

Alert | **Export Controls & Economic Sanctions**



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U.S. Imposes Additional Sanctions against Venezuela

President Trump has signed an **Executive Order** limiting the Venezuelan government's access to the U.S. financial system. The new sanctions are the latest in a quick succession of U.S. sanctions measures issued in response to the deteriorating political situation in Venezuela. Notably, while previous U.S. sanctions directives targeted specific Venezuelan individuals and entities only, the new sanctions, for the first time, target the Venezuelan government and the Venezuelan state oil company, *Petróleos de Venezuela, S.A.* (PDVSA).

New Financial Sanctions

The new Executive Order places significant restrictions on dealings in Venezuelan government debt, a move designed to limit the ability of the Venezuelan government to raise badly-needed funds. And while the new sanctions stop short of banning U.S. imports of Venezuelan oil, the measures also place limited restrictions on any new debt issued by PDVSA.

Restrictions on Venezuelan Securities

Effective immediately, U.S. persons are prohibited from dealing in the following:

- New Venezuelan government debt with a maturity of greater than 30 days
- New equity of the Government of Venezuela, its property, or its interests in property, which includes PDVSA
- Certain Venezuelan government bonds issued before Aug. 25, 2017

- Dividend payments or other profit distributions of the Government of Venezuela

In addition, U.S. persons are prohibited from purchasing all other securities from the Government of Venezuela. The new sanctions do not prohibit U.S. individuals and entities from dealing in new short-term Venezuelan debt with maturities of less than 30 days.

Restrictions Related to PDVSA Debt

U.S. persons are prohibited from dealing in any new PDVSA debt with a maturity greater than 90 days. The new sanctions continue to permit U.S. persons to deal in new PDVSA debt with maturities of less than 90 days, a carve-out that will allow financing for most of PDVSA's oil-related trade to continue.

Exemptions for CITGO and Agricultural/Medical Transactions

Concurrent with the issuance of the Executive Order, the Department of the Treasury's Office of Foreign Assets Control (OFAC) issued several general licenses that effectively carve out certain activities from the sanctions.

General License 2: CITGO Holding, Inc.

Notably, OFAC issued General License 2 that exempts CITGO Holding, Inc., from the new sanctions measures. Although owned by the Government of Venezuela, CITGO is an oil refiner and retailer based in the United States. General License 2 authorizes transactions with CITGO Holding, Inc., and its subsidiaries that would be otherwise prohibited from the sanctions.

General License 4: Agricultural Commodities, Medical Devices, and Medicines

OFAC also issued General License 4, which authorizes certain transactions related to agricultural commodities, medical devices, and medicines that would otherwise be prohibited under the sanctions. Specifically, General License 4 authorizes transactions related to new debt for the export or reexport of agricultural commodities, medical devices (including replacement parts and components), and medicines to Venezuela or to persons in third countries purchasing specifically for resale to Venezuela.

Looking Ahead

Any U.S. company or individual that owns, deals in, or is considering dealing in Venezuelan debt or equity, whether directly or indirectly, should carefully review the new measures and identify any relevant limitations and prohibitions imposed by the new sanctions. Furthermore, in light of the deteriorating situation in Venezuela, yet more sanctions remain possible in the near future. In recent months alone, the United States has implemented four separate rounds of sanctions against Venezuela, and the U.S. government may impose additional sanctions against Venezuela's government and petroleum industry unilaterally at any time. Accordingly, it is important for U.S. companies to carefully monitor relevant sanctions developments and continue to exercise close scrutiny before engaging in any Venezuela-related transactions.

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