

Canadian Securities Administrators (CSA) Alerts All Market Participants to New Economic Sanctions

Beth Burnstein, Sophie Beaton

March 16, 2022

Overview

On Monday, the Canadian Securities Administrators (the CSA) issued a statement regarding the Government of Canada's sanctions against Russia under the *Special Economic Measures (Russia) Regulations* (the Regulations).¹

The Government of Canada amended the Regulations on Monday to impose new economic sanctions. In the midst of these sanctions, several Canadian financial firms, asset managers, and institutional investors have pledged to divest from Russia. In doing so, however, these market participants should ensure that they are acting in compliance with the obligations that come with the newly imposed economic sanctions. In its statement, the CSA advised that firms who deal with any Russian citizens or entities named in the sanctions could be impacted by the Regulations and they ought to be cautious not to enter transactions that could potentially violate the new restrictions.

Key Takeaways

- All market participants are potentially impacted by new global sanctions. As such, all market participants should conduct their own due diligence and seek expert advice to ensure all Regulations are followed.
- Marking participants should review the Regulations on an ongoing basis.
- Firms and other financial actors should continually review their portfolios to determine whether they are in possession of assets owned by or controlled on behalf of targets of the sanctions.
- As a result of the global sanctions, divestment may be a long-term process as obligations under the sanctions can come into conflict with divestment pledges.

Background

As discussed in our earlier article, *Canada Imposes Economic Sanctions Due to the Russian Federation's Actions in Ukraine*,² Canada – in coordination with its NATO allies – amended its existing *Special Economic*

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Measures (Russia) Regulations and *Special Economic Measures (Ukraine) Regulations* to make them more aggressive and far-reaching in response to Russia's violation of the sovereignty of Ukraine.

The Regulations first came into force on March 17, 2014, and were most recently amended on February 24 and 28, and March 4, 6, 10, and 14, 2022.³ The Regulations are expansive and aim to target Russia in a variety of economic areas.

The Sanctions

As of February 24, 2022, Canadians and persons in Canada are prohibited from dealing in property held by, or on behalf of listed entities and individuals, and must not deal with the funds or economic resources of a listed person or entity.⁴ The amendments made to the Regulations on March 14, 2022 expanded the list of prohibited individuals under Schedule 1 of the Regulations.⁵

The Regulations impose an asset freeze and dealings prohibition against these designated persons, including but not limited to: high ranking Russian government officials, and their associates and family members; entities owned, held or controlled directly or indirectly by any of these individuals or individuals acting on their behalf; entities owned, held or controlled directly or indirectly by the Russian government, or individuals acting on behalf or at the direction of the Russia government, and; all senior officials of the regime.

The CSA warned that it is prohibited for any person in Canada and any Canadian outside of Canada to:

- Deal in any property, wherever situated, held by or on behalf of a designated person whose name is listed in Schedule 1.
- Enter into or facilitate, directly or indirectly, any transaction related to such a dealing.
- Provide any financial or other related services in respect of such a dealing.
- Make any goods, wherever situated, available to a designated person listed in Schedule 1.
- Provide any financial or related service to, or for the benefit of, a designated person listed in Schedule 1.⁶

Additionally, certain entities must continually review whether they possess, or control property owned or controlled by or on behalf of a designated person. If it is determined they do, any proposed transactions involving such property must be reported to the Commissioner of the RCMP.⁷

For more information on the amendments, please see: *Regulations Amending the Special Economic Measures (Russia) Regulations* (international.gc.ca).

Looking Forward

As the situation in Russia and Ukraine endures, it is likely that these sanctions will continue to be amended. Thus, as stated by the CSA, market participants must continue to review the Regulations on a regular basis to ensure they are acting in compliance with any new and changing economic sanctions.

¹ CSA Statement, March 14, 2022: Canadian securities regulators issue statement regarding amended Special Economic Measures (Russia) Regulations; Government of Canada, *Special Economic Measures (Russia) Regulations: Canadian Sanctions Related to Russia* (international.gc.ca)

² Cassels, February 25, 2022: Canada Imposes Economic Sanctions Due to the Russian Federation's Actions in Ukraine

³ Government of Canada, *Special Economic Measures (Russia) Regulations: Canadian Sanctions Related to Russia* (international.gc.ca)

⁴ Cassels, February 25, 2022: Canada Imposes Economic Sanctions Due to the Russian Federation's Actions in Ukraine

⁵ Government of Canada, Amendment to the Regulations, March 14, 2022: Regulations Amending the Special Economic Measures (Russia) Regulations

⁶ CSA Statement, March 14, 2022: Canadian securities regulators issue statement regarding amended Special Economic Measures (Russia) Regulations

⁷ CSA Statement, March 14, 2022: Canadian securities regulators issue statement regarding amended Special Economic Measures (Russia) Regulations