

Perhaps I might be allowed to make one observation about the substance of the matter in concluding my opening statement. The general picture as I understand it is that there have not been net losses from trading operations in the account but modest profits over the course of many years which have been offset against losses in these past years arising out of the re-evaluation of the foreign exchange assets. The re-evaluation from year to year has given rise to losses, and there have been modest trading profits to be applied against them, but I think it is best that we should present a detailed account to the committee in which these figures can be set forth systematically and upon which it can base its discussion.

The CHAIRMAN: Thank you, Mr. Bryce.

I assume this matter will be dealt with in your report which will be made to the house next year.

Mr. A. M. HENDERSON: (*Auditor General of Canada*): Yes, Mr. Chairman, it is the subject of comment in my forthcoming report for the year 1963.

I might add that I think Mr. Bryce's proposal to examine this matter in more detail in the months ahead is a sensible one. It would seem to me to be quite satisfactory in the circumstances.

The CHAIRMAN: In the light of this suggestion that the matter will be before the standing committee to be established for the ensuing year and, as Mr. Bryce has pointed out, the desirability of having a full and complete discussion with perhaps the Minister of Finance being present, do the members feel that this would be an agreeable course, or are there any questions anyone would like to put to Mr. Bryce and Mr. Henderson at this time?

Mr. McMILLAN: Would the investment in American securities be mostly short term call loans and so on?

Mr. BRYCE: Normally they are United States government short term securities.

Mr. McMILLAN: Would not depreciation of our dollar show a gain in that account?

Mr. BRYCE: Yes, that is why, as Mr. Henderson has noted in his report, when the value of our dollar was high in relation to the American dollar there was a deficit. As our dollar in the last several years came to be less than the United States dollar, then the United States assets we held were worth more.

Mr. SOUTHAM: That is made clear on page 77.

As the exchange value of the U.S. dollar equalled \$1.05 Canadian (i.e., the Canadian dollar approximated \$0.95 U.S.) at close of business on March 31, 1962, compared with an exchange value of \$0.99 Canadian a year earlier, a substantial exchange gain unrealized, arose in valuing the fund's U.S. dollar holdings, which had the effect of reducing the accumulated deficiency... The subsequent official revaluation of the Canadian dollar... has had the effect of eliminating the deficiency entirely.

It is an interesting item as far as public accounts are concerned, and shows how it affects our exchange fund account.

Mr. HENDERSON: I might mention, for the information of members, that on page 133 of the report you will see a summary of the transactions in this particular account and what it is made up of at the end of the period. It is shown for 1960 and 1961. You will see the two columns for both years and how the transactions for the year and the balance as at December 31, 1961, was something in excess of \$2 billion. This is represented principally by United States dollars and securities.

Mr. SOUTHAM: I understood Mr. Bryce to say that any surpluses in our exchange fund account quite often are turned into American funds. Is that right?