

Trump Administration Imposes Targeted Financial Sanctions on Venezuela

IN SHORT

The Situation: By Executive Order, President Trump has enacted new sanctions to restrict financing activities related to the Government of Venezuela.

The Result: While the new sanctions prohibit participation in a number of transactions relating to the Venezuelan government and its interests, the Office of Foreign Assets Control has issued licenses to ease market disruptions, minimize complications for investors, and prevent harm to the American and Venezuelan people.

Looking Ahead: Companies conducting direct or indirect business involving Venezuela should examine existing and pending transactions to confirm compliance with the new sanctions.

On August 24, 2017, President Donald Trump issued an [Executive Order](#) imposing new sanctions intended to restrict financing connected to the Government of Venezuela. These sanctions supplement existing sanctions imposed by the Obama Administration, which prohibited transactions by U.S. persons with certain individuals and entities on the Specially Designated Nationals and Blocked Persons List ("SDN List") maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), and generally follow, in scope, the sectoral sanctions imposed against the Russian Federation.

Pursuant to the Executive Order and subject to the general licenses discussed below, the new sanctions prohibit, by U.S. persons or within the United States, engaging in transactions related to, providing financing for, or otherwise dealing in:

- New debt with a maturity of greater than 90 days issued by, on behalf of, or for the benefit of Venezuela's national oil company, Petroleos de Venezuela, S.A. ("PdVSA") (which is considered a part of the Government of Venezuela);
- New debt with a maturity of greater than 30 days or new equity issued by, on behalf of, or for the benefit of any segment of the Government of Venezuela;
- Bonds issued by the Government of Venezuela prior to August 25, 2017;
- Dividend payments or other distributions of profits to the Government of Venezuela from any entity owned or controlled, directly or indirectly, by the Government of Venezuela; and
- The purchase, directly or indirectly, of securities from the Government of Venezuela, unless the securities qualify as new debt of (i) PdVSA with a maturity of 90 days or less or (ii) the Government of Venezuela with a maturity of 30 days or less.



In light of these new sanctions, companies doing business, directly or indirectly, involving Venezuela should review existing and pending transactions, including sales and purchase agreements, to ensure they comply with the sanctions.



These prohibitions apply the same definitions for "debt" and "equity" as the Russia-related sectoral sanctions, and they similarly require U.S. persons to reject, rather than block, any prohibited transactions.

In connection with the issuance of the Executive Order, OFAC issued four general licenses in order to mitigate market disruptions and harm to investors and the American and Venezuelan people.

- **General License 1** provides a 30-day period—through September 24, 2017—for individuals and entities to engage in certain activities necessary to winding down certain contracts or other agreements that were in effect prior to August 25, 2017, that are now prohibited under the new sanctions. This general license does not, however, impact the prohibition on transactions relating to the provision of dividend payments or other distributions of profits to the Government of Venezuela. U.S. persons who engage in authorized wind-down transactions must file a detailed report with OFAC within 10 days of the transactions.
- **General License 2** authorizes dealings in new debt or new equity and the purchase of securities that would otherwise be prohibited where the only Venezuelan government entities involved are CITGO Holding, Inc. and any of its subsidiaries.
- **General License 3** authorizes transactions relating to certain bonds (listed in an annex to the general license and [here](#)) and relating to bonds issued both (i) prior to August 24, 2017, and (ii) by U.S. person entities owned or controlled, directly or indirectly, by the Government of Venezuela.
- **General License 4** authorizes transactions relating to new debt in connection with the exportation or reexportation, from the United States or by a U.S. person, of agricultural commodities, medicine, medical devices, or replacement parts and components for medical devices to Venezuela or persons in third countries purchasing specifically for resale to Venezuela. For General License 4 to apply, the exportation or reexportation must also be authorized by the U.S. Department of Commerce.

These general licenses do not authorize transactions involving individuals or entities on the SDN List under the previous sanctions issued by the Obama Administration.

In light of these new sanctions, companies doing business, directly or indirectly, involving Venezuela should review existing and pending transactions, including sales and purchase agreements, to ensure they comply with the sanctions. They also should update their sanctions compliance policies and procedures to ensure that all transactions are screened not only for the involvement of prohibited parties but also activities prohibited under these new sanctions.

THREE KEY TAKEAWAYS

1. Supplementing existing sanctions imposed by the Obama Administration, President Trump has issued new sanctions targeted at preventing U.S. persons from contributing to the financing of Venezuela's government.
2. To mitigate disruptions, the Office of Foreign Assets Control is issuing licenses allowing for (i) the winding down of contracts; (ii) dealings involving CITGO Holding; (iii) transactions relating to certain bonds and to bonds issued prior to August 24, 2017, by U.S. person entities controlled by the Government of Venezuela; and (iv) transactions relating to debt in connection with the exportation or reexportation of agricultural commodities, medicine, and medical devices.
3. Companies potentially affected by the new sanctions should carefully review their current situations and their relevant compliance activities.

AUTHORS



Sean T. Boyce
Dubai



Michael P. Gurdak
Washington



D. Grayson Yeargin
Washington



Lindsey M. Nelson
Washington

[All Contacts >>>](#)

YOU MIGHT BE INTERESTED IN: [Go To All Recommendations >>](#)



[A New Trend? Singapore Company Targeted for U.S. Dollar Payments to Iranian Entities](#)



[President Trump Signs New Sanctions Legislation into Law](#)



[President Trump Delays Decision on Sudanese Sanctions for Three Months](#)



[President Trump Revises U.S. Policy on Cuba](#)

SUBSCRIBE

SUBSCRIBE TO RSS



Jones Day is a legal institution with more than 2,500 lawyers on five continents. We are One Firm WorldwideSM.

Disclaimer: Jones Day publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information purposes only and may not be quoted or referred to in any other publication or proceeding without the prior written consent of the Firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our "Contact Us" form, which can be found on our website at www.jonesday.com. The mailing of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship. The views set forth herein are the personal views of the authors and do not necessarily reflect those of the Firm.

© 2017 Jones Day. All rights reserved. 51 Louisiana Avenue, N.W., Washington D.C. 20001-2113