

Practice Update

Venezuela Sanctions Update

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As noted in “A Shifting Landscape: Recent Developments Raise Questions about Venezuela’s Future,” the United States has moved in recent weeks to increase pressure on embattled Venezuelan President Nicolás Maduro through the imposition of sweeping economic sanctions.

In addition to the measures against state oil company Petróleos de Venezuela SA (PDVSA) announced in January, Vice President Mike Pence on Monday announced the addition of four new Maduro-aligned Venezuelan state governors to the U.S. Treasury Department Office of Foreign Assets Control (OFAC)’s Specially Designated Nationals (SDN) list. Six more officers, heads of Venezuelan military and police groups operating on the Venezuelan borders with Colombia and Brazil, were added today. These additions follow Mr. Maduro’s refusal this past weekend to allow stockpiled humanitarian aid to enter Venezuela from neighboring countries.

OFAC sanctions with respect to Venezuela target specific individuals and corporations by prohibiting U.S. persons from engaging in unlicensed transactions with entities named by OFAC or included on its SDN list. Where appropriate, OFAC may authorize certain transactions that it believes further U.S. policy or mitigate any collateral harm to the Venezuelan people through the issuance of general and specific licenses. OFAC general licenses

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for Venezuela are typically published in the U.S. Code of Federal Regulations (CFR) and available on the Venezuelan sanctions page of OFAC's website. OFAC specific licenses are typically issued on a case-by-case basis and authorize transactions with sanctioned persons or entities that are otherwise not permitted under a general license.

At present, U.S. sanctions on Venezuela:

- Block all assets of PDVSA and of any direct or indirect subsidiaries of PDVSA that are subject to U.S. jurisdiction. However, PDVSA and its subsidiaries may still service debt issued before August 2017. U.S. persons can continue to hold and transact such debt, but transfers are now only permitted to non-U.S. persons
- Prohibit the purchase and importation into the United States of petroleum and petroleum-based products from PDVSA, unless the proceeds from such sales are paid into blocked, interest-bearing accounts in the United States¹
- Prohibit, as of July 27, 2019, U.S. persons from engaging in unlicensed transactions with PDV Holding, Inc., CITGO Holding, Inc., and their subsidiaries
- Prohibit all unlicensed transactions between U.S. persons and the Venezuelan individuals or corporate entities named on OFAC's SDN list

Meanwhile in Venezuela, uncertainty regarding the future composition of the Venezuelan government and control over vital state-owned assets continues. Venezuelan National Assembly President and interim President Juan Guaidó moved on February 13 to designate a new board of directors for PDVSA and its U.S.-based subsidiaries. This action, which Mr. Maduro's regime is currently contesting in U.S. courts, could have wide-ranging implications for individuals and institutions that hold PDVSA and CITGO Holding Inc., bonds and other debt instruments.

U.S. sanctions on Venezuela have evolved considerably in recent weeks. Companies subject to U.S. jurisdiction that engage in commercial activity in Venezuela (or are contemplating such activity) should take immediate steps to ensure full compliance with applicable sanctions regulations.

Akerman is closely monitoring the situation in Venezuela and has assembled a multidisciplinary team to address clients' questions and concerns. The team draws on the strength of Akerman's Latin America practice, as well as other practice areas, such as oil & gas, energy, banking and finance, international trade and customs, government affairs, and tax and arbitration.

Akerman will continue to focus on the latest Venezuela-related developments and provide timely updates on the topics outlined above with leading subject matter experts.

[1] Please note, while the purchase and importation of petroleum and petroleum products from PDVSA is authorized until April 28, 2019, the proceeds of such sales must be paid into blocked, interest-bearing accounts that are not accessible to Mr. Maduro's government.

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