

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

July 25, 1946.

The Standing Committee on Banking and Commerce met this day at 10 o'clock a.m. The Chairman, Mr. Hughes Cleaver, presided.

The CHAIRMAN: Gentlemen, we have a quorum. By referring to volume No. 5 of our minutes and evidence in the evidence of July 17 you will find at the opening of that meeting a summary of some five matters that the minister was asked to discuss, and if it is your wish we will proceed with that now.

Mr. MACDONNELL: Mr. Chairman. I have three or four questions I should like to ask of Mr. Rasminsky, but I shall be as short as I can with them.

Mr. L. Rasminsky, Chairman (Alternate), Foreign Exchange Control Board, called:

By Mr. Macdonnell:

Q. Mr. Rasminsky, I want to make sure that I am right on this point. If Mr. Jackman and I go to the board and Mr. Jackman wants to build a factory in the United States and I want to invest in securities in the United States, my understanding is that the board will give Mr. Jackman American exchange for his purpose but will not give it to me for mine; is that correct?—A. Subject to certain qualifications regarding the nature of Mr. Jackman's investment, what you say is true.

Q. My question, secondly, is that if I am refused permission by the board to receive from them American exchange for that purpose of making my investment there is nothing to prevent me from making my investment by using for that purpose Dominion of Canada bonds which are saleable in New York; is that correct?—A. Whether or not you are refused permission, it is open under the present regulations for any Canadian who wishes to secure a marketable security in the United States to do so by the export of securities including dominion government bonds from Canada.

Q. And there is no limit on that?—A. There is no limit on that.

Q. Theoretically that leaves the door wide open. I suppose the limitation on that is that any man doing it would suffer to some extent by the fact that he would not be able to sell dominion bonds in New York for the same price that he could get here?—A. At the present time that is the only difference between acquiring his investment through the purchase of exchange and acquiring it in that way, from the point of view of the individual. From the point of view of the Canadian economy there are, of course, important differences in the two methods. The aim of the security exchange regulations has been to permit the maximum amount of freedom in security exchanges by residents on non-resident markets which is compatible with two things; with there being no net export of capital from Canada and, secondly, with there being no transfer of the United States dollar reserves from official to private hands.

Q. I do not want to lengthen this. I want to clear this matter up by asking if this is a correct statement. In other words, here is the Foreign Exchange Control Board with a pot of securities—the Foreign Exchange Control Board which will facilitate out of its resources and through its means certain transactions but not others. One of the transactions it ordinarily will not facilitate is purchase of securities in the United States, but there is a by-pass which cannot be used