

Overall strategy summary:

Day trading through a corporation provides the following:

- A fair, legitimate method of distributing the profits to the shareholders, via dividends per share if dividends are distributed equally per share.
- A more favorable taxation which allows the account to grow faster, if the money earned isn't taken out of the corporation.

Note that for taxation purposes, I am considering the profits earned to be "active income" and not passive income.

Steps summary:

- Create the corporation
- Open corporate bank account
- Set up the IB trading account
- Fund the account
- Connect Algolab to the trading account.

Additional steps which can be done after the account is live:

- Create an additional user for the IB account, with trade permissions only (no money transfer privileges)
- Remove the IB key authentication for this account (only username/password required)
- Setup Algolab to use this new username/password for simplicity and reliability.

Detailed steps:

- Create corporation
  - Fill out articles of incorporation form:
    - <https://www.servicealberta.ca/business-incorporation.cfm>
    - I had issues downloading this form with Chrome, I used IE instead.
  - I suggest using a numbered corporation, so you can skip the uniqueness search for a named corporation (NUANS report).
  - For the directors, I would suggest to create the corporation with one director owning 100% of the voting class A shares to get things going with Interactive Brokers. IB will ask for detailed identification for all individuals or entities who own more than 10% of the shares, so this makes things easier to start with.
  - Classes of shares, example text:
    - "The corporation is authorized to issue an unlimited number of class A shares"
    - You could also add unlimited number of class B non-voting shares.
  - Restrictions on shares - the intent of the text is to clearly specify that the corporation is private, not public (for reporting requirements):
    - "The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- 1) The directors of the Corporation expressed by resolution passed by votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation, OR
  - 2) The shareholders of the Corporation expressed by a resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.”
- Other rules or provisions: Again the intent of the text is to clearly state that the corporation is private, not public, by limiting number of shareholders and explicitly prohibiting invitation to public and share transfer.
    - “NUMBER OF SHAREHOLDERS: That the number of shareholders of the Corporation, exclusive of persons who are in its employment and exclusive of person, who, having been formerly in the employment of the Corporation, were, while in that employment, and have continued after the termination of that employment to be shareholders of the corporation, is limited to not more than fifty, two or more persons who are the joint registered owners of one or more shares being counted as one shareholder.
    - PROHIBITION OF INVITATION TO PUBLIC: That any invitation to the public to subscribe for securities of the corporation is prohibited.
    - RESTRICTIONS ON SECURITIES TRANSFER: The corporation’s securities, other than non-convertible debt securities, shall not be transferred without either (a) the sanction of a majority of the directors of the corporation, or (b) the sanction of the majority of the shareholders of the corporation, or alternatively (c), if applicable, the restriction contained in security holders’ agreements.”
  - Bring filled out form to Registry.
    - The clerk will transfer the text in your form to their electronic entry system.
      - Have a MS Word version of the above, as well as a plain text version (TXT file) on a USB stick, so they can copy/paste easily. Otherwise they may charge you \$20 extra per page for typing services
  - Next, get a business number from CRA. You will need it during the IB application. It can be done online and is free and very quick.
    - <https://www.canada.ca/en/revenue-agency/services/tax/businesses/to-pics/registering-your-business/register.html>
    - Write that number down somewhere, I never even received an email to confirm.
  - Open a chequing account for the corporation (TD has a low cost business account for less than \$10/month. This account will be used to pool the money from investors initially, and transfer the money to IB via wire or EFT.
    - The account will also be used at the funding stage.

- The account also makes the bookkeeping easier for expenses such as the Algolab subscription fee. You can connect Paypal to this bank account (takes a few days to verify the account).

## **IB account application**

The application is more complex than for an individual.

You will need:

- All you incorporation documents
- Your CRA business number (ends with RC0001)
- Social Insurance numbers, address/phone for all directors and >10% shareholders.
- Your photo ID, and a personal bank account statement (not the corporation's account, one with your own name on it).

Begin the application for a corporation.

to receive another confirmation number.

Form of Organization

Select the form of organization of your firm:

**Customer Type\***

Answer NO to hedge fund, mutual fund or similar collective investment vehicle. By “collective investment vehicle” here, they mean a public offering, which we are not doing.

Is the Organization a hedge fund, mutual fund or similar collective investment vehicle containing investor or customer funds?  Yes  No

Fill out your corporation ID:

Application Information

Entity Identification

Type your entity name exactly as it appears on your bank statement. Failure to do so may cause problems with incoming and/or outgoing wire transfers.

Corporation Name*	9692233 Alberta
Description of the Corporation's Business* 	Speculative investing
Website Address(optional)	

In what country is the organization a resident for tax purposes? * 	Canada
Tax Identification Number *	976875864RC0001

Fill out Account Support and Base Currency:

Application Information

Account Support and Base Currency

Please select one of the following

- The organization is an **operating business** and was **not** formed primarily for the purpose of trading or holding financial assets.
- The organization is a **personal or family investment vehicle**. The organization is beneficially owned by a single person or close family members and is organized for the purpose of making financial investments for the owner and/or the owner's close family.
- The organization is a **closely-held proprietary trading company** (or corporation or similar vehicle). The organization is beneficially owned by a small group of people and is organized for the purpose of proprietary trading.
  - Do any of the owners/investors of the organization reside in the U.S.??\*  Yes  No
  - Does the organization solicit owners/investors who reside in the U.S.??\*  Yes  No
  - Would the organization accept owners/investors who reside in the U.S.??\*  Yes  No
- The organization is a **financial institution** (bank, broker-dealer, etc.) that will be **trading for its own account** and the account does **not** contain funds of customers or investors.

Specify USD for currency:

## Base Currency

Your base currency determines the currency of translation for your statements, the currency used for determination of margin requirement, and for a Cash Account (only one base currency is allowed), the currency of products you are allowed to trade.

**Base Currency\***

United States Dollar USD ▼

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Continue →

Regulatory info - answer no to all:

## Regulatory Information

Is the organization registered, licensed, or acting as any of the following, or would the organization be considered any of the following if it were located in the US:

	Yes	No
A foreign bank (A 'foreign bank' is a bank that is organized under non-U.S. law and is located outside the U.S. Foreign banks include, but are not limited to, the offices, branches, and agencies of commercial banks or trust companies, private banks, national banks, thrift institutions, credit unions and other organizations chartered under banking laws and supervised by the banking supervisors of any state.). *	<input type="radio"/>	<input checked="" type="radio"/>
A securities broker or dealer (Securities brokers include, but are not limited to, organizations that: are members of a securities exchange, securities market or clearing house; underwrite securities or otherwise help to bring new issues to market; formally act as market makers either on an exchange, trading system or otherwise; hold themselves out as promoting liquidity to the market; are looked to as a source of liquidity to market professionals or to the public; or advertise or otherwise let others know that they are in the business of buying and selling securities.). *	<input type="radio"/>	<input checked="" type="radio"/>
A futures commission merchant (FCM) or futures broker (Futures brokers include, but are not limited to, organizations that solicit or accept orders to purchase or sell futures or commodity option contracts or that accept money, securities or property to margin, guarantee or secure solicited or accepted futures trades or contracts.). *	<input type="radio"/>	<input checked="" type="radio"/>
An introducing or omnibus broker *	<input type="radio"/>	<input checked="" type="radio"/>
A branch or office, located outside of the US, of: an SEC-registered broker dealer; an SEC-registered mutual fund; or a CFTC-registered commodities broker *	<input type="radio"/>	<input checked="" type="radio"/>
A mutual fund, open-end investment company, hedge fund, private equity fund, venture capital fund, commodity pool, or any other type of investment vehicle or fund *	<input type="radio"/>	<input checked="" type="radio"/>
An employee benefit plan subject to the Employee Retirement Income Security Act of 1974 OR a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees *	<input type="radio"/>	<input checked="" type="radio"/>
A money transmitter (Money transmitters include but are not limited to, organizations that are in the business of accepting currency or funds denominated in currency and transmitting the currency, funds or value thereof through a financial agency, financial institution, the Federal Reserve Bank or an electronic funds network or are otherwise engaged in the business of transferring funds.). *	<input type="radio"/>	<input checked="" type="radio"/>
A currency dealer or exchanger *	<input type="radio"/>	<input checked="" type="radio"/>
A floor broker or trader *	<input type="radio"/>	<input checked="" type="radio"/>
A retail foreign exchange dealer *	<input type="radio"/>	<input checked="" type="radio"/>
A life insurance company *	<input type="radio"/>	<input checked="" type="radio"/>
US bank or US savings and loan *	<input type="radio"/>	<input checked="" type="radio"/>
SEC-registered investment company (A mutual fund or other investment company that is registered with the SEC). *	<input type="radio"/>	<input checked="" type="radio"/>

	Yes	No
Is the organization a publicly-held corporation that is traded on a regulated U.S. or foreign stock exchange? *	<input type="radio"/>	<input checked="" type="radio"/>
Is the Organization regulated in the U.S. or in any other country?*	<input type="radio"/>	<input checked="" type="radio"/>
Is the Organization engaged in the brokerage business? (e.g., is the Organization registered, authorized or operating as a futures commission merchant, or securities or futures brokerage firm in the US, UK, Canada or elsewhere) *	<input type="radio"/>	<input checked="" type="radio"/>
Is the organization required to be registered in the US, pursuant to NFA By-Law 1101, with the Commodities Futures Trading Commission, or in Canada with the IDA, or in any other country, as a futures commission merchant, introducing broker, commodity pool operator, commodity trading advisor, retail foreign exchange dealer or leverage transaction merchant? *	<input type="radio"/>	<input checked="" type="radio"/>
Is the Organization a member of an exchange or a regulatory or self-regulatory organization or an associated or affiliated person of an exchange member? *	<input type="radio"/>	<input checked="" type="radio"/>
Has the organization or any of its officers or authorized traders ever been the subject of, or initiated, litigation, arbitration or any other type of dispute or settlement proceeding with another broker or dealer? *	<input type="radio"/>	<input checked="" type="radio"/>
Has the Organization or any of its officers or authorized traders ever been the subject of an investigation, disciplinary or enforcement action or other proceeding by any commodities or securities exchange or any regulatory or self-regulatory authority? *	<input type="radio"/>	<input checked="" type="radio"/>
Have any of the principals, officers or authorized traders of the Organization ever been arrested for, or convicted of, a crime? *	<input type="radio"/>	<input checked="" type="radio"/>
Is the account holder or any of its officers: i) a director, ii) a 10% shareholder, or iii) a policy-making officer of any publicly traded company? *	<input type="radio"/>	<input checked="" type="radio"/>
Is any officer or authorized trader of the organization registered as a broker or an employee, director or owner of a securities or commodities brokerage firm, employee of a bank, hedge fund, or other financial services company? *	<input type="radio"/>	<input checked="" type="radio"/>




**Tax classification:**

[US Tax Classification](#)

[Foreign Account Tax Compliance Act - FATCA](#)

The US Internal Revenue Service requires that we obtain certain certifications as to 9692233 Albertas status for US income tax purposes. This may affect the tax withholding rate on US income and help us identify all persons from who we must receive certifications. Answer the following questions to assist with this certification.

Please identify the manner in which "9692233 Alberta" is treated for US income tax purposes: [\(explain\)](#) Corporation (Most likely) ▼

Fill out the authorized person form (if you pick Employed by another, you will need to give your employer's address):

Employment Information

Employment Type\*

Employer\*

Nature of Business\*

Occupation\*

Employer Street #1\*

Employer Street #2 (optional)

Employer City\*

Employer Country\*

Employer State/Province\*

Employer Zip/Postal Code\*

Are you deemed an "Insider" (as defined under applicable securities legislation) of any public companies?\*  Yes  No

Do you beneficially own, directly or indirectly, individually or in combination with other persons, 20% or more of the voting rights in a public company?\*  Yes  No

You will need to give your own Social Insurance Number:

Legal Identification

In what country are you resident for tax purposes? \*

Taxpayer Identification Number \*

**\*\*\*IMPORTANT\*\*\*** If you have more than one director, or more than one shareholder when setting up your IB account, you will have to answer "yes" here before clicking on Continue, to record information for the additional shareholders, including their social insurance number:

Federal anti-money laundering regulations and IIROC regulations require that we verify the identity of any individual who is a director of the corporation and/or any individual who is authorized to give instructions with respect to the account and/or any individual with a beneficial ownership interest (shareholder) of over 10%.

Is there any other individual related to this account who qualifies as either of the aforementioned persons whose identity needs to be verified?\*  Yes  No

### Registered Owners

This form should show all the registered owners if you have answered yes to the above and have correctly filled out the subsequent forms.

### W-8BEN-E

This form may seem quite complicated but is actually quite simple to fill out. You can look at a copy of this form in advance over here: <https://www.irs.gov/pub/irs-pdf/fw8bene.pdf>

Note that the web form on the IB site is interactive, so you may not see all the sections from the above PDF while working with the online IB form.

You should be able to fill it out as follows:

**Part 1:**

- 1- Name of corporation
- 2- Country of incorporation: Canada
- 3- Leave blank
- 4- Select "Corporation"
- 5- Select "**Active NFFE**". This stands for "Active Non Financial Foreign Entity". Day trading is considered active income, we are not a financial institution, and we are a foreign entity.
- 6,7- Fill out the mailing address of the corporation

The web form is interactive, some sections will not be visible depending on what you choose in section 5. We chose "Active NFFE", so only **part XXV** should be visible, where we certify that we are a foreign entity and our gross income is not passive income.

Security officers

Fill out this form, straightforward.

Certification of Entity Tax Residency

Again we certify that we are a foreign entity.

Trading qualifications

Same as for the personal Algotab account, select Futures, over 2 years of trading, select >100, knowledge level "Good". You must specify a net worth high enough otherwise the futures trading option will be disabled.

Authorized Trader

Fill in the authorized trader

Shareholders Communications Forms

Fill out and agree

Consent to Electronic Delivery

Fill out and agree

Client Relationship Disclosure

Fill out and agree

General Agreements / Disclosures

Fill out and agree.

The entire application process can take up to two weeks if you are missing some information, or if several people need to provide detailed identification.

In the approval phase, IB will ask for a detailed identification form with government issued documentation. The form is available here and can be filled out in advance:

<https://www.interactivebrokers.com/download/GuaranteeID.pdf>

You will likely need a photocopier and some clear tape to affix your ID on the form.

