Canada’s new Russia-related sanctions

February 28, 2022

In response to Russia’s invasion of Ukraine and recognition of the breakaway “Republics” of Donetsk and Luhansk in eastern Ukraine, Canada has joined a number of allies in imposing new economic sanctions and export control measures. Canada’s new sanctions target Russia and the breakaway regions of Ukraine, including individuals and entities complicit in Russia’s actions.

The new measures will greatly constrain Canadian businesses in dealing with Russia and Russian parties. They are incremental to measures that Canada has imposed since 2014 in response to Russia’s earlier annexation of the Crimea region of Ukraine and human rights abuses.

What are the new measures?

New measures in regulations under the *Special Economic Measures Act* include:

- A prohibition on dealing, directly or indirectly, in what amounts to new sovereign Russian debt in any form. The prohibition applies specifically to debt issued by, or in relation to, the Central Bank of the Russian Federation; National Wealth Fund of the Russian Federation; or Ministry of Finance of the Russian Federation.
- The addition of 386 individuals and 29 entities to the lists of persons, often referred to as “designated persons,” subject to comprehensive asset freezes and dealings bans. The entities added include many financial institutions as well as energy production and transportation companies such as Gazprom and Trasneft, some of which had previously been subject to limited Canadian sanctions consisting of debt financing prohibitions.
- Expanded criteria for listing individuals and entities as designated persons, making it easier to list persons related to or acting on behalf of other designated persons.
- A broad ban on dealings with the Donetsk and Luhansk regions. The ban prohibits individuals and entities in Canada or outside Canada from, among other things, investing in, providing financial services with respect to an investment in, importing or purchasing foods from, or exporting goods to, these regions.

New measures taken under the *Export and Import Permits Act* include:

- The cancellation of all current export permits and a moratorium on new permits for exports to Russia of items listed on Canada's Export Control List. Canada may consider exceptions on a case-by-case basis for specific end-uses, such as medical supplies or humanitarian aid.

Other related actions Canada has taken or announced it will take include:

- Joining with the United States, European Union and United Kingdom to remove certain Russian banks from the SWIFT payment and messaging system.
- Prohibiting any transactions by Canadian financial institutions with the Russian Central Bank.
- Imposing an asset freeze and dealings prohibition on Russian sovereign wealth funds.
- Closing Canadian airspace to Russian aircraft operators.
- Directly sanctioning Russian President Vladimir Putin, Foreign Minister Sergei Lavrov and other close advisers of President Putin.
- Imposing new sanctions on Belarus for its role in Russia's invasion.

Finally, Canada and its allies have announced a transatlantic task force to ensure the effective implementation of their sanctions by identifying and freezing the assets of sanctioned individuals and companies.

What should businesses do?

If your business deals with Russia or Russian parties – directly or indirectly – you should:

- Carefully review your business arrangements, including payment arrangements, to determine if they may involve individuals, entities, items or destinations that are targeted by the new measures.
- Recognize that the situation is evolving rapidly and that Canada and its allies are likely to impose further trade and economic measures against Russia in the coming days and weeks.
- Ensure that your business employs appropriate screening and other practices to identify and address potential sanctions and export compliance risks.
- Promptly seek legal advice if you have compliance questions or are concerned about potential violations.

To stay updated on how these changes could affect your business, reach out to members of our International Trade & Investment Group or any of the contacts listed below.

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