

Venezuela: Prohibitions on the use of the “Petro” cryptocurrency

16th April 2018

Further to our News Item of [28th August 2017](#), there have been recent developments in Venezuela by way of the introduction of the cryptocurrency, the “Petro”.

The introduction of the *Petro* was designed to minimize the impact of the U.S. prohibition on the extension of new debt, resultant from the US Executive Order referred to in the above article. The currency was launched in February 2018.

Following the launch of the *Petro*, and in response to its introduction, President Trump has issued a further Executive Order, 13827, which prohibits U.S. persons, and persons within the U.S., from providing financing for, or engaging in, any dealings in “any digital currency, digital coin or digital token” issued by Venezuela on or after January 9, 2018. This would include the *Petro*.

In March the Venezuelan maritime authority the INEA issued a circular to Venezuelan shipping agents that payment for all services provided to foreign flag vessels are to be paid in *Petros*.

The Club's US attorneys Freehill Hogan & Mahar advise the impact on foreign shipping as follows:

This means that foreign shipowners will have to pay for such services as pilotage and towage in Petros, although as of April 6th it appears that the mechanism for Petros payments had not yet been implemented and payments were still being made in U.S. dollars. Reportedly, there is a possibility that the requirement for Petros payments may be extended to other maritime services provided by government agencies in Venezuela.

The requirement that payment for shipping services provided by Venezuelan governmental agencies be made in Petros may expose foreign shipowners to the prohibitions of E.O. 13827. In addition to preventing U.S. persons from engaging in any transactions relating to Venezuelan digital currency, E. O. 13827, in Section 2, prohibits any transaction “... that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions set forth in this order....” (emphasis added).

They conclude:

Foreign shipowners trading with Venezuela should exercise caution to be certain that any remittances made through the U.S. financial system in connection with their Venezuelan trade are not ultimately being used to purchase Petros. In the wake of E.O. 13827 and the INEA Circular, it is anticipated that U.S. banks will scrutinize all financial transactions relating to Venezuela with great care, particularly those involving shipping.

Members may wish to consider the use of alternate currencies for payments to agents such as the Euro, through non-US banks.

Full details of the Freehill, Hogan & Mahar Client Alert can be found [here](#).

Any Member with specific questions concerning these measures and any other sanctions matters should contact the Managers.

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