

NEW TRANSPARENCY REQUIREMENTS ON THE HORIZON FOR FEDERAL CORPORATIONS: BILL C-42'S PROPOSED AMENDMENTS TO THE *CANADA BUSINESS CORPORATIONS ACT*

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Background

Since June 2019, the *Canada Business Corporations Act* (the “**CBCA**”) has required federal corporations to maintain a register of individuals with significant control over the corporation (the “**ISC Register**”).^[1] Significant control includes individuals:

1. who own, control or direct (including indirectly) a significant number of shares;
2. who have direct or indirect influence, if exercised, would result in control in fact of the corporation; or
3. who have any combination of the above.

This requirement is intended to provide transparency about who owns and controls a corporation in order to prevent tax evasion and money laundering, and to assist authorities in prosecuting such crimes. While a corporation is not required to disclose its ISC Register to the public, it must provide investigative bodies with a copy of the ISC Register or specified information in the ISC Register, on request. For the purposes of the CBCA, investigative bodies means any police force, the Canada Revenue Agency or equivalent provincial agencies, or any prescribed body that has specific investigative powers. Although, access is limited to circumstances where the investigative body has reasonable grounds to suspect that the information would be relevant to investigating an enumerated offence and that the corporation subject to the request committed the offence, facilitated the offence or protected a person who committed the offence.

Proposed Amendments

Bill C-42, *An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts*, (the “**Bill**”) introduced in Parliament on March 22, 2023, proposes to further increase corporate transparency and accountability, particularly by making available to the public certain information in the ISC Register.^[2] A number of key elements of information would be publicly accessible and searchable. Other more sensitive data points, such as date of birth and citizenship, would only be available to

law enforcement and certain authorized entities.

The Bill proposes the following amendments:

- allowing Corporations Canada to make publicly available information about individuals with significant control, including their name, address for service or residential address, and share ownership;
- increasing information to be contained in the ISC Register to include an individual's residential address, address for service and citizenship;
- requiring corporations to proactively submit information on individuals with significant control to Corporations Canada on at least an annual basis, when a change in control occurs, and as otherwise prescribed by regulation;
- increasing and broadening the consequences for non-compliance, including fines up to \$200,000 and/or 6 months of criminal imprisonment, refusal by Corporations Canada to issue a certificate of existence, or dissolution;
- providing an exemption application process for individuals with significant control to have their information not made public, on the basis that such disclosure would present a serious threat to the individual's safety or the information is to be kept confidential under federal or provincial conflict of interest legislation;
- expanding on types of corporations that are exempt from the ISC Register requirements to not only include reporting issuers, but also corporations that are a wholly-owned subsidiary of an exempted corporation and Crown corporations;
- allowing provinces and territories to share information with the federal registry; and
- allowing Canada Revenue Agency to share data with Corporations Canada to support validation and verification of the information filed by corporations.

Conclusion

Bill C-42 is currently at the second reading stage and there are still many details to be determined, including the specific requirements for the federal registry its implementation and timeline. However, the proposed legislative changes are part of the government's commitment to corporate transparency and accountability and a public and searchable beneficial ownership registry is expected to be accessible before the end of 2023.

[1] Government of Canada, "[Regulatory proposals for the register of individuals with significant control regime](#)" (4 April 2023), online: Innovation, Science and Economic Development Canada.

[2] Parliament of Canada, "[C-42, An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts](#)", online: Parliament of Canada.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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