

Canada Expands Economic Sanctions Against Iran – John W. Boscariol

On November 21, 2011, Canada announced new sanctions against Iran in coordination with authorities in the United States and the United Kingdom. These sanctions, implemented in response to the November 9, 2011 International Atomic Energy Agency's assessment of Iran's nuclear capabilities, significantly expand on Canada's current measures against Iran and will have specific impact on the Canadian financial services and oil and gas sectors. Other companies, even those that are not engaged in business with Iran, may also be affected by these new controls.

Canada's existing sanctions measures against Iran are set out under the *United Nations Act*, the *Special Economic Measures Act* and the *Export and Import Permits Act* and are summarized in [Canada Targets Financial Services and Oil & Gas Sectors in New Unilateral Sanctions Against Iran](http://www.mccarthy.ca/article_detail.aspx?id=5075) (at http://www.mccarthy.ca/article_detail.aspx?id=5075) and [Sanctions Alert: The Brave New World of Doing Business with Iran](http://mccarthy.ca/article_detail.aspx?id=5064) (at http://mccarthy.ca/article_detail.aspx?id=5064).

Broader Trade Controls on Goods and Services

Further restrictions were added to the *Special Economic Measures (Iran) Regulations*, including:

- i. a broad prohibition against providing or acquiring any financial services to or for the benefit of, or on the direction or order of, Iran or any person in Iran;
- ii. a broad prohibition against the supply of any goods used in the petrochemical, oil or natural gas industry (this is expanded from the earlier prohibition which applied only to goods used in the refining of oil or liquefaction of natural gas);
- iii. the addition of various entities and individuals to the list of designated persons — there is a general prohibition on dealings with these persons; and
- iv. the addition of various items and equipment to the prohibited goods list.

The complete amendments, which include certain limited exceptions to these prohibitions, can be found [here](http://www.international.gc.ca/sanctions/iran_regs_2011.aspx?lang=eng&view=d): http://www.international.gc.ca/sanctions/iran_regs_2011.aspx?lang=eng&view=d.

Also, the Office of the Superintendent of Financial Institutions has issued [a Notice](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/supervisory/2011_11_22_SEMA_e.pdf) (at http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/supervisory/2011_11_22_SEMA_e.pdf) in respect of these new measures as they apply to federally regulated financial institutions.

All Canadian companies, including those that have not engaged in any business with Iran, should be amending their compliance procedures and screening protocols and reviewing current transactions and other activities to ensure compliance with these new measures.

Economic Sanctions Compliance

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, anti-corruption laws and related requirements.

These new measures against Iran should trigger a review and revision of those controls, including the lists (or list-service providers) used for screening transactions involving designated persons. Notably, the prohibitions against dealings with designated persons apply to all companies, regardless of whether they are engaged in business with Iran. Companies should also be reviewing other components of their internal trade control systems, 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 measures against Iran, 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, Iraq, Lebanon, Liberia, Libya, North Korea, Pakistan, Sierra Leone, Somalia, Sudan, Syria, Tunisia, and Zimbabwe. Any involvement of these countries or any "designated person" in proposed transactions or other activities should raise a red flag for further investigation to ensure compliance with economic sanctions.

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.