

Where To Register Your Security After June 1, 2019

May 31, 2019

Summary: *On June 1, 2019, the rules are changing with respect to the location of a debtor and where certain financing statements to perfect security in certain types of collateral are to be filed. The new rules provide that jurisdiction of incorporation/formation, and not location of the chief executive office, is the location of a debtor under the PPSA. These changes will bring the B.C. location rules in line with those in Ontario. Financing statements under the old rules will need to be registered under the new rules on renewal, but no later than June 1, 2024. Amendments that add collateral to financing statements registered before June 1, 2019 must be perfected in accordance with the new rules.*

Effective June 1, 2019, amendments to the *Personal Property Security Act* (PPSA) of British Columbia will require creditors to consider new criteria when determining where to perfect their security in certain types of collateral, including accounts and mobile goods. The amendments were passed in 2010 as part of the *Finance Statutes Amendment Act, 2010*, S.B.C. 2010, c. 4, but their proclamation was deferred. Bill 29, the *Miscellaneous Statutes Amendment Act, 2019*, S.B.C. 2019, c. 11, received Royal Assent on May 16, 2019 and operates to bring the amendments into force on **June 1, 2019**.

The key changes are:

1. effective June 1, 2019, the definition of “location of the debtor” under the PPSA will be replaced by a new set of rules;
2. effective June 1, 2019, security interests that were perfected prior to June 1, 2019 may no longer be perfected under the amended location of debtor rules, and such security interests will need to be re-perfected under the new rules on the earlier of renewal and June 1, 2024; and,
3. effective June 1, 2019, amendments that have the effect of adding new collateral to financing statements registered prior to June 1, 2019 must be perfected in accordance with the new rules.

Under the PPSA, the jurisdiction where the debtor is located governs several issues. The location of the debtor determines the jurisdiction whose laws govern the validity, perfection, effect of perfection or non-perfection, and priority of a security interest

granted by that debtor in intangibles and mobile goods, as well as non-possessory security interests in instruments, negotiable documents of title, money and chattel paper. The location of the debtor also determines the jurisdiction whose laws govern the perfection of a security interest in investment property perfected by registration.

Under the existing rules, the location of a debtor is often determined based on the location of its “chief executive office,” a term that is not defined in the PPSA.

The new rules introduce more certainty for determining the location of a debtor, particularly in the case of partnerships, trusts, and U.S. organizations, and include the following: A debtor incorporated under the laws of a province in Canada is located in the jurisdiction where it is incorporated; A debtor existing under the Canadian federal law is located in the jurisdiction where its registered office or head office is located as specified by its constating documents, or its bylaws; A debtor that is a partnership (other than a limited partnership) is located in the province whose laws govern the partnership as stated in the partnership agreement; If the debtor is a limited partnership, the debtor is located in the province where it was organized; If the debtor is a trustee acting for a trust, the debtor is located in the province whose laws govern the trust as specified by the trust instrument.

It is recommended that secured parties review the jurisdictions in which financing statements were registered for security agreements entered into before June 1, 2019 to identify those for which the amended location of debtor rules would result in a new jurisdiction becoming applicable. In general, the debtor’s location may be determined by reviewing the debtor’s constating documents or by a search of a public registry. To the extent that the location of debtor(s) change under the new rules, secured parties should take steps to comply with the amended location of debtor rules in accordance with the transitional rules, which may require that steps be taken before June 1, 2024, even though existing PPSA registrations may not expire before then. Under the transitional rules, security interests that are re-perfected before the deadline will be deemed continuously perfected from the day it was perfected under the prior law.

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