Client Alert

March 2019

US Extends Authorization of Certain Transactions with CITGO Holding, Inc. and PDV Holding, Inc.

What Happened: On Thursday, March 14, 2019, the Department of the Treasury's Office of Foreign Assets Control (**OFAC**) amended General License No. 7 (**GL 7**), which authorized certain transactions and activities with Citgo Holding, Inc. (**CITGO**) and PDV Holding, Inc. (**PDVH**) that would otherwise be prohibited by US sanctions toward Venezuela. The amended and superseding General License No. 7A (**GL 7A**) extends the expiration date of one authorization that allows certain transactions and activities with CITGO and PDVH, from July 27, 2019, to at least September 14, 2020, and possibly longer.

Bottom Line: Recognizing that CITGO and PDVH have longstanding complex commercial relationships with many parties, including large multinational companies, OFAC has extended the authorization that allows certain transactions and activities with CITGO and PDVH to provide for the maintenance of CITGO and PDVH operations and relationships that are based on long-term planning and contractual commitments.

The Full Story

On March 14, 2019, OFAC amended and reissued GL 7 ("Authorizing Certain Activities Involving PDV Holding, Inc. and CITGO Holding, Inc.") as GL 7A. As set forth in further detail below, GL 7A authorizes certain transactions and activities with CITGO and PDVH that would otherwise be prohibited following the January 28, 2019 addition of Petroleos de Venezuela, S.A. (PdVSA) to the SDN List pursuant to Executive Order (**EO**) 13850, and the resulting sanctions under such EO. For further information on EO 13850 ("Blocking Property of Additional Persons Contributing to the Situation in Venezuela"), refer to our November 2018, January 2019 and February 2019 Client Alerts.

Like its predecessor, GL 7A authorizes all transactions and activities prohibited by EO 13850 with respect to CITGO, PDVH, and any of their subsidiaries, where the only PdVSA entities involved are CITGO, PDVH, or any of their respective subsidiaries. However, unlike GL 7, which provided that this authorization expired on July 27, 2019, GL 7A provides that this authorization renews on the first day of each month, and is valid for a period of 18 months from March 14, 2019 (GL 7A's effective date) or the date of any subsequent renewal of GL 7A, whichever is later. As of today, the new expiration date for this authorization is September 14, 2020, but the expiration date will continue to be extended with each automatic monthly renewal to 18 months from the first date of the month of renewal, until OFAC determines that GL 7A will no longer be automatically renewed.

By extending the ability to transact business with such entities indefinitely and, in any event, by providing a lengthier wind down period in the event such authorization is revoked, OFAC recognizes that many parties, including large multinational companies, have longstanding complex commercial arrangements with CITGO and PDVH, including investments and joint ventures in the United States, that require additional predictability. A spokesperson for the U.S. Department of the Treasury's stated that, "[t]his extension will further enable CITGO's ongoing operations while prohibiting any benefit from flowing back to the illegitimate Maduro regime."

Aside from the extension to the above mentioned authorization, the rest of GL 7A mirrors its predecessor. Specifically, GL7A:

(1) authorizes, until April 28, 2019, PDVH, CITGO, and any of their subsidiaries to engage in all transactions and activities prohibited by EO 13850 that are ordinarily incident and necessary to the purchase and importation of petroleum and petroleum products from PdVSA and any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest;

(2) requires any payment to or for the direct or indirect benefit of a blocked person other than PDVH, CITGO, and any of their subsidiaries that is ordinarily incident and necessary to give effect to transactions authorized in paragraphs (a) or (b) of GL 7A to be made into a blocked, interest-bearing account located in the United States in accordance with 31 C.F.R. § 591.203; and

(3) provides that GL 7A does not authorize (i) any exportation or reexportation of any goods, services, or technology, directly or indirectly, by US persons, wherever located, or from the United States, to PdVSA or any entity owned 50 percent or more, directly or indirectly, by PdVSA, other than PDVH, CITGO, or any of their respective subsidiaries, or to any other blocked persons; (ii) any transaction that is otherwise prohibited under EO 13850, EO 13835 of May 21, 2018, EO 13827 of March 19, 2018, EO 13808 of August 24, 2017, EO 13692 of March 8, 2015, or any part of 31 C.F.R. chapter V, or any transactions or dealings with any blocked person other than the transactions described in paragraphs (a) and (b) of GL 7A, and (iii) the unblocking of any property blocked pursuant to any part of 31 C.F.R. chapter V, except as authorized by paragraphs (a) or (b) of GL 7A.

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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