

Client Alert

April 2019

US Adds Banco Central de Venezuela to OFAC's SDN List and Expands Sanctions as to Operations in the Financial Sector

What Happened: On April 17, 2019, the Department of Treasury's Office of Foreign Assets Control (**OFAC**) designated Banco Central de Venezuela (**Banco Central**) to OFAC's Specially Designated Nationals and Blocked Persons List (**SDN List**) for operating in the financial sector of the Venezuelan economy. In connection with this determination, OFAC issued new general licenses (**GLs**) and amended previously issued GLs.

The Bottom Line: OFAC continues its trend of broadening the scope of US sanctions on Venezuela by adding Banco Central to the SDN List and issuing and amending GLs to include further restrictions as to operating in the financial sector with persons and entities on the SDN List. Despite this, recognizing that certain of those persons and entities have longstanding complex commercial relationships, OFAC is extending the wind down periods of certain transactions in connection with certain financial agreements. Multinationals with interests in Venezuela should continue monitoring the sanctions and authorizations granted by GLs.

The Full Story

On Wednesday, April 17, 2019, OFAC designated to the SDN List Banco Central de Venezuela, pursuant to Executive Order (**EO**) 13850 (as amended, **EO 13850**) for operating in the financial sector of the Venezuelan economy, and Iliana Josefa Ruzza Teran, pursuant to EO 13692, determined to be a current or former official of the Government of Venezuela. Through this designation, the Trump administration placed Banco Central among the financial institutions previously designated on March 22, 2019, which include Banco de Desarrollo Economico y Social de Venezuela (**Bandes**); Banco Bandes Uruguay S.A. (**Bandes Uruguay**); Banco Bicentenario del Pueblo, de la Clase Obrera, Mujer y Comunias, Banco Universal C.A. (**Banco Bicentenario del Pueblo**); Banco de Venezuela, S.A. Banco Universal (**Banco de Venezuela**); and Banco Prodem S.A. (all financial institutions other than Banco Central hereinafter referred to as the **Banks**).

In connection with the designations of Banco Central and the Banks, OFAC issued GLs 17, 18, 19, and 20. Generally, GLs 17 and 19 authorize all transactions that are ordinarily incident to the wind down of operations, contracts, or other agreements involving Banco Central, Banco de Venezuela, Banco Bicentenario del Pueblo, or Banco Prodem that were in effect before the issuance of the corresponding GLs. Similarly, GL 18 authorizes certain transactions, such as the purchase and sale of securities, that are ordinarily necessary to maintaining and operating Integración Administradora de Fondos de Ahorro Previsional, S.A. (**Integración Administradora**), of which blocked entity Bandes Uruguay owns 50 percent or more. Lastly, GL 20 authorizes all transactions necessary for the official business of nine international organizations (e.g., the World Bank, International Monetary Fund, and International Committee of the Red Cross). These GLs do not, however, authorize transactions with Bandes or Bandes Uruguay; the unblocking of any previously blocked property pursuant to EO 13850 or any part of 31 C.F.R. chapter V; or any dealings with blocked persons, except as provided by the corresponding GLs.

In addition, OFAC also amended the following GLs and issued Frequently Asked Question 665 (**FAQ 665**) in connection with the actions taken by OFAC on April 17, 2019:

- GL 3D “Authorizing Transactions Related to, Provisions of Financing for, and Other Dealings in Certain Bonds”, now amended and restated as GL 3E;
- GL 4A “Authorizing New Debt Transactions and Transactions involving Certain Banks Related to the Exportation or Reexportation of Agricultural Commodities, Medicine, Medical Devices or Replacement Parts and Components”, now amended and restated as GL 4B;
- GL 9C “Authorizing Transactions Related to Dealings in Certain Securities”, now amended and restated as GL 9D;
- GL 15 “Authorizing Transactions Involving Certain Banks Prohibited by Executive Order 13850 for Certain Entities”, now amended and restated as GL 15A; and
- GL 16 “Authorizing Maintenance of U.S. Person Accounts and Noncommercial, Personal Remittances involving Certain Banks”, now amended and restated as GL 16A.

Generally, the amendments to these GLs (i) extend the wind down periods of certain transactions in connection with certain financial contracts or other agreements (e.g., GL 3E and GL 9D extend certain wind down periods from May 10, 2019 to September 30, 2019), (ii) list Banco Central in authorizations previously granted by the GLs to some of the Banks (e.g., Banco Central added to the list of authorized entities in GL 4A and 15B), and (iii) incorporate further restrictions on US persons involved in certain transactions or dealings with any blocked person, explicitly including Banco Central and Petroleos de Venezuela, S.A. (**PdVSA**) and in certain instances any entities in which Banco Central or PdVSA have a majority ownership (e.g., GLs 3E and 9D exclude US persons from engaging in certain actions, such as the divestment or transfer of certain bonds or of certain holdings in PdVSA securities to Banco Central or its majority-owned entities). Importantly, FAQ 665 clarifies that OFAC is committed to ensuring that humanitarian assistance and non-commercial, personal remittances can flow to the people of Venezuela, and further clarifies therein how GLs 4A, 16 and 20 should be interpreted so as to support this commitment.

The Latin America group practice at Hunton Andrews Kurth LLP will continue to closely monitor related developments in the US sanctions regime with respect to Venezuela. Please contact us if you have any questions or would like further information regarding US sanctions against Venezuela.

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