

Questions Regarding Canadian Chilean Cannabis Laws

Date: May 23, 2019

Original Newsletter(s) this article was published in: Blaneys on Cannabis: May 2019

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Cummins: In North America many cannabis companies are being listed on the Canadian Stock Exchange because other North American stock exchanges restrict access if cannabis operations take place in the United States, where cannabis is still illegally federally.

Cummins: Are there any similar restrictions in Chile?

Allard: Chile does not allow the free commerce of cannabis. This is ruled by a national law, and unlike federal countries, this is mandatory throughout the entire national territory.

Prohibitions against the free trade of cannabis are contained in norms regarding drug dealing (Law No. 20,000 and its regulations), international law (Single Convention of Narcotic Drugs) and health matters (Supreme Decrees 404 and 405 of the Health Department, and their modifications).

Exceptionally, there are certain uses of cannabis which have been allowed, such as: personal consumption, medical and industrial. Additionally, Guerrero Olivos, has been able to defend, successfully, the import of Cannabis' seeds for nutritional purposes.

For these reasons we can conclude that restrictions for a company dealing with cannabis products will depend on the specific product and its uses. In this regard, it is safe to say that cannabis products without Tetrahydrocannabinol ("THC") will have less restrictions than the ones that contain it.

These restrictions are usually related to authorizations issued by the Service of Agriculture and Livestock ("SAG") and Health Authority.

In the case of companies dealing with cannabis for medical purposes, it is important to keep in mind that medicines made of cannabis have to go through a special procedure supervised by the Health Authority.

Nevertheless, there are companies in Chile authorized to plant and harvest cannabis and there are other companies authorized to sell medicines made of cannabis.

The recreational use of cannabis is not allowed in Chile and exceptionally, the personal consumption of cannabis is not sanctioned. Therefore, the incorporation of a company dedicated to the commercialization of cannabis for recreational use is not permitted.

Cummins: Where do Chilean cannabis companies typically list?

Allard: Even though it is possible to authorize the plant and harvest of cannabis, until December 2018, only 8 of the 48 authorization applications submitted to the SAG, were approved (3 of those authorizations were submitted by one company).

Only 1 of the 6 companies which have the SAG authorizations mentioned above is a corporation which can be listed in the Chilean Stock Exchange.

Cummins: The Canadian Stock Exchange typically allows international cannabis companies to list on their exchange by way of: (i) an initial public offering (“IPO”) completed by way of a prospectus offering in conjunction with an initial exchange listing or (ii) reverse take-over (“RTO”) whereby a public company (usually inactive and with few assets, if any) acquire all of the stock of a private company which has substantial assets or business operations

Cummins: Do Chilean cannabis companies list by way of IPO?

Allard: There are not any cannabis company listed in Chile.

Cummins: Do Chilean cannabis companies list by way of RTO?

Allard: There are not any cannabis company listed in Chile.

Cummins: Because cannabis is still illegal at the federal level in the United States, many cannabis companies cannot open bank accounts and are looking to Canadian Banks to open bank accounts and to the Canadian public markets to raise capital to expand operations, introduce product lines and make acquisitions.

Cummins: Can cannabis companies open bank accounts in Chile?

Allard: Companies that hold permitted activities are always allowed to open Bank Accounts. Nevertheless, Banks can always deny the bank account application.

Cummins: If you choose to file a prospectus in the Canadian province of Quebec, you would be required to translate essential documents from English into French.

Cummins: Are there any similar translation requirements in Chile?

Allard: In Chile, it must be translated to Spanish.

Cummins: An international cannabis company going public in Canada will be required to establish a business entity incorporated in at least one Canadian province

Cummins: Would there be any restrictions for a Chilean cannabis company establishing a business entity in Canada?

Allard: An international company going public in Chile can act without incorporating a new company in Chilean registrars. Nevertheless, it is more efficient to operate by the means of a SPV or an Agency. Only in respect of permitted activities.

Cummins: Would there be any restrictions on a Canadian resident or Canadian held company establishing or purchasing a cannabis related company?

Allard: If the activities of the company are permitted, there would be no restrictions.

Cummins: Would there be any restrictions on a Canadian resident or Canadian held company purchasing a cannabis farm?

Allard: If the activities of the company are permitted, there would be no restrictions

Cummins: The Canadian government does not support facilitating a regime premised on servicing global demand of cannabis given the associated public health, safety and security risks. For such reasons, importation and exportation of cannabis would only be permitted in Canada under very limited circumstances, such as, importing starting materials for a new Licensed Producer or exporting a unique cannabis strain for scientific investigation in a foreign laboratory.

Cummins: Would there be any restrictions on the importation or exportation of cannabis in Chile?

Allard: The importation and exportation of cannabis is prohibited by criminal and sanitary laws.

Nevertheless, there are certain exceptions for these activities. For example, article 2 of Law 20,000 establishes that the importation and exportation of cannabis is only prohibited when it has the purpose of committing any of the crimes contained in that law. As mentioned above, there are certain activities related to cannabis which are allowed.

In the case of Sanitary Laws, the importation and exportation of cannabis is subject to the surveillance of the Public Safety Institute ("ISP"), who is in charge of issuing the corresponding authorizations according to the Supreme Decrees 404 and 405 of the Health Department.