over the 1980 total of nearly $6.9 billion. The Credit Union National Association serves as the central organization for provincial centrals.

Most funds are invested in securities and are financed by demand and term deposits from local credit union members. The combined total assets of local and central credit unions exceeded $38 billion at the end of 1981.

18.2 Other financial institutions

18.2.1 Trust and mortgage companies

Trust and mortgage companies are registered with either federal or provincial governments. They operate under the federal Loan Companies Act (RSC 1970, c.L-12) and the Trust Companies Act (RSC 1970, c.T-16), or under the corresponding provincial legislation.

Trust companies operate as financial intermediaries in two areas: banking and fiduciary. Under the banking function, trust corporations can accept funds in exchange for their own credit instruments such as trust deposits and guaranteed investment certificates. 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, 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 under which most of 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. The federal superintendent of insurance regulates the federal 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 federal and provincial acts, 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 shareholder 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 half 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. Since then strong demand for mortgage financing has led to sustained rapid expansion.

At the end of 1983 total assets of trust companies in the Statistics Canada survey were $52.6 billion compared with $47.4 billion in 1982, an increase of 11%. Trust companies have been putting a high proportion of their funds into mortgages and 59% of their total assets were represented by mortgages at the end of 1983. The trust companies had $34.9 billion in term deposits outstanding and $11.6 billion in demand deposits at the end of 1983, accounting for 88% of total funds. About 30% of demand or savings deposits were in chequing 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. But the main business of trust companies in their intermediary role is to channel savings into mortgages. In addition, trust companies, as at December 31, 1983, had $105 billion under administration in estate, trust and agency accounts. Summary statistics are given in Tables 18.17 and 18.19.

Mortgage companies had total assets of $39.7 billion at the end of 1983 compared with $29.0 billion in 1982. Their holdings of mortgages were $32.4 billion, or 82% of total assets. To finance their investments, these companies sold $23.3 billion of term deposits and debentures and $641 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.

Statistics Canada publishes quarterly balance sheets for sales finance and consumer loan companies as a whole and does not attempt to distinguish the