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Commissioner

GOVERNMENT OF PUERTO RICO

Office of the Commissioner of Financial Institutions

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS

CIRCULAR LETTER NUMBER CIF CC-17-6

FROM: GEORGE JOYNER, COMMISSIONER OF FINANCIAL INSTITUTIONS

TO: INTERNATIONAL BANKING ENTITIES ("IBES"), INTERNATIONAL FINANCIAL ENTITIES ("IFES") AND OTHER FINANCIAL INSTITUTIONS ENGAGED IN CERTAIN TRANSACTIONS RESTRICTED BY EXECUTIVE ORDER 13808 ISSUED BY THE PRESIDENT OF THE UNITED STATES ON AUGUST 24, 2017

SUBJECT: EXECUTIVE ORDER 13808 ISSUED BY THE PRESIDENT OF THE UNITED STATES ON AUGUST 24, 2017, 82 Fed. Reg. 41155 (Aug. 29, 2017)

DATE December 8, 2017

SECTION I. - AUTHORITY

This Circular Letter is issued pursuant to the provisions of the following statutes: (i) Puerto Rico Act No. 52 of August 11, 1989, as amended, known as the International Banking Center Regulatory Act ("Act 52"); (ii) Puerto Rico Act No. 273-2012, known as the International Financial Center Regulatory Act, ("Act 273") and (iii) Puerto Rico Act No. 4 of October 11, 1985, as amended, which creates the Office of the Commissioner of Financial Institutions (Act 4").

SECTION II. - PURPOSE

The purpose of this Circular Letter is to apprise IBES, IFES and other financial institutions within the scope of Act 4 (globally the "Regulated Entities") of Executive Order 13808 issued by the President of the United States on August 24, 2017 ("EO 13808"). It is further intended to inform the Regulated Entities that compliance with EO 13808 as well as EO 13692 (explained below), will be subject to examination by the Office of the Commissioner of Financial Institutions with the ensuing legal consequences.

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SECTION III - BACKGROUND FOR EO 13808

As stated in EO 13808, such presidential executive order constitutes "...additional steps with respect to the national emergency declared in Executive Order 13692 of March 8, 2015..." Thus, in order to complete the context and enforceability of EO 13808 we also enclose Executive Order 13692.

On March 9, 2015, Executive Order 13692 "Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela" ("EO 13692") was announced. As explained by the United States Department of State:

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"The targeted sanctions in the E.O. [13692] implement the Venezuela Defense of Human Rights and Civil Society Act of 2014 signed into law on December 18, 2014, and also go beyond the requirements of this legislation. This new authority is aimed at persons involved in or responsible for the erosion of human rights guarantees, persecution of political opponents, curtailment of press freedoms, use of violence and human rights violations and abuses in response to antigovernment protests, and arbitrary arrest and detention of antigovernment protestors, as well as the significant public corruption by senior government officials in Venezuela. E.O. 13692 does not target the people or economy of Venezuela.

For individuals and entities designated for the imposition of sanctions pursuant to E.O. 13692, their property and interests in property are blocked and U.S. persons wherever located are prohibited from engaging in any transactions or dealings with such individuals or entities, including their property and interests in property. The E.O. [13692] also suspends the entry into the United States of individuals meeting the criteria for economic sanctions. Except as authorized by the Secretary of State, designated individuals will not be permitted to travel to the United States.





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SECTION IV - EO 13808

The full text of EO 13808 is attached and made part of this Circular Letter. Therefore, the official text of EO 13808 prevails over the summary contained in this section.

In essence, as of August 25, 2017, EO 13808 prohibits the Government of Venezuela and Petróleos de Venezuela, S.A. (PdVSA) to have access to American debt and equity markets. Specifically, all transactions related to, provision of financing for, and other dealings in the following by a United States person or within the U.S. **are prohibited:**

- New debt with a maturity greater than 90 days of PdVSA;
- New debt with a maturity greater than 30 days, or new equity, of the Government of Venezuela, other than debt of PdVSA;
- Bonds issued by the Government of Venezuela prior to the effective date of the Executive Order;
- dividend payments or other distributions of profits to the Government of Venezuela from any entity owned or controlled, directly or indirectly, by the Government of Venezuela; and
- The purchase, directly or indirectly, by a United States person or within the United States, of securities from the Government of Venezuela.

In connection with the above prohibitions, EO 13808 defines "United States person" as "...any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States".

Section 5 of EO 13808 provides as follows:

For those persons whose property or interests in property are affected by this order who might have a constitutional presence in the United States, I find that because of the ability to transfer funds or other assets instantaneously, prior notice to such persons of measures to be taken pursuant to this order would render those measures ineffectual. I therefore determine that for these measures to be effective in addressing the





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national emergency declared in Executive Order 13692, there need be no prior notice of a listing or determination made pursuant to this order.

Simultaneously with the issuance of EO 13808, the U.S. Treasury's Office of Foreign Assets Control ("OFAC") issued general licenses to authorize four categories of transactions that otherwise would be prohibited. OFAC also published a set of frequently asked questions providing guidance on the new sanctions and related general licenses.

OFAC has issued four general licenses related to E.O. 13808¹, as follows.

- General License 1 applies to contracts and other agreements that were in effect prior to the order's effective date. It provides 30 days as of the order's effective date in which to conduct all transactions and activities otherwise prohibited by Subsections 1 (a) (i)-(iii) and (b) of the E.O. that are ordinarily incident and necessary to winding down such agreements.²
- General License 2 authorizes all transactions otherwise prohibited by Subsections 1(a)(i), (a)(ii), and (b) of E.O. 13808 provided that the only Government of Venezuela entities involved in the transactions are CITGO Holding, Inc. and any of its subsidiaries.
- General License 3 authorizes all transactions related to, the provision of financing for, and other dealings in bonds contained on the List of Authorized Venezuela-Related Bonds that would otherwise be prohibited by Section 1(a)(iii) of E.O. of August 24, 2017. That list is appended to General License 3 and also available as a stand-alone document on the Venezuela-related Sanctions page of OFAC's website. General License 3 further authorizes all transactions related to, the provision of financing for, and other dealings in bonds issued prior to the effective date of E.O. of August 24, 2017, if such bonds were issued by U.S. person entities owned or controlled, directly or indirectly, by the Government of Venezuela, such as CITGO Holding, Inc.
- General License 4 authorizes all transactions related to the provision of financing for, and other dealings in new debt related to the exportation or reexportation of agricultural commodities, medicine, medical devices, or replacement parts and components for medical devices, to Venezuela, or to persons in

¹https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#venezuela.

² This authorization expired on Sept. 24, 2017, one month from the effective date of the sanctions.





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third countries purchasing specifically for resale to Venezuela, provided that the exportation or reexportation is licensed or otherwise authorized by the Department of Commerce

The general licenses do not authorize transactions with entities or individuals whose property is blocked.

SECTION V - NOTICE TO REGULATED ENTITIES

As stated above, by these means we formally inform the Regulated Entities that compliance with EO 13692 and EO 13808 will be subject to examination by the Office of the Commissioner of Financial Institutions with the ensuing legal consequences.

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The Regulated Entities must consult with their counsel the legal duties and implications of the above mentioned presidential executive orders, including federal regulations that may be adopted to implement the same.

SECTION VI - DIVESTITURE AND CANCELLATION OF PROHIBITED TRANSACTIONS

Given the prohibitions contained in EO 13692 and EO 13808, the Regulated Entities shall submit in writing to the Office of the Commissioner of Financial Institutions, within thirty (30) days from the date of this Circular Letter, the institution's plan to divest or cancel the transactions prohibited by the above mentioned presidential executive orders.

SECTION VII - EFFECTIVENESS

This Circular Letter will be effective immediately.

A. J. [Signature]



Presidential Documents

Title 3—

Executive Order 13808 of August 24, 2017

The President

Imposing Additional Sanctions With Respect to the Situation in Venezuela

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*) (IEEPA), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3, United States Code,

I, DONALD J. TRUMP, President of the United States of America, in order to take additional steps with respect to the national emergency declared in Executive Order 13692 of March 8, 2015, and particularly in light of recent actions and policies of the Government of Venezuela, including serious abuses of human rights and fundamental freedoms; responsibility for the deepening humanitarian crisis in Venezuela; establishment of an illegitimate Constituent Assembly, which has usurped the power of the democratically elected National Assembly and other branches of the Government of Venezuela; rampant public corruption; and ongoing repression and persecution of, and violence toward, the political opposition, hereby order as follows:

Section 1. (a) All transactions related to, provision of financing for, and other dealings in the following by a United States person or within the United States are prohibited:

(i) new debt with a maturity of greater than 90 days of Petroleos de Venezuela, S.A. (PdVSA);

(ii) new debt with a maturity of greater than 30 days, or new equity, of the Government of Venezuela, other than debt of PdVSA covered by subsection (a)(i) of this section;

(iii) bonds issued by the Government of Venezuela prior to the effective date of this order; or

(iv) dividend payments or other distributions of profits to the Government of Venezuela from any entity owned or controlled, directly or indirectly, by the Government of Venezuela.

(b) The purchase, directly or indirectly, by a United States person or within the United States, of securities from the Government of Venezuela, other than securities qualifying as new debt with a maturity of less than or equal to 90 or 30 days as covered by subsections (a)(i) or (a)(ii) of this section, respectively, is prohibited.

(c) The prohibitions in subsections (a) and (b) of this section apply except to the extent provided by statutes, or in regulations, orders, directives, or licenses that may be issued pursuant to this order, and notwithstanding any contract entered into or any license or permit granted before the effective date of this order.

Sec. 2. (a) 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 is prohibited.

(b) Any conspiracy formed to violate any of the prohibitions set forth in this order is prohibited.

Sec. 3. For the purposes of this order:

(a) the term "person" means an individual or entity;

(b) the term "entity" means a partnership, association, trust, joint venture, corporation, group, subgroup, or other organization;

(c) the term "United States person" means any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States; and

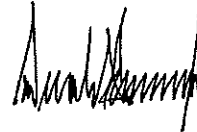
(d) the term "Government of Venezuela" means the Government of Venezuela, any political subdivision, agency, or instrumentality thereof, including the Central Bank of Venezuela and PdVSA, and any person owned or controlled by, or acting for or on behalf of, the Government of Venezuela.

Sec. 4. The Secretary of the Treasury, in consultation with the Secretary of State, is hereby authorized to take such actions, including promulgating rules and regulations, and to employ all powers granted to the President by IEEPA as may be necessary to implement this order. The Secretary of the Treasury may, consistent with applicable law, redelegate any of these functions to other officers and executive departments and agencies of the United States Government. All agencies of the United States Government shall take all appropriate measures within their authority to carry out the provisions of this order.

Sec. 5. For those persons whose property or interests in property are affected by this order who might have a constitutional presence in the United States, I find that because of the ability to transfer funds or other assets instantaneously, prior notice to such persons of measures to be taken pursuant to this order would render those measures ineffectual. I therefore determine that for these measures to be effective in addressing the national emergency declared in Executive Order 13692, there need be no prior notice of a listing or determination made pursuant to this order.

Sec. 6. This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

Sec. 7. This order is effective at 12:01 a.m. eastern daylight time on August 25, 2017.



THE WHITE HOUSE,
August 24, 2017.