

US Imposes Sanctions Targeting Debt and Equity of the Venezuelan Government

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On May 21, 2018, President Trump signed a new Executive Order entitled “Prohibiting Certain Additional Transactions with Respect to Venezuela.”¹ The Executive Order, which became effective on May 21, 2018, prohibits certain transactions by US persons related to debts owed to the Government of Venezuela and equity interests of the Government of Venezuela.

Executive Order Prohibiting Certain Additional Transactions with Respect to Venezuela

The Executive Order prohibits certain transactions related to debt owed to the Government of Venezuela and to equity interests of the Government of Venezuela. Specifically, the Executive Order prohibits all transactions related to, provision of financing for, and other dealings in the following within the United States or by a US person:²

- i. The purchase of any debt owed to the Government of Venezuela, including accounts receivable;
- ii. Any debt owed to the Government of Venezuela that is pledged as collateral after May 21, 2018, including accounts receivable; and
- iii. The sale, transfer, assignment, or pledging as collateral by the Government of Venezuela of any equity interest in any entity in which the Government of Venezuela has a 50 percent or greater ownership interest.

¹ The text of the Executive Order is available here: <https://www.whitehouse.gov/presidential-actions/executive-order-prohibiting-certain-additional-transactions-respect-venezuela/>.

² US person is defined to include US citizens and permanent resident aliens, wherever located, entities organized under US law (including foreign branches), and individuals and entities located in the United States.

Prohibitions (i) and (ii) restrict transactions in which the Government of Venezuela (as defined in the EO) sells receivables at a discount, or uses the receivables as collateral. Prohibition (iii) restricts dealings in shares in entities in which the Government of Venezuela owns a 50% or greater interest.

The “Government of Venezuela” is defined in the EO as “the Government of Venezuela, any political subdivision, agency, or instrumentality thereof, including the Central Bank of Venezuela and Petróleos de Venezuela, S.A. (PdVSA), and any person owned or controlled by, or acting for or on behalf of, the Government of Venezuela.”

According to President Trump, the Executive Order is intended “to prevent the Maduro regime from conducting ‘fire sales,’ liquidating Venezuela’s critical assets” because “[t]his money belongs to the Venezuelan people.”³ This EO is the most recent action the Trump Administration has taken to target the Maduro regime.⁴

Companies doing business relating to Venezuela should monitor closely any guidance issued or further sanctions imposed by the United States to ensure compliance. Penalties for noncompliance can be severe.

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³ The text of the White House Briefing statement is available here: <https://www.whitehouse.gov/briefings-statements/statement-president-donald-j-trump-maduro-regime-venezuela/>.

⁴ Please see our previous client alerts regarding the Venezuela sanctions [here](#).