



**Canadian Life
and Health Insurance
Association Inc.**

**Association canadienne
des compagnies d'assurances
de personnes inc.**

March 6, 2014

DELIVERED VIA E-MAIL: cbca-consultations-icsa@ic.gc.ca

Director General
Marketplace Framework Policy Branch
Industry Canada
235 Queen Street, 10th Floor
Ottawa, Ontario
K1A 0H5

Dear Sir/Madam:

Consultation on the *Canada Business Corporations Act*

The Canadian Life and Health Insurance Association is pleased to provide comments on the Industry Canada Consultation on the Canada Business Corporations Act (CBCA). Our comments are focused on one particular aspect of the consultation related to the topic of corporate transparency.

Established in 1894, the Canadian Life and Health Insurance Association (CLHIA) is a voluntary trade association that represents companies which together account for 99 per cent of Canada's life and health insurance business. The industry, which provides employment to more than 142,000 Canadians and has investments in Canada of about \$615 billion, protects about 27 million Canadians through products such as life insurance, annuities, RRSPs, disability insurance and supplementary health plans. It pays benefits of over \$66 billion a year to Canadians and manages about two-thirds of Canada's private pension plans.

The CLHIA supports the objective of improving corporate transparency with better access to accurate and timely information on beneficial ownership of corporations by competent authorities such as law enforcement and tax authorities. CLHIA believes that the availability of such information should also assist financial institutions in meeting requirements established by the Proceeds of Crime (Money Laundering) and Terrorist Financing (PCMLTF) Act and Regulations. In addition, it would be helpful to expand information to include reporting regarding the international tax classification for an entity.

1 Queen Street East
Suite 1700
Toronto, Ontario
M5C 2X9

Tel: (416) 777-2221
Fax: (416) 777-1895
www.clhia.ca

1, rue Queen Est
Bureau 1700
Toronto (Ontario)
M5C 2X9

Tél.: (416) 777-2221
Fax: (416) 777-1895
www.accap.ca

Toronto • Montreal • Ottawa



A central goal of the availability of expanded corporate information should be to “reduce red tape”. For the persons who are required to provide the information, this can be accomplished by creating the ability to update information in only one location. This will also simplify processes for financial institutions since they will not need to repeatedly request confirming information from those same persons when they are clients of the financial institution. This will promote the objective of greater economic efficiency and will reduce the cost of legislative compliance for businesses.

We have the following specific comments.

Anti-Money Laundering and Anti-Terrorist Financing Requirements

The CBCA expansion of information should assist financial institutions with confirming the accuracy of identification and beneficial ownership requirements established by the PCMLTF Act and Regulations. If this is done, financial institutions will not need to obtain confirming information from a corporation itself and will be able to rely on the information contained in the registry.

Beneficial ownership information which is collected should match the information types required to be collected under the PCMLTF Act, and include both direct and indirect ownership requirements. For example, name, address, occupation and employer information should be provided. If the beneficial owner is an entity, then the name and corporate reference information of the entity should be provided so a subsequent review can be performed to attain information on all indirect owners.

Beneficial owners should also be asked to provide information to address indirect requirements under the anti-money laundering regulations. In this way, financial institutions would be able to meet the requirements of the anti-money laundering and anti-terrorist financing regulations more efficiently. For example, beneficial owners should be required to provide their date of birth, or at a minimum, their year of birth and their country of residence. This will facilitate the identification of anti-terrorist financing risks and politically exposed foreign person (PEFP) determination for people with common names.

Providing the North American Industry Classification System (NAICS) code for a corporation should be required to assist in determining high risk industry classification and tax classification validation. Inclusion of the website address of the entity would also be helpful to validate the entity's primary industry.



Records Access and Security of Beneficial Owner Information

The expansion of reporting requirements under the CBCA should extend to all institutions with an obligation to report to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) in order to establish a comprehensive reporting framework with complete information.

Reported information should satisfy the PCMLTF Act and Regulation requirements for identification of beneficial owners who own or control 25 per cent or more of an entity and securities industry rules requiring identification of persons who own or control more than 10 per cent (see Investment Industry Regulatory Organization of Canada (IIROC) Rule 1300).

An automated extract should be available to financial institutions and to approved third party(ies). A secondary level of information access with approval could be designed in order to balance the need for access with privacy and security concerns.

International Tax Classification Requirements Under The Canada-US Enhanced Tax Information Exchange Agreement

In accordance with the legislative proposals announced on February 10th, 2014, financial institutions in Canada will be required to collect additional entity classification information to combat tax evasion internationally as of July 1st, 2014. To meet the common reporting standards of the OECD (resulting from the agreement to address tax evasion and FATCA), the international taxation entity type (known in financial services industry as the FATCA entity status) and other required data needed to meet the corporate tax classification (OECD/FATCA model) should be required in the CBCA amendments. For example, if the entity is a Passive non-financial foreign entity (NFFE), then the beneficial owners should be asked about foreign tax reporting obligations. If the entity is a financial institution, then their Global Intermediary Identification Number (GIIN) should also be provided as applicable.

Currently, all Canadian financial institutions are required to have entity customers complete a very complex form for many existing entity accounts above \$250,000 in holdings. Starting July 1st, 2014 a very complex form will be required to be completed each time they open a new account (including purchasing cash value insurance or annuities) to comply with the new tax regulations for entities. If entities were required to provide this information only once under the CBCA, and it was stored in a central repository accessible to financial institutions, it would eliminate the need for entities to have to provide this same information multiple times to each financial institution that the entity deals with (i.e., each time they



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open a bank account, or purchase cash value insurance or annuities, or open any other type of reportable "financial account"). This would significantly reduce compliance burdens and costs for all Canadian entities, both financial institution customers and financial institutions.

The CLHIA appreciates the opportunity to provide its comments on the Consultation. Should you require any additional information please feel free to contact my colleague James Wood (416-359-2025; jwood@clhia.ca) or me (416-359-2044; fzinatelli@clhia.ca.)

Yours very truly,

"Frank Zinatelli"

Frank Zinatelli
Vice President and General Counsel