

PART II.—MISCELLANEOUS COMMERCIAL FINANCE

Section 1.—Loan and Trust Companies*

The Canada Year Book, 1934-35, presents at p. 993 an outline of the development of loan and trust companies in Canada from 1844 to 1913.

The laws relating to loan and trust companies were revised by the Loan and Trust Companies Acts of 1914 (4-5 Geo. V, cc. 40 and 55), with the result that the statistics of provincially incorporated loan and trust companies ceased to be collected. However, certain summary statistics of provincial companies have been supplied for 1939 by courtesy of those companies and are included in Table 1 in order to complete the picture for loan and trust companies throughout Canada. It is estimated that more than 90 p.c. of the business of provincial companies is represented in the figures, so that they may be accepted as fairly inclusive and representative of the volume of business transacted as compared with Dominion registered companies. The statistics of Tables 2 and 3 refer only to those companies operating under Dominion charter, except that, beginning in 1925, the statistics of loan companies and trust companies incorporated by the Province of Nova Scotia, and brought by the laws of that Province under the examination of the Dominion Department of Insurance, have been included in Table 3 as well as those for trust companies in New Brunswick since 1934 and in Manitoba for 1938. These historical series start with the year 1920, at which time the Dominion Department of Insurance took over the administration of the legislation concerning Dominion loan and trust companies—the Department of Finance had previously exercised supervision of their activities.

As indicating the progress of the aggregate of loan company business in Canada, it may be stated that the book value of the assets of all loan companies increased from \$188,637,298 in 1922 to \$213,649,794, or by 13.3 p.c., in 1931, but declined from 1931 to 1939 by 8.8 p.c. The assets of trust companies (not including estates, trust and agency funds, which cannot be regarded as assets in the same sense as company and guaranteed funds) increased from \$154,202,165 in 1928 to \$232,076,742, or 50.5 p.c., in 1939. In the former year, the total of estates, trust and agency funds administered amounted to \$1,077,953,643 and in the latter year to \$2,664,589,751. (Table 1.)

Functions of Loan Companies.—The principal function of loan companies is the lending of funds on first mortgage security, the money thus made available for development purposes being secured mainly by the sale of debentures to the investing public and by savings department deposits. Of the loan companies operating under provincial charters, the majority conduct loan, savings and mortgage business, generally in the more prosperous farming communities.

Functions of Trust Companies.—Trust companies act as executors, trustees and administrators under wills or by appointment, as trustees under marriage or other settlements, as agents or attorneys in the management of the estates of the living, as guardians of minor or incapable persons, as financial agents for municipalities and companies and, where so appointed, as authorized trustees in bankruptcy. Some companies receive deposits, but the lending of actual trust funds is restricted by law.

* Revised under the direction of G. D. Finlayson, Superintendent of Insurance, Department of Insurance.