

US Imposes Sanctions Targeting Debt, Equity, and Securities of the Venezuelan Government and PdVSA

September 2017

EU Sanctions Team: [James Killick](#), [Genevra Forwood](#), [Sara Nordin](#), [Charlotte Van Haute](#), [Fabienne Vermeeren](#)

US Sanctions Team: [Richard Burke](#), [Nicole Erb](#), [Claire A. DeLelle](#), [Kristina Zisis](#), [Cristina Brayton-Lewis](#)

On August 24, 2017, President Trump signed Executive Order 13808 entitled “Imposing Additional Sanctions with Respect to the Situation in Venezuela.”¹ EO 13808, which became effective on August 25, 2017, prohibits certain transactions by US persons related to new debt of Petróleos de Venezuela, S.A. (PdVSA), new debt and new equity of the Government of Venezuela, bonds issued by the Government of Venezuela before August 25, 2017, the purchase of securities from the Government of Venezuela, and the payment of dividends and other distribution of profits to the Government of Venezuela by entities owned or controlled by the Venezuelan government.

The US Department of the Treasury’s Office of Foreign Assets Control (OFAC) also published four new general licenses authorizing certain transactions that would otherwise be prohibited under EO 13808.² The licenses include a wind-down authorization, an authorization for certain transactions involving CITGO (the US petroleum company owned indirectly by PdVSA and Venezuela), an authorization to deal in specific bonds identified in an annex to General License 3, and an authorization to engage in certain financing transactions in connection with agricultural and medical exports to Venezuela. OFAC has not, to date, issued a general license authorizing transactions relating to derivative products linked to prohibited bonds or new debt of PDVSA or the Government of Venezuela. OFAC issued such a license for the Ukraine/Russia-related sectoral sanctions program.

Executive Order 13808

EO 13808 prohibits various transactions in debt and securities of the Government of Venezuela. Specifically, EO 13808 prohibits all transactions related to, provision of financing for, and other dealings in the following within the United States or by a US person:³

- (i) New debt⁴ with a maturity of greater than 90 days of PdVSA;

¹ The text of the Executive Order is available [here](#).

² The four new general licenses are available [here](#).

³ US person is defined to include US citizens and permanent residents, wherever located, entities organized under US law (including foreign branches), and individuals and entities located in the United States.

- (ii) New debt with a maturity of greater than 30 days, or new equity,⁵ of the Government of Venezuela, (other than debt of PdVSA covered by item (i) above); and
- (iii) Bonds issued by the Government of Venezuela prior to August 25, 2017; or
- (iv) 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 (e.g., CITGO).

EO 13808 also prohibits the purchase, directly or indirectly, by a United States person or within the United States, of any securities from the Government of Venezuela, other than securities qualifying as new debt with a maturity of less than or equal to 90 or 30 days as covered by items (i) and (ii) above, respectively. The prohibition includes both debt and equity securities, as well as securities issued by parties other than the Government of Venezuela.

The prohibitions regarding new debt extend to rollover of existing debt, if such rollover results in the creation of new debt with a maturity of longer than 90 days (with respect to PdVSA) or longer than 30 days (with respect to the rest of the Government of Venezuela).

The Government of Venezuela is defined to include any political subdivision, agency, or instrumentality thereof, including the Central Bank of Venezuela and PdVSA, and any person owned or controlled by, or acting for or on behalf of, the Government of Venezuela (including entities owned 50 percent or more, individually or in the aggregate, by the Government of Venezuela).

General Licenses

Simultaneous with the issuance of EO 13808, OFAC published four general licenses authorizing certain transactions that would otherwise be prohibited under the EO:

- **General License 1** authorizes through September 24, 2017 all otherwise prohibited transactions regarding new debt, bonds, and the purchase of securities from the Government of Venezuela that are ordinarily incident and necessary to wind down contracts or other agreements that were in effect prior to August 25, 2017.
- **General License 2** authorizes all otherwise prohibited transactions regarding new debt of PDVSA and the Government of Venezuela, as well the purchase of securities from the Government of Venezuela where the only Government of Venezuela entities involved are CITGO Holding, Inc. and any of its subsidiaries.
- **General License 3** authorizes all transactions related to, the provision of financing for, and other dealings in certain bonds issued by the Government of Venezuela indicated in an Annex to General License 3, as well as bonds issued before August 25, 2017 by US person entities owned or controlled, directly or indirectly, by the Government of Venezuela (e.g., CITGO). The list of authorized bonds is set forth in the Annex to General License 3 and is available [here](#).

Importantly, despite the broad language of the authorization, General License 3 does not authorize the purchase of the bonds identified in General License 3 from the Government of Venezuela.

- **General License 4** authorizes all transactions related to, the provision of financing for, and other dealings in new debt related to the exportation or reexportation, from the United States or by a US person, wherever located, of agricultural commodities, medicine, medical devices, or replacement parts and components for medical devices to Venezuela, or to persons in third countries purchasing specifically for resale to Venezuela, provided that the exportation or reexportation is licensed or otherwise authorized under applicable US export controls.

Unlike the Ukraine/Russia-related sectoral sanctions targeting transactions involving “new debt” and “new equity,” OFAC has not issued to date a general license authorizing transactions involving derivative products where the value is linked to prohibited new debt or equity in the context of the Venezuela sanctions.

OFAC has issued limited guidance regarding these new sanctions in the form of Frequently Asked Questions, which are available [here](#).

⁴ Debt is defined to include bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers acceptances, discount notes or bills, or commercial paper.

⁵ Equity is defined to include stocks, share issuances, depositary receipts, or any other evidence of title or ownership.

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

White & Case LLP
701 Thirteenth Street, NW
Washington, District of Columbia 20005-3807
United States
T +1 202 626 3600

White & Case LLP
Wetstraat 62 rue de la Loi
1040 Brussels
Belgium
T +32 2 239 26 20

In this publication, White & Case means the international legal practice comprising White & Case LLP, a New York State registered limited liability partnership, White & Case LLP, a limited liability partnership incorporated under English law and all other affiliated partnerships, companies and entities.

This publication is prepared for the general information of our clients and other interested persons. It is not, and does not attempt to be, comprehensive in nature. Due to the general nature of its content, it should not be regarded as legal advice.