



# Bulletin

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## HALTING U.S. DOLLAR DRAIN

In a statement issued on July 24, Finance Minister E.J. Benson recalled that an exchange of letters on March 7 between the Secretary of the United States Treasury and the Minister of Finance had established Canada's exemption from the U.S. balance-of-payments measures affecting capital flows that were administered by the Department of Commerce or the Federal Reserve Board. Canada undertook to ensure that, as a result of this exemption it would not be used as a "pass-through" by means of which the purpose of the United States balance-of-payments programme would be thwarted.

Mr. Benson noted that on May 3, the chartered banks had accepted a guide-line designed to keep the total of each bank's foreign-currency liabilities to residents of countries other than the U.S. and Canada from rising above the level at the end of February 1968, unless the increase was accompanied by an equal increase in its total foreign-currency liabilities to residents of countries other than Canada and the U.S.

The Minister of Finance asked in his statement that a similar guide-line be accepted by all other financial institutions operating in Canada, including trust companies, mortgage loan companies, sales finance companies, mutual funds, pension funds, insurance companies, investment companies, investment dealers, and small loan companies. He asked that each of these institutions manage its affairs in such a way that the total of its foreign-currency claims on residents of countries other than Canada and the United States, in the form of deposits, loans and portfolio investments in bonds and stocks, should not rise above the current level unless the increase was accompanied by an equal increase in its total

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foreign-currency liabilities to residents of countries other than Canada and the United States, or arose from net earnings of foreign branches or subsidiaries.

The Minister said that his officials would be contacting Canadian financial institutions either directly or through their associations to ask them to improve the information available to him on their foreign-currency assets and liabilities.

### PREVIOUS REQUEST REITERATED

Mr. Benson also requested all Canadian investors to continue to comply with the request made in March 1966 by Mr. Mitchell Sharp, then Minister of Finance, to all Canadian investors, including all financial institutions, not to acquire securities denominated in Canadian or United States dollars which were issued by United States corporations or their non-Canadian subsidiaries and were subject to the United States interest-equalization tax if purchased by United States residents. Investments in such securities made by Canadian financial institutions to cover foreign-currency liabilities to non-residents of Canada and the United States were exempt from this request. All Canadian financial intermediaries were asked not to facilitate transactions that would be contrary to this guide-line concerning such "off-shore" securities.

The Minister expressed confidence that Canadians would co-operate in protecting the national