

# Client Update

## United States Imposes New Sanctions on Venezuela

On Friday, August 25, President Trump issued an [executive order](#) imposing sanctions on the government of Venezuela in response to increasing human rights abuses and restrictions on the exercise of political freedoms in Venezuela. The new sanctions target transactions related to the issuance of new debt or equity by the Venezuelan government, which includes any political subdivision, agency or instrumentality (e.g., the Central Bank and state-owned enterprises) of the government. Concurrently with the issuance of the executive order, the U.S. Treasury's Office of Foreign Assets Control ("OFAC") issued several [general licenses](#) to authorize certain types of transactions that otherwise would be restricted and a new set of frequently asked questions.

### **NEW SANCTIONS**

Pursuant to the executive order, U.S. persons no longer may engage in "transactions related to, any provision of financing for, or other dealings" in the following:

- 1) New debt with a maturity of greater than 90 days of Petroleos de Venezuela, S.A. ("PdVSA"), the state-owned oil and energy company;
- 2) New debt with a maturity of greater than 30 days, or new equity, of the government of Venezuela, other than the debt of PdVSA subject to a 90-day limit;
- 3) Bonds issued by the Venezuelan government prior to August 25, 2017; or
- 4) Dividend payments or other distributions of profits to the Venezuelan government from any entity owned or controlled, directly or indirectly, by the Venezuelan government.

In addition, U.S. persons may not purchase, directly or indirectly, any securities from the Venezuelan government, other than debt securities of short-term maturity that are not covered by the above-noted restrictions.

For these purposes, U.S. persons include U.S. citizens and permanent residents wherever located, companies incorporated under U.S. law and any persons, regardless of citizenship, located in the United States.

**NEW GENERAL LICENSES**

As noted above, OFAC also issued several general licenses on August 25. The licenses authorize certain activities, notwithstanding the restrictions in the new executive order, as follows:

- General License 1, authorizing activities necessary to wind down existing contracts related to restrictions (1) through (3), as described above, by September 24, 2017;
- General License 2, generally authorizing transactions involving CITGO Holding Inc., a U.S. subsidiary of PdVSA;
- General License 3, authorizing transactions related to certain outstanding bonds; and
- General License 4, authorizing debt financing by the Venezuelan government related to the export of agricultural commodities, medicine or medical devices.

\* \* \*

According to press reports, the Trump administration has considered imposing other sanctions, including a ban on the import of Venezuelan oil, and many of those options may still be open. For the time being, however, the new sanctions focus on restricting the Venezuelan government's access to U.S. financing.

Please do not hesitate to contact us with any questions.

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