

exchange market. Like sterling, the various currencies attached to it, with the exception of the Indian rupee, have remained pegged during the War. Most South American rates have been similarly rigid, although there are free rates for some of these units which continue to fluctuate. The Chungking dollar is one of the few exceptions to rigidity in exchange rates, and United States and British assistance have minimized its variations in 1941.

Canadian foreign exchange trade at present is essentially in two currencies, the United States dollar and the pound sterling. All other units must be converted into one or the other of these for trading purposes. Shortage of the former and surplus of the latter have from the beginning of the War necessitated exchange control.

The tables showing foreign exchange rates formerly published in this section of the Year Book are omitted from this edition for the reasons given above. The following were the exchange quotations at Montreal in 1940 and 1941 of the currencies of six important countries with which Canada trades: Argentina (peso) free rate 1940, 25 cents; 1941, 26 cents. Brazil (milreis), free rate, 5·6 cents. Great Britain (pound) \$4·43-\$4·47. Australia (pound), \$3·576. New Zealand (pound), \$3·590. Union of South Africa (pound), \$4·46. United States (dollar), \$1·10-\$1·11.

Subsection 2.—War-Time Control of Foreign Exchange

An article that outlines the reasons for control, the organization and administration of the Foreign Exchange Control Board and the establishment of the Exchange Fund through which purchases and sales of foreign funds are made, appears at pp. 833-835 of the 1941 Year Book.

The general policies of the Board have undergone some modification during the past year and the following paragraphs bring this section of the original article up to date.

All financial transactions between residents of Canada and residents of other countries are subject to the control of the Foreign Exchange Control Board. Under the Foreign Exchange Control Order,* all foreign exchange received by residents of Canada must be sold to, and all foreign exchange required by residents must be purchased from, an authorized dealer (i.e., a branch in Canada of a Canadian chartered bank) or other agent of the Board at the official rates of exchange;† transfers of Canadian dollars by residents to non-residents may be made only under permit 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 has power to exempt transactions from the provisions of the Order and has by Regulation‡ exempted from licence and permit requirements transfers of Canadian dollars by residents of Canada to residents of sterling-area countries and imports of goods from or originating in countries in the sterling area. In

* Order in Council P.C. 7378 of Dec. 13, 1940, as amended by P.C. 1672 of Mar. 7, 1941; P.C. 2786 of Apr. 22, 1941; P.C. 3081 of May 1, 1941; P.C. 7667 of Oct. 1, 1941; and P.C. 10064 of Dec. 24, 1941.

† The official rates for United States dollars and pounds sterling have been unchanged from Sept. 16, 1939, to the date of going to press (July, 1942) and are 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.

‡ The Regulations of the Board at the time of going to press (July, 1942) are contained in a special issue of the *Canada Gazette* dated Dec. 30, 1941.