



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADANo. 50/36 THE UNPEGGING OF THE CANADIAN DOLLAR

A statement issued by Mr. Douglas Abbott, Minister of Finance, at Ottawa on September 30, 1950, regarding the Canadian exchange rate.

"Last night I announced that the Foreign Exchange Control Board had instructed Canadian banks and other authorized agents to discontinue dealings in foreign exchange until further notice. Today, the Government, by Order in Council under the authority of the Foreign Exchange Control Act, cancelled the official rates of exchange which, since September 19 of last year, had been calculated on the basis of a 10 per cent premium for the United States dollar in Canada. It has been decided not to establish any new fixed parity for the Canadian dollar at this time, nor to prescribe any new official fixed rates of exchange. Instead, rates of exchange will be determined by conditions of supply and demand for foreign currencies in Canada.

"Banks and other authorized agents will deal in foreign exchange as principals, but they will continue to act as official agents of the Foreign Exchange Control Board for the issue of permits and in other matters relating to exchange control. The general structure of exchange control remains unchanged, including control over securities transactions between residents and non-residents and control over payments of Canadian dollars to non-residents.

"A resident receiving foreign exchange is still required to declare it to an authorized dealer. He must then either sell it immediately to an authorized dealer at the going rate of exchange, or, if he wishes, deposit it in a special foreign-currency bank account with his authorized dealer, in which case he may not make any other use of the foreign currency but may choose his time for selling it within a period of 90 days. A resident desiring to obtain foreign exchange must apply to his authorized dealer for a permit which, if granted, will allow him to buy the required foreign currency from an authorized dealer at the going rate of exchange.

"Merchants and other residents who are offered foreign currency by tourists are no longer required to pay any fixed rate of exchange, but may pay such rate as may be agreed on. No doubt such rate will be based on the rates currently being offered by banks for the purchases of foreign currency.

"A permit will still be required for the export of funds for travel abroad by Canadians, but it is planned to increase the amount which will be authorized for travel for any purpose so as to cover all reasonable travel expenditures. An announcement of the new regulations will be made within a few days when