

Financial and budgeting arrangements are similar to those of other Crown companies carrying on industrial or commercial operations. Loans are made from the Consolidated Revenue Fund for operating and capital expenses, with the total outstanding at any time limited to \$35 million. Provision is made for loans for temporary purposes and a reserve is established against losses. Operations are conducted with the aim of making a small profit.

On December 16, 1971, a decision was made by the Cabinet to locate a new plant for the production of coin for general circulation in the Winnipeg area of Manitoba. Work on the site was begun in October 1972 and the plant will be officially opened in the spring of 1976.

The Olympic (1976) Act, assented to on July 27, 1973, authorized the issue of silver coins in the denominations of \$5 and \$10 during the years 1973, 1974, 1975 and 1976 to commemorate the 1976 Summer Olympic Games. A tender of payment of money in Olympic coins is a legal tender for payment of an amount not exceeding \$20.

19.1.4 Chartered banks

Canada's commercial banking system consists of 10 privately owned banks. Eight have been in operation for many years, one began operations in July 1968 and another in January 1973. At the end of December 1974, these banks operated 6,878 banking offices in Canada and 278 abroad. Canadian chartered banks accept various types of deposits from the public including accounts payable on demand, both chequing and non-chequing, notice deposits and fixed-term deposits. In addition to holding a portfolio of securities, they make loans under a wide variety of conditions for commercial, industrial, agricultural and consumer purposes. They also deal in foreign exchange, receive and pay out bank notes, provide safekeeping facilities and perform various other services. For the most part, these operations are carried out in Canada by the extensive network of bank branches. The head offices of the banks confine their activities largely to general administration and policy-making functions, the management of the banks' investment portfolio and related matters. A detailed account of the branch banking system in Canada is given in the *1967 Canada Year Book*, pp 1126-1128.

All banks operating in Canada are chartered (i.e. licensed) by Parliament under the terms of the Bank Act. The Act regulates certain internal aspects of bank operations such as the auditing of accounts, the issuing of stock, the setting aside of reserves and similar matters. In addition, the Bank Act regulates the banks' relationship with the public, the government and the Bank of Canada.

The Bank Act has been revised at approximately 10-year intervals; the most recent revision was enacted by Parliament early in 1967 and came into effect on May 1 of that year. Increased competition and flexibility in the Canadian banking system were reflected in various new Bank Act provisions. These imposed certain restrictions on corporate and other relationships between banks and other financial institutions, while removing certain existing restrictions on the banks' operations which had placed them at some competitive disadvantage in recent years compared with their principal financial competitors.

In the past, various forms of intercorporate financial relationships between chartered banks and other financial enterprises had developed in Canada. In some instances these involved investment by banks in the shares of these enterprises, and vice versa; in others the relationship involved interlocking directorships. These practices are severely restricted under the terms of the 1967 Bank Act, which limits bank ownership of any Canadian corporation to 10% of the voting shares and also provides that no more than one fifth of the directors of any company may become directors of a bank. In addition, after a two-year period a director of a trust or mortgage loan company which accepts deposits from the public may not be appointed or elected a director of a bank. In order to ensure that competition is not curtailed by agreements among the banks on interest rates to be paid on deposits or charged for loans, the 1967 Bank Act prohibits the making of such agreements (except with the consent of the Minister of Finance). At the same time the provision that was formerly in the Bank Act limiting to 6% the interest rate which chartered banks could charge on loans was abolished effective January 1, 1968. Under the 1967 Bank Act, the determination of interest rates on loans and deposits is left to market forces.

The 1967 Bank Act also granted the banks new mortgage-lending powers, permitting them to charge current rates of interest on mortgage loans under the National Housing Act, and also, for the first time, to make conventional residential mortgage loans. In the case of