

The Validation Paradox

Active. Validated. Non-Compliant. — what a registry check actually proves about corporate KYC

A bank can check the right register, get the right answer — and still not know whether its corporate customer is compliant.

CorpCentre's research measures the gap.

The answer: 27.98% of active federal corporations with a return due are non-compliant with at least one measured annual corporate obligation — and a registry check on every one of them succeeds.

Active does not mean compliant

The finding has two components. Roughly one in five active federal corporations with a return due has stopped filing its annual return. Others have filed on time but reported an annual-meeting date beyond the fifteen-month statutory interval — non-compliance evidenced by the corporation's own filed information. Both continue to read Active.

The register can accurately report legal status without establishing corporate compliance.

The warning comes late

Among corporations that neither resume filing nor exit by choice, 85% are struck off by two years into default — three years past the last return. Yet among corporations three to twenty years past their last filing and still shown Active, fewer than one in twenty displays the register's only warning flag — a flag that reports dissolution activity, not record currency.

The interval between staleness and its signal is exactly where validation fails.

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Since 26 March 2026, the PCMLTFA requires a reporting entity's compliance programme to be reasonably designed, risk-based and effective. For corporate KYC that raises a basic question: what does a successful registry check actually prove? It establishes what the authoritative register says — not the underlying condition the user believes it has validated.

An authoritative-source check can succeed while the underlying information remains stale, incomplete, or evidences non-compliance. Checking more often does not fix it.

Beneficial ownership shows the same pattern

In a preregistered, record-by-record study of 5,000 active federal corporations, 9.5% had no individual with significant control publicly listed after statutory exemptions. Among corporations two annual returns behind, 95.9%; three or more behind, 99.6%. Pooled, 98.0% of corporations two or more returns behind show no public beneficial-ownership information at all.

The records most in need of validation provide the least.

Move part of the control upstream

The answer is not to replace downstream KYC but to complement it closer to the source: prevent — keep recurring corporate obligations and ownership records current; cure — correct defaults and discrepancies as they arise; signal — feed material changes and unresolved exceptions into the institution's existing KYC process.

Downstream monitoring detects what reaches the record.

Upstream governance acts closer to the event that creates it.

If you want to know where your corporate portfolio sits against these measurements, we can tell you. CorpCentre works with corporations and their professional advisors on the upstream side of this problem.

BY THE NUMBERS

27.98% of active federal corporations with a return due in evidenced breach of a core annual obligation

9.5% show no individual with significant control publicly listed

98.0% of corporations two-plus returns behind are dark on beneficial ownership

1 in 20 — deep defaulters carrying any warning flag (4.9%)

IN THIS SERIES

Report 11 — The Validation Paradox. The measurement behind this bulletin. Published 15 September 2026.

Report 1 — Active Does Not Mean Compliant. The federal register, measured. Published.

Bulletin — Banking While Dissolved. When the registers disagree about who exists.

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Research note. Figures are computed from Corporations Canada open data (extracts of 4 and

6 August 2026); beneficial-ownership figures from a preregistered sample of 5,000 active federal corporations, protocol frozen before fieldwork. Full methodology, confidence grading and limitations are in Reports 1, 11 and 12. Contains information licensed under the Open Government Licence — Canada.

Disclosure. Prepared by Lionel J. Perez, CEO of CorpCentre, which provides the corporate compliance services described above and participated in the 2025 Department of Finance consultation on company service providers; readers should weigh that interest. No allegation is made against any institution or corporation: non-compliance with a corporate filing obligation is an administrative condition, not evidence of wrongdoing.

“What does a successful registry check actually prove?”