

# U.S. Hits Venezuela and Petróleos de Venezuela (PdVSA) with Financial Sanctions

August 28, 2017

On Friday, August 25th, the U.S. government [announced](#) new financial sanctions on Venezuela. The move is the most recent U.S. response to the [escalating political and humanitarian crisis](#) in the country. The [new Executive Order](#) bars U.S. persons from:

- Dealing in 'new debt' of Petróleos de Venezuela (PdVSA), Venezuela's state-owned oil company, that has a maturity of more than 90 days;
- Dealing in 'new debt' of the rest of the "Government of Venezuela" that has a maturity of more than 30 days;
- Dealing in bonds issued by the Government of Venezuela issued prior to Executive Order;
- Transactions related to dividend payments or other distributions of profit to the Government of Venezuela from any entity owned or controlled by the government; and
- Purchase certain securities from the Government of Venezuela.

The "Government of Venezuela" is defined broadly, to include entities owned or controlled by the government, including PdVSA and the Central Bank of Venezuela, and to any person acting for or on behalf of the government. According to FAQs issued by OFAC, the Executive Order's restrictions apply to all entities owned directly or indirectly, 50 percent or more, by PdVSA or the Government of Venezuela. Because the Government of Venezuela is defined to also include entities "controlled" by the government, it is possible that the financial restrictions may also apply to entities in which the government has a controlling, but less than 50 percent, interest. We expect that OFAC will need to clarify this issue in the coming weeks.

According OFAC's FAQs, impermissible transactions involving PdVSA or the Government of Venezuela must be rejected and reported to OFAC within 10 days of rejection pursuant to [Part 501 of OFAC's regulations](#).

OFAC also issued several general licenses today. [General License 1](#) authorizes certain wind down activities through September 24, 2017 and [General License 2](#) exempts Citgo and all of its subsidiaries from the new restrictions. The other general licenses involve [dealings in certain Venezuelan bonds](#) and the export of [medicine, food, and medical devices](#).

Exporters and companies that do business in Venezuela or with Venezuelan entities need to review their contracts, including payment terms, to ensure compliance with these new sanctions.