

Foreign Exchange Control Board

Ottawa, September 22nd, 1939

The Hon. Marriner S. Eccles,
Chairman of the Board of Governors,
Federal Reserve System,
Washington.

Dear Mr. Eccles,

I had occasion the other day to write a memorandum which deals in question and answer form with the principal points of our foreign exchange control system which are likely to be of interest to non-residents. While all these points can be discovered in the Order in Council and Regulations, I thought that you might like to have them in this abbreviated form.

Yours sincerely,



Enclosure

Ottawa, September 23rd, 1939

SUPPLEMENTARY QUESTION AND ANSWER
IN RELATION TO CANADIAN FOREIGN
EXCHANGE CONTROL ARRANGEMENTS WHICH
ARE LIKELY TO BE OF INTEREST TO NON-
RESIDENTS.

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Q.- How does the foreign exchange control affect tourists coming into Canada?

A.- Paragraphs G and H of the Regulations make provisions which enable tourists entering Canada to bring with them any amount whatever of currency and foreign exchange which they desire; and when these tourists leave Canada they may, without licence or permit take with them Canadian currency or foreign exchange not exceeding in value the sum total of the money which they have brought in. An arrangement is also made whereby, if they so desire, they can freely obtain on entering Canada a licence to import currency (Form P) so that on leaving Canada they can be sure there is no question as to whether or not they are taking out more than they brought in. In other words, Form P is conclusive evidence of the amount brought in.

There are other provisions authorizing a resident who is a merchant, hotel keeper, or otherwise customarily engaged in any business serving tourists, to accept from any tourist an amount of foreign currency not in excess of the equivalent of \$500 Canadian dollars in payment for purchases or services rendered or to be changed into Canadian currency.

QUESTIONS IN RELATION TO CANADIAN
FOREIGN EXCHANGE CONTROL ARRANGE-
MENTS WHICH ARE LIKELY TO BE OF
INTEREST TO NON-RESIDENTS.

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1. Q.- Does the Control affect the foreign exporter?
A.- No. Canadian importers can obtain exchange to cover their commercial requirements, and exchange can also be obtained for other normal purposes, such as payment of shipping charges, royalties, licence fees, etc. etc.
2. Q.- Does it affect the holders of Canadian obligations payable abroad?
A.- No. Canadian obligants can obtain permit to purchase foreign exchange to cover their commitments.
3. Q.- Does it affect the non-resident who has balances in foreign currency with Canadian banks, or who held securities in Canada, either foreign or domestic, as at September 15th?
A.- No. A non-resident can use his foreign currency balances as he sees fit, and can obtain a licence to export the securities if he so desires. Securities acquired by a non-resident after the date of the Order are not exempted unless the Board should grant a special permit. A non-resident is not required to declare foreign exchange or foreign securities.
4. Q.- Does it affect the receipt of interest and dividends on Canadian domestic securities owned by non-residents?
A.- No. The non-resident will be able to convert such interest and dividends into foreign exchange. So far as the non-resident is concerned, there is no restriction on the sale of such securities in Canada, although residents have to obtain a permit to make payments in Canadian dollars to non-residents. As regards the Canadian dollar balances acquired by non-residents through sale of domestic securities, see Question and Answer No. 6.

5. Q.- Does it affect the normal activities of branches and subsidiaries of foreign concerns?
- A.- No. Special arrangements will be made to deal with their situation so that their business will not be complicated by too much red tape, and their normal relations with parent corporations will not be disturbed.
6. Q.- Does it affect the non-resident owner of Canadian dollar bank balances?
- A.- Yes, for the time being. The individual owner of Canadian dollar bank balances can obtain a permit to buy foreign exchange for an amount not in excess of \$5,000. For larger amounts a special permit has to be obtained, and such permits are not being freely granted at this time. It is, of course, the case that the non-resident can use his Canadian dollar balances to obtain foreign exchange for ordinary commercial requirements in Canada, or personal expenses, the provisions in this latter case being the same as those affecting residents.

DEFINITION OF A NON-RESIDENT

"Non-resident" includes any person not ordinarily resident in Canada, as well as any branch or agency outside Canada of a resident, and a Canadian company which is a non-resident owned investment corporation as defined in section 2 (p) of the Income War Tax Act as follows:-

"2. (p) "Non-Resident Owned Investment Corporation" means a company incorporated in Canada, at least ninety-five per centum of the aggregate value of whose issued shares and all of whose bonds, debentures and other securities or evidences of funded indebtedness are beneficially owned by persons who are non-residents of Canada or are owned or held by trustees for the benefit of non-resident persons or their unborn issue, or by a corporation whether incorporated or domiciled in Canada or elsewhere

but in all other respects conforming to the foregoing requirements of this paragraph (p), the gross income of which is derived from one or more of the following sources:

(i) from the ownership of or the trading or dealing in bonds, stocks or shares, debentures, mortgages, hypothecs, bills, notes or other similar property, or any interest therein;

(ii) from the lending of money with or without security, or by way of rent, annuity, royalty, interest or dividend;

(iii) from or by virtue of any right, title or interest in or to any estate or trust."