

Q. It does not include investments by Americans in branch plants?—A. No. Investments by Americans in branch plants fall under two headings: (1) the re-investment of earnings which they made in the course of the war, which amounted to about \$230,000,000; and (2) new investments by Americans in branch plants in the course of the war, which was in the general neighbourhood of \$50,000,000 to \$60,000,000. That amount of \$50,000,000 to \$60,000,000 is not included in the figure of \$480,000,000 representing the increase in American holdings and securities.

Q. Would that include the large aluminum development?—A. It would include all direct investments.

\* The CHAIRMAN: Coming to section 25, the committee asked that section 25 stand and requested the opinion of the Department of Justice. I have a letter from the Deputy Minister of Justice. May I table this and have it appear in the record?

Ottawa, July 23, 1946.

J.R. 11-450-45

Re: Bill 195 to enact the Foreign  
Exchange Control Act

DEAR MR. CLEAVER:

The proposals contained in Bill 195 are designed to maintain the value of Canadian currency in terms of the currencies of other countries, particularly those with which Canadians enjoy commercial relations. The objects of the measure are to be attained by fixing exchange rates, regulating transactions in foreign currency and in Canadian currency dealt in by non-residents and regulating exports and imports and transactions in securities between residents and non-residents. A Control Board operating under the direction of the Minister of Finance is to administer the Act. Persons engaged in business are required to furnish full information. Persons engaging in transactions in foreign exchange are required to keep records of such transactions and to furnish information. Enforcement provisions enable the Board to exercise control over the property of any person where this is necessary to insure observance of the Act and define as criminal offences acts or omissions which are breaches or evasions of the statute punishable by fine or imprisonment.

Such a legislative proposal appears to me to be clearly beyond the power of a provincial legislature. In any case, the exclusive authority of parliament to legislate in relation to currency, legal tender, banking, bills of exchange, regulation of trade and commerce and criminal law would seem to me to be quite adequate to support the bill from a constitutional point of view.

Such a system of control as is envisaged requires various ancillary provisions for the purpose of preventing the scheme of the Act from being defeated. I refer to the measures to regulate and prohibit transactions in property and securities between residents and non-residents. If parliament adopts the legislation, it will be on the basis that it deems it necessary in this connection to prohibit and regulate these transactions ordinarily within the exclusive jurisdiction of the legislatures of the provinces. I do not doubt that it is open to parliament to deal with such matters as part of the projected scheme of regulation and once the statute is enacted the provincial legislatures would be precluded from interfering.

Your very truly,

(Sgd.) F. P. VARCOE,

*Deputy Minister.*