

TWO-YEAR ANNIVERSARY OF RUSSIA'S ILLEGAL INVASION OF UKRAINE: NEW SANCTIONS DESIGNATIONS AND EXPANSION OF EXPORT PROHIBITIONS

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February 24, 2024 marked two years since Russia's illegal invasion of Ukraine. The Government of Canada continues to broaden Canada's economic sanctions regime with new sanctions and expanded export prohibitions, announced February 21, 2024.

Below we discuss new sanctions and export prohibitions, shifting views on asset seizure under international law, transaction prohibition guidelines from FINTRAC, and Canada's expansion of its sanctions regime in other regions.

New export prohibitions and sanctions imposed against Russian individuals and entities

The Canadian government announced new sanctions under the *Special Economic Measures (Russia) Regulations* ("the **Regulations**") on February 21, 2024,^[1] coinciding with the two-year anniversary of Russia's further invasion of Ukraine. This new round of sanctions adds 163 individuals and entities to Canada's sanctions list, implementing sanctions against Russian oligarchs, billionaires, and political figures and entities with ties to various strategic sectors including oil and gas, insurance, engineering, and manufacturing. Canadian and international businesses should revise their trade and sanctions compliance programs to ensure they are not transacting or dealing with these designated individuals or entities, or with entities under their ownership or control.

In addition, the *Regulations* were amended to expand the export prohibitions in place against Russia: Canadians and persons in Canada are now prohibited from exporting a broader list of goods that may be used for weapons manufacturing. The new export prohibitions target goods that may be used for Russia's military purposes, covering goods such as optical devices, explosives, ball bearings, and navigational instruments, among others. This continues the expansion of export prohibitions introduced under Canada's sanctions regime on March 24, 2022,^[2] which differ from Canada's traditional export controls framework.

Discussions surrounding Russian asset seizure legality under international law

With Russia's advances in Ukraine showing no sign of slowing, Canada and its G7 partners are intensifying discussions relating to the cost of Ukraine's reconstruction and exploring asset seizure and forfeiture as a possible remedial avenue. McMillan's International Trade team has discussed asset seizure in previous bulletins.[\[3\]](#)

Canada's asset and forfeiture regime was introduced in June 2022 following a commitment from the G7 countries to seize, forfeit, and redistribute property and assets of sanctioned individuals. Under the *Special Economic Measures Act* and the *Justice for Victims of Corrupt Foreign Officials Act*, the Government of Canada can seize physical assets, restrain financial assets, and subsequently forfeit, dispose, and redistribute the assets.[\[4\]](#)

The legality of seizure and forfeiture regimes under international law has been an open question for the past number of months. However, recently Russia's continued aggression has resulted in international lawyers and practitioners releasing opinions to the effect that it would be permissible under international law for countries to seize frozen Russian assets in relation to the Ukraine war.[\[5\]](#) Such publicly released opinions may lead to an acceleration of new seizures and forfeitures in Canada in the coming months.

To-date, Canada has made two seizures: an Antonov-124 cargo plane owned by Volga-Dnepr Airlines and currently situated at Toronto's Pearson Airport,[\[6\]](#) and US \$26 million from an account the government alleged was held by Granite Capital Holdings Ltd., a company owned by Russia oligarch Roman Abramovich.[\[7\]](#) No forfeiture requests have been made by the Minister of Foreign Affairs.

New FINTRAC guidance released alongside sanctions updates

In tandem with the Government of Canada's February 24 sanctions, Canada's Minister of Finance issued a Ministerial Directive to enhance and extend obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.[\[8\]](#) The new guidance introduces four obligations on entities that must report under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*:

1. Treat every financial transaction originating from or bound for Russia, regardless of the amount, as a high-risk transaction;
2. Verify clients' identities when requesting or benefiting from such a transaction;
3. Exercise customer due diligence relating to such transactions, including by determining: the source of funds or virtual currency, the purpose of the transaction, and the beneficial ownership or control of any entity requesting or benefiting from the transaction; and
4. Keep and retain records of all such transactions.[\[9\]](#)

The guidance is intended to assist financial institutions and other reporting entities recognize activities that

may be linked to Russia's illegal invasion of Ukraine. Canadian and international businesses should exercise caution in conducting transactions that may implicate Russian involvement.

Canada's continued expansion of sanctions in other regions

Apart from Canada's sanctions campaign against Russia, Canada is continuing to expand its sanctions regimes in other regions. Last week, the Government of Canada announced sanctions against four individuals for their roles in activities relating to ongoing corruption, human rights violations, and for undermining democracy, in Guatemala.^[10] Additionally, at the beginning of February, Canada announced sanctions against 11 individuals holding senior positions within Hamas, including the leader and two military leaders.^[11]

Conclusion

Canada's economic sanctions landscape continues to evolve and shift alongside international developments, introducing new compliance obligations, including export and transaction prohibitions, for businesses. McMillan's International Trade Group has published extensively on changes in sanctions compliance and remains available to assist Canadian and international businesses navigate evolving compliance regimes and obligations.

[1] *Regulations Amending the Special Economic Measures (Russia) Regulations*, [SOR/2024-32](#).

[2] Government of Canada, *Canadian Sanctions Related to Russia*, [online](#). See also *Restricted Goods and Technologies List*, [online](#).

[3] See: *Caught in the Sanctions Crossfire: Canada's Proposed New Control Test Has Broad Repercussions on Businesses with Any Nexus to Russia*, [online](#); and *Sanctions Pivot: Canada Seeks Forfeiture of Russian-Owned Assets to Fund Reconstruction of Ukraine and Adds Oil Price-Cap Restrictions*, [online](#).

[4] Bill C-19, *An Act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures*, [online](#).

[5] Open letter by international lawyers and practitioners, [online](#).

[6] *Order Respecting the Seizure of Property Situated in Canada (Volga-Dnepr Airlines or Volga-Dnepr Group)*: [SOR/2023-120](#).

[7] Government of Canada, *Privy Council Order 2022-1361*, [online](#) (last modified Feb 27, 2024).

[8] Financial Transactions and Reports Analysis Centre of Canada, *FINTRAC guidance related to the Ministerial Directive on Financial Transactions Associated with Russia issued on February 24, 2024*, [online](#).

[9] Financial Transactions and Reports Analysis Centre of Canada, *FINTRAC guidance related to the Ministerial Directive on Financial Transactions Associated with Russia issued on February 24, 2024*, [online](#).

[10] Global Affairs Canada, *Canada announces sanctions against individuals implicated in undermining democracy and rule of law in Guatemala*, February 20, 2024, [online](#).

[1] Global Affairs Canada, Canada sanctions individuals affiliated with Hamas, February 6, 2024, [online](#).

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A Cautionary Note

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