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Financial Net Tightening Around Venezuela's Maduro Regime

The United States on April 19, 2018 announced that it had joined 15 other countries in a campaign to isolate the Venezuelan regime financially, activating the global anti-money laundering (AML) regime in the effort to combat Venezuelan government corruption and stem the humanitarian crisis in Venezuela. The AML and anti-bribery and corruption (ABC) initiative supplements sanctions that Canada,¹ the EU,² Switzerland,³ and the United States⁴ have imposed to target the Venezuelan government as the campaign to isolate Venezuela gains momentum in advance of Venezuela's presidential election scheduled for May 20, 2018.

- ▶ On the margins of the IMF-World Bank Spring Meetings, Argentina, Brazil, Canada, Colombia, France, Germany, Guatemala, Italy, Japan, Mexico, Panama, Paraguay, Peru, Spain, the United Kingdom, and the United States agreed to strengthen international cooperation and to continue to share information to prevent corrupt Venezuelan officials and their support networks from embezzling money and laundering funds.⁵
- ▶ FinCEN on April 19, 2018 issued a Spanish language version of the Venezuelan corruption advisory that it had issued to U.S. financial institutions in September 2017.⁶ OFAC has sanctioned more than 50 Venezuelan government officials and prohibited U.S. persons from transacting in Venezuela's digital currency, the so-called petro.⁷
- ▶ Vice President Pence on April 15, 2018 called on the nations gathered at the Summit of the Americas to do more to isolate the Venezuelan regime and recognized Panama for adding 50 Venezuelan government officials to its high-risk money laundering list, Canada for sanctioning 40 government officials, and Argentina and Brazil for leading efforts to suspend Venezuela from the South American trade bloc, Mercosur.⁸

Sanctions, money laundering, and bribery and corruption risks are converging around the Venezuelan government. Financial institutions should review their Venezuela exposure – including through correspondent relationships, especially with banks in countries that have not joined the international effort to isolate the regime. They should consider their exposure alongside the FinCEN advisory and recent enforcement actions.

- ▶ FinCEN in September 2017 warned banks that transactions involving Venezuelan government-owned enterprises “can potentially be used as



vehicles to move, launder, and conceal embezzled corruption proceeds.”⁹ FinCEN also cautioned that Venezuela’s currency controls foster a parallel market that relies on unregulated brokers, which corrupt officials use to move illicit money at preferential rates.¹⁰

- ▶ In addition to government officials sanctioned for their roles in the Venezuelan regime, the Treasury Department in February 2017 imposed sanctions on Venezuela’s Executive Vice President, Tareck El Aissami, for drug trafficking.¹¹ The Treasury Department in August 2017 also imposed lending and investment restrictions on the Venezuelan government and on Petroleos de Venezuela, S.A., the state-owned oil firm.¹²
- ▶ The U.S. Justice Department in February 2018 unsealed bribery and money laundering charges against 15 individuals, including five former Venezuelan officials, for their roles in a corruption scheme involving Venezuela’s state-controlled energy company. The alleged international money-laundering scheme is a characteristic example of the Venezuelan corruption schemes that FinCEN described, and the Justice Department specifically linked corruption to Venezuela’s economic and political stability.¹³

In light of the risks, financial institutions should determine whether to retain their Venezuela-related business and whether their compliance functions have adequate staffing and expertise. Financial institutions also should ensure that their sanctions, AML, and ABC investigators are communicating about high-risk transactions that may involve Venezuela or Venezuelan-owned shell companies.



Endnotes

- 1 The White House, "Remarks by Vice President Pence at First Plenary Session of the Summit of the Americas," April 15, 2018.
- 2 Council of the European Union, "Venezuela: EU sanctions 7 individuals holding official positions," January 22, 2018.
- 3 Reuters, "Swiss impose sanctions on seven senior Venezuelan officials," March 28, 2018.
- 4 The White House, "Remarks by Vice President Pence at First Plenary Session of the Summit of the Americas," April 15, 2018.
- 5 Treasury Department, "Statement by Secretary Steven T. Mnuchin Following Meeting on Venezuela," April 19, 2018.
- 6 FinCEN, "Aviso sobre la corrupción pública generalizada que impera en Venezuela," April 19, 2018.
- 7 The White House, "Remarks by Vice President Pence at First Plenary Session of the Summit of the Americas," April 15, 2018.
- 8 The White House, "Remarks by Vice President Pence at First Plenary Session of the Summit of the Americas," April 15, 2018.
- 9 FinCEN, "Advisory to Financial Institutions on Widespread Political Corruption in Venezuela," Sept. 20, 2017.
- 10 FinCEN, "Advisory to Financial Institutions on Widespread Political Corruption in Venezuela," Sept. 20, 2017.
- 11 Treasury Department, "Treasury Sanctions Prominent Venezuelan Drug Trafficker Tareck El Aissami and His Primary Frontman Samark Lopez Bello," February 13, 2017.
- 12 Financial Integrity Network, "United States Ramps Up Financial Pressure on Venezuela," Aug. 28, 2017.
- 13 Department of Justice, "Five Former Venezuelan Government Officials Charged in Money Laundering Scheme Involving Foreign Bribery," February 12, 2018.