technical arrangements have been completed.

"One result of the new system of establishing exchange rates is that the so-called unofficial rates for Canadian dollars in New York and other centres will now disappear. The rate will be basically the same in Canada and abroad, although certain local variations may be expected, particularly in transactions in bank notes, as a result of time differences, transportation costs, and special local conditions. Fluctuations in the basic rate will no doubt occur from time to time in accordance with changing conditions of supply and demand. After a short transitional period it is expected that reasonably stable conditions will develop in the exchange market.

"From what has been said, it will be seen that the change from a fixed rate of exchange to a market rate does not involve the abandonment of the foreign exchange control system. A few consequential amendments of the Foreign Exchange Control Regulations will be necessary but the number of these will be small. The objective is to maintain the structure of control in its familiar form as a defence against possible adverse conditions in the future. Actual restrictions will be few. Residents will still require a permit to export capital from Canada and such permits will not normally be granted except for necessary business operations and certain amounts exported by emigrants. Similarly, non-residents will still be required to obtain a permit in order to withdraw capital from Canada and such a permit will normally not be granted except in the case of sale of fixed assets in Canada or liquidation of capital investments made since 1939 and recorded with the Foreign Exchange Control Board. Non-residents will, of course, still be able freely to transfer Canadian currency, securities and other assets among themselves, so that, for example, a non-resident holding Canadian dollars may dispose of them to his bank in the United States in the same manner as heretofore.

Background of the present action

"A year ago, when the pound sterling and other foreign currencies were devalued by substantial amounts, it appeared necessary to make a moderate change in the par value of Canadian currency and it was accordingly devalued by 9.09 per cent. Up to that time there were no conditions directly relating to Canadian dollars which made such a devaluation necessary, but the changed conditions brought about by the devaluation of other important currencies were such that Canadian trade might have been adversely affected if no change were made in the value of the Canadian dollar. Since then, our current account of international trade in goods and services has shown a moderate surplus, although rather less than in the previous year. In recent months, however, there has been a growing tide of capital movements out of foreign currencies into Canadian dollars. This has been in part useful long-term investments based on a belief in the long run soundness of Canadian financial and economic conditions. In large part, however, particularly in the last few weeks, it has been a speculative movement in the hope of fairly early action to restore the Canadian dollar to parity with the United States dollar. Our official reserves of gold and United States dollars which stood at $1,255 million on June 30, rose to $1,320 million by July 31, to $1,504 million by August 31, and were about $1,789 million (preliminary) on September 30. Thus the total increase over the past three months was approximately $534 million, of which over $285 million occurred during the month of September.