

employed in Canada since before the Second World War, distributions on the winding-up, liquidation or reduction of capital of Canadian companies, payments of dividends in excess of current earnings, and payments of the proceeds of sales of real estate held as investments by non-residents.

The exchange control arrangements of the United Kingdom made it possible, commencing Jan. 1, 1947, for Canadian exporters and importers to trade on a sterling basis, as an alternative to United States dollars, with a number of Non-Sterling Area countries in addition to countries in the Sterling Area. The list of Non-Sterling Area countries covered by these arrangements was added to from time to time and by July 15, 1947, the United Kingdom had, for practical purposes, made the current sterling receipts of all other countries freely available for expenditure anywhere. On Aug. 19, 1947, the United Kingdom announced that it would be necessary to reimpose certain limitations on the transferability of sterling held by Non-Sterling Area countries because of the heavy drain on the United Kingdom's dollar resources. As a result, Canadian exporters could no longer obtain payment in sterling from Non-Sterling Area countries and Canadian importers could no longer pay sterling for imports from those countries. In consequence of the limitations imposed on the use of sterling, it was necessary for the Foreign Exchange Control Board to limit Canadian expenditures in the Sterling Area to sterling or Canadian dollars and the provision of United States dollars for that purpose in certain cases was accordingly discontinued. The end of sterling convertibility did not affect in any material way transactions between Canada and Sterling Area countries. Canadian exporters, as in the past, accepted payment in sterling for exports to the Sterling Area. Similarly, Canadian importers pay sterling to the Sterling Area for imports from Sterling Area countries.

In the course of the year, United States dollars ceased to be made available for the commencement of new operations outside Canada by Canadian residents, except where the new operations will be important as export outlets or as sources of necessary imports. Where in these cases large amounts are involved the stipulation may be made that the applicant obtain the funds required from sources outside Canada, for example by borrowing or issuing stock in the United States.

In September, 1947, the Board revised and standardized the method under which remittances of earnings by Canadian subsidiaries and branches of foreign companies would be approved. Applications for such remittances may be submitted three months after the close of the fiscal year to which they relate, and companies with accumulations of earnings are given the choice of remitting the amount of the earnings represented by either the first or last year of the accumulations. Calculation of the amount payable is also subject to adjustment for capital profits, the customary allowances for tax purposes, depreciation, reserves, etc., and consideration is given also as to whether or not special financing is required to make the remittance.

As a means of enabling the Board to give more careful scrutiny to applications for United States dollars, the Regulations were amended in October, 1947, to reduce from \$100 to \$25 the exemption from completion of a permit form for applications for United States dollars in forms other than currency. At the same time the authority of banks and the Post Office to sell United States dollars for benevolent remittances was reduced from \$100 to \$25 per applicant per month\*. Larger applications are reviewed by the Board.

\* In May, 1948, the authority of banks and the Post Office to sell United States dollars for benevolent remittances was reduced to \$10 per applicant per month.