would increase the difficulties of the Bank of Canada in maintaining the relative strength of the Canadian dollar, and indeed might result in a loss of income tax revenue to Canada.

It is your Committee's opinion that the imposition of this 3% reserve could result in a large proportion of the dollar amount of Canadian resident foreign currency deposits being moved out of Canada in order to obtain better interest rates elsewhere. This out-flow of funds would include the larger deposits which are held by the more sophisticated depositors and which represent more than 85% of these deposits.

The following summary, based on the information provided by the Canadian Bankers' Association when it appeared before your Committee on October 16, 1978, shows the breakdown of these deposits, converted into Canadian funds. (Appendix A)

(As at April 30, 1980)	Number of Accounts	%	Value (Can $ Millions)	%
Personal savings and current accounts	155,800	81.4	$ 883	8.4
Personal and non-personal certificates of deposit less than $100,000 each	30,345	15.9	783	7.3
	186,145	97.3	1,666	15.7
Over $100,000 each	5,151	2.7	8,583	84.3
	191,296	100.0%	10,490	100.0%

From the above, it can be seen that only 15.7% of the aggregate value is tied up in 191,296 separate smaller accounts which represent 97.3% of the number of accounts, whereas $8.58 billion or 84.3% of the dollar total is held in the larger over $100,000 accounts, most of which are accounts of $1 million and over.

This latter group are the more knowledgeable and sophisticated depositors such as the money managers of near-banks and large business corporations who have the facilities to move their deposits easily whenever higher rates are more attractive outside of Canada based on comparable degrees of security. It has been estimated by the Ad Hoc Committee on Foreign Currency Reserves of the Canadian Bankers' Association that, based on deposits at September 30, 1979, as much as $8 billion of the foreign currency deposits of Canadian residents could flow out of Canada if more sophisticated depositors are inclined to avoid the lower rates of interest which they would receive due to the effect of this reserve as proposed in Bill C-6; the Canadian Bankers' Association also estimates that as much as one-half, or $4 billion of these deposits could be lost to foreign banks.

This, in summary, means that the effects of this reserve would be felt mostly by those who might not have either the inclination or the facilities to avoid its effect by moving their deposits "off-shore".

Your Committee as a result of its studies, has the following observations to make concerning the adverse effects of the imposition of this reserve:

EFFECT ON BALANCE OF PAYMENTS

There would be a tendency of larger and more sophisticated Canadian resident depositors towards moving their foreign currency deposits to foreign banks and branches, resulting in a possible substantial increase in Canada's external debt. This would have a diametrically opposite effect to the intentions of the Canadian government to improve or maintain the level of Canada's deficit in its international balance of payments.

LOSS OF BUSINESS TO FOREIGN BANKS

Based on reasonable estimates, it appears to your Committee that as much as 50% of these exported funds could end up being deposited with foreign banks, resulting in a reduction of Canadian banks' share of the resident foreign currency deposit market. This would have the dual effect of weakening, to some extent, the Canadian economy, and of reducing of the income tax payments by banks to the Canadian and Provincial Governments.

DISCRIMINATION AGAINST PARTICULAR GROUPS

The imposition of the 3% reserve on foreign currency deposits by Canadian residents could tend to discriminate in two ways against certain groups of Canadians, first against Canadian resident depositors of foreign currency in that foreign currency deposits by non-residents (not subject to reserves) would be offered higher rates than those offered to Canadian resident depositors of foreign currency; second, against the large majority of 190,000 smaller depositors who have deposits and c/d's of less than $100,000 each (an average of $9,000 each) who represent 97.3% of the number