

Canada's sanctions and measures on Russia: what Canadian businesses need to know

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Last week, Canada announced and implemented two rounds of sanctions and economic measures in response to Russia's recognition of two breakaway regions in Eastern Ukraine and subsequent launch of a three-sided military invasion on Ukraine. These sanctions and measures include the prohibition of exports of goods requiring permits, and restrictions on dealings with various Russian entities and individuals, including large Russian financial institutions, Russian elites, and hundreds of members of the Russian lower house of parliament. Canada had designed these measures in coordination with the United States, the United Kingdom and other allies, and they are now fully in force.

On Saturday, February 26, 2022, leaders of the European Commission, France, Germany, Italy, the United Kingdom, the United States and Canada jointly announced additional measures (the Joint Announcement). Importantly, these measures include the removal of select Russian banks from the Society for Worldwide Interbank Financial Telecommunications (SWIFT). Once implemented, these measures will make it significantly more difficult to engage in international trade with Russian counterparties.

This Update includes the content of Canada's full slate of new sanctions on Russia (and the breakaway regions of Ukraine) currently in force, imminent upcoming measures to expect, a high-level overview of pre-existing sanctions on Russia and anticipated future developments. For additional background on the recent events in Russia, see our Update from last week, "[Canada announces fresh sanctions on Russia over actions in Ukraine](#)".

New sanctions on Russia fully in force

Last week, Canada announced and implemented two rounds of new sanctions and economic measures on Russia. Both rounds of sanctions, described in some detail in the Backgrounder released by Global Affairs Canada, are now fully in force and include the following:

- Canadians and persons in Canada are prohibited from various dealings with the non-Ukrainian-controlled areas of the Luhansk and Donetsk regions. This includes a prohibition on: dealing in any property located in these regions that is owned, held or controlled by the region or a person in these regions; importing, purchasing, acquiring or exporting goods to or from these regions; or providing financial or any other services related to dealings in property in these regions. It is further prohibited to cause, facilitate, assist or intend to cause, facilitate or assist in any such activities. These are similar to the existing

prohibitions on dealings with Crimea.

- Canadians and persons in Canada are prohibited from buying new Russian debt directly or indirectly, such as dealings in government bonds or other efforts by the Russian State to raise capital. In particular, it is prohibited to deal directly or indirectly in new Russian debt via the Central Bank of the Russian Federation, National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation.
- Canadians and persons in Canada are prohibited from entering into any direct or indirect dealings with various entities, including 27 key financial institutions. These include major Russian banks such as Sberbank, VTB, Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB), Promsvyazbank Public Joint Stock Company (PSB), Russian Direct Investment Fund and others. A full list of newly sanctioned entities can be found in the Backgrounder.
- Canadians and persons in Canada are prohibited from entering into any direct or indirect dealings with various designated persons in Russia and Ukraine. This includes a prohibition on dealing in any property, providing any financial or related services, or making any goods available to such persons. Currently, the list of sanctioned individuals includes 31 individuals who are key members of President Putin's inner circle, close contacts, or family members of previously sanctioned individuals; four Ukrainian individuals implicated in the spread of pro-Russian disinformation; and 351 members of the Russian State Duma who voted in favour of recognizing the independence of the Ukrainian territories. A full list of newly sanctioned individuals can be found in the Backgrounder.
- Additionally, the federal government will be blocking any exports to Russia requiring export permits by denying any new applications for export permits to Russia and, effective February 24, 2022, has cancelled any existing valid permits for exports to Russia. This is expected to largely impact companies in the aerospace, technology, and minerals sectors. There are a limited number of exceptions for critical medical supply chains.

As these sanctions are now fully implemented under Canadian law, businesses with activities in the regions should ensure they are in compliance with the new measures.

Removal of select Russian banks from SWIFT and other new measures

One of the most significant anticipated measures in the Joint Announcement was the removal of select Russian banks from SWIFT (the Society for Worldwide Interbank Financial Telecommunication). SWIFT is the world's leading provider of secure financial messaging services. It is used by over 11,000 financial institutions in over 200 jurisdictions to facilitate the efficient and accurate transmission of funds around the world. There is no practical alternative to SWIFT for most of these financial institutions. The removal of these Russian banks from SWIFT will therefore make it extremely difficult for Canadian banks to transact with these Russian institutions or transact with Russian counterparties whose accounts are held by these institutions.

While the specific banks that will be targeted by this measure have not yet been identified, German authorities indicated that the measure would apply to "Russian banks that are

already sanctioned by the international community and, where necessary, additional Russian banks." As described above, the Russian banks that are currently sanctioned include several of the largest banks in Russia.

Canadian businesses who are affected by this measure should carefully review any contractual agreements involving Russian counterparts with legal counsel to identify how best to protect their interests.

The Joint Announcement also references restrictions to limit the Russian Central Bank's ability to access its global reserves. Following the Joint Announcement, the Canadian government has announced that, effective immediately, "all Canadian financial institutions are prohibited from engaging in any transaction with the Russian Central Bank" and that Canada is "imposing an asset freeze and a dealings prohibition on Russian sovereign wealth funds." Commentators have noted that these restrictions on the Russian Central Bank could have a devastating impact on the Russian economy.

Additional measures mentioned in the Joint Announcement include taking action against wealthy Russians who have so-called "golden passports" in other countries, and implementing a transatlantic task force to ensure the effective enforcement of financial sanctions by identifying and freezing the assets of sanctioned individuals and entities within their respective jurisdictions.

Pre-existing sanctions on Russia

As indicated in our prior discussion of the first round of sanctions announced on February 22, 2022, the sanctions announced this week are an expansion of Canada's pre-existing sanctions previously imposed for Russia's prior conduct in the region. Pre-existing sanctions target certain designated persons, as well as providing for restrictions on certain sectors such as the financial (e.g., new debt and equity financing for certain entities) and energy (e.g., oil exploration or production) sectors, as well as dealings in the Crimea region of Ukraine. These sanctions remain in place.

Canadians and persons in Canada conducting business in or around this region of the world should pay close attention to the existing and amended sanctions regime to ensure full compliance with all measures.

Anticipated future developments

Given the volatility of the situation in Ukraine, it is possible that additional measures could be applied to impose further economic pressure on Russia. There will also be significant upcoming changes as Canada works to implement the measures as set out in the Joint Announcement. We expect more information on those measures to be released in the coming days.

There has been significant unity between Canada and its allies in the sanctions announced thus far, and Minister Joly has indicated that Canada will take additional sanctions measures in lock-step with its allies. Keeping an eye on sanctions developments around the world will therefore be critical as this situation continues to evolve.

Osler's International Trade group is closely watching this rapidly developing area of law. If you require any assistance or have any questions regarding this or any matter regarding compliance with Canada's trade and sanctions regulatory regime, please contact a member of our team who would be happy to assist.