

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announced that official fixed foreign exchange rates which had been in effect at varying levels since 1939 would be withdrawn effective October 2, and that the rate would henceforth be determined in the market for foreign exchange.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 The Foreign Exchange Control Act was repealed in 1952.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 exchange rate of the Canadian dollar within the 1% parity band prescribed by the IMF for the time being. The movements of the US dollar in Canadian funds from January 1967 to December 1974 are shown in Table 19.24. Details of Canada's official international reserves and of undelivered contracts in US dollars are presented in Table 19.25.

19.2.4 The bond market

Sales of Canadian bonds. A net total of \$4,799 million was raised in the bond market by Canadian federal and junior governments and corporate borrowers in 1973, an amount substantially lower than that raised in 1972. Provincial governments accounted for about 60% of this total with net new issues of \$2,847 million.

The \$2,847 million worth of net new issues of provincial governments included \$1,038 million purchased by the Canada Pension Plan Investment Fund and about \$229 million through the Quebec Pension Plan. Government of Canada issues outstanding registered a slight decline of \$136 million whereas the net new issues of municipal governments amounted to \$419 million. Corporations resorted to bond financing to the extent of \$1,610 million and other institutions had net new issues in 1973 of \$59 million.

Government of Canada bonds for terms of 10 years and over yielded 7.70% at the end of December 31, 1973 compared to 7.12% a year earlier. Comparable figures for provincials were 8.70% and 7.91%, and for municipals, 8.84% and 8.18%.

There was a large increase of \$893 million in finance and other short-term commercial paper in 1973, whereas the net amount raised through Canadian dollar bankers' acceptances decreased by \$48 million during the year. Yields on 90-day finance company paper at 10.25% at year-end in 1973 were considerably higher than the 5.15% a year earlier.

Bonds outstanding. Total government and business bonds outstanding at the end of 1973 amounted to \$88,632 million, an increase of 5.7% over 1972 and 45% since 1968 (Table 19.26). In the 1968-73 period the largest increase was one of 70% in the bonded debt of provincial governments, including the issues held in the Canada Pension Plan Investment Fund and the Quebec Deposit and Investment Fund. Corporate bonds outstanding increased by 54.7% and municipal government bonds by 23.2%.

Distribution of bond holdings. Table 19.27 shows the estimated distribution as at December 31, 1973 of government and corporate bonds among the major purchasers of securities. Governments and financial institutions specified in the Table held more than one half of the total bonds outstanding; the remainder was shared between non-residents and all other residents with 19% and 27% of the total, respectively. Of the 27%, however, almost one half consisted of Canada Savings Bonds. The largest identified holders of bonds were chartered banks with 11% of the total, trustee pension plans with 8.6%, the Government of Canada with 8%, and the Bank of Canada and life insurance companies with 7.5% and 7.4%, respectively.

19.3 Insurance

Insurance business is transacted in Canada by about 900 companies and societies. All of them are licensed or registered by provincial insurance authorities; at the end of 1973, 429 were also registered by the federal Department of Insurance. Details of the classes of insurance each company or society is authorized to transact and statistical information may be