

US Steps Up Sanctions on Venezuela and Extends Limited Russia Sanctions Wind-Down Relief

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The U.S. government recently took several actions involving the Venezuela- and Russia-related sanctions. On May 21, 2018, following the re-election of President Nicolás Maduro, President Donald Trump issued an executive order imposing new sanctions on the Government of Venezuela. The next day, the Office of Foreign Assets Control (OFAC) issued one new general license and one amended general license that extended the period in which U.S. persons may conduct or facilitate transactions in connection with the maintenance and wind-down of operations, contracts or other activities involving GAZ Group, previously sanctioned on April 6, 2018. Finally, on May 31, 2018, OFAC amended another general license to extend the wind-down period for certain activities related to GAZ Group and two other Russian entities — EN+ Group PLC and United Company RUSAL PLC — that also were sanctioned on April 6, 2018.

New Sanctions Targeting the Government of Venezuela

On May 21, 2018, President Trump imposed additional sanctions targeting the Government of Venezuela. These new sanctions aim to further limit the Government of Venezuela's access to capital by restricting the Maduro regime's ability to conduct "fire sales" and to collateralize Venezuela's assets in return for immediate access to funds. Specifically, Executive Order (E.O.) 13835 prohibits all transactions by a U.S. person or that occur within the United States related to the purchase of any debt owed to the Government of Venezuela, including accounts receivable, and any debt owed to the Government of Venezuela, including accounts receivable, that is pledged as collateral after May 21, 2018. E.O. 13835 also prohibits the sale, transfer, assignment or pledge as collateral of any equity interest in any entity of which the Government of Venezuela owns a 50 percent or greater interest, directly or indirectly. The new sanctions expand upon existing sanctions imposed in August 2017¹ that targeted, among other things, debt and equity of the Government of Venezuela and a March 2018 E.O. that targeted digital currencies issued by the Government of Venezuela.

Similar to the August 2017 sanctions, the new sanctions are not intended to be an oil embargo. The new sanctions also do not, as a practical matter, appear to impact General License 3, which authorized transactions involving certain Venezuela-related bonds. However, OFAC did not expand the scope of the authorizations in General License 2 for CITGO Holdings Inc. (CITGO), a U.S. subsidiary of the state-owned oil company, Petróleos de Venezuela, S.A., to the prohibitions in E.O. 13835. As such, while General License 2 continues to authorize many transactions involving CITGO, if the transaction is separately prohibited by E.O. 13835, E.O. 13835 controls.

In light of these measures, companies with business dealings with the Government of Venezuela, including any Venezuelan state-owned or -controlled enterprises, should continue to exercise caution. There is also the potential for tougher sanctions that could further impact business dealings with Venezuela in the future.

¹ See our August 30, 2017, client alert, "[New Sanctions Target the Government of Venezuela's Access to US Capital Markets.](#)"

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Extension of the Wind-Down Period Related to GAZ Group

On May 22, 2018, OFAC issued General Licenses 12C and 15 to further minimize the disruptions to U.S. persons, partners and allies in connection with OFAC's April 6, 2018, sanctions (the April 6 Sanctions). Specifically, General Licenses 12C and 15 extend the period during which U.S. persons may conduct or facilitate transactions pursuant to the maintenance or wind-down of operations, contracts or other agreements with GAZ Group. The temporary and limited relief granted to GAZ Group is similar to the relief granted to United Company RUSAL (RUSAL) last month.²

General License 12C replaces and supersedes General License 12B, which was issued May 1, 2018. General License 12C is identical to General License 12B in all respects except that it references the newly issued General License 15, which provides additional authorizations related to transactions involving GAZ Group. General License 12C permits until 12:01 a.m. Eastern Daylight Time on June 5, 2018, transactions and activities “ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements” (including the importation of goods, services or technology into the United States) involving the 12 oligarch-owned companies designated in the April 6 Sanctions, provided those operations, contracts or other agreements were in effect prior to April 6, 2018, and except to the extent that General Licenses 14 and 15 provide a longer wind-down period for RUSAL and GAZ Group, respectively. General License 12C also applies to transactions and activities involving any entity in which one or more of these 12 designated companies owns, directly or indirectly, a 50 percent or greater interest.

General License 15 authorizes until 12:01 am Eastern Daylight Time on October 23, 2018, certain maintenance and wind-down activities with respect to GAZ Group and any entity owned, directly or indirectly, 50 percent or more by GAZ Group. General License 15 permits until this time transactions “ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements, including the importation of goods, services, or technology into the United States,” involving GAZ Group or entities owned 50 percent or more by GAZ Group. As with the authorizations of General License 12C, these operations, contracts or other agreements must have been in effect prior to April 6, 2018.

² See our April 11, 2018, client alert, “[US Imposes New Russia Sanctions Targeting Oligarchs, Senior Government Officials and Entities](#)” and our May 7, 2018, client alert, “[OFAC Updates Two General Licenses, Issues Additional Guidance Related to Recent Russia Sanctions](#).”

General License 15 provides additional authorizations related to GAZ Group not included in General License 12C. General License 15 states that funds belonging to GAZ Group or entities owned 50 percent or more by GAZ Group that were blocked prior to May 22, 2018, remain blocked. However, the license does not require that payments to or for the direct or indirect benefit of GAZ Group or entities owned 50 percent or more by GAZ Group on or after May 22, 2018, be made into a blocked, interest-bearing account in the United States. Additionally, any funds in previously blocked accounts may now be used for the limited purpose of the maintenance or wind-down of activities as authorized by General License 15.

Unlike General License 12C, General License 15 does not prohibit the exportation of goods from the United States to GAZ Group during the period of the general license, provided that such exports are for maintenance or wind-down of operations, contracts or other activities in effect prior to April 6, 2018. Exportation of goods from the United States to the other entities covered by General License 12C is still prohibited; however, OFAC's guidance notes that the exportation of goods from a third-country location in connection with activity for the maintenance or wind-down of an entity listed under General License 12C is not prohibited.

Finally, General License 15 does not permit divestiture or transfer of debt, equity or other holdings in, to or for the benefit of GAZ Group. Such transactions are covered by General License 13B.

Extension of the Wind-Down Period Under General License 13A

On May 31, 2018, OFAC issued General License 13B, which replaces and supersedes General License 13A, issued on May 1, 2018. General License 13A authorized until 12:01 a.m. Eastern Daylight Time, June 6, 2018, transactions and activities that are ordinarily incident and necessary to (1) divest or transfer debt, equity or other holdings in three of the companies sanctioned on April 6, 2018 — EN+ Group PLC, GAZ Group and United Company RUSAL PLC — to a non-U.S. person; or (2) facilitate the transfer of debt, equity or other holdings in these three companies by a non-U.S. person to another non-U.S. person. General License 13A also covered transactions involving debt, equity or other holdings in these three companies issued by certain listed subsidiaries. General License 13B extends the wind-down period provided for in General License 13A through 12:01 a.m. Eastern Daylight Time on August 5, 2018.

In the context of secondary sanctions, OFAC's guidance reiterates that a transaction will not be deemed “significant” under Sections 226 and 228 of the Countering America's Adversaries Through

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Sanctions Act (CAATSA) if authorized by General Licenses 12C, 13B or 15. This includes, but is not limited to, making payments to GAZ Group for transactions authorized under General License 15 and the exportation of goods from a third-country location to one of the entities listed in General License 12C.³

U.S. persons participating in transactions authorized by any of the general licenses issued to date in connection with the April 6 Sanctions are required to file a detailed report of each transac-

tion with OFAC within 10 business days after the expiration of the license. The report should include the names and addresses of the parties involved, the type and scope of the activities conducted, and the dates on which the activities occurred.

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³ We provide a more detailed treatment of Sections 226 and 228, and secondary sanctions in general, in our August 4, 2017 ("[New Law Marks Significant Increase in US Sanctions on Russia, Stays the Course on Iran, North Korea](#)"), and November 9, 2017 ("[Trump Administration Sets Approach to Implementation of New Russia Sanctions](#)"), client alerts on CAATSA and other related provisions.

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