

loans of \$500 or less and the maximum interest charge allowed was 2% per month.

At the end of 1971, there were five small loans companies and 40 money-lenders licensed under the Act. Small loans companies are incorporated federally; money-lenders include provincially incorporated companies. Many of the small loans companies and money-lenders are affiliated with other financial institutions, principally Canadian sales finance companies and United States finance or loan companies. The affiliations with sales finance companies reflect the close relationship between instalment financing and the consumer loan business.

Statistics Canada publishes quarterly balance sheets for sales finance and consumer loan companies as a whole and does not attempt to distinguish the two groups within the industry (see *Financial institutions*, Catalogue No. 61-006).

The subsidiary small loans companies and money-lenders obtain most of their funds through their parent companies. A few of the larger companies have supplemented their bank loans by selling short-term paper in the market but the amount has been small compared with the short-term market borrowing of the sales finance companies. The smaller independent companies rely mainly on their shareholders and on borrowing from the chartered banks.

Annual figures of assets and liabilities given in Table 19.23 for 1968-71 are from the Department of Insurance report. More complete data on the business of licensed lenders are given in the report on small loans companies and money-lenders, published annually by the Superintendent of Insurance.

There was a marked decrease in 1971 compared with 1970 in the number and amount of small loans made by the combined companies. Small loans made to the public during the year numbered 917,652 as against 1.0 million in 1970, a drop of about 11%; the amount of such loans decreased from \$637.1 million to \$573.2 million, a drop of about 10%. The average small loan made was \$625 in 1971 and \$621 in 1970. At the end of the year, small loans outstanding numbered 875,366 for an amount of \$439.6 million, or an average of \$502 per loan; comparable figures for 1970 were 1.0 million, \$524.8 million and \$505, respectively.

Gross profits of small loans companies and money-lenders before income taxes and before taking into account any increase or decrease in reserves for bad debts increased from \$55.9 million in 1970 (\$2.5 million being the profit on small loans and \$53.4 million the profit on business other than small loans) to \$59.8 million in 1971 (\$233,000 being the profit on small loans and \$59.6 million the profit on other business).

### 19.2.3 Foreign exchange

The dollar was established as the official currency of the united provinces of Canada on January 1, 1858, and extended to cover the new Dominion by the Uniform Currency Act of 1870. The gold sovereign remained the standard for the Canadian dollar until 1910 when the currency was defined in terms of fine gold, making it the exact gold equivalent of the United States dollar. Both British and US gold coins, however, were legal tender in Canada during this period.

The 1870 Act defined the Canadian dollar as 15/73 of the British gold sovereign, that is, the par rate of exchange between the dollar and the pound sterling was fixed at \$4.866, making the Canadian currency the equivalent of the US dollar at parity. With minor variations the value of the pound sterling in Canada remained at this level until 1914.

For a complete description of the fluctuations between the Canadian and US dollars up to 1950 see the *1972 Canada Year Book*, pp. 1252-1254.

On September 30, 1950, the Minister of Finance announced that official fixed foreign exchange rates which had been in effect at varying levels since 1939 would be withdrawn effective October 2, and that the rate would henceforth be determined in the market for foreign exchange. This policy was carried out within the framework of exchange control until December 14, 1951, at which time the Foreign Exchange Control regulations were revoked by the Governor in Council, terminating the period of exchange control that had prevailed in Canada since 1939. The Foreign Exchange Control Act was repealed in 1952. On May 2, 1962, the Minister of Finance announced that the Canadian dollar was being stabilized at a fixed par value of 92½ cents in terms of United States currency. This action was taken with the concurrence of the International Monetary Fund (IMF) and, in accordance with the Articles of Agreement of that organization, the Government of Canada undertook to maintain the Canadian exchange rate within a margin of 1% on either side of the established par value.

On May 31, 1970, the Government of Canada announced a decision not to maintain the