident. State amount and currency of payment and date of receipt.

(2) ☐ Sale to non-resident against debit balance. State amount and total debit balance after sale.

(3) ☐ Resident exchange of securities in United States. Describe securities acquired in exchange and state cost thereof.

(4) ☐ Non-resident exchange of securities in Canada. Describe securities sold in exchange and state price thereof. Give amount and Form G reference number of any permitted balance paid to, or to bank account in name of, non-resident.

(5) ☐ Other. Give full details.

F. I/WE hereby declare the foregoing statements to be true and correct and that no other application has been approved and/or submitted by me/us or on my/our behalf in connection with the transaction described herein.

..... DATE

..... SIGNATURE OF APPLICANT

G. CERTIFICATE OF APPOINTED SECURITY DEALER. We certify receipt of:

$.....U.S. sold to Authorized Dealer on Form C No.....

$.....U.S. held pending reinvestment

$.....Can. from non-resident purchaser

$.....market value of securities as described in E (3) above

..... STAMP AND SIGNATURE OF APPOINTED SECURITY DEALER

H. APPROVED ON BEHALF OF F.E.C.B. FOR COMPLETION WITHIN ONE MONTH FROM DATE.

..... DATE

..... NAME, ADDRESS AND SIGNATURE OF APPOINTED SECURITY DEALER

J. SPECIAL AUTHORIZATION FROM F.E.C.B.

Date..... Reference.....

* Give price and value in currency of payment; if no payment, give market or estimated value in Canadian dollars.

4TH PRINTING—7-45—PRINTED IN CANADA

FORM K — INSTRUCTIONS

(The following instructions are varied in certain respects in the case of transactions by Authorized Dealers and trust companies registered with the Board. Authorized Dealers and trust companies should refer for particulars to the Instructions issued to them by the Board).

When Permit Required

1. A permit on Form K approved by or on behalf of the Foreign Exchange Control Board is required:

(a) For every sale, assignment, transfer or delivery of securities by a resident of Canada to a non-resident. (This applies to transactions in both domestic and foreign securities whether the transactions are effected in Canada or outside Canada and whether or not an export or import of securities is involved. A resident broker or dealer who is effecting a purchase of securities in Canada for a non-resident is regarded as the resident selling such securities to the non-resident even though the broker or dealer is acting as agent and not as principal in the transaction).

(b) For every export of securities from Canada. (A permit on Form K authorizing a sale, assignment, etc. to a non-resident may also be used as a permit to export the securities in question if the export is made within 30 days; otherwise a separate permit is required for the export of the securities).

Transactions by Appointed Security Dealers

2. Chartered banks, certain trust companies and offices in Canada of firms which are active members of Canadian stock exchanges or the Investment Dealers' Association of Canada are designated as Appointed Security Dealers and are authorized to approve on behalf of the Board permits on Form K for certain transactions undertaken by themselves as principals or agents in accordance with the provisions of the Board's Notice and Instructions to Security Dealers.

3. (a) In connection with transactions which an Appointed Security Dealer has authority to approve, Form K is to be completed in triplicate when an export of securities is involved and in duplicate in other cases. Permits approved by each Appointed Security Dealer are to be numbered serially 1, 2, 3, etc. commencing with a new series at the beginning of each year. (In the case of banks, such serial numbers are to be preceded by the bank and branch transit number). All copies of each permit are to be given the same number. The copies of the form are to be dealt with as follows:

(i) One copy is to be forwarded by the Appointed Security Dealer to the Board at Ottawa upon completion by the Appointed Security Dealer of the certificate in Section G (where applicable) as to the receipt of payment and in the case of United States dollars, of the reference number of the Form C covering the sale of the funds to an Authorized Dealer.

(ii) One copy is to be kept by the Appointed Security Dealer for its records.

(iii) Where the securities are being exported, a third copy is required and is to be surrendered to the Post Office at the time of mailing. The Post Office is to stamp the form in Section L below and forward it to the Board at Ottawa.

(b) Where a transaction requiring a permit on Form K is not within the authority of an Appointed Security Dealer to approve, Form K in triplicate where an export of securities is involved and in duplicate in other cases is to be completed and submitted to the Board for consideration. If the permit is granted, the Board will return the forms to the Appointed Security Dealer duly approved. The Appointed Security Dealer will then deal with such forms in the manner described in (a) above.

Other Transactions

4. In connection with transactions requiring a permit on this form which are not being effected by an Appointed Security Dealer, the applicant will submit Form K in triplicate to a chartered bank or direct to the Board for consideration. If the permit is granted one copy will be returned to the applicant for presentation where necessary to the transfer agent or registrar of the securities as the latter's authority to effect a transfer or change of registration to a non-resident in accordance with the Board's Notice to Transfer Agents and Registrars and/or for surrender to the Postmaster at the time of export of the securities.

Transfer Agents and Registrars

5. Except as provided in the Board's Notice to Registrars and Transfer Agents, a registrar or transfer agent may record a transfer of securities from the name of a resident of Canada to the name of a non-resident only where a permit on Form K approved by the Board or by an Appointed Security Dealer authorizing the transfer is exhibited to the registrar or transfer agent. The registrar or transfer agent will record in Section K below that a transfer of the securities has been recorded and return the form to the person presenting it.

K. I/WE state that share certificates or bonds have been issued in the name of .....
(NAME)

.....
(ADDRESS)

in exchange for those described in Section D.

No. of shares or par value	Share Certificate or Bond Serial No.

.....
(TRANSFER AGENT OR REGISTRAR)

L. POST OFFICE OR CUSTOMS PORT DATING STAMP

FOREIGN EXCHANGE CONTROL BOARD FORM **M**

DECLARATION OF FOREIGN EXCHANGE AND FOREIGN SECURITIES IN THE POSSESSION, OWNERSHIP OR CONTROL OF A RESIDENT OF CANADA

ON SEPTEMBER 15, 1939

TO THE FOREIGN EXCHANGE CONTROL BOARD, OTTAWA:

I/We.....
(NAME)

.....
(ADDRESS)

hereby declare that on September 15, 1939, I/We possessed, owned or controlled the following foreign exchange:

DESCRIPTION	★WHERE AND HOW HELD	AMOUNT
(If space is insufficient attach detailed statement in this form)		

I/We also decare that on September 15, 1939, I/We possessed, owned or controlled the following foreign securities:

DESCRIPTION	★WHERE AND HOW HELD	PAR VALUE OR NUMBER OF SHARES
(If space is insufficient attach detailed statement in this form)		

I/We further declare that the above statements are true and correct and that I/We did not on the above date possess, own or control any other foreign exchange or foreign securities.

.....19.....
(DATED)

.....
(SIGNATURE)

★IF NOT OWNED OUTRIGHT AND WITHOUT ENCUMBRANCE BY DECLARANT, GIVE DETAILS ON SEPARATE SHEETS TO BE ATTACHED.

(3RD PRINTING)

See Instructions on back

APPLICATION FOR PERMIT TO SELL SECURITIES IN CANADA BY OR FOR A NON-RESIDENT

FOREIGN EXCHANGE CONTROL BOARD FORM **S**

REFERENCE NO.

.....

(TO BE INSERTED WHEN FORM APPROVED)

A. NAME AND ADDRESS OF APPOINTED SECURITY DEALER OR OTHER APPLICANT

B. NAME AND ADDRESS OF NON-RESIDENT OWNER OF SECURITIES

C. DESCRIPTION OF SECURITIES

Par value of bonds or number of shares	DESCRIPTION	Price per unit	VALUE (in Canadian funds)
		TOTAL	

D. REASONS FOR SALE
(Check appropriate square and insert required information at right)

(1) ☐ Sale of securities purchased outright by or for non-resident since January 8, 1940, and registered with Board. Give number of relative Form 106 and attach Form hereto.

(2) ☐ Sale in reduction of debit balance. Give amount of debit balance prior to sale.

(3) ☐ Other. Give full details.

E. Where proceeds of sale or any part thereof are paid to, or credited to a bank account in the name of, a non-resident (other than a resident of the sterling area) state amount and reference number of relative permit on Form G.

F. I/WE hereby declare the foregoing statements to be true and correct and that no other application has been approved or submitted by me/us or on my/our behalf in connection with the transaction described herein.

..... DATE

..... SIGNATURE OF APPLICANT

G. SPECIAL AUTHORIZATION FROM F.E.C.B.

Date.....

REFERENCE.....

H. APPROVED ON BEHALF OF THE FOREIGN EXCHANGE CONTROL BOARD FOR COMPLETION WITHIN ONE MONTH FROM DATE.

..... DATE

..... NAME, ADDRESS AND SIGNATURE OF APPOINTED SECURITY DEALER

D PRINTING—7-45—PRINTED IN CANADA

FORM S — INSTRUCTIONS

When Permit Required

1. A permit on Form S approved by or on behalf of the Foreign Exchange Control Board is required for every sale of securities in Canada by or on behalf of a non-resident.

Transactions by Appointed Security Dealers

2. Chartered banks, certain trust companies and offices in Canada of firms which are active members of Canadian stock exchanges or the Investment Dealers' Association of Canada are designated as Appointed Security Dealers and are authorized to approve on behalf of the Board the necessary permits on this form for certain transactions undertaken by themselves as principals or agents in accordance with the provisions of the Board's Notice and Instructions to Security Dealers.

3. (a) In connection with transactions which an Appointed Security Dealer has authority to approve, Form S is to be completed in duplicate. Permits on Form S approved by each Appointed Security Dealer are to be numbered serially 1, 2, 3, etc. commencing with a new series at the beginning of each year. (In the case of banks, such serial numbers are to be preceded by the bank and branch transit numbers). All copies of each permit are to be given the same number. One copy of the form is to be forwarded by the Appointed Security Dealer to the Board at Ottawa and the other copy retained by the Appointed Security Dealer for its records.

(b) Where a transaction requiring a permit on Form S is not within the authority of an Appointed Security Dealer to approve, Form S in duplicate will be prepared and submitted to the Board for consideration. If the permit is granted, one copy of the form duly approved will be returned to the Appointed Security Dealer as its authority to effect the transaction. The other copy will be retained by the Board.

Other Transactions

4. In connection with transactions requiring a permit on this form which are not being effected by an Appointed Security Dealer, the applicant will submit Form S in duplicate to a chartered bank or direct to the Board for consideration. If the permit is granted, one copy will be returned to the applicant as his authority to complete the transaction.

Payments to Non-Residents

5. In addition to a permit on Form S if it is desired to pay to a non-resident (other than a resident of the sterling area) or to a bank account in the name of a non-resident (other than a resident of the sterling area) the proceeds of a sale of securities in Canada, a permit on Form G to transfer Canadian dollars to or to the account of a non-resident is required. Application for such permit is to be made in triplicate to a chartered bank or to the Board. Payments may be made to residents of the sterling area in Canadian dollars or sterling for any purpose and no permit is required for such payments.

To be prepared in TRIPLICATE.
See instructions on back of form.

FOREIGN EXCHANGE CONTROL BOARD FORM **SE**

Serial No. _____
(TO BE INSERTED BY BOARD)

Application for Licence to Import Securities

Made by _____
(NAME AND ADDRESS OF APPLICANT WHO WILL BE IMPORTING THE SECURITIES)

on behalf of himself and of the following owner of the securities mentioned: _____

_____
(NAME AND ADDRESS OF OWNER)

Name and address of applicant's Authorized Dealer _____
(I.E. CANADIAN BANK AND BRANCH)

The securities to be imported are:

PAR VALUE OF BONDS OR NUMBER OF SHARES	DESCRIPTION	PRICE PER UNIT	VALUE (in Canadian funds)
			$
		TOTAL VALUE	$

Date of intended import _____

Name and address of person who will send the securities to Canada:

_____

_____

Reasons for importation, and any other relevant information:

_____

_____

_____

And I/We declare the foregoing statements and particulars to be true and correct.

_____ (DATE)

_____ (SIGNATURE OF APPLICANT)

Port Dating Stamp	I hereby certify importation of the securities described hereon.	Importation within one month from date shown below is approved and licensed. FOREIGN EXCHANGE CONTROL BOARD
	_____ (COLLECTOR OF CUSTOMS AND EXCISE)	per _____ (AUTHORIZED SIGNATURE) Date _____

PRINTED IN CANADA FOR THE FOREIGN EXCHANGE CONTROL BOARD

FORM SE

INSTRUCTIONS AND CONDITIONS

1. Except as otherwise authorized by the Board, this form is to be used and approved by the Board before any importation of securities may be made, unless such importation is exempt from licence under the Regulations of the Board.

2. This form is to be prepared and submitted to the Board at Ottawa (or Vancouver, by applicants in British Columbia) in triplicate. The Board will retain one copy and return two copies to the applicant. If the licence is granted, a serial number will be assigned by the Board and two copies, signed and numbered by the Board, are to be delivered by the applicant to the Collector of Customs and Excise at the place of importation.

3. The Collector of Customs and Excise will, upon importation pursuant to this licence, certify the importation on both copies of the licence. He will return one copy to the applicant and forward the other copy to the Board at Ottawa.

4. This licence, if approved by the Board, with reference to an importation of securities by or on behalf of a non-resident, or an importation of any securities owned by a non-resident, does not authorize the sale of such securities in Canada. Such sale requires the approval of the Board on Form S unless exempted under the Regulations.

DOMINION OF CANADA

Foreign Exchange Control Board

FOREIGN EXCHANGE CONTROL BOARD FORM **DIV.**

Reference No. .....

(TO BE INSERTED BY AUTHORIZED DEALER)

APPLICATION TO PAY DIVIDENDS OR PROFITS WHERE ANY PORTION THEREOF IS RECEIVABLE BY A NON-RESIDENT

OR TO PAY INTEREST TO A NON-RESIDENT PARENT COMPANY OR HEAD OFFICE

PLEASE COMPLETE EVERY ITEM BELOW AND SHOW ALL AMOUNTS IN CANADIAN DOLLARS

1. Name of company	
2. Address	
3. Nature of corporate structure (State Act under which the company is incorporated or whether it is a partnership, sole proprietorship or branch of a non-resident company)	
4. Name and Address of Authorized Dealer	
5. Date of financial year end	
6. Nature of payment (if payment of dividend, state class of shares, number outstanding and rate per share; if payment of interest, state particulars of obligation)	
7. Date on which payment under this application is to be made	
8. Name and address of, and amount payable to, non-resident parent company or majority shareholder.	Amount $.....
9. Total amount of payment under this application (N.B. Gross amount before non-resident Income Tax, or other deductions.)	To Residents $..... / To Non-Residents $..... } $..... Item 10 (*)

10. Distribution of payment under this application, and all other previous payments of dividends, transfers of profits, interest, etc., during current financial year.

Date and Nature of Payment	To Residents of Canada	To Residents of Sterling area	To Residents of United States	To Residents of other Countries	TOTAL
THIS APPLICATION:					(*)
11. TOTALS					

12. Amount of Current Earnings as defined in Regulation 28 or any accumulation thereof, less any distributions made therefrom..... $.....

Estimated Current Earnings for full current financial year..... $.....

13 and 14. SEE REVERSE SIDE FOR INFORMATION RE FINANCIAL DATA WHICH MUST ACCOMPANY THIS APPLICATION.

15. CERTIFICATE OF APPLICANT:

I, ...on behalf of the above named company do hereby certify that this report and the statements and schedules attached hereto are to the best of my knowledge and belief true and correct in every respect and are in agreement with the company's books of account and other records.

I request that the non-resident recipients be enabled to convert the Canadian-currency value of the payments to them into foreign exchange through an Authorized Dealer at the official selling rates prescribed by the Board.

NOTE: If the right of conversion is not requested strike out second paragraph.

.....	.....	.....
Dated	*Signature of an authorized official of the company*	*Position or rank of official*

APPROVED FOR PAYMENT WITHIN 90 DAYS IN CANADIAN DOLLARS WITHOUT THE RIGHT OF CONVERSION INTO FOREIGN EXCHANGE THROUGH AN AUTHORIZED DEALER BY NON-RESIDENT RECIPIENTS

On behalf of Foreign Exchange Control Board:

.....	.....
Dated	*Authorized Signature*

APPROVED FOR PAYMENT WITHIN 90 DAYS IN CANADIAN DOLLARS TOGETHER WITH THE RIGHT OF CONVERSION INTO FOREIGN EXCHANGE THROUGH AN AUTHORIZED DEALER BY NON-RESIDENT RECIPIENTS

On behalf of Foreign Exchange Control Board, under Permit No. **F.E.C.B. DIV.**.....

.....	.....
Dated	*Authorized Signature*

THIRD PRINTING—50M-4-43

PRINTED IN CANADA

INSTRUCTIONS

1. This form is to be used by:
   (*a*) A resident company wishing to pay a dividend on any class of its capital stock, any shares of which are owned by one or more non-residents;
   (*b*) A resident company or branch wishing to pay interest to a non-resident parent company or head office, or to a subsidiary of its non-resident parent company on moneys owing on open account or on notes or other obligations of the resident company or branch held by such non-resident parent company or head office or subsidiary of such non-resident parent company, and
   (*c*) A resident partnership, branch or unincorporated business wishing to make any payment of profits to a non-resident partner, head office or owner.

2. This form is to be completed in triplicate and submitted thirty days in advance of the proposed date of payment to an Authorized Dealer who will insert a reference number.

3. In cases where the Authorized Dealer approves the application, the original is to be sent to the Board, the duplicate returned to the applicant, and the triplicate retained by the Authorized Dealer.

4. In cases where the Authorized Dealer may not approve the application, the original and duplicate are to be sent to the Board accompanied by the statements referred to in Item 13, and the triplicate retained by the Authorized Dealer.

   If the application is approved by the Board the duplicate will be returned to the Authorized Dealer for delivery to the applicant.

ITEMS 13 AND 14—FINANCIAL DATA REQUIRED

13. The following statements should be attached to the application form:

    (*a*) Annual financial statements with auditors' report thereon, for the last complete financial year.

    (*b*) Reconciliation of net profit for last complete financial year, as per statements submitted under 13(*a*), with taxable income for the same period as assessed by the Dominion Income Tax Department, or as reported if assessment has not been received.

    (*c*) Statement to show the detailed calculation of the provision which has been made for the tax liability under The Excess Profits Tax Act, 1940 and amendments, including in particular the net taxable income for each year or fiscal period in the standard period.

    NOTE: Only one copy of the statements described in (*a*), (*b*) and (*c*) is required which should be attached to the first application made after their completion.

14. Where payment under the application is in excess of undistributed current earnings (as defined in Regulation 28) as established by the statements submitted under item 13, there should also be attached to the application form interim financial statements, including Balance Sheet, and statements of Profit and Loss and Surplus, certified to by an authorized official of the company.

FORM

NS

DOMINION OF CANADA

Foreign Exchange Control Board

_____
(BRANCH OR SECTION)

Return of _____, _____
(NAME) (ADDRESS)

a non-resident operating a special resident bank account under Permit No. NS_____

for the period _____ to _____

This return to be prepared in duplicate. One copy is to be retained by the permit holder, and one copy must be delivered or mailed to the Authorized Dealer not later than thirty days after the close of the period for which the return is applicable.

1. Name and Address of Authorized Dealer (bank with which account is maintained):

_____

2. BANK ACCOUNT: (As shown by Bank Statement).
(Furnish particulars in detail as called for on reverse side of this form)

(i) Balance at beginning of period		$
(ii) Deposits (a) from services or sales to residents	$	
(b) from exports to the Sterling Area . . . . . (i.e., Canadian dollars received from the Sterling Area or the proceeds of sales of sterling)	$	
(c) from sales of United States dollars to Authorized Dealer .	$	
(d) from any other source	$	$
(iii) TOTAL		$
(iv) Disbursements	$	
(v) United States dollars purchased from Authorized Dealer (Canadian dollar cost)	$	$
(vi) Balance at end of period		$

3. IMPORTS—Total imports during period (list and attach Forms E to this return) $

4. I, _____, on behalf of the above named non-resident do hereby certify that this return has been prepared under my supervision, and that to the best of my knowledge and belief:

(i) All deposits to the account were derived from the sources under which they are reported in item 2(ii) above.

(ii) All Canadian expenses in connection with the transactions reported herein have been, or will be, paid from the special resident account.

(iii) The return is in accordance with the books of account and records of the non-resident, subject to the customary bank reconciliation statement.

Should the operations in Canada of the above named non-resident be considered by the Department of National Revenue (Income Tax Division) to be liable to taxation under the provisions of the Income War Tax Act, I undertake to provide any reconciliation required by the Board between the items reported on this and other NS returns of the present fiscal year and the information supplied to the Department of National Revenue (Income Tax Division) as a part of the Income Tax return. I also agree to make available, upon request, for inspection by representatives of the Board the books of account and records from which this return has been prepared.

Date _____ 194____ _____
(SIGNATURE OF OFFICER OR AGENT OF NON-RESIDENT)

_____
(RANK)

Item 2 of this return is a correct summary for the period mentioned of the bank account of the above named non-resident.

_____
(AUTHORIZED DEALER)

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Item 2(ii)(a) on front. LIST OF DEPOSITS FROM SERVICES OR SALES TO RESIDENTS

NAME OF PAYOR	CITY	AMOUNT

Item 2(ii)(c) on front. DETAILS OF UNITED STATES DOLLARS SOLD TO AUTHORIZED DEALER

FORM C REFERENCE NO.	DATE	U.S. DOLLAR AMOUNT	CANADIAN DOLLAR PROCEEDS

Item 2(ii)(d) on front. LIST OF DEPOSITS FROM ANY OTHER SOURCE

DETAILS	AMOUNT

Item 2(iv) on front. CLASSIFIED SUMMARY OF DISBURSEMENTS

DETAILS	AMOUNT

Item 2(v) on front. DETAILS OF UNITED STATES DOLLARS PURCHASED FROM AUTHORIZED DEALER

FORM F REFERENCE NO.	DATE	U.S. DOLLAR AMOUNT	CANADIAN DOLLAR COST

DOMINION OF CANADA—FOREIGN EXCHANGE CONTROL BOARD

FORM **CF**

This return to be prepared in duplicate. The original must be mailed to the Authorized Dealer not later than thirty days after the close of the period for which the return is applicable, and the duplicate copy is to be retained by the permit holder. Each Section of this return must be completed.

SECTION 1.—Return of .....

(ADDRESS) .....

a non-resident, operating a special resident bank account under Permit No. CF .....

for the period ..... to .....

I, ..., on behalf of the above-named non-resident, do hereby certify that to the best of my knowledge and belief:

(i) All deposits to the account were derived from the sources under which they are reported in Section 5 (ii) below.

(ii) All Canadian expenses paid in connection with the consignment operations carried on under the Permit have been settled for by debit to this account.

(iii) The return is in accordance with the books and records of the non-resident.

DATE ..... 194.....

(Signature of Resident Agent or Officer signing on behalf of Permit Holder: state which)

SECTION 2.—Canadian Position

(FIGURES SHOWN BELOW TO BE EXPRESSED IN CANADIAN DOLLARS)

	BEGINNING OF PERIOD COLUMN 1	END OF PERIOD COLUMN 2
(i) Balance in Bank (as per books)	$	$
(ii) Accounts Receivable (Reconciliation on reverse side of this form to be completed)	$	$
(iii) Approximate inventory at selling price	$	$
(iv) **TOTAL**	$	$

SECTION 3.—Imports

	VALUE IN CAN. DOLLARS AS PER CUSTOMS ENTRY COLUMN 1	ESTIMATED SELLING VALUE COLUMN 2
(i) Value of Imports (List details on reverse side of this Form)	$	$
(ii) Goods purchased in and to be resold in Canada (Insert cost in column 1)	$	$
	$	$
(iii) Exports (List details on reverse side of this Form)	$	$
(iv) **NET TOTAL**	$	$

SECTION 4.—Sales for Period ..... $

SECTION 5.—Bank Account (as per books)

(i) Balance at beginning of period ..... $

(ii) Deposits: (a) Collections from sales of consignment goods ..... $

(b) Sales of United States dollars (give Reference No. of Form C, if any) ..... $

(c) Other—specifically approved by the Board (give full details) ..... $

(iii) **TOTAL** ..... $

(iv) Withdrawals (list details on reverse side of this Form) ..... $

(v) Balance at end of period ..... $

To reconcile with bank statement—

Deduct — deposits in transit ..... $

$

Add — cheques outstanding ..... $

Balance at end of period: (As shown by Bank Statement) ..... $

We certify that the bank account of the above-named non-resident shows a balance of $..... at the close of the period covered by this return.

.....

(Authorized Dealer)

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RECONCILIATION OF ACCOUNTS RECEIVABLE

(See Section 2(ii) on front)

Balance at beginning of the period (Section 2(ii) Column 1) $

Sales for period (Section 4) . . . . . $ _____

$

DEDUCT:

Collections deposited (Section 5(ii) (a)) . . . . . $

Other Credits (Give details) . . . . . $ _____

$ _____

Balance at end of the period. . . . . . $ _____

DETAILS OF IMPORTS

(See Section 3(i) on front)

Entries in this section must be supported by attaching Forms E or, for imports of sterling area origin, certified copies of the Customs entry forms.

DATE OF IMPORT	PORT ENTRY NO. OF FORM E OR CUSTOMS FORM	COUNTRY OF ORIGIN	AMOUNT INVOICED IN CURRENCY OF SETTLEMENT AS PER FORM	CANADIAN DOLLAR EQUIVALENT

DETAILS OF EXPORTS

(See Section 3(iii) on front)

DATE OF EXPORT	PORT ENTRY NO. OF FORM B	REASON FOR EXPORT	VALUE IN FOREIGN CURRENCY AS PER FORM B	CANADIAN DOLLAR EQUIVALENT

DETAILS OF WITHDRAWALS (See Section 5(iv) on front)

(List Reference Numbers of Forms F or G if payment is to a Non-Resident of Canada or of the Sterling Area)

DATE	NAME OF PAYEE	*NATURE OF PAYMENT	AMOUNT		FORM F OR G	REFERENCE NUMBER
			Canadian dollars	Foreign Exchange (State Stg. U.S., etc.)		

* e.g. Duty, Sales Tax, Commissions, etc.

DOMINION OF CANADA—FOREIGN EXCHANGE CONTROL BOARD

FORM **BDE**

This return to be prepared in duplicate. The original must be delivered or mailed to the Foreign Exchange Control Board, Ottawa, not later than thirty days after the close of the period for which the return is applicable, and the duplicate copy is to be retained by the permit holder. Each section of this return must be completed by the permit holder. In cases where a particular section is not applicable, insert the word "NIL". Where the space provided on this return is not sufficient, attach schedules drawn up in the same form as the relative sections.

SECTION 1.—Return of.....

(ADDRESS).....

a resident operating under the authority of Permit No. BD/BE .....for the period of.....
MONTH AND YEAR

I,....., on behalf of the above named company do hereby certify that this report and the statements and schedules attached hereto have been prepared under my supervision and to the best of my knowledge and belief, are true and correct in every respect, are in agreement with the company's books of account and other records, and include, for the period in question, all transactions of the company involving the export or import of goods (other than exports to and imports from the sterling area and Newfoundland), and all transactions involving the acquisition or disposition of United States dollars or transfers of Canadian dollars to non-residents other than residents of the sterling area and Newfoundland, (other than transactions supported by approved application on Form DIV.)

....
Date signed *Signature of authorized officer of the company* *Position or rank of officer*

NOTE: If for any reason the permit holder is unable to sign the above certificate as written, he should append thereto the following notation "subject to qualifications in our letter dated . . .", sign the certificate, and report the circumstances to the Board in a separate letter.

SECTION 2.—Exports

List hereunder in columns 1 to 5 all Forms B, issued and dated by the permit holder or his agent in the period covered by this return for settlement in United States dollars. Report in column 6 or 7 opposite each entry the amount actually recorded on the books of the permit holder during the period. Exports on consignment should be reported on a special form to be obtained from the Board.

DETAILS TO BE COPIED DIRECTLY FROM FORMS B					ACCOUNT DEBITED	
DATE (FORM B SECTION S) 1	PORT ENTRY NUMBER 2	PORT OF EXIT 3	COUNTRY OF DESTINATION 4	AMOUNT (FORM B, SECTION R, LINE 3) 5	ACCOUNTS RECEIVABLE 6	INTER-COMPANY ACCOUNT 7
TOTALS						

SECTION 3.—Imports

Report hereunder the following particulars of invoices recorded in the books of the permit holder during the period covered by the return on account of imports of non-sterling area origin and for which United States dollars are payable in settlement. Forms E submitted with the return should be listed on the schedule prescribed by the Board. Imports on consignment should be reported on a special form to be obtained from the Board.

PARTICULARS 1	ACCOUNT CREDITED	
	Accounts Payable 2	Inter-company Account 3
i. Totals per schedule of Forms E for which U.S. dollars are payable in settlement.....		
ii. Invoices for which Forms E are not yet available..... (Forms E to be submitted with subsequent returns).		
iii. Total of invoices covering.....INSERT NUMBER.....Customs small collection entries..... (Do not include entries cleared on Forms B1, B5 and B11.)		
iv Amount actually recorded on company's books during the period.....		

25M-6-45—4TH PRINTING—PRINTED IN CANADA

SECTION 4.—Authorized United States Dollar Bank Accounts

Particulars 1	2	3
i. Opening Balances		
ii. U.S. Dollars received to apply on Non-Resident Accounts and Bills Receivable (Sec. 5-vi)		
iii. U.S. Dollars received from residents (FXR's attached)		
iv. U.S. Dollars purchased and deposited (Sec. 11, Col. 6)		
v. U.S. Dollars received to apply on Authorized Inter-company Accounts (Sec. 7-ix)		
vi. Other receipts (Specify here or attach schedule) $		
TOTAL DEBITS		
vii. U.S. Dollars paid to apply on Non-Resident Accounts and Bills Payable (Sec. 6-vi)		
viii. U.S. Dollars paid to residents (FXP's attached)		
ix. U.S. Dollars paid to apply on Authorized Inter-company Accounts (Sec. 7-iv)		
x. U.S. Dollars withdrawn and sold (Sec. 10, Col. 6)		
xi. Other disbursements (Specify here or attach schedule) $		
TOTAL CREDITS		
xii. Closing Balances		

SECTION 5.—Accounts and Bills Receivable in United States Dollars from Non-Residents

Particulars 1	U.S. Dollars 2	Equivalent in Canadian Dollars 3	4	5
i. Opening Balances				
ii. Exports (Sec. 2, Col. 6)				
iii. Consignments as per special form				
iv. Other Debits (Specify here or attach schedule): $				
TOTAL DEBITS				
v. U.S. Dollars received and sold (Sec. 10, Col. 5)				
vi. U.S. Dollars received and deposited (Sec. 4-ii)				
vii. Other Credits (Specify here or attach schedule): $				
TOTAL CREDITS				
viii. Closing Balances (Total credit balances included $.....)				

SECTION 6.—Accounts and Bills Payable in United States Dollars to Non-Residents

Particulars 1	U.S. Dollars 2	Equivalent in Canadian Dollars 3	4	5
i. Opening Balances				
ii. Imports (Sec. 3, Col. 2)				
iii. Consignments as per special form				
iv. Other Credits (Specify here or attach schedule): $				
TOTAL CREDITS				
v. U.S. Dollars purchased and remitted (Sec. 11, Col. 5)				
vi. U.S. Dollars paid from Authorized Bank Accounts (Sec. 4-vii)				
vii. Other Debits (Specify here or attach schedule): $				
TOTAL DEBITS				
viii. Closing Balances (Total debit balances included $.....)				

SECTION 7.—Authorized Inter-Company Accounts

NAME OF COMPANY →				
PARTICULARS 1	U.S. DOLLARS 2	EQUIVALENT IN CANADIAN DOLLARS 3	4	5
i. Opening Balances at Debit				
ii. Exports (Sec. 2, Col. 7)				
iii. U.S. Dollars purchased and remitted (Sec. 11, Col. 7)				
iv. U.S. Dollars paid from Authorized Bank Accounts (Sec. 4-ix)				
v. Other Debits (Specify here or attach schedule):				
$				
TOTAL DEBITS				
vi. Opening Balances at Credit				
vii. Imports (Sec. 3, Col. 3)				
viii. U.S. Dollars received and sold (Sec. 10, Col. 7)				
ix. U.S. Dollars received and deposited (Sec. 4-v)				
x. Other Credits (Specify here or attach schedule):				
$				
TOTAL CREDITS				
xi. Closing Balances at Debit / Credit				

SECTION 8.—Comparison of Opening and Closing United States Dollar Position

PARTICULARS 1	U. S. DOLLARS			
	BALANCES AT BEGINNING OF PERIOD		BALANCES AT END OF PERIOD	
	DR. 2	CR. 3	DR. 4	CR. 5
i. Authorized Bank Accounts (Sec. 4-i and xii)				
ii. Accounts and Bills Receivable (Sec. 5-i and viii)				
iii. Accounts and Bills Payable (Sec. 6-i and viii)				
iv. Authorized Inter-company Accounts (Sec. 7-i or vi and xi)				
v.* U.S. Dollar Position (Sec. 9-i and xviii)				
TOTALS				

*NOTE: Since these are **balancing** figures a net asset position must be inserted in the Cr. column and a net liability position in the Dr. column.

SECTION 9.—Reconciliation of Opening and Closing United States Dollar Position

PARTICULARS 1	U. S. DOLLARS	
	DR. 2	CR. 3
i. Opening U.S. Dollar Position (Sec. 8-v, Col. 2 or 3)		
Debits for improvements in Position:		
ii. Exports (Sec. 5-ii and 7-ii)		
iii. Consignments (Sec. 5-iii)		
iv. U.S. Dollars received from residents (Sec. 4-iii)		
v. U.S. Dollars purchased from Authorized Dealers (Sec. 4-iv, 6-v, 7-iii)		
vi. Other receipts (Authorized Bank Accounts) (Sec. 4-vi)		
vii. Other Debits (Accounts and Bills Receivable) (Sec. 5-iv)		
viii. Other Debits (Accounts and Bills Payable) (Sec. 6-vii)		
ix. Other Debits (Authorized Inter-company Accounts) (Sec. 7-v)		
Credits for impairments of Position:		
x. Imports (Secs. 6-ii and 7-vii)		
xi. Consignments (Sec. 6-iii)		
xii. U.S. Dollars paid to residents (Sec. 4-viii)		
xiii. U.S. Dollars sold to Authorized Dealers (Sec. 4-x, 5-v, 7-viii)		
xiv. Other disbursements (Authorized Bank Accounts) (Sec. 4-xi)		
xv. Other Credits (Accounts and Bills Receivable) (Sec. 5-vii)		
xvi. Other Credits (Accounts and Bills Payable) (Sec. 6-iv)		
xvii. Other Credits (Authorized Inter-company Accounts) (Sec. 7-x)		
xviii. Closing U.S. Dollar Position (Sec. 8-v, Col. 4 or 5)		
TOTALS		

SECTION 10.—United States Dollars Sold to Authorized Dealers

Record in this section all sales of United States dollars to authorized dealers. Group under one total sales which do not require the completion of Form "C" and sales of cash on Form "CT"; insert in column 2 against that total the word "Sundries".

Date	Form "C" Reference Number	Amount sold (U.S. Dollars)	Amount received (Canadian dollars)	Account Credited		
				Accounts and Bills Receivable	Authorized U.S. dollar Bank Accounts	Authorized Inter-company Accounts
1	2	3	4	5	6	7
Totals						

SECTION 11.—United States Dollars Purchased from Authorized Dealers

Record in this section all purchases of United States dollars from authorized dealers. Group under one total purchases which do not require the completion of Form "F" and purchases of cash on Form "FT"; insert in column 2 against that total the word "Sundries".

Date	Form "F" Reference Number	Amount purchased (U.S. dollars)	Cost (Canadian dollars)	Account Debited		
				Accounts and Bills Payable	Authorized U.S. dollar Bank Accounts	Authorized Inter-company Accounts
1	2	3	4	5	6	7
Totals						

SECTION 12.—Canadian Dollars Transferred to Non-Residents

Record in this section all transfers to non-residents other than residents of the Sterling Area and Newfoundland. Group under one total transfers which do not require the completion of Form "G"; insert in column 2 against that total the word "Sundries".

Date	Reference Number (Designate "G" or "G/F")	Amount	Nature of item
1	2	3	4

TO BE SUBMITTED IN DUPLICATE

APPLICATION TO REGISTER CANADIAN DOMESTIC SECURITIES PURCHASED BY A NON-RESIDENT

Registration No.

_____

(TO BE INSERTED BY BOARD)

TO THE FOREIGN EXCHANGE CONTROL BOARD, OTTAWA:

We hereby apply for permission to register the following securities under the provisions of Regulations 35 (d) of the Foreign Exchange Control Board:

No. of Shares or Par Value	Description of Security	Share Certificate or Bond Serial Nos.	Price per Unit	Total Cost

We certify that the above securities were purchased outright on _____ 19____ for the account of:

Name _____

Address _____

from a resident of Canada and were paid for in one of the following ways (check appropriate square):

☐ With funds held by a non-resident at the time of the purchase in the form of cash or a deposit with a chartered bank, savings bank, trust or loan company in Canada or in the form of a free credit balance with a Canadian stockbroker or investment dealer.

☐ Through an exchange of other securities (pursuant to Regulation 35 (c)) which had been previously registered with the Board on _____ 19____ under number _____

Registered _____ 19____

FOREIGN EXCHANGE CONTROL BOARD

_____

(AUTHORIZED SIGNATURE)

_____

(BROKER OR DEALER)

NOTE: Securities are *not eligible* for registration under Regulation 35 (d) which were (i) acquired outside Canada, or (ii) acquired in Canada on or before January 8, 1940, or (iii) purchased with funds which a non-resident, under any permit, ruling or instruction of the Board, is required to invest in Canadian domestic securities, or (iv) acquired through a switch out of other securities which are not eligible for registration.

F.E.C.B. 106—2ND PRINTING—100M-6-45—PRINTED IN CANADA

Canada—Foreign Exchange Control Board

Application by Resident of Canada for Change of Status to that of a Non-resident

I, ..., ...
(OCCUPATION OR HUSBAND'S NAME, IF MARRIED WOMAN)

.....
(ADDRESS IN FULL)

born in ..... on ....., ...
(PLACE OF BIRTH) (DATE OF BIRTH) (PRESENT NATIONALITY)

hereby apply to the Foreign Exchange Control Board for permission to change my status for Foreign Exchange Control purposes from that of a resident of Canada to that of a non-resident of Canada. In support of such application I submit the following information:

(a) I have resided in Canada from ..... to .....

(b) My reason for changing my residence at this time is as follows: (Reasons should be specific and supported by evidence. For example: if a person wishes to leave Canada for reasons of health a medical certificate should be submitted.)

(c) (i) I am a United States citizen returning to the United States. I therefore attach hereto a Certificate of Identity issued by the American Consular Service (or passport) (if the applicant is a married woman, the nationality of her husband should also be stated.)

OR

(ii) I propose applying to the United States Immigration authorities at ..... for permanent entry into the United States. If the Foreign Exchange Control Board grants me permission to change my status or grants me certain special exemptions, I hereby undertake to exhibit documentary evidence of permission to reside permanently in the United States or, if my entry is refused, to advise the Foreign Exchange Control Board to this effect.

(d) The name and address of the Canadian bank through which I intend to apply for a travel permit (Form H) is

.....

F.E.C.B. 107-4TH PRINTING—50M-6-45—PRINTED IN CANADA

Schedule of Total Assets of Applicant

(Note: No space should be left blank. "Nil" should be written in each space where the applicant has none of that type of assets.)

(1) CANADIAN ASSETS

(a) Stocks and Bonds

Description	Where Held	Maturity (if any)	Annual Income	Value
		Totals	$	$

(b) Bank Balances

Name and Address of Bank	Amount
Total Bank Balances	$

(c) Cash on Hand $

(d) Real Estate

Location	Gross Annual Receipts	Net Annual Receipts	Gross Value	Equity
			Total Equity	$

Schedule of Total Assets of Applicant—*Continued*

CANADIAN ASSETS—*Continued*

(e) Insurance

Name of Company	Policy Number	Type of Policy	Sum Assured	Annual Income Now Being Paid	Cash Surrender Value
				Total	$

(f) Other Assets

The applicant should set down a description of any capital assets such as personal and household effects, equipment, etc., and any other sources of income such as salary, pensions, annuities, income from trust funds, etc, which have not been declared in Section 1 (a) to (e) inclusive.

	Estimated Annual Income	Estimated Value
Totals	$	$

Total Value of Canadian Assets $

Schedule of Total Assets of Applicant—*Continued*

(2) FOREIGN ASSETS

(a) Stocks and Bonds

Description	Where Held	Maturity (if any)	Annual Income	Market Value
		Totals	$	$

(b) Bank Balances

Name and Address of Bank	Amount
Total Bank Balances	$

(c) Cash on Hand $

(d) Other Assets

If the applicant holds any assets abroad of the types set out in Sections 1 (d), (e) and (f), he should give hereunder the same particulars as are called for in those sections.

	Estimated Annual Income	Estimated Value
Totals	$	$

Total Value of Foreign Assets $

I HEREBY DECLARE THAT THE STATEMENTS MADE HEREIN ARE TRUE, THAT THE ASSETS SET FORTH ABOVE ARE A FULL DECLARATION OF ALL ASSETS IN MY OWNERSHIP, POSSESSION OR CONTROL BOTH WITHIN AND OUTSIDE CANADA, AND THAT THEIR TOTAL VALUE IS APPROXIMATELY . . . . . $.....

Dated this.....day of.....194..... .....

(SIGNATURE)

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Bibliographical Note

The books and periodicals listed above are only those which appear in footnotes. They do not include all the general background material.