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United States Imposes New Economic Sanctions on Venezuela Restricting Transactions with PdVSA and Government of Venezuela

By Ted Posner and Glenda Bleiberg

On August 24, 2017, President Trump issued an executive order imposing new economic sanctions on the Government of Venezuela and the Venezuelan state-owned oil company, Petróleos de Venezuela, S.A. (PdVSA). The new sanctions expand on sanctions imposed by President Obama in March 2015. The earlier sanctions blocked property and interests in property of individuals found to have contributed to the humanitarian and political crisis in Venezuela, including current and former government officials. They also barred such individuals from entering the United States.

The new sanctions prohibit U.S. persons and persons within the United States from engaging in specified transactions with the Government of Venezuela and PdVSA. They are motivated by a finding of “serious abuses of human rights and fundamental freedoms; responsibility for the deepening humanitarian crisis in Venezuela; establishment of an illegitimate Constituent Assembly, which has usurped the power of the democratically elected National Assembly and other branches of the Government of Venezuela; rampant public corruption; and ongoing repression and persecution of, and violence toward, the political opposition.” Prohibited transactions include transactions related to, provision of financing for, and other dealings in:

- new debt issued by PdVSA with a maturity greater than 90 days,
- new debt with a maturity greater than 30 days, or new equity, issued by the Government of Venezuela;
- bonds issued by the Government of Venezuela before August 25, 2017; and
- dividend payments or other distributions of profits to the Government of Venezuela from an entity owned or controlled, directly or indirectly, by the Government of Venezuela.

The new sanctions also prohibit U.S. persons and persons in the United States from purchasing securities from the Government of Venezuela (except for debt with a maturity shorter than 90 days in the case of PdVSA or 30 days in the case of the Government itself).

For purposes of these sanctions, a U.S. person is a U.S. citizen or permanent resident or entity organized under the laws of the United States, including foreign branches of such an entity. A non-U.S. person operating outside of the United States is not constrained by the sanctions. However,

to the extent that U.S. persons ordinarily may be involved in the decision making of non-U.S. entities, their conduct could trigger liability.

Concurrently with the President's issuance of the executive order, the Office of Foreign Assets Control (OFAC, the U.S. Treasury Department agency responsible for administering and enforcing economic sanctions) issued four general licenses authorizing certain transactions that otherwise would be prohibited by the new sanctions. Conduct permitted under the general licenses includes:

- through September 24, 2017, transactions "that are ordinarily incident and necessary to wind down contracts or other agreements" in effect before August 25, 2017 (subject to an obligation to submit a detailed report to OFAC within ten days of such a transaction);

- transactions involving only CITGO Holding Inc. and its subsidiaries (as opposed to any other Venezuelan Government entity);
- transactions concerning any of 76 Venezuela-related bonds specifically identified by OFAC, as well as bonds issued before August 25, 2017 by U.S. entities owned or controlled by the Government of Venezuela;
- new debt transactions related to exportation or re-exportation from the United States or by a United States person of agricultural commodities, medicine, medical devices, or replacement parts and components for medical devices.

The executive order imposing the new sanctions can be found [here](#).

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