

**BILL
C-42**

New Transparency Measures for Federal Companies

On January 22, 2024, certain proposed amendments to the *Canada Business Corporations Act* will come into force. Are you ready?

These amendments are part of the objectives and a series of measures announced by the federal government to counter the misuse of federally incorporated companies for illegal activities, including money laundering, terrorist financing and tax evasion, by facilitating timely access to beneficial ownership information by relevant agencies.

Result: As of January 22, 2024, private corporations governed by the Canada Business Corporations Act (CBCA) will be required to file their information on individuals with significant control (ISC) with Corporations Canada.

Our team has prepared a summary of your new obligations in this regard to guide your actions.

On the Horizon

Most of the ISC information filed with Corporations Canada will be made available to the public when Bill C-42 (An Act to amend the *Canada Business Corporations Act* and to make consequential and related amendments to other Acts) comes into force.

| Consequences of Non-Compliance

Failure to comply with the obligations may result in significant sanctions, which include:

- For a corporation: a fine of up to \$100,000, effective from January 22, 2024; difficulties in obtaining a certificate of existence from Corporations Canada and, presumably, a certificate of compliance, which are often key closing conditions in financing, mergers and acquisitions and other commercial transactions; as well as potential dissolution and imprisonment.
- For a director, officer or shareholder of the corporation: starting on January 22, 2024, a fine of up to \$1,000,000 or imprisonment for up to five years, or both.

| Key Dates

June 13, 2019

Private federal business corporations are subsequently required to create and maintain an ISC Register.

June 23, 2022

Bill C-19, also known as *Budget Implementation Act, 2022, No. 1*, received Royal Assent.

November 2, 2023

Bill C-42 received Royal Assent.

January 22, 2024

The proposed amendments to the CBCA will come into force.

| What is an ISC?

An ISC is an individual (natural person) who has significant control over a private corporation governed by the CBCA, which includes an individual who:

- ✓ either individually, jointly or in concert with one or more individuals, is the registered holder or beneficial owner of a “significant number of shares” of the corporation, or exercises direct or indirect control or direction over a “significant number of shares” of the corporation

What is regarded as a “significant number of shares”:

- carries 25% or more of the voting rights attached to all of the corporation’s outstanding voting shares; or
 - is equal to 25% or more of all of the corporation’s outstanding shares measured by fair market value.
- ✓ has any direct or indirect influence that, if exercised, would result in control in fact of the corporation.

ISC Register

Effective June 13, 2019, each private corporation governed by the CBCA is required to prepare and maintain a register containing the required information relating to each of its ISCs and the reasonable steps that the corporation has taken to properly identify all of its ISCs and update the register.

| New Obligations

Starting January 22, 2024, each private CBCA corporation will be required to file with Corporations Canada the information contained in its ISC Register as well as some new information. Under Bill C-42, which was recently adopted and assented to, some of this information may also soon be made public on Corporations Canada’s website.

Information That May Be Made Public:

- Full legal name
- Date on which the individual became and ceased to be an ISC, as applicable
- Description of significant control of the ISC
- Residential address (new - be made public if no address for service provided)
- Address for service (new - if one has been provided)

Corporations will be required to file the ISC information with Corporations Canada:

- ✓ with their annual report
- ✓ within 15 days of any change to their ISC Register
- ✓ incorporation
- ✓ within 30 days of the date on their certificate of amalgamation
- ✓ within 30 days of the date on their certificate of continuance

Information That Would Not Be Made Public

- Date of birth
- Country (or countries) of citizenship (new)
- Country(ies) where the ISC is considered to be a resident
- Residential address (if an address for service has been provided)

On the Cutting Edge of Legal Developments

We have the expertise to support you in this transition. In addition, Fasken's team provides you with a number of resources to help you better understand the upcoming legislative changes.



Access the Resource Centre to view all documentation related to the Act.

Are You Interested in the Latest Legal Developments?

Fasken's lawyers are leaders in their fields, publishing newsletters and podcasts, and hosting numerous webinars and conferences. Follow us on social media for more information.

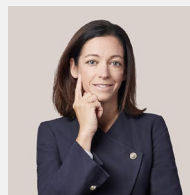
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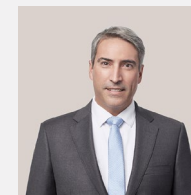
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Key Contacts

Please don't hesitate to contact us for any questions you may have.



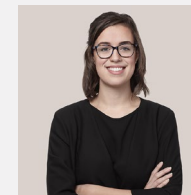
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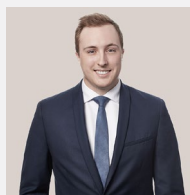
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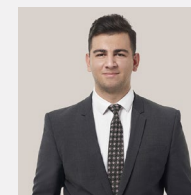
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