

## LIMITED LIABILITY PARTNERSHIPS REGISTRATION PROCEDURES

### What Limited Liability Partnerships (LLPs) Do

Under the Partnership Act, LLPs protect the personal assets, such as houses and RRSPs, of non-negligent public accountants. Each partner in an LLP is still liable for his/her own negligence, but a non-negligent partner's personal assets would not be exposed to the debt and liabilities of the partnership arising from the negligence, wrongful acts or omissions, malpractice or misconduct of another partner. All partners remain responsible for all other debts and liabilities of the partnership.

### What LLPs Do Not Do

LLPs do not absolve persons from liability, and do not protect the personal assets of partners who are negligent, commit wrongful acts, make omissions, or engage in other acts of malpractice or misconduct in carrying on their accounting practice. LLPs do not protect the assets of the partnership, including the professional indemnity insurance. They do not affect the size of any damages that can be assessed for negligence or other inappropriate conduct.

### How to Register As an LLP

Professional Accounting Firms (PAFs) that would like to register as LLPs must complete the following steps:

#### **Step One: Obtain a certificate from CPA Alberta**

- (a) Obtain a copy of the "Limited Liability Partnership Certificate of Compliance Application" form from the CPA Alberta Corporate Registrations Team.
- (b) Complete the form. Note that the form requires a statutory declaration to be signed by the applicant.
- (c) Return the following to CPA Alberta:
  - a complete Application form;
  - a copy of the firm's current professional liability insurance certificate;
  - applicable fee payment to CPA Alberta; and
  - a draft of the firms' letterhead and applicable reports (audit, review and NTR) reflecting the name of the LLP. Only the signature block of the report is reviewed, no other content is examined.
- (d) Once the CPA Alberta Registrar approves the application, CPA Alberta will issue a certificate to the firm.

In respect of the applicable fee, although all office locations in Alberta may have only a single registration, the fee is calculated based on the number of partners in all the offices.

#### **Please Note:**

Section 90(1)(c) of the Partnership Act requires that CPA Alberta notify the Registrar of Corporations when the partners of an LLP no longer carry liability insurance in a form and amount that is required or does not meet all applicable eligibility requirements for practice as an Alberta LLP.

To fulfill this obligation, CPA Alberta will request an annual declaration at the same time as the professional accounting firm renewal (September). To maintain the LLP registration, a fee will be assessed annually for each Alberta partner in the LLP.

Current Insurance requirements for LLP registrations are as follows:

For partnerships with less than 4 partners	\$2,000,000
For partnerships with 4 or more partners	\$2,500,000

**Step Two: Register with the Government of Alberta through Corporate Registry**

- (a) Obtain and complete the application form.
- (b) Proceed to an approved Government of Alberta License and Registry Office and register
  - Registration is electronic.
  - Show the certificate received from CPA Alberta.
  - A fee will be charged by the Registry Office.
  - Information required by the Registry:
    - Name of partnership.
    - Name of profession in which partners carry on practice (i.e. Chartered Professional Accountancy).
    - Name and residential address of the partner designated as the representative for matters relating to the partnership.
    - Address of the registered office of the partnership.
    - Separate post office box, if any, designated as the partnership's address for service by mail.
- (c) Once the Government Registrar is satisfied, a certificate of registration will be issued.

**Step Three: Finalize Registration with the Chartered Professional Accountants of Alberta (CPA Alberta)**

To finalize the registration of the LLP with the Chartered Professional Accountants of Alberta (CPA Alberta), the following must be provided to CPA Alberta:

- A copy of the Certificate of Registration issued by Corporate Registry.
- A revised copy of the professional liability insurance certificate in the name of the LLP.

CPA Alberta will not make any changes to your registered firm name until we have been notified that all LLP registration criteria have been met and you are now authorized by the Registrar of Corporations to be a limited liability partnership.

**Step Four: Notice to Clients**

Sections 85 and 96 of the Partnership Act require that, once registered, the Alberta LLP (or extra-provincial LLP) send notice to its existing clients. The notice advises of the registration and explains in general terms the potential changes in liability. Sample letters are included (as schedules) to assist you in completing this step.

**Additional requirements as an LLP**

- The registered office must maintain a list of partners in the LLP and make this list available to anyone who requests it.
- Correspondence and all letterhead must indicate the practicing office is an LLP.
- Refer to sections 81 to 92 of the Partnership Act for more specifics regarding the requirements for registration and continued registration of a limited liability partnership with Corporate Registry.

**Extra-provincial LLP Registration**

The process to register as an inter-provincial LLP is similar to Step 2 above. Refer to sections 93 to 104 of the Partnership Act for more specifics regarding the registration and continued registration of a limited liability partnership with Corporate Registry.

## Schedule A

### **Selected Legislative References**

*Partnership Act (Alberta) R.S.A 2000, c.P-3*

- 82 (4) An application must be in a format acceptable to the Registrar and must . . .
- (b) be accompanied with a statement from a person who is authorized by the governing body of the applicable eligible profession to provide the statement, certifying that
    - (i) the partners are covered by liability insurance or other protection against professional liability within the meaning of section 12 in the form and amount that is required for that purpose by regulation, rule or bylaw under the Act that regulates the eligible profession, and
    - (ii) the partnership and the partners meet all other applicable eligibility requirements for practice as an Alberta LLP that are imposed on or under the Act that regulates the eligible profession, . . .

*Chartered Professional Accountants Act (CPA Act) S.A. 2014, C.C-10.2*

*Chartered Professional Accountants Regulation under the CPA Act*

- 18(1) For the purpose of registration as an Alberta limited liability partnership or an extra-provincial limited liability partnership under Part 3 of the Partnership Act, the applicant must provide satisfactory evidence to the registrar that the partnership carries professional liability insurance in an amount not less than
- (a) \$2 000 000 per incident for partnerships with fewer than 4 chartered professional accountants or professional corporations engaged in the partnership's practice, and
  - (b) \$2 500 000 per incident for partnerships with 4 or more chartered professional accountants or professional corporations engaged in the partnership's practice.
- (2) Notwithstanding subsection (1), a letter of credit, bond or other protection against professional liability may be substituted for professional liability insurance if it is
- (a) in an amount not less than the professional liability insurance that would be required under subsection (1), and
  - (b) in a form approved by, and otherwise acceptable to, the registration committee.
- (3) A partnership referred to in subsection (1) must provide annually to the registrar satisfactory evidence of continued compliance with subsection (1) or (2).

*Bylaws under the CPA Act*

Bylaw 1101

A partnership that is in compliance with the Regulations or that is otherwise eligible to be registered as a professional accounting firm pursuant to Part 3 of the Act is eligible to be registered as an Alberta limited liability partnership, or an extra-provincial limited liability partnership, under Part 3 of the *Partnership Act*, upon complying with the requirements of that Act.

**Schedule B**

**Sample letter to clients of firms having less than four partners**

Dear Client:

Effective XYZ-date, ABC firm (the “firm”) has become a registered Limited Liability Partnership, as allowed by legislation passed by the Government of Alberta. The Firm will now be known as “ABC Firm LLP”.

This registration as an LLP does not create a new firm. The Firm continues as a partnership but with a degree of limited liability. The registration will not affect the Firm’s services to and relationships with our clients and it will not result in changes to our business, partners, employees or operations. The firm also continues to comply with the mandatory professional liability insurance requirements of the Chartered Professional Accountants of Alberta, which, for a firm of less than four partners, is a minimum of \$2 million.

The LLP legislation provides that the personal assets of an uninvolved partner are not available for any debts, obligations or liabilities of the LLP that arise from any negligence, wrongful act or omission, malpractice or misconduct committed by another partner.

The new law does not reduce or limit the liability of the Firm. All of the Firm’s assets and insurance protection remain at risk. In addition, all partners of an LLP remain personally liable for their own actions and for the actions of those they directly supervise and control.

Our LLP status does not affect, nor will affect, our Firm’s relationship with you as a client. All existing arrangements with our clients, including engagement terms and fee, conflict waiver and confidentiality arrangements will remain in effect between our clients and the LLP and its affiliates.

We will continue to provide you with the best possible professional services. If you have any questions about this new law governing our business structure, please call me.

Yours truly,

ABC LLP Firm

**Schedule C**

**Sample letter to clients of firms having four or more partners**

Dear Client:

Effective XYZ-date, ABC firm (the “firm”) has become a registered Limited Liability Partnership, as allowed by legislation passed by the Government of Alberta. The Firm will now be known as “ABC Firm LLP”.

This registration as an LLP does not create a new firm. The Firm continues as a partnership but with a degree of limited liability. The registration will not affect the Firm’s services to and relationships with our clients and it will not result in changes to our business, partners, employees or operations. The firm also continues to comply with the mandatory professional liability insurance requirements of the Chartered Professional Accountants of Alberta, which, for a firm of less than four partners, is a minimum of \$2.5 million.

The LLP legislation provides that the personal assets of an uninvolved partner are not available for any debts, obligations or liabilities of the LLP that arise from any negligence, wrongful act or omission, malpractice or misconduct committed by another partner.

The new law does not reduce or limit the liability of the Firm. All of the Firm’s assets and insurance protection remain at risk. In addition, all partners of an LLP remain personally liable for their own actions and for the actions of those they directly supervise and control.

Our LLP status does not affect, nor will affect, our Firm’s relationship with you as a client. All existing arrangements with our clients, including engagement terms and fee, conflict waiver and confidentiality arrangements will remain in effect between our clients and the LLP and its affiliates.

We will continue to provide you with the best possible professional services. If you have any questions about this new law governing our business structure, please call me.

Yours truly,

ABC LLP Firm