

## Canada Imposes Economic Sanctions Due to the Russian Federation's Actions in Ukraine

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On February 21, 2022, Russia signed a decree recognizing the “independence” and “sovereignty” of the Luhansk People’s Republic (LNR) and Donetsk People’s Republic (DNR) regions, followed by the movement of Russian troops into the area. On February 23, 2022, Russian forces initiated a comprehensive invasion of Ukraine.

On February 24, 2022, in coordination with its NATO allies, Canada amended its existing Special Economic Measures (Russia) Regulations<sup>1</sup> and Special Economic Measures (Ukraine) Regulations<sup>2</sup> to make them more aggressive and far-reaching in response to the escalation in hostilities.

### Russia

#### Asset Freeze

The Russia Regulations impose an asset freeze against high ranking Russian government officials including members of the Russian Security Council, the Defence Minister, the Finance Minister, and the Justice Minister, their associates and family members; entities owned, held or controlled directly or indirectly by any of these individuals or acting on their behalf; entities owned, held or controlled - directly or indirectly - by the Russian government, or acting on behalf or at the direction of the Russia government and all of their senior officials. Canadians and persons in Canada are prohibited from dealing in property, wherever situated, held by, or on behalf of these listed entities and individuals; facilitating, directly or indirectly, any such dealings; providing financial and related services to listed entities and individuals or any of their dealings; as well as making any goods available to them.

The asset freeze includes the following individuals and entities:

- All members of the Russian State Duma who voted for the decision to recognize the independence of the DNR and LNR
- Two financial institutions that are viewed as crucial to financing the Russian defense industry—Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB). Also included is Sberbank which is majority-owned by the government of Russia and the main creditor of the Russian economy.

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- Russian elites and their family members who Canada determined were “powerful Russians in Putin’s inner circle” including Aleksandrovich Bortnikov, the Director of the Federal Security Service of the Russian Federation and a member of the Security Council, and son of Aleksandr Vasilievich Bortnikov, who is also a listed person; Petr Mikhailovich Fradkov, the Chairman and CEO of PSB; Vladimir Sergeevich Kiriyenko the First Deputy Chief of Staff of the Presidential Office and the son of Vladimir Sergeevich Kiriyenko, who is also a listed person; Sergei Sergeevich Ivanov, son of Sergei Borisovich Ivanov, the Special Presidential Representative for Environmental Protection, Ecology, and Transport; Ivan Igorevich Sechin, son of Igor Ivanovich Sechin the Chief Executive Officer Rosneft, one of the world’s largest publicly traded oil companies.
- Senior financial sector executives Alexander Aleksandrovich Vedyakhin, First Deputy Chairman of the Executive Board of Sberbank and Andrey Sergeevich Puchkov, a high-ranking VTB Bank executive.

Canadians must not deal with the funds (for example, cash, cheques, credit, dividends, etc.) or economic resources (assets of any kind) of a listed person, or make any funds or economic resources available to a listed person (whether directly or indirectly). Where Canadians hold funds and economic resources of a listed person/entity, they must be frozen and reported to Canadian authorities.

## **Sovereign Debt Prohibitions**

Canadian persons are prohibited from participating in secondary markets for new debt issued by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. The measures explicitly prohibit Canadians from transacting in, providing financing, or otherwise dealing in new debt directly or indirectly issued by these entities or in relation to their property or interests. This includes bonds, loans, debentures, extensions of credit, loan guarantees, letters of credit, bank drafts, bankers’ acceptances, discount notes, treasury bills, commercial paper, and other similar instruments.

## **Cessation of Export Permits**

Canada has suspended the issuance of all new permits for the export and brokering of controlled goods and technology to Russia.<sup>3</sup> The suspension covers all goods and technology listed on Canada’s *Export Control List* including a wide range of dual-use, military and nuclear-related items. Exporters with valid permits for the export or brokering of items to Russia will have their permits immediately cancelled.

## **Ukraine**

Under its existing Ukraine Regulations, Canada imposes a broad trade embargo against the Crimea region, including investment, supply, sourcing, services, and technical data prohibitions.

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The Ukraine Regulations were amended to prohibit Canadians from:

- making an investment that involves a dealing in any property located in either the DNR or LNR regions that is owned, held, or controlled by the region or a person in the region, or a person acting on behalf of or at the direction of the region or a person in the region;
- providing or acquiring financial or other related services with respect to an investment in these regions.
- importing, purchasing, or acquiring goods, wherever situated, from these regions or any person in these regions;
- exporting goods destined for these regions, or selling, supplying, or transferring goods, wherever situated, to any person in these regions;
- providing technical assistance to these regions or any person in them; or
- providing financial or other services related to tourism to, or acquiring such services from, the region or any person in the region.

## Managing Sanctions Risk

Though the NATO countries have engaged in close coordination on potential sanctions packages, there are differences in the sanctions imposed in different jurisdictions. Sanctions compliance should therefore be managed on a country-by-country basis in order to manage overall sanctions risk.

## Going Forward

As a result of these sanctions and the high likelihood of further sanctions being imposed, it is important for a Canadian person to:

- Verify whether it has any business involving VEB or PSB - including verifying with customers in Russia, Ukraine, and Belarus that no payments are processed by these financial institutions - and if it does, then to immediately implement the steps necessary to ensure compliance with Canadian sanctions;
- Ensure that sanctioned person screening is being conducted against the up-to-date sanctions lists;
- Remember that the Canadian sanctions cover not only those entities and individuals listed on the Canadian lists but those that are owned or controlled by a listed person, and take steps to ensure no business is conducted with a listed person;
- Review existing contracts with entities and individuals in the region; and
- Continue to monitor ongoing developments. As tensions continue to rise, we will likely see more series of tools from the NATO countries and their allies to exert economic pressure on Russia to deescalate the ongoing crisis in Ukraine. Companies should continue to pay attention to the ongoing

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developments and proactively assess their exposure to the sanctions and export controls measures being discussed.

The Cassels International Trade Group will continue providing updates on further developments in this area.

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<sup>1</sup> [https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/sanctions/russia\\_regulations-reglement\\_russie2.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/russia_regulations-reglement_russie2.aspx?lang=eng);

[https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/sanctions/russia\\_regulations-reglement\\_russie.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/russia_regulations-reglement_russie.aspx?lang=eng)

<sup>2</sup> [https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/sanctions/ukraine\\_regulations-reglement2.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/ukraine_regulations-reglement2.aspx?lang=eng)

<sup>3</sup> <https://www.international.gc.ca/trade-commerce/controls-controles/notices-avis/1071.aspx?lang=eng>

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*This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.*