

# 2008 IACA CONFERENCE

## Merit Award

**Jurisdiction:** Corporations Canada

**Submitted by:** Richard G. Shaw

**Date Submitted:** March 20, 2008

**Brief Description:** Corporations Canada's Pre-Approved Schedules Service (PASS)

**Detailed Description:**

Corporations Canada now offers pre-approval of certain provisions required to be inserted in applications for business incorporation submitted online. We initiated the Pre-Approved Schedules Service (PASS) project after a corporate service provider suggested the concept at Client Information Session consultations held in the winter of 2007. The project was prioritized in recognition of the fact that, not just this service provider, but many other service providers such as law firms and search houses, repeatedly use customized provisions when incorporating businesses at the federal level in Canada.

Applying for PASS is relatively simple. Corporations Canada accepts as a PASS user any service provider who uses online business incorporation services on a frequent basis, and repeatedly uses customized provisions when incorporating its clients. Once approved as a PASS user, the service provider submits their customized provisions to Corporations Canada for pre-approval, independently of submitting an application for incorporation. These provisions relate to one of the following sections that businesses must complete when submitting their incorporation application:

- classes and numbers of shares
- restrictions on share transfers
- restrictions on the business of the corporation
- other provisions, such as clauses required to satisfy the requirements of other legislation or administrative policy (e.g., Securities legislation or policies)

The provisions submitted for pre-approval are then examined by Corporations Canada staff for their acceptability to be attached as schedules to incorporation applications. Approved provisions are each assigned an identification number and are stored in the Corporations Canada databank. This "Schedule Identifier" is sent to the PASS user.

When the PASS user wishes to use one or more of these provisions to complete an application for incorporation, they simply enter the identification number where they are required to complete one of the relevant sections on the application form. The schedule is automatically inserted into the application.

PASS offers the service provider flexibility to identify whether they want to use the schedules as either a fixed set or a mix-and-match option. The service provider can fix a set of a minimum of two schedules dealing with two different sections, or up to four schedules dealing with all four sections. The mix-and-match option enables the service provider to use the schedules interchangeably. For example, the service provider could submit a request for pre-approval of two different schedules for share structure. Once these schedules are approved, the service provider can use one of the two on an incorporation application, mixing it with other pre-approved schedules, pre-defined text or text in a text box for the remaining sections.

### **Cost-Benefit:**

PASS has two main advantages for service providers who become PASS users and their corporate clients:

1. these service providers no longer have to repeatedly input the same provisions into their applications for incorporation. Once the service provider enters the schedule identifier into their online application, PASS automatically attaches the relevant schedule to the application.
2. PASS users receive much faster service because these provisions no longer need examination by Corporations Canada staff at the time of incorporation; they have been pre-approved.

Since PASS was initially offered in May of 2007, more than 1,300 companies have been incorporated with pre-approved provisions. Forty-two different schedules have been approved.

Corporations Canada minimized the cost of instituting the system by programming it internally. Four developers took one month to code, test and implement the PASS application. Corporations Canada spent another three to four days developing communications material to accompany the launch.

### **Lessons Learned:**

Corporations Canada followed its communications plan, making extensive efforts to ensure clients were aware of PASS through website publication and notices to clients. However, at its recent Client Information Sessions, we discovered that many more clients were not aware of PASS and wished to take advantage of the program. The lesson learned is that we could have been more pre-active in promoting the program.

Corporations Canada would also recommend to any administration contemplating a similar program to ensure that it has the capacity to meet the demand that a program of this type will very likely generate. Review of candidate provisions for pre-approval could be time-consuming, especially if several demands for pre-approval are received simultaneously. However, the program requires little or no audit at Corporations Canada because our online system will not approve schedules lacking the appropriate identifier.