

In detail our proposals are as follows.

The stand-by with the Ex-Im runs for quarterly periods and the present period ends on December 24th. We pay a commitment fee of $\frac{1}{4}$ of 1% per annum on the outstanding amount. We propose that arrangements should now be made for the complete cancellation of the stand-by on December 24th. However, no announcement would be made until January 3rd (see below).

The present reciprocal deposit arrangement with the Federal Reserve Bank of New York and the similar arrangement with the Bank of England run until December 26th. Mr. Rasminsky intends to allow them to terminate on that date. As before, he would arrange for a stand-by with the Federal Reserve Bank of New York equal to the amount of the reciprocal arrangement that is terminating, i.e. \$75 million (U.S.).

December 26th falls on a Wednesday and the Bank of Canada publishes its weekly figures on that day. Hence, Mr. Rasminsky would announce that day the termination of the reciprocal currency arrangements and an additional stand-by with the Federal Reserve Bank of New York.

We would suggest that on January 3rd you should issue an announcement covering the following points:

- (a) the official holdings of gold and foreign exchange as at the end of December,
- (b) the fact that the remaining stand-by with Ex-Im Bank had been cancelled, and
- (c) the fact that on that day the Exchange Fund was receiving \$125 million (U.S., this being the second half of the bond issue placed with the New York insurance companies which is payable to us on that day).¹⁰

It is of course not possible to forecast as of today what the month-end total for our official reserves will be. The latter part of December is normally a time of some outflow of dividends; on the other hand, there are indications that the capital inflow is still being maintained and the Exchange Fund made substantial purchases today. All in all, one can be reasonably confident that the showing will be satisfactory, particularly if the month-end figure is announced in conjunction with the receipt of an additional \$125 million (U.S.) on January 3rd.

You will note that the proposals that we are making would mean that by the end of the year the Exchange Fund would have paid off all of its emergency support except that which had been obtained from the International Monetary Fund. This would, I believe, suggest a firm and confident posture with which to enter the new year.

May we have your concurrence or otherwise at latest by lunch time on Thursday (December 20th)?

K.W. TAYLOR

¹⁰ Il n'a pas été déterminé si le ministre des Finances a fait une déclaration du type recommandé ici au début de janvier. Pour les articles contenant une partie de l'information trouvée dans cette note, voir Bruce Macdonald, "IMF Loan Not Repaid, Ottawa Officials Say," *Globe and Mail*, 3 janvier 1963, p. 24, et "Reserves of Foreign Exchange Build Up to Record \$2,662,500,000," *Globe and Mail*, 5 février 1963, p. B6.

It has not been determined whether the Minister of Finance made any statement in early January of the type recommended here. For articles that provided some of the information found in this memo, see Bruce Macdonald, "IMF Loan Not Repaid, Ottawa Officials Say," *Globe and Mail*, January 3, 1963, p. 24, and "Reserves of Foreign Exchange Build Up to Record \$2,662,500,000," *Globe and Mail*, February 5, 1963, p. B6.