

Article

Canada Imposes Economic Sanctions Against Syria

Date

May 25, 2011

On May 24, 2011, the Canadian government announced the immediate imposition of economic sanctions against Syria. The measures include an asset freeze against persons associated with the current Syrian regime and entities involved in security and military operations and a ban on the export or transfer from Canada to Syria of goods and technology subject to export controls. The Canadian government has also imposed a travel ban to Canada for certain individuals associated with the current Syrian regime and the suspension of all bilateral cooperation agreements and initiatives with Syria.

All Canadian companies should immediately update their sanctions compliance programs and screening procedures and review ongoing transactions to ensure full compliance with the new sanctions regime.

Prohibitions on Dealings with Syrian Individuals and Entities

The ***Special Economic Measures (Syria) Regulations*** (an unofficial version can be found [here](#)) implement the asset freeze against certain listed individuals and entities, referred to as "designated persons".

The Regulations prohibit persons in Canada and Canadians outside of Canada from engaging in any of the following activities:

- (i) dealing in property, wherever situated, held by or on behalf of a designated person;
- (ii) entering into or facilitating transactions related to such dealings;
- (iii) providing any financial or related service in respect of such dealings;
- (iv) making any goods, wherever situated, available to a designated person; and
- (v) providing any financial or related service to or for the benefit of a designated person.

The Regulations also prohibit doing anything that causes, assists or promotes the foregoing.

Designated persons are identified in the Schedule to the Regulations and include Syrian President Bashar al-Assad, 24 other senior government officials, and seven Syrian government entities, including the Ministry of the Interior, the Ministry of Defense, and the General Intelligence Directorate.

Exclusions

Payments made by or on behalf of a designated person that are due under a contract entered into before the person became a designated person are not subject to these prohibitions, provided that the payment is not made to or for the benefit of a designated person.

Also excluded are activities engaged in pursuant to an agreement or arrangement between Canada and Syria and goods made available by certain international aid agencies for purposes of humanitarian assistance.

Permits

Pursuant to the ***Special Economic Measures (Syria) Permit Authorization Order*** (an unofficial version can be found [here](#)), the Minister of Foreign Affairs may issue permits to allow activities or transactions to proceed that are otherwise prohibited under the Regulations.

Disclosure Obligations

The Regulations require persons in Canada and Canadians outside Canada to disclose without delay to the Royal Canadian Mounted Police (RCMP) the existence of property in their possession or control that they have reason to believe is owned or controlled, directly or indirectly, by a designated person or by an entity owned or controlled by a designated person. They must also disclose to the RCMP any information about a transaction or proposed transaction in respect of such property.

Special Duty to Determine for Financial Institutions

Financial institutions, including federally-regulated banks and provincial trust and loan companies and securities dealers, are required by the Regulations to monitor and determine on a continuing basis whether they are in possession or control of property owned or controlled by or on behalf of a designated person.

The Office of the Superintendent of Financial Institutions (OSFI) has just published a [Notice on the Regulations](#). It provides federally-regulated financial institutions with additional guidance on complying with their new searching, freezing, monitoring, blocking and disclosure obligations under the Regulations.

Regarding the obligation to search for names of designated persons, OSFI notes that “it is our expectation that federally regulated deposit-taking institutions be able to search their records for designated names at least on a weekly basis, and more frequently if need be.”

Ban on Exports and Transfers of Controlled Goods and Technology

Although no related legislative amendments were announced, the government of Canada also indicated that the export and transfer of goods and technology from Canada to Syria would be banned under the ***Export and Import Permits Act***. This would include dual-use goods and technology (such as encryption items), munitions and other items controlled for strategic and security purposes and listed on Canada’s ***Export Control List***.

Canada’s Economic Sanctions

The increasing use of economic sanctions by Canada and its trading partners, including the United States and the European Union, is significantly raising exposure to financial, operational and reputational risk. It is important for any company doing business internationally to have in place comprehensive internal control measures for compliance with economic sanctions, export controls and related requirements.

These new measures against Syria should trigger a review and revision of those measures, including the lists (or list-service providers) used for screening transactions involving designated persons – the Syrian sanctions add 32 new parties that must be screened for any involvement in your firm's transactions. Companies should also be reviewing other components of their internal trade control regime, including their compliance manual and processes, employee and executive training programs, internal audit procedures, and their contract review process, to ensure they are fully up to date.

At the present time, in addition to these new measures against Syria, Canada currently imposes trade controls of varying degrees on activities involving the following countries (and in many cases, individuals and entities associated with them): Belarus, Burma (Myanmar), Côte d'Ivoire, the Democratic Republic of the Congo, Cuba, Egypt, Eritrea, Guinea, Iran, Iraq, Lebanon, Liberia, Libya, North Korea, Pakistan, Sierra Leone, Somalia, Sudan, Tunisia, and Zimbabwe.

McCarthy Tétrault's International Trade and Investment Law Group has extensive experience in dealing with these measures and is available to advise on related enforcement, compliance and strategic planning issues.