

18.1.6 Other banking institutions

In addition to the savings departments of the chartered banks and of trust and loan companies, there are provincial government financial institutions in Ontario and Alberta, established under federal legislation and reporting monthly to the Department of Finance. The Province of Ontario Savings Office, in operation since 1922, has branches throughout the province. Province of Alberta Treasury branches, established in 1938, provide all banking services and are authorized lending agents for farm improvement loans and small business loans guaranteed by the federal government. The Montreal City and District Savings Bank, founded in 1846, became a Schedule B bank, September 28, 1987, under the name of Laurentian Bank of Canada.

Credit unions. Co-operative credit unions also encourage savings and extend loans to their members. The first credit union in Canada was founded in Lévis, Que. in 1900 to promote thrift by encouraging saving and to provide loans to members who could not get credit elsewhere or could get it only at high interest rates. For many years, growth was slow; in 1911, when the first figures were available, assets amounted to \$2 million and by 1940 they were only \$25 million. However, since that time there has been a spectacular increase. The first credit union legislation was passed in Nova Scotia in 1932, followed by legislation in Manitoba and Saskatchewan in 1937, and in Ontario and British Columbia in 1938.

Credit unions are under provincial legislation. Almost all local credit unions in each province belong to central credit unions operating within the province. The number of chartered local credit unions in Canada at the end of 1987 was 2,975. They reported total assets of \$55.1 billion. Quebec, with assets of \$28.5 billion, accounted for 52% of assets of all credit unions in Canada.

Outstanding loans extended by local credit unions at year end increased 15.6% in 1987 over 1986 to reach \$43.4 billion. Assets at \$55.1 billion increased 12.9% and deposit liabilities at \$46.9 billion increased 10.4% over 1986.

There were 14 central credit unions in 1987. Their main functions are to provide member local credit unions with financial and other services; to assist locals to increase the efficiency of their operations; and to extend the locals' usefulness and effectiveness to members. Most centrals also admit co-operatives as members. Total assets of the centrals increased 12.4% to \$13.6 billion over the 1986 total of nearly \$12.1 billion. The Canadian Co-operative Credit Society serves as the central organization for provincial centrals outside

Quebec and the Confédération des Caisses Populaires et d'Économie Desjardins du Québec serves the same function in Quebec.

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 were nearly \$69 billion at the end of 1987.

18.2 Other financial institutions

18.2.1 Trust and mortgage loan companies

Trust and mortgage loan 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.

The business of trust companies falls into two distinct activities: financial intermediation and fiduciary. Under the financial intermediary 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 companies are the only corporations in Canada with power to conduct fiduciary business. In this capacity they act as trustees for pension funds; registrars and transfer agents for corporate share issues; trustees for corporate debt issues; and administrators of estates, trusts and agencies.

Mortgage loan companies may also accept deposits and issue both short-term and long-term debentures. The investment of these funds is spelled out specifically in the acts under which they are regulated. Most of the funds are invested in mortgages secured by real estate.

Trust and mortgage loan 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 loan companies registered under its acts. The federal superintendent of financial institutions regulates the federal companies and also, by arrangement with the provinces, trust and mortgage loan companies incorporated in Nova Scotia and trust companies incorporated in Prince Edward Island and Manitoba. Companies must be licensed by each province in which they wish to operate.