

News 19 Feb, 2020

Venezuelan Sanctions - designation of Rosneft Trading S.A.



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On 18 February 2020, OFAC designated Rosneft Trading S.A. (“Rosneft Trading”) to the SDN List pursuant to Executive Order 13850 for operating in the oil sector of the Venezuelan economy. OFAC also designated to the SDN List Didier Casimiro, Rosneft Trading’s Vice President for Refining, Petrochemical, Commerce and Logistics. Mr. Casimiro was designated for acting or purporting to act on behalf of Rosneft Trading.

Simultaneously OFAC issued General Licence 36 which authorises “all transactions and activities...that are ordinarily incident and necessary to the wind down of transactions involving Rosneft Trading S.A., or any entity in which Rosneft Trading S.A. owns, directly or indirectly, a 50 percent or greater interest...through 12:01 a.m. eastern daylight time, May 20, 2020.”

Additional FAQs were also issued aimed at providing some clarity around these designations. FAQ 817 makes clear that the sanctions only apply to Rosneft Trading and not to its parent Open Joint-Stock Company Rosneft Oil Company or any subsidiary or affiliate which is not more than 50% owned by the designated entities. It should be noted however that both Rosneft Trading and Rosneft Oil Company are separately subject to U.S. Sectorial Sanctions imposed against Russia under Executive Order 13662 and it remains prohibited to provide both entities with certain services primarily related to debt finance.

FAQ 818 clarifies the operation of General Licence 36 with regard to both U.S. and non-U.S. persons, stipulating that both are subject to the wind-down period in effect until 20 May 2020 and that new business not in place before 18 February 2020 will not be considered as wind-down activity.

The Club's U.S. attorneys Freehill Hogan & Mahar have produced a helpful Client Alert which sets out in detail the impact of these new designations. The effect on Members – including non-U.S. persons – is significant. As Freehill's note, OFAC's liberal interpretation of the term operating in the “oil sector” of the Venezuelan economy is being used as a means of imposing secondary sanctions on non-U.S. persons and includes a prohibition on “material assistance” which is likely to be construed widely against those engaging in trade with Rosneft Trading.

It is also unclear whether these prohibitions are intended to operate just in relation to Rosneft Trading's Venezuelan activities or to any trade which involves them or Mr. Casimiro.

Members are consequently strongly advised to very carefully consider any further transactions with Rosneft Trading beyond the expiration of the wind-down period and not to enter to enter into any new business during that period, whether related to Venezuela or otherwise. Previous actions by the U.S. authorities related to Venezuela have shown them willing to designate entities with immediate effect and Members are reminded that becoming designated and placed on the SDN list would have grave consequences for the future trading and sale of any vessel and for the continued operation of insurance cover.

Even for legitimate trade with Rosneft Trading until 20 May 2020, Freehill's caution that banks – particularly U.S. banks and their foreign subsidiaries – may have little or no appetite for engaging in transactions involving Rosneft Trading and especially where that involves U.S. Dollars. All such transactions after 20 May 2020 by U.S. persons will be prohibited. This may impact on charter party and other payments legitimately due on business with Rosneft pre-dating 18 February 2020 during the wind-down period.

Details of all sanctions against Venezuela can be found on our dedicated Venezuelan sanctions webpage and Members with questions on this or any other sanctions matter should contact the Managers for guidance.

General License 36

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Freehill Client Alert

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FAQ's

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