

exchange which the Board may, subject to the instructions by the Minister, prescribe. The Board's rates for United States dollars and pounds sterling have been unchanged from Sept. 16, 1939, to the date of going to press (Mar. 1, 1941), as follows: United States dollars, buying rate 10 p.c. premium, selling rate 11 p.c. premium; pounds sterling, buying rate \$4.43, selling rate \$4.47.

On Apr. 30, 1940, the Foreign Exchange Acquisition Order, 1940, (P.C. 1735) was passed requiring all Canadian residents to sell to the Board all foreign exchange in their possession, ownership or control on that date. At the same time all gold held in unrestricted ownership by the Bank of Canada was sold to the Board in addition to the Bank of Canada's foreign-exchange holdings, thereby centralizing, in the hands of the Board, all of Canada's immediately available foreign-exchange resources. To enable the Board to finance these purchases, the Exchange Fund was enlarged by \$325,000,000 derived from the sale of treasury bills and short-term notes by the Minister of Finance to the Bank of Canada.

General Policies.—Under the Foreign Exchange Control Order all financial transactions between residents of Canada and residents of other countries are subject to the Board's control. Transfers of Canadian dollars by residents to non-residents may be made only under permits from the Board; all exports and imports of goods, currency, securities and other property may be made only under licence from the Board; and sales of securities in Canada by or on behalf of non-residents are subject to permit from the Board. The Board, by regulation, has exempted a number of normal small transactions from these licence and permit requirements.

The broad lines of policy laid down in the Foreign Exchange Control Order and the Regulations of the Board may be summarized as follows:—

(1) All exports from Canada to countries outside the sterling area must produce United States dollars or foreign currencies readily convertible into United States dollars. Exports to countries of the sterling area may be made for sterling or for Canadian dollars derived through authorized channels.

(2) Residents of Canada are required to obtain payment in United States dollars (or currencies freely convertible into United States dollars) for services performed for non-residents, other than residents of the sterling area, with the exception of ordinary services rendered to tourists.

(3) Foreign exchange is provided and payment in Canadian dollars is permitted for any normal imports (not prohibited under any other law), for normal services rendered by non-residents and current income accruing in Canada to non-residents. Sterling or the local currency of a sterling country is the only foreign exchange that may, however, be paid to residents of the sterling area for goods of sterling-area origin or for other purposes.

(4) Exports of capital from Canada by either residents or non-residents are generally prohibited, except payments, as and when they fall due, of legitimate debts of Canadian residents.

(5) The sale of securities in Canada by non-residents is generally permitted only where the securities were purchased in Canada for cash, since the commencement of exchange control, or where the proceeds are being reinvested in Canadian domestic securities.

(6) In July, 1940, the Government announced the policy of restricting the use of Canada's resources of United States dollars for pleasure travel abroad and the Board accordingly does not sell United States dollars for that purpose. Residents of Canada are required to obtain travel permits from the Board before leaving Canada (except when travelling direct to sterling-area countries) whether or not they are carrying any Canadian or foreign funds with them.