

## **NEWS**

October 15, 2020

# **OFAC ‘Open’ to Limited Transfers of Digital Currency for Humanitarian Aid**

**By Daniel Bethencourt**

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U.S. officials may consider licensing cryptocurrency transfers for humanitarian purposes in Venezuela and other jurisdictions, the head of the U.S. Treasury Department’s sanctions branch said.

In response to a question about humanitarian assistance to high-risk nations, Office of Foreign Assets Control Director Andrea Gacki said during a Sep. 30 question and answer session at the *ACAMS Virtual Las Vegas Conference* that the agency has issued general licenses in that area and is also “open to innovative ways of exploring humanitarian aid” through more specific approvals.

“We recently worked with the interim government of Venezuela to ensure that there was an innovative mechanism for delivering humanitarian assistance there through the use of digital currency directly into the accounts of frontline health workers in Venezuela, all while ensuring robust compliance controls,” Gacki told the audience.

Gacki’s mention of an “interim government” refers to U.S. recognition of Juan Guaido as Venezuela’s president in January of last year after his election to the country’s National Assembly and emergence as an opposition leader to President Nicolas Maduro. U.S. officials have since blacklisted government leaders accused of limiting Guaido’s authority.

“It’s not just the general authorizations and exemptions that OFAC uses to ensure the delivery of humanitarian aid,” she said. “We’re also very willing to take things, and certainly complex means of delivering humanitarian aid, on a case-by-case basis.”

Gacki did not elaborate on the financial sums associated with the project nor whether it was completed. An OFAC spokesperson did not respond to requests for comment.

OFAC has targeted dozens of government officials and entities in Venezuela (<https://www.moneylaundering.com/news/bankers-under-pressure-to-trace-links-to-venezuelas-pdvsa-sources/>) with asset freezes and travel bans after accusing Maduro of using public funds to enrich himself and his allies, prompting several global lenders to sever ties with the poverty-stricken nation altogether.

One of the most significant actions came in January 2019, when OFAC blacklisted state-run oil company PDVSA, Venezuela’s main source of foreign currency, as a “vehicle for corruption” that enabled the theft of billions of dollars (<https://www.moneylaundering.com/news/bank-executives-legitimate-firms-helping-laundry-stolen-venezuelan-funds-and-bribes/>) from the country.

OFAC has periodically underscored attempts to use cryptocurrency to evade U.S. sanctions, but Gacki’s comments show the agency’s willingness to balance those risks with the potential to meet its objectives, said Farhad Alavi, an attorney with Akrivis Law Group in Washington, D.C.

Conducting cryptocurrency transactions through Venezuela may require a license because of the increasing difficulty of handling any payment to or from the country without engaging with a state-owned entity, which would potentially violate U.S. sanctions, Alavi said.

“It shows some level of pragmatism” by OFAC, Alavi said. “The agency’s goal is to

achieve the U.S. foreign-policy mission, not to nitpick at the way it's done.”

Gacki's tentative support for “digital currency” in the context of humanitarian aid follows the collapse of Venezuela's own state-run cryptocurrency, the Petro, which OFAC banned shortly after it debuted in March 2018. OFAC later targeted a small Russian bank for allegedly serving as one of the Petro's primary enablers.

Venezuela has become a marketplace for peer-to-peer Bitcoin transactions. Around \$5 million in total cryptocurrency volume tied to Venezuela transited through just one platform, LocalBitcoins, over a single week this month, according to Coin Dance, a blockchain analytics firm.

A second peer-to-peer exchange, Paxful, announced on Twitter on Sept. 14 that it would exit Venezuela to comply with U.S. sanctions.

Bitcoin and similar assets have the advantage of enabling direct transfers to the intended recipient rather than relying on institutions potentially controlled by corrupt individuals, said Carol Van Cleef, an attorney with the Bradley Arant Boult Cummings law firm in Washington, D.C., who has worked on humanitarian projects involving cryptocurrency.

But even the most careful Bitcoin transfers in Venezuela run the risk of diversion through local exchanges with links to blacklisted parties, or conversion into petros, Van Cleef said.

Months before she voiced support for cryptocurrency transactions for humanitarian purposes, Gacki said on a virtual panel in Washington, D.C., that the agency would expedite any requests for licenses to ship humanitarian goods to Iran to help contain the country's initial outbreak of the novel coronavirus, but had yet to receive one (<https://www.moneylaundering.com/news/us-officials-see-few-requests-to-export-medical-supplies-to-sanctioned-countries/>).

Some were skeptical of Gacki's most recent comments.

Jim Angleton, president of financial services firm Aegis FS in Miami, said that any efforts to deliver aid to Venezuela through digital assets are unlikely to succeed because the country is more heavily sanctioned than almost any other nation except Iran, and local banks do not accept bitcoins or similar assets.

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<b>Topics :</b>	Sanctions , Cryptocurrencies
<b>Source:</b>	U.S.: OFAC
<b>Document Date:</b>	October 15, 2020