

Other finance company obligations, consisting of borrowing from non-resident banks, and parent companies abroad, resulted in a net capital outflow of \$92 million, a swing from the net inflow of \$158 million recorded in 1974.

All other short-term capital transactions (including the balancing item of about \$600 million, representing unidentified transactions in both the current and capital accounts) led to a net capital outflow of \$700 million, up \$155 million from the 1974 net outflow.

Official international monetary assets and liabilities

21.4.3

Canada's international reserves decreased by US\$500 million during 1975 to stand at US\$5,325 million at the end of the year. This change represented a net decrease of US\$400 million from transactions passing through the reserve accounts and a decrease of US\$100 million due to the depreciation in the United States dollar value of the Special Drawing Right (SDR). Expressed in Canadian currency, the decrease in reserves due to transactions amounted to \$404 million, and was accounted for by a decrease of \$569 million in holdings of United States dollars, an increase of \$154 million in Canada's reserve position at the International Monetary Fund (IMF) and increases of \$7 million in holdings of SDRs and of \$4 million in holdings of other convertible currencies. The increase in Canada's reserve position at the IMF was partly due to the Canadian contribution to the IMF's oil facility, which was established in August 1974 and used by the IMF to assist members with balance of payments problems caused by increases in petroleum prices. Canada's commitment totalling C\$300 million over a two-year period became fully drawn during the third quarter of 1975.

Since July 1, 1974, the SDR has been valued by the IMF in terms of a basket of currencies of 16 countries, including Canada. Relative weights for each currency are broadly proportionate to the country's exports, but are modified to recognize that the share in trade does not necessarily give an adequate measure of a currency's weight in the world economy. The Canadian dollar accounts for 6% of the total weight.

Foreign exchange

21.4.4

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