

New Executive Order Authorizes the Imposition of Sanctions to Counter Corruption in Venezuela

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On November 1, 2018, President Donald Trump issued Executive Order 13850 (E.O. 13850), which broadly targets corrupt practices in Venezuela and builds on several recent rounds of U.S. sanctions against the Venezuelan government, including state-owned companies and key government officials.

E.O. 13850 provides the authority to impose sanctions on, among others, those determined: (i) “to operate in the gold sector of the Venezuelan economy or in any other sector of the Venezuelan economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State”; or (ii) to be responsible for or complicit in deceptive or corrupt transactions involving the “Government of Venezuela” or projects or programs it administers, or to be an immediate adult family member of such a person. As with other recent executive orders targeting Venezuela, the term “Government of Venezuela” includes state-owned entities and entities controlled by the Venezuelan government.

The language of E.O. 13850 authorizing sanctions on individuals or entities determined to operate in sectors of Venezuela’s economy to be identified is reminiscent of Executive Order 13662 (E.O. 13662), which, in the Ukraine/Russia-related sanctions context, authorized sanctions on any person determined “to operate in such sectors of the Russian Federation economy as may be determined ... such as financial services, energy, metals and mining, engineering, and defense and related materiel.” E.O. 13662 has served as the basis for both the more limited sectoral sanctions imposed on Russia’s financial, energy and defense sectors and also as an authority under which certain individuals and entities were designated on April 6, 2018, and added to the List of Specially Designated Nationals and Blocked Persons administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC). [Please see our April 11, 2018, client alert](#) for more details.

In guidance issued concurrently with E.O. 13850, OFAC stated that the order is designed to counter corruption within the Venezuelan government that has exploited Venezuela’s people and resources and continues to exacerbate the economic and humanitarian crises in Venezuela.¹ In a speech discussing the new sanctions and the Trump administration’s Latin America policies, National Security Advisor John Bolton stated, “The new sanctions will target networks operating within corrupt Venezuelan economic sectors and deny them access to stolen wealth. Most immediately, the new sanctions will prevent U.S. persons from engaging with actors and networks complicit in corrupt or deceptive transactions in the Venezuelan gold sector.”²

¹ Office of Foreign Assets Control, [OFAC FAQs: 628. What is the objective of Executive Order \(E.O.\) of November 1, 2018, “Blocking Property of Additional Persons Contributing to the Situation in Venezuela”?](#), U.S. Dep’t Treas., https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#628 (last visited Nov. 7, 2018).

² John R. Bolton, [Remarks by National Security Advisor Ambassador John R. Bolton on the Administration’s Policies in Latin America](#), The White House (Nov. 2, 2018), <https://www.whitehouse.gov/briefings-statements/remarks-national-security-advisor-ambassador-john-r-bolton-administrations-policies-latin-america/>.

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There were no designations at the time E.O. 13850 was issued. However, OFAC has expressly indicated that it will use its discretion to target those who operate corruptly in the gold or other identified sectors of the Venezuelan economy, and not those who are operating legitimately in such sectors.³ As with other prohibitions regarding Venezuela, if and when sanctions are imposed under E.O. 13850, OFAC will have the ability to issue general or specific licenses to authorize activities that would be otherwise prohibited by E.O. 13850 and its implementing regulations or directives.

In light of the sanctions that may be issued under E.O. 13850, companies with business dealings within Venezuela's gold sector or other identified sectors, or involving the Government of Venezuela or its projects or programs, should consider potential corruption risks in their assessment of the overall sanctions risk of a particular transaction.

³ Office of Foreign Assets Control, [OFAC FAQs: 629. Executive order \(E.O.\) of November 1, 2018, "Blocking Property of Additional Persons Contributing to the Situation in Venezuela,"](https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#629) authorizes the imposition of sanctions on persons operating in Venezuela's gold sector. For purposes of this E.O., how will OFAC target those who "operate in the gold sector of the Venezuela economy or any other sector of the Venezuela economy as may be determined by the Secretary of the Treasury in consultation with the Secretary of State"? U.S. Dep't Treas., https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#629 (last visited Nov. 7, 2018).

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