



## Venezuela Economic Outlook

### By Arca Análisis Económico

Here is our monthly summary of recent economic developments in Venezuela:

- The economic news for the month of October was the issuance of six licenses by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury. All relevant, but interest in macroeconomic matters has focused on general license 44 (GL 44), which concerns oil and gas activity, and affects the Central Bank of Venezuela (BCV) and the Bank of Venezuela.
- GL 44 expires on April 18, 2024, and may be renewed if the government meets the political and electoral commitments signed on Oct. 17, 2023. GL 44 allows practically any oil activity, except those involving Russia. For these purposes, it allows the provision of payment services, including BCV and Bank of Venezuela, but prohibits the granting of credits to the Republic of Venezuela and Petróleos de Venezuela, S.A. (PDVSA).
- Venezuela will be able to sell all the oil to markets in the U.S. and Europe, which in principle are more profitable and do not involve selling at enormous discounts, like it happens with current customers.
- The mere change of destination of current exports would generate an estimated additional income of US\$1.8 billion, assuming that all exports are redirected as an ideal scenario. However, it is most likely that this direction will be gradual, and that 100 percent of the crude oil will not be allocated to those markets.
- GL 44 also indicates that the BCV and the Bank of Venezuela may carry out operations related to oil and gas activity. This does not mean that they are excluded from the list of sanctioned entities and the license strictly limits the scope of their international operations to what is necessary to comply with oil and gas operations.
- To enter this new field of financial operations, PDVSA, BCV and Bank of Venezuela will have to reestablish correspondent relationships with foreign banks. Although OFAC authorizes them to operate, the sanctions on these entities persist, which does not necessarily mean that it will be easy for them to activate with the desired speed. In this sense, the lack of correspondent banks will be a challenge to overcome.
- GL 44 will generate more foreign currency income and will be felt in the BCV's exchange intervention. However, for operational reasons inherent to international financial operations, it is possible that part of the additional supply of oil currencies will rather pass through the tables of private banks, just as Chevron does.



- As for the other licenses published on Oct. 18, 2023, the modification of those related to reestablishing the purchase and sale of Venezuelan bonds in the secondary market of the United States was revealed. Since then, the prices at which the bonds are quoted have risen significantly. PDVSA bonds rose US10 cents in the first operations, reaching around US17 cents on the dollar, while State bonds were quoted at US21 cents, which represented an increase of US10 cents.

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## OFAC License Lifts Certain Sanctions Against Venezuela within Gold Sector

By Holland & Knight

The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury on Oct. 18, 2023, announced the issuance of three new licenses and modified three existing licenses. These licenses offer a limited lifting of sanctions against Venezuela.

In particular, general license 43 (GL 43) authorizes all transactions by Venezuela's leading gold company and all entities 50 percent or more owned by it. The company remains a Specially Designated Nationals (SDN) and its assets continue to be blocked. The license provides that new contracts or authorized funds are not required to be blocked or reported. Additionally, the Oct. 18 Guidance issued in conjunction with this license states that it "does not intend to target any person (who is under U.S. secondary sanctions) for operating in the gold sector of the Venezuelan economy" and that the implementation of these sanctions is aimed at continuing concrete steps toward a democratic solution in Venezuela.

It is important to note that although the GL 43 license has no expiration date, it may be revoked by OFAC at any time.

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