



August 2007

## Professional Corporations

Some paralegals currently provide legal services through a corporation or other business structure that will not be permissible once the paralegal is licensed. Paralegal services may only be provided by a sole proprietorship, partnership, or **Professional Corporation**.

The regulatory framework for professional corporations is provided by two pieces of legislation: the *Ontario Business Corporations Act (OBCA)* and the Law Society's By-law 7, Part II.

The *OBCA* lists the conditions that must be satisfied by all professional corporations. These conditions include but are not limited to the following:

- (a) all of the issued and outstanding shares of the corporation must be owned by one or more members of the profession;
- (b) all officers and directors of the corporation must be shareholders;
- (c) there are specific requirements regarding the name of the corporation;
- (d) the articles of incorporation must provide that the corporation may not carry on a business other than the practice of the profession.

Grandparent applicants that currently operate their businesses through an existing business corporation will need to consider these conditions and any necessary corporate restructuring. All business entities for paralegals will have to be compliant.

Under the *OBCA*, a professional corporation is defined as a corporation incorporated or continued under the Act that holds a valid certificate of authorization issued under an Act governing the profession – in our case the *Law Society Act*. A member is defined in the *OBCA* as a member of a profession governed by an Act that permits professional corporations.

By-law 7, Part II of the Law Society's By-laws governs professional corporations. A professional corporation may not proceed in its practice without first obtaining a certificate of authorization from the Law Society. This is a two-step process. First, an application is made for a corporate name certificate signifying approval of the name of the professional corporation. Second, an application is made for a certificate of authorization and the professional corporation's articles of incorporation are included with this submission.

The *OBCA* can be found on the government of Ontario's [E-Laws](#) website, and By-law 7 can be found on the Law Society's website. You may want to refer also to the information regarding Professional Corporations on the Member Resource Centre at <http://mrc.lsuc.on.ca/jsp/membershipServices/professionalCorporations.jsp>.

## Collections Agencies

Staff of collection agencies, who work to collect debts owing to clients of their agencies, need a licence to appear in small claims court. Under the *Law Society Act*, a person who is acting in the **normal course** of carrying on a profession or occupation governed by another Act of the Legislature, that regulates specifically the activities of persons engaged in that profession or occupation, does not require a licence. Under the *Law Society Act*, staff of collection agencies, working to collect debts owing to clients of their agencies, who do not use the small claims court to do so, do not need a licence to carry on that work.

## **Law firms using non-lawyers for advocacy work**

The Law Society's model for the regulation of paralegals governs everyone who is doing advocacy work – appearing in front of a court or tribunal. Individuals who are doing **non-advocacy** work under the supervision of a lawyer do not require a licence. Individuals in this category include law clerks in law firms and also independent contractors, such as document preparers and title searchers whose only clients are lawyers. The circumstances of persons whose work is supervised by a lawyer are governed by Rule 5.01 (2) of the lawyers' *Rules of Professional Conduct*. However, any non-lawyer appearing in court or before a tribunal will need a licence, even if he or she is supervised by a lawyer.

## **Legal Aid Ontario Staff**

Legal Aid Ontario (LAO) has announced that it will support all LAO community legal aid workers by covering their fees in the paralegal licensing process.

## **Paralegal Candidate Directory**

Our website now includes a [Paralegal Candidate Directory](#). The Directory contains the names of paralegals whose complete application to enter the licensing process has been received. The Directory is searchable by first or last name and will provide an easy reference for the members of boards and Tribunals, court staff as well as the public.

## **Insurance Requirements**

If you intend to provide legal services during the licensing process, you are required to carry Errors and Omissions Insurance. A Certificate of Insurance must be submitted with your licensing application. The policy must specifically cover the applicant as an individual. If purchasing a new policy, paralegals need to obtain \$1 million coverage per claim and \$2 million per year in the aggregate. If a paralegal has an existing policy with at least \$1 million coverage per claim and \$1 million per year in the aggregate, this policy is acceptable until it has to be renewed, at which time the new policy must include the \$1 million per claim and \$2 million per year in the aggregate. Please see our [website](#) for more information.

## **Rules of Conduct**

The Law Society's governing body has approved *Paralegal Rules of Conduct*. The rules are based on the existing *Rules of Professional Conduct* for lawyers and on principles found in the 2004 Report of the Task Force on Paralegal Regulation, as well as input from stakeholders. The rules are structured around obligations to various parties, including general duties, as well as duties to clients, tribunals, other licensees and to the Law Society.

The rules can be accessed online at [http://www.lsuc.on.ca/media/paralegal\\_rules\\_conduct.pdf](http://www.lsuc.on.ca/media/paralegal_rules_conduct.pdf).

## **Contact Us**

If you have questions about paralegal regulation, please contact the Law Society at 416-947-3315, or 1-800-668-7380, or send an e-mail to [paralegalservices@lsuc.on.ca](mailto:paralegalservices@lsuc.on.ca).

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