

Bank of Canada

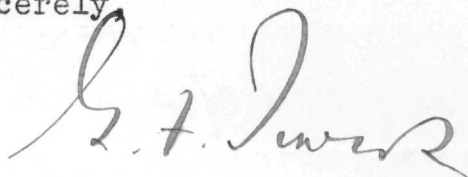
Ottawa November 3rd, 1939

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

Dear Mr. Eccles,

Referring to my letter of September 28th,
I am enclosing herewith certain additional regulations
in connection with our Foreign Exchange Control, as pub-
lished in the Canada Gazette on October 23rd and November
2nd respectively.

Yours sincerely,



~~FOR FILES~~
F. G. Ritter



THE CANADA GAZETTE

LA GAZETTE DU CANADA

OTTAWA, MONDAY, OCTOBER 23, 1939

GOVERNMENT NOTICE

REGULATIONS OF THE FOREIGN EXCHANGE CONTROL BOARD

CERTIFIED EXTRACT from the Minutes of a Meeting of the Foreign Exchange Control Board held at Ottawa, the 14th day of October, 1939.

ON motion duly made and seconded, the following Regulations numbered 18 to 34, inclusive, were passed and enacted:

18. In order to facilitate the carrying on of ordinary commercial transactions, commercial companies may be granted permission under certain circumstances to operate foreign currency bank accounts and inter-company accounts. Permission to operate such accounts will not be granted to companies whose business is primarily of an investment or financial nature.

19. (a) A company or a branch of a company which on September 15, 1939, was operating a foreign currency account with a Canadian chartered bank in Canada in the ordinary course of its business may apply to the Board through an Authorized Dealer for permission to continue to operate such an account. If, in the opinion of the Authorized Dealer it is necessary for the company to use such a foreign currency account in the regular course of its business, the Authorized Dealer may approve such application on behalf of the Board. Authorized Dealers must notify the Board of the name and address of all companies to whom this privilege has been extended and state the balance in each such foreign currency account, as at September 15, 1939. The Board will communicate with all companies to whom this privilege has been extended by Authorized Dealers, advising them of the permit number under which such accounts may be operated. (All such permit numbers will carry the prefix BD).

(b) A company or a branch of a company which on September 15, 1939, was operating a foreign currency account with a non-resident bank in the ordinary course of its business, or a company which wishes to open a foreign currency bank account, may apply by letter direct to the Board for per-

mission to operate such an account. The name of the bank where the account is to be carried and the balance, if any, in the account as at September 15, 1939, should be stated in the letter of application. Companies whose applications are approved by the Board will be notified of the permit number under which such accounts may be operated. (All such permit numbers will carry the prefix BD).

(c) Companies which have been granted permits to operate foreign currency bank accounts may deposit foreign exchange received in connection with their ordinary commercial business operations in such accounts from time to time without making a declaration to the Board. Foreign exchange purchased from the Board may also be deposited in such accounts. The income from, and the proceeds of sales of foreign securities or other investments may not be deposited in such accounts. Cheques may be drawn on such accounts for any ordinary commercial business purpose, not including payments of interest and dividends, nor payments to meet bond maturities, payments for securities purchased, repayment of loans unless the proceeds of such loans were deposited in such foreign currency bank accounts subsequent to September 15, 1939, or payments for any other purpose which would represent an export of capital. Applications for foreign exchange in connection with such transactions must be made to the Board by letter thirty days in advance.

(d) Each such company will continue to use Form B in connection with exports of goods from Canada; if such exports are to be paid for in foreign exchange which is to be deposited in such a foreign currency account, Form D shall also be used and both Form B and Form D shall have the BD permit number written or stamped thereon above the title of the Form as follows: "BD Permit No.". Form D shall also contain in the body of the Form the statement "Settlement through Authorized Foreign Currency Account, BD Permit No.". The company's Authorized Dealer may approve such Form D on behalf of the Board.

(e) Each such company will continue to use Form E in connection with imports of goods into Canada, and if any such imports are to be paid for out of such foreign currency account, Form E shall have the BD permit number written or stamped thereon above the title of the Form, and shall contain in the body of the Form the statement "Settlement through Authorized Foreign Currency Account, BD Permit No.".

20. Permission to operate a foreign currency bank account is granted upon the following further conditions:

(i) The company shall from time to time or when required by the Board, sell to the Board through an Authorized Dealer the foreign exchange resulting from transactions in such account.

(ii) No purchases or sales of foreign exchange for Canadian dollars shall be made otherwise than through an Authorized Dealer in Canada.

(iii) No transfer shall be made from an account in sterling to an account in United States dollars, or vice versa, except through an Authorized Dealer.

(iv) Each company will be required to submit to the Board a monthly report on Form BDE certified by an authorized official on behalf of the company and such other reports of whatever character as the Board may from time to time require. The first monthly report shall cover the period from September 16, 1939 to October 31, 1939, both inclusive.

(v) The Board's examiners shall be at all times entitled to examine the books and accounts and other records of the company in order to verify the reports made by the company to the Board or to obtain any information desired by the Board.

(vi) Such permission may be amended or withdrawn by the Board at any time.

21. (a) A resident company (hereinafter referred to as the resident company) which is a parent, subsidiary, branch or associate of a non-resident company (hereinafter referred to as the non-resident company) and which desires to operate an inter-company account with such non-resident company through which inter-company transactions may be recorded, shall apply in writing to the Board for permission. Such application should include a statement of the balance, if any, in the account as at 15th September, 1939; if such balance shows an amount owing by the resident company to the non-resident company it will be assumed, unless satisfactory evidence to the contrary is produced to the Board, that such balance is owing in Canadian funds; if the balance in the account represents an amount receivable from the non-resident company it will be assumed, unless satisfactory evidence to the contrary is produced to the Board, that such balance is in the currency of the country where the non-resident company has its chief place of business.

(b) Companies whose applications are approved by the Board will be notified of the permit number under which such inter-company accounts may be operated. (All such permit numbers will carry the prefix BD).

(c) Licences to operate inter-company accounts will be issued on the understanding that such accounts will be used solely for ordinary commercial purposes not including payments of interest or dividends, nor payments to meet bond maturities, payments for securities purchased, the repayment of loans or payments for any other purpose which would represent an export of capital. Applications for foreign exchange in connection with such transactions must be made to the Board by letter thirty days in advance. The income from and the proceeds of sales of foreign securities or other investments may not be credited to such inter-company accounts.

(d) Each such company will continue to use Form B in connection with exports of goods from Canada;

if such exports are to be settled for through such inter-company accounts, Form D shall also be used, and both Form B and Form D shall have the BD permit number written or stamped thereon above the title of the Form as follows: "BD Permit No..." Form D shall also contain in the body of the Form the statement "Settlement through Authorized Inter-company Account BD Permit No. ..."; the company's Authorized Dealer may approve such Form D on behalf of the Board.

(e) Each such company will continue to use Form E in connection with imports of goods into Canada; if such imports are to be settled for through such inter-company accounts, Form E shall have the BD permit number written or stamped thereon above the title of the Form, and shall contain in the body of the Form the statement "Settlement through Authorized Inter-company Account, BD Permit No..."

22. Permission to operate inter-company accounts is granted upon the following further conditions:

(i) The resident company shall from time to time or when required by the Board, obtain foreign exchange from the non-resident company, and sell such foreign exchange to the Board through an Authorized Dealer, to the full amount of the net balance arising out of transactions settled through the inter-company accounts.

(ii) No purchases or sales of foreign exchange for Canadian dollars shall be made otherwise than through an Authorized Dealer in Canada.

(iii) Exports to be paid for in Canadian dollars may not be recorded through an authorized inter-company account without the specific approval of the Board.

(iv) Each company will be required to submit to the Board a monthly report on Form BDE certified by an authorized official on behalf of the company and such other reports of whatever character as the Board may from time to time require. The first monthly report shall cover the period from September 16, 1939 to October 31, 1939, both inclusive.

(v) The Board's examiners shall be at all times entitled to examine the books and accounts and other records of the company in order to verify the reports made by the company to the Board or to obtain any information desired by the Board.

(vi) Such permission may be amended or withdrawn by the Board at any time.

23. Any resident having any foreign exchange in his possession, ownership or control on September 15, 1939, may apply for permission to use the same for any purpose for which foreign exchange would be sold by the Board. Application should be made on Form F, which will be marked "Special" by the Authorized Dealer to whom application is made. The provisions of this regulation apply only to foreign exchange so held on September 15, 1939, and not to any foreign exchange subsequently acquired by a resident.

24. Any person who has purchased foreign exchange from the Board may deposit the same in a foreign currency bank account and make withdrawals for the purpose or purposes disclosed in his application for such foreign exchange. It is not necessary to apply to the Board for permission to operate a foreign currency bank account for such purpose.

25. (a) Any person may apply to the Board for permission to operate a foreign currency deposit account on the understanding that if such application is approved, accumulations in such accounts will be sold to the Board, through an Authorized Dealer, at the end of each month, or at any other time if especially required by the Board. Form C must be used in connection with every such sale of foreign exchange to the Board.

(b) Foreign exchange purchased from the Board may be deposited in such foreign currency deposit account and disbursements may be made therefrom for the purpose or purposes disclosed in the application for such exchange, provided that the total of such disbursements may not exceed the total foreign exchange purchased from the Board. No other disbursements may be made from such accounts.

(c) Any person authorized to operate such a foreign currency deposit account must submit a copy of the statement of such bank account to the Board at the end of each month indicating thereon the reference number of each application for foreign exchange purchased from the Board (Form F or Form H) and deposited in such account, and the reference number of each declaration of foreign exchange offered for sale to the Board (Form C) covering the accumulations in such account sold to the Board at the end of each month, together with the name and address of the Authorized Dealer through whom such foreign exchange was purchased or sold.

26. Any stockbroker or investment dealer may apply to the Board for permission to operate a foreign currency bank account for the sole purpose of settling accounts with clients in the ordinary course of business. Any accumulations in such accounts other than amounts payable to clients must be sold to the Board through an Authorized Dealer at the end of each month or at any other time if especially required by the Board. Each such stockbroker and investment dealer must keep such records as may be necessary to establish to the satisfaction of the Board's Examiners that transactions passing through such bank accounts are in accordance with the provisions of this regulation.

27. Trustees, executors and agents for non-residents may apply to the Board for permission to operate foreign currency bank accounts in connection with transactions carried out solely on behalf of non-residents. Such permission will not be granted unless the Board is satisfied that a foreign currency bank account is necessary for the purpose of carrying out the duties of the trustee, executor or agent to the non-resident beneficiary or principal. If such permission is granted the trustee, executor or agent will be given a registration number bearing the prefix AG, and will operate the foreign bank account subject to such conditions and instructions as the Board may from time to time prescribe.

28. Regulations Nos. 18 to 27 inclusive supersede any instructions or rulings previously issued by the Board relative to inter-company accounts or foreign currency bank accounts, without prejudice to any transactions carried out prior to October 23, 1939, pursuant to any such instruction or ruling; provided that nothing in the said Regulations or in this Regulation shall affect any arrangements previously made by the Board with authorized dealers or special agents of the Board, or with insurance companies or trust companies respecting the conduct of their business, nor affect the position of non-residents, nor shall the said Regulations be construed so as to restrict in any way the operation of Regulation No. 8 or any ruling of the Board in relation thereto.

29. Paragraph (i) of Regulation No. 1 is repealed, and the following substituted therefor:

"(i) No permit shall be required for the sale by an Authorized Dealer or other agent of the Board of foreign exchange to a value not exceeding the equivalent of One Hundred Dollars in United States currency or Twenty-five Pounds Sterling purchased by any person in any month, provided that this exemption

shall apply only with respect to foreign exchange in the form of cash, cheques, postal notes, money orders and other items of a similar nature, payable at sight or on demand, and provided also that no Authorized Dealer or other agent of the Board shall sell foreign exchange under the provisions of this Regulation except in cases within the authority of such Authorized Dealer or other agent of the Board; in addition, a resident may without a permit pay or transfer Canadian currency to or to the account of a non-resident to an amount not exceeding one hundred dollars in any month to each such non-resident, except where such payment is to be made in connection with a purchase of securities from a non-resident.

30. Paragraph (b) of Regulation No. 10 is repealed and the following substituted therefor:

"(b) An Authorized Dealer may issue a permit for the sale of foreign exchange to a non-resident private individual having on September 15, 1939, a Canadian-currency deposit with any bank, savings bank, insurance company, trust or loan company or other similar depository, up to a total not exceeding the equivalent of Five Thousand Dollars, provided that payment for such foreign exchange is made by means of a cheque drawn on such deposit account for a sum not exceeding the credit balance on September 15, 1939; and to facilitate any such transaction the said depository may sign the relative application for such foreign exchange on behalf of the non-resident depositor."

31. Regulation No. 11 is amended by adding thereto the following:

"Provided that this right of automatic conversion into foreign exchange shall not apply with respect to dividends becoming due after October 23, 1939, on any shares of which fifty per cent or more were held by one non-resident shareholder on September 15, 1939, or at any time subsequent to such date, or on any shares held by fewer than one hundred persons on September 15, 1939, or at any time subsequent to such date. In any such case, the company shall obtain a permit from the Board before making any payment of dividends to non-residents, upon application to be made thirty days in advance of the date of payment; in such cases a permit will be granted for payment in Canadian dollars, but the right of automatic conversion into foreign exchange will be granted only if, in the opinion of the Board, no export of capital is involved.

32. An Authorized Dealer may approve a permit (Form G) for any payment or transfer of Canadian currency to or to the account of a non-resident, where such payment or transfer is to be made in the administration of an estate, or pursuant to any trust, or in satisfaction of all or part of a matured obligation under a bond, debenture, or other secured or unsecured debt, or is a payment for property sold by a non-resident, with the exception that any application for permission to make such a payment or transfer of Canadian dollars in connection with a purchase of securities or any unmatured debt by a resident from a non-resident, or from any person acting for a non-resident, shall be referred to the Board.

33. (a) No export licence or import licence shall be required for the export or import of goods having a value not exceeding twenty-five dollars; in connection with each such unlicensed export or import the exporter or importer shall revert to the practice followed before the coming into force of the

Foreign Exchange Control Order, subject always to the provisions of any other laws affecting exports or imports.

(b) At the time of purchasing foreign exchange, or applying for permission to pay Canadian dollars, in connection with any such unlicensed imports, to a value in excess of One Hundred Dollars per month, the importer shall produce to his Authorized Dealer one copy of each relative Customs import entry, appraisal note or Customs Invoice in lieu thereof, stamped and attested by a Customs official. The Authorized Dealer shall mark each such Customs document to indicate it has been used for the purposes of this Regulation (any stamp containing the name of the bank and branch, and the date, will be sufficient) and return the document to the importer. No Authorized Dealer shall sell foreign exchange, or issue a permit for the payment of Canadian dollars, to a value in excess of One Hundred Dollars per person per month, in payment for any such unlicensed imports unless the importer presents Customs import documents as aforesaid, not previously used for such purpose, to an amount approximately equal to the value of the foreign exchange or Canadian dollars in question, nor unless the importer states in his application that it relates to imports represented by the said import documents and lists the Customs identification numbers thereof. Provided, however, that an Authorized Dealer may, in his discretion, sell foreign exchange or issue a permit for the payment of Canadian dollars in advance of

the importation, if satisfied that the relative imports will be made and that import documents will be subsequently presented, as aforesaid, and in any such case the Authorized Dealer shall report to the Board if the said import documents are not presented on or about the date indicated in the importer's application for foreign exchange or for permission to make payment in Canadian dollars.

(c) Nothing in this Regulation shall exempt an exporter or importer from any provisions of the Foreign Exchange Control Order or Regulations of the Board other than the requirement of obtaining export and import licences issued by or on behalf of the Board.

(d) This Regulation shall not apply with respect to exports for payment in Canadian dollars nor with respect to exports or imports by the holder of a BD permit.

34. Any Company incorporated outside Canada and wholly or partly owned or controlled by a resident or residents in such circumstances that it constitutes a family corporation or personal corporation within the meaning of the Income War Tax Act shall be and be deemed to be a resident of Canada for the purpose of the Foreign Exchange Control Order.

Certified to be a true copy and in accordance with the Minutes of the Board.

G. F. TOWERS,
Chairman.



THE CANADA GAZETTE

LA GAZETTE DU CANADA

OTTAWA, THURSDAY, NOVEMBER 2, 1939

GOVERNMENT NOTICE

REGULATIONS OF THE FOREIGN EXCHANGE CONTROL BOARD

CERTIFIED EXTRACT from the Minutes of a Meeting of the Foreign Exchange Control Board held at Ottawa, the 1st day of November, 1939.

ON Motion duly made and seconded, the following Regulations numbered 35 to 39, inclusive, were passed and enacted:

35. Special export-import licences may be granted under certain circumstances to commercial companies with a substantial volume of export and/or import shipments. Applications for such licences must be made in triplicate on Form BE, two copies to be sent to the Board. Copies of this form may be obtained from Collectors of Customs and Excise. If and when such applications are approved, the applicant will be advised of the number of the special export-import licence and the date on which such licence will become effective.

36. (a) Special export-import licence holders will not be required to prepare Forms B in respect of exports and Forms E in respect of imports, but in lieu thereof will revert to the practice followed in clearing exports and imports prior to the effective date of the Foreign Exchange Control Order. Such holders will relinquish General Export Licence A if previously obtained. Customs entries are to be stamped with the special export-import licence number. Sufficient copies of entries are to be furnished to ensure the return to the licence holder of a certified copy from the Collector concerned. Export-import licences on Form BE are issued solely for the purpose of the Foreign Exchange Control Order and shall not be deemed to authorize any exportation or importation or other act by the holders thereof in contravention of any other law.

(b) Paragraphs (d) and (e) of Regulation 19 and Paragraphs (d) and (e) of Regulation 21 shall not apply to exports or imports made under authority of a special export-import licence.

37. Each company which has been granted a special export-import licence will be required to submit to the Board a monthly report on Form BDE certified by an authorized official on behalf

of the company and such other reports of whatever character as the Board may from time to time require. The Board's examiners shall be entitled at all times to examine the books and accounts and other records of the company in order to verify the reports made by the company to the Board or to obtain any information desired by the Board.

38. (a) Foreign exchange for the full value of all exports made under authority of a special export-import licence must be sold to the Board through an Authorized Dealer as soon as received, subject, however, to the provisions of Regulations 19, 20, 21 and 22 in respect to settlement for exports and imports by commercial companies which have been granted permission to operate foreign currency bank accounts or inter-company accounts.

(b) A holder of a special export-import licence may not make any exports for payment in Canadian dollars unless special permission has been obtained from the Board in the form of a "Control Permit-Canadian Payment"; in any such case exports for payment in Canadian dollars may be made to the extent permitted by such Control Permit and the provisions of Regulation 36 shall apply with respect to the procedure to be followed by the exporter; Form B and Form D shall not be used in connection with such exports.

39. Regulation 33 is amended by striking out Paragraph (b) thereof and substituting therefor the following:

"(b) At the time of purchasing foreign exchange, except in cases for which no permit is required pursuant to Regulation 29, or applying for permission to pay Canadian Dollars, in connection with any such unlicensed imports, the importer shall produce to his Authorized Dealer one copy of each relative Customs import entry, appraisal note or Customs Invoice in lieu thereof, stamped and attested by a Customs official. The Authorized Dealer shall mark each such Customs document to indicate it has been used for the purposes of this Regulation (any stamp containing the name of the bank and branch, and the date, will be sufficient) and return the document to the importer. No

Authorized Dealer shall sell foreign exchange, except in cases for which no permit is required pursuant to Regulation 29, or issue a permit for the payment of Canadian Dollars, in payment for any such unlicensed imports unless the importer presents Customs import documents as aforesaid, not previously used for such purpose, to an amount approximately equal to the value of the foreign exchange or Canadian Dollars in question, nor unless the importer states in his application that it relates to imports represented by the said import documents and lists the Customs identification numbers thereof. Provided, however, that an Authorized Dealer may, in his discretion, sell foreign exchange or issue a permit for the payment of Canadian Dollars in advance of the importation, if satisfied that the relative imports will be made and that import documents will be subsequently presented, as aforesaid, and in any

such case the Authorized Dealer shall report to the Board if the said import documents are not presented on or about the date indicated in the importer's application for foreign exchange or for permission to make payment in Canadian Dollars. Any Authorized Dealer to whom application is made for foreign exchange pursuant to Regulation 29 in connection with a payment for imports may in his discretion require production of import documents or other evidence sufficient to satisfy him that the foreign exchange or Canadian Dollars in question are required for the purpose of making payment for imports as stated by the applicant."

Certified to be a true copy and in accordance with the Minutes of the Board.

G. F. TOWERS,
Chairman.

OTTAWA: Printed by J. O. PATENAUE, I.S.O., Printer to the King's Most Excellent Majesty, 1939.

November 8, 1939

Honorable G. F. Towers,
Governor, Bank of Canada,
Ottawa, Ontario,
Canada.

Dear Governor Towers:

Please accept my thanks for your courtesy
in sending to me with your letters of September 28th
and November 3rd regulations in connection with your
Foreign Exchange Control, as published in the Canada
Gazette.

Sincerely,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

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~~FOR FILES
F. G. Ritter~~