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*Note du ministère des Finances
pour le ministre des Finances*

*Memorandum from Department of Finance
to Minister of Finance*

[Ottawa], December 18, 1962

EXCHANGE FUND – FURTHER DEMOBILIZATION
OF EMERGENCY SUPPORT

The following proposals are put forward after consultation with Mr. Rasminsky and with his concurrence.

We suggest that the time has come to take two further steps towards the demobilization of the emergency support for our Exchange Fund as announced by the Prime Minister on June 24th.

You will recall that the emergency support was made up as follows:

	<u>\$ million (U.S.)</u>
(1) Drawing from the International Monetary Fund	300
(2) Reciprocal deposit arrangement with the Federal Reserve Bank of New York	250
(3) Similar arrangement with the Bank of England	100
(4) Standby with the Ex-Im Bank	<u>400</u>
	<u>1,050</u>

When these arrangements were made, it was understood that if the Government was forced actually to use any of these emergency funds it would have recourse first to the monies supplied by the International Monetary Fund, second to the monies supplied by the two Central Banks and, third, as a last resort, to actual borrowings from the Ex-Im Bank. Due account has been taken of these priorities in the demobilization which has taken place so far.

The present position of the four items is, accordingly, as follows:

	<u>\$ million (U.S.)</u>
(1) Drawing from the International Monetary Fund	300 (Unchanged)
(2) Reciprocal deposit arrangement with the Federal Reserve Bank of New York	75 (The amount paid off, \$175M, has been replaced by a stand-by arrangement.)
(3) Similar arrangement with the Bank of England	25 (No stand-by has been arranged with the Bank of England.)
(4) Standby with the Ex-Im Bank	150 (\$250M of this stand-by was released in September in connection with the successful placement of a Canadian Government loan for that amount with New York insurance companies.)

We believe that the time has now come when we should demobilize the remainder of items (2), (3) and (4), leaving only item (1) – the IMF drawing as a contribution to our Exchange Fund.