



What are the impacts of the sanctions on Russia for Canadian companies?

In response to the seriousness of Russia's violation of Ukraine's territorial integrity, as well as the serious human rights violations that have been committed, Canada has amended the [Special Economic Measures \(Russia\) Regulations](#) (SEMR) on several occasions to expand the scope of economic sanctions against Russia. Since February 2022, the number and scope of these economic sanctions have increased significantly.

If you or your company has business ties with someone on Canada's *Russia Sanctions List*, keep in mind that Canada's economic sanctions could apply to you as well.

As of June 3, 2022, more than 967 Russian individuals and entities are now included on the *Canadian Designated Persons and Entities List*, which can be found in Schedules 1 through 3 of the RMESR. The economic sanctions are applied in three main areas:

1. Prohibitions on direct or indirect commercial operations and transactions involving goods or services owned or controlled by persons designated in Schedules 1 through 3;
2. Seizure and detention of property or assets belonging to or under the control of the designated persons;
3. The regime of offences and penalties.



1. The following activities are primarily prohibited:

- Making goods, whether tangible or intangible (whether real or personal), wherever they may be, available to designated persons, including goods set out in Schedule 4 and goods on the [Export Control List](#);
- Transacting any property, wherever located, belonging to a person designated in Schedules 1 through 3;
- Providing a financial, technical or other service related to merchandise owned by or for the benefit of a person named in Schedules 1 through 3.
- On May 18, 2022, the Canadian government amended the SEMR to prohibit the export and import of all luxury goods to and from Russia. These amendments will come into force on July 17 2022.

It is the responsibility of Canadian entities, particularly those in the technology, financial services (banking, insurance, trusts, securities) sectors, to verify on an ongoing basis the existence of assets, in their possession or control that belong to any designated person. That would include any type of property and includes money, funds, currency, digital assets, and virtual currency.

However, certain exemptions are provided. Activities payable under a contract entered into prior to the listing of such designated persons that were performed prior to the listing of the designated person in Canada are not prohibited, nor are payments payable under a contract entered in force prior the listing made by designated persons to a Canadian entity that is not listed as a designated person. Finally, specific exemptions may also apply to certain goods, for example, communication devices, software, generally available to the public.

2. Seizure and detention of property or assets belonging to or under the control of the designated persons

The prohibitions listed above apply to any transaction that may involve property or entities (i) owned, (ii) held or (iii) controlled **directly** or **indirectly** by, at the direction of, or on behalf of the designated persons. The concepts of possession, custody and control must be considered.

The *Special Economic Measures Act*, which empowers the economic sanctions regime against Russia, provides Canadian customs officers with the authority to search, seize and detain for the benefit of the state any offending property or assets that may violate any of the prohibitions listed above.



3. Offences and penalties

Under the Act, it is a criminal offence to knowingly contravene these prohibitions or to facilitate, assist or abet such transactions, punishable by a fine of \$25,000 or imprisonment for up to five years. The proceeds of any related financial transaction may also be considered criminal in origin, which is a separate offence. However, no prosecution or civil proceedings may be brought against persons who inform Canadian authorities in good faith that they may have engaged in transactions in connection with any designated person.

Accordingly, it is suggested that companies that may be involved with designated persons and entities, and any Canadian intermediary, should:

- Monitor their financial transactions for any reasonable grounds to suspect that they are related to a violation of the SEMR or a money laundering offense;
- Maintain an effective risk-based approach to assessing the riskiness of clients who may be acting as an intermediary, owned or controlled by a designated person;
- Implement preventive measures to know their customers thoroughly.

If you or your company have any questions regarding imports/exports to or from Russia or any other trade or customs concerns, please do not hesitate to contact one of our legal advisors.

DS Lawyers LLP has an experienced trade defense team and provides comprehensive expertise on compliance issues and customs controls.

