Trust companies operate as financial intermediaries in two distinct areas: banking and fiduciary. Under the banking functions, trust corporations are permitted to accept funds in exchange for their own credit instruments such as trust deposits, guaranteed investment certificates, etc. This aspect of its business is often referred to as the "guaranteed funds" portion and differs little from the savings business of chartered banks.

Trust corporations are the only corporations in Canada with power to conduct fiduciary business. In this capacity they act as executors, trustees and administrators under wills or by appointment, as trustees under marriage or other settlements, as agents in the management of estates of the living, as guardians of minor or incapable persons, as financial agents for municipalities and companies, as transfer agents and registrars for stock and bond issues, as trustees for bond issues and, where so appointed, as authorized trustees in bankruptcies.

Mortgage corporations may also accept deposits and may issue both short-term and long-term debentures. The investment of these funds is spelled out specifically in the Acts but generally the funds are invested in mortgages secured by real estate.

Trust and mortgage companies were established and grew rapidly under provincial legislation in the late 19th and early 20th centuries. Some companies were chartered by special Acts of Parliament but it was not until 1914 that the federal government began to regulate trust and mortgage companies registered under its Acts. In 1973 there were 17 federal trust companies and 14 federal mortgage companies. The Superintendent of Insurance regulates these companies and also, by arrangement with the provinces, trust and mortgage companies incorporated in Nova Scotia and trust companies incorporated in New Brunswick and Manitoba. Companies must be licensed by each province in which they wish to operate.

Although there may be some differences among the various federal and provincial Acts, the broad lines of the legislation are common. In their intermediary business the companies have the power to borrow or, in the case of trust companies, to accept funds in guaranteed accounts subject to maximum permitted ratios of these funds to shareholders' equity. The funds may be invested in specified assets which include: first mortgages secured by real property; government securities, and the bonds and equity of corporations having established earnings records; loans on the security of such bonds and stocks; and unsecured personal loans. Trust and mortgage companies are not required to hold specified cash reserves, as are the chartered and savings banks, but there are broadly defined "liquid asset" requirements in a number of the Acts.

In the 1920s trust and mortgage companies held about one half of the private mortgage business in Canada but their growth rate fell off sharply because of the effect of the depression and World War II on the mortgage business. In the years since then the strong demand for mortgage financing has led to sustained rapid expansion.

At the end of 1973 total assets of trust companies in the Statistics Canada survey were $10,509 million compared with $8,601 million a year earlier, an increase of 22%. Trust companies have been putting a high proportion of their funds into mortgages with the result that 69% of their total assets were represented by mortgages at the end of 1973. The trust companies had $7,577 million in term deposits outstanding and $2,048 million in demand deposits at the end of 1973, accounting for 92% of total funds. About 27% of the demand or savings deposits were in chequable accounts. There is considerable variety among the trust companies and a few have developed a substantial short-term business, raising funds by issuing certificates for terms as short as 30 days and also operating as lenders in the money market. Nevertheless, the main business of the trust companies in their intermediary role is to channel savings into mortgages and other long-term investments. In addition, trust companies, as at December 31, 1973 had $29 billion under administration in estate, trust and agency accounts. Summary statistics are given in Tables 19.20 - 19.22.

Mortgage companies had total assets of $5,913 million at the end of 1973 compared with $4,778 million a year earlier. Their holdings of mortgages amounted to $4,753 million, or 80% of total assets. To finance their investments, these companies sold $4,032 million of term deposits and debentures and $646 million of demand deposits.

More complete and up-to-date financial information may be found in quarterly financial statements published by Statistics Canada and the Bank of Canada, the reports of the Superintendent of Insurance on loan and trust companies and the reports of provincial supervisory authorities.