

# Canada Expands Sanctions Against Russian Entities and Individuals

March 19, 2019

In a coordinated action with the United States and European Union, Canada on Friday announced a fresh round of Russian sanctions targeting 114 new individuals and 15 new entities. It is notable that most of the newly-sanctioned entities and individuals have been added to Schedule 1 of the Canadian Russia and Ukraine sanctions regulations, respectively, and are thereby subject to the strictest prohibitions under Canada's Russian sanctions. This marks a significant expansion of the existing prohibitions against doing business with Russian counterparties, as well as Ukrainian counterparties believed to be supporting Russia's aggressions in the Ukraine.

According to government statements these new sanctions are in response to Russia's recent naval actions near Crimea, including the capture of Ukrainian sailors in the Black Sea and blockage of the Kerch Strait, which connects the Sea of Azov to the Black Sea. The sanctions also coincide with the fifth anniversary of Russia's annexation of Crimea from Ukraine.

The new sanctions target high profile Russian businesses and individuals, including both new individuals and entities as well as those previously sanctioned by the U.S. and EU, including:

- companies involved in the construction of the Kerch Bridge, connecting Russia to Crimea;
- Russian companies involved in the supply of goods and services in Crimea;
- private and state-owned industrial and military equipment manufacturers such as Sukhoi Aviation JSC, Tupolev SJSC, PJSC Power Machines, and JSC Russian Aircraft Corporation MiG;
- Andrei Akimov, Chairman of Gazprombank;
- Andrei Kostin, President and Chair of VTB Bank;
- Igor Sechin, CEO of Rosneft; and
- Russian military officials active in Crimea or involved in the capture of the Ukrainian vessels in the Black Sea.

The new sanctions were implemented by amendments to the *Special Economic Measures (Russia) Regulations* and *Special Economic Measures (Ukraine) Regulations*. Adding the newly sanctioned entities and individuals to "Schedule 1" of the Russia and Ukraine regulations makes them "designated persons" subject to some of the tightest restrictions in Canadian law. Canadian individuals and corporations are prohibited from engaging in substantially all commercial activities and other transactions with designated persons anywhere in the world, including the following:

- dealing in property held by or on behalf of designated persons;
- entering into or facilitating any transaction related to a designated person's property;

- providing financial or related services in respect of any property held by or on behalf of a designated person;
- making available any property to a designated person; and
- providing financial or related services to or for the benefit of a designated person.

The Russia and Ukraine sanctions impose reporting obligations for Canadian financial institutions and other entities to determine and disclose to the Royal Canadian Mounted Police, on a continuing basis, whether they are in possession or control of any property they have reason to believe is owned or controlled by or on behalf of a designated person. They must also disclose any information they may have about a transaction or a proposed transaction respecting such property.

The *Special Economic Measures Act* is one of the few Canadian statutes that has extraterritorial effect, meaning that it applies to Canadians and activities anywhere in the world. It is part of a broader suite of Canadian measures that allows the Government to impose sanctions targeted at products, places, or persons (including individuals, legal entities, and organizations).

Canadian companies doing business in Russia or with business partners doing business in Russia should immediately review their compliance with Canada's new sanctions. BLG's international trade and investment team regularly advises financial institutions and other businesses on their unique obligations related to Canada's comprehensive sanctions regime. For further information or advice, please contact a member of our international trade and investment group.

## **AUTHORS**

**Milos Barutciski**

T 416.367.6148

[MBarutciski@blg.com](mailto:MBarutciski@blg.com)

**Jacob Mantle**

T 416.367.6234

[JMantle@blg.com](mailto:JMantle@blg.com)

**Erica Lindberg**

T 416.367.6422

[ELindberg@blg.com](mailto:ELindberg@blg.com)

## **BLG OFFICES**

### **Calgary**

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T +1.403.232.9500  
F +1.403.266.1395

### **Montréal**

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T +1.514.954.2555  
F +1.514.879.9015

### **Ottawa**

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T +1.613.237.5160  
F +1.613.230.8842

### **Toronto**

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

### **Vancouver**

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

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