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CASH AND TREASURY MANAGEMENT
COUNTRY REPORT

VENEZUELA

Executive Summary

Banking

Superintendencia de las Instituciones del Sector Bancario (SUDEBAN) is the supervisory authority for the financial sector in Venezuela. Órgano Superior del Sistema Financiero Nacional (OSFIN) oversees the supervisory practices of SUDEBAN and other financial supervision bodies. The Asociación Bancaria de Venezuela (ABV) promotes and coordinates the interests of the banking community.

The Central Bank of Venezuela imposes formal central bank reporting requirements and is responsible for compiling and disseminating balance of payments data. Exchange controls are administered by the National Foreign Trade Center (CENCOEX).

Residents may hold accounts denominated in local or foreign currency both domestically and abroad. Non-residents may also hold domestic currency accounts in Venezuela. Accounts in domestic currency are not convertible into foreign currency.

Venezuela's eight largest banks control 85% of the financial sector's total assets. Universal and commercial banks account for the majority of total assets, with 15% held by foreign-owned banks.

Payments

Venezuela's main payment systems include the real-time gross settlement system, Sistema de Liquidación Bruta en Tiempo Real (LBTR), a proprietary SWIFT system and the Funds Transfer Electronic System for Interbank Loans (SET). CCE (Cámera de Compensación Electrónica) is the national clearing house for checks, low-value credit transfers and direct debits.

Cash is still heavily used in Venezuela for retail transactions and checks are the most common instrument for bill payments by companies and consumers. However, use of electronic payment instruments, notably credit transfers, is increasing.

Liquidity Management

Venezuela offers a range of short-term funding and borrowing options.

The presence of currency controls makes it difficult for companies to implement cross-border liquidity management techniques.

Trade Finance

Venezuela is one of the five founding members of OPEC (Organization of the Petroleum Exporting Countries).

In August 2017, Venezuela was suspended indefinitely from the Mercosur (Mercado Común del Sur – Southern Common Market) regional common market for violating the bloc's democratic principle.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

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PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.[1]

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

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Financial Environment

Country Information

Geographical Information

Capital	Caracas
Area	912,050 km^2
Population	30.30 million
Official language	Spanish
Political leaders	Head of state and government — President Nicolás Maduro Moros (since April 19, 2013).

Business Information

Currency (+ SWIFT code)	Venezuelan bolivar fuerte (VEF)
Business banking hours	Business hours: 08:00/09:00–17:00/18:00 (Mon–Fri) Banking hours: 08:30–11:00 and 14:00–16:30 (Mon–Fri)
Bank holidays	2018 — March 29, 30, April 19, May 1, 14, June 4, 24, July 2, 5, 24, August 13, October 12, November 5, December 8, 24, 25, 31 2019 — January 1, 6, March 4, 5, 19, April 18, 19, May 1, June 3, 24, 29, July 5, 24, August 19, October 12, November 4, December 8, 24, 25, 31 2020 — January 1, 6, February 24, 25, March 19, April 9, 10, 19, May 1, 25, June 15, 24, 29, July 5, 24, August 15, October 12, November 1, December 7, 24, 25, 31 Source: www.goodbusinessday.com.
International dialing code	+ 58

Country Credit Rating

Fitch Ratings last rated Venezuela on November 14, 2017 for issuer default as:

Term	Foreign currency rating
Short	C
Long	RD
Long-term rating outlook	–

Source: www.fitchratings.com, March 2018.

Economic Statistics

Economics Table

	2011	2012	2013	2014	2015
GDP per capita (USD)	10,729	12,775	12,263	15,716	14,336
GDP (VEF billion)	1,358	1,636	2,246	3,031	6,025
GDP (USD billion)	317	381	371	482	446
GDP volume growth* (%)	+ 4.2	+ 5.6	+ 1.3	– 3.9	– 6.2
BoP (goods, services & income) as % GDP	+ 7.9	+ 0.9	+ 1.6	+ 1.1	– 3.6
Consumer inflation* (%)	+ 26.1	+ 21.1	+ 40.6	+ 62.2	+ 109.7
Population (million)	29.50	29.85	30.28	30.69	31.11
Unemployment (%)	8.5	7.8	7.5	7.0	6.8
Interest rate (local currency MMR)† (%)	4.93	0.82	1.61	6.37	3.37
Exchange rate‡ (VEF per USD)† **	4.289	4.289	6.048	6.284	13.5

	2016	2017			
		Q1	Q2	Q3	Q4
GDP per capita (USD)	NA	–	–	–	–
GDP (VEF billion)	NA	–	–	–	–
GDP (USD billion)	NA	–	–	–	–
GDP volume growth* (%)	– 16.5	NA	NA	NA	NA
BoP (goods, services & income) as % GDP	NA	–	–	–	–
Consumer inflation* (%)	+ 254.95	NA	NA	NA	NA
Population (million)	31.57	–	–	–	–
Unemployment (%)	NA	NA	NA	NA	NA
Interest rate (local currency MMR)† (%)	3.19	0.31	NA	NA	NA
Exchange rate‡ (VEF per USD)† **	435.0	689.5	1,670.5	2,984.5	3,336.6

*Year on year. †Period average. ‡Official rate. **SICAD rate (2015); SIMADI rate (2016, 2017 Q1); DICOM rate (2017 Q2, 2017 Q3, 2017 Q4).

On January 1, 2008, the new Venezuelan Bolivar (VEF), equivalent to 1,000 old bolivares (VEB), was introduced.

Source: *International Financial Statistics*, IMF, March 2018 and 2017 Yearbook; and Banco Central de Venezuela.

Sectoral Contribution as a % of GDP

Agriculture – 4.4%

Industry – 38.2%

Services – 57.4% (2017 estimate)

Major Export Markets

USA (35.1%), India (17.2%), China (14.1%), Netherlands Antilles (8%), Singapore (5.3%), Cuba (4.1%)

Major Import Sources

USA (22.1%), China (14.3%), Brazil (7.4%), Colombia (4.2%)

Political and Economic Background

Economics

Interest Rate Management Policy

Venezuela's economic policy is currently targeted towards boosting economic growth. At present, with inflation high relative to interest rates, Venezuela has negative real interest rates.

Foreign Exchange Rate Management Policy

The Venezuelan government introduced a new official currency, the Bolívar Fuerte (Strong Bolivar – VEF), equivalent to VEB 1,000, from January 1, 2008.

On March 10, 2016, the government devalued the VEF by creating a new dual-rate system with one protected exchange rate (DIPRO) fixed at the buying rate of VEF 9.975 per USD 1 and selling rate of VEF 10.00 per USD 1, and a complementary floating rate (DICOM) starting at VEF 206 per USD 1. Under the government's original plan, the alternative foreign currency market (SIMADI, Marginal Currency System) would continue to operate until it was fully replaced by the DICOM rate, with the DICOM being the rate resulting from the SIMADI system. However, in May 2017, the government devalued the VEF once again by replacing the DICOM/SIMADI rate by the so-called New DICOM rate, which started at VEF 2,010 per USD 1, a sharp drop from the previous DICOM/SIMADI rate of about VEF 728 per USD 1.

On January 26, 2018, the government eliminated the DIPRO rate, which was used for essential imports such as food, medicine and raw materials for production while the DICOM rate was used for transactions not covered by DIPRO. On February 5, 2018, the government devalued the VEF again by relaunching its DICOM rate, which started at VEF 25,000 per USD 1, compared with the previous rate of VEF 3,345 per USD 1.

Major Economic Issues

Despite its large oil reserves and its status as one of the five founding members of OPEC (Organization of the Petroleum Exporting Countries), Venezuela's economy has struggled in recent years. After a short economic expansion in 2012, driven by higher oil prices and government spending, GDP growth slowed sharply in 2013, standing at 1.3%, well below the government's 6% growth target for the year. According to the IMF, the economy shrank in the next four years, by 3.9% in 2014, by 6.2% in 2015, by 16.5% in 2016, the biggest contraction in 13 years, and by an estimated 14% in 2017. The IMF has forecast further GDP contraction of 6% in 2018.

In January 2018, the government replaced its dual foreign exchange system comprising one protected exchange rate (DIPRO), fixed at the selling rate of VEF 10.00 per USD 1, and a complementary "floating" rate (DICOM), with a new DICOM system, in another attempt to ease a shortage of foreign currency that has led to acute shortages of basic goods and soaring inflation. The new DICOM system holds auctions in EUR in a bid to move away from transactions in USD. In

the first auction, held in February 2018 (the first currency auction since the DICOM was suspended in August 2017), the rate was set at VEF 25,000 per USD 1, implying a devaluation of about 87% with respect to the previous DICOM rate and by over 99% from the fixed DIPRO rate. On the black market, however, the VEF has lost almost all its value against the USD in the past year, currently standing at over VEF 216,000 per USD 1, compared with VEF 3,164 per USD 1 at the beginning of 2017.

In February 2018, Venezuela launched a presale of its new cryptocurrency backed by reserves in oil, gas and diamonds. The new currency, which is called the "petro", is aimed at enabling Venezuela to overcome the US-led financial blockade and advance towards new forms of international financing, according to President Maduro. The presale is expected to close on March 19, 2018. However, opposition lawmakers have said the plan has no credibility and that the currency would need the backing of Congress.

In October 2016, the government began dismantling price controls in a policy shift aimed at easing widespread unrest over severe shortages of basic goods. However, by allowing the market to set prices, the government has eased the acute shortages of basic goods in the country but has also further fuelled the country's already soaring inflation.

In November 2017, the international ratings agency S&P declared Venezuela in "selective default" after the country failed to make USD 200 million in repayments on two government bonds. The government has blamed sanctions imposed by the US for its difficulties in making the payments and has announced plans to refinance and restructure its foreign debt. However, creditors have shown concerns over how Venezuela plans to avoid a default, given its precarious financial situation and the difficulties imposed by US sanctions.

Despite government's efforts, the deepening fiscal deficit, which is already estimated at over 20% of GDP, soaring inflation, and shortages and imbalances in the foreign exchange market remain significant concerns. The central bank has not published macroeconomic data since January 2016 but, according to the IMF, Venezuela's inflation stood at 254% in 2016, at an estimated 2,400% in 2017 and is expected to reach 13,000% in 2018.

Politics

Government Structure

Venezuela is a Federal Republic.

Executive

The president, who is both head of government and head of state, is elected for a six-year term and may be re-elected indefinitely. Former vice-president Nicolás Maduro Moros, of the United Socialist Party of Venezuela (PSUV), was sworn in as acting president in March 2013, following the death in office of former president Hugo Chávez Frías after 14 years in power, and was formally elected in April 2013. The next presidental elections are scheduled to be held May 20, 2018.

Legislature

Venezuela's parliament is the unicameral National Assembly (Asamblea Nacional).

The assembly's 165 members are elected by popular vote every five years. Three seats are reserved for representatives of indigenous peoples.

International memberships

Venezuela is a member of the LAIA (Latin America Integration Association). Venezuela, which had also been a full member of the Mercosur regional economic area with Argentina, Brazil, Paraguay and Uruguay since July 31, 2012, was suspended from the bloc in Decemeber 2016 for failing to incorporate key rules on trade and human rights into national law.

Major Political Issues

For many, Venezuela's main political issue is: will "Chavismo" survive after the death of President Hugo Chávez Frías? From his election in 1999 until 2013, Chávez rolled out a series of economic, social and constitutional reforms based on a platform of 21st century cooperative socialism. After Chávez's death in March 2013, his chosen successor, Nicolas Maduro, was sworn in as acting president. Mr. Maduro, who had promised to continue Chávez leftist policies, then narrowly defeated opposition candidate Henrique Capriles in the April 2013 presidential election.

Since his election, Mr. Maduro, who lacks the charisma and close connection with Venezuelans that Chávez enjoyed, has tried to negotiate divisions in his political movement as well as a growing political opposition. Mr. Maduro, followed Chávez in blaming the country's economic problems on the private sector and sabotage by government's opponents.

IIn December 2015, the opposition in Venezuela won a majority of seats in the National Assembly, overturning nearly two decades of socialist rule. In February 2016, Venezuela's Supreme Court granted decree powers to President Maduro for 60 days, overruling the opposition-controlled Congress that rejected the declaration of emergency in the previous month. President Maduro claimed that he needed the expanded authority over the economy to fight soaring inflation and the country's deepening recession. In January 2018, the economic emergency decree was extended, for the thirteenth time, for a further 60 days.

In March 2017, Venezuela's pro-government supreme court assumed the legislative powers of the Congress after ruling that lawmakers were in contempt of court because they were holding up efforts to revive the economy. Although the controversial move was reversed in April 2017, public dissatisfaction with the decision persisted, with opposition leaders calling for a new wave of protests. More than 120 people have died in protest-related violence in Venezuela since April 2017.

The political crisis deepened in July 2017 after a new pro-government constitutional assembly stripped the opposition-controlled Congress of its legislative powers, extended the time it will meet from six months to two years, and voted to put opposition leaders on trial for treason, despite fierce opposition at home and abroad. However, Congress has refused to subordinate itself to the constitutional assembly, as the opposition boycotted the elections.

In September 2017, President Maduro said that he accepted the invitation made by Dominican Republic President Danilo Medina and former Spanish prime minister Jose Luiz Rodriguez Zapatero to resume talks with the opposition. However, opposition leaders have said that they will not take part in formal talks until the government agrees to meet some demands, including the release of all political prisoners and the addressing of the country's economic and social crisis.

In April 2017, the government announced that it would withdraw from the Organization of American States (OAS) regional bloc after a majority of its members voted in favor of holding a meeting to dicusss the deepening crisis in Venezuela, a further step on the road toward sanctions. However, in June 2017, the meeting ended without an agreement, after a declaration put forward by a number of countries calling for an immediate end to the violence, for political prisoners to be freed and for the Venezuelan government to cancel plans to rewrite the constitution failed to get the support of two-thirds of the OAS members present.

In December 2017, President Maduro threatened to ban the country's main opposition parties from taking part in the 2018 presidential election after they boycotted municipal polls, in a move set to further consolidate his grip on power. The ruling socialists won most of the mayoral offices in the election as three of the four main opposition groups refused to participate, claiming the electoral system was biased.

In February 2018, the government announced that the presidential election would be held on April 22, 2018, instead of December 2018. The move is seen by analysts as an attempt by the government to exploit opposition disarray and consolidate control before the country's economic crisis becomes even worse. Also in February, President Maduro called for a snap general election (the legislative elections were originally scheduled for 2020) to coincide with the presidential vote in April but, in March 2018, Venezuela's national election board postponed the snap election to May 20, 2018, following a pact between Maduro's government and some opposition parties. However, Venezuela's largest opposition groups have said that they will boycott the poll, in which President Maduro is seeking a second, six-year term. According to them the election is "fraudulent and illegitimate" due to unfair conditions created by the government. President Maduro's two strongest rivals, Leopoldo Lopez and Henrique Capriles, are both barred from running against him.

Taxation

Resident/Non-resident

A company is considered resident in Venezuela if it is incorporated in Venezuela by means of its registration with a commercial registry or is domiciled there.

Foreign companies are considered non-resident for income tax purposes.

Foreign entities with permanent establishments in Venezuela, even though not treated as domiciled entities, have a similar income tax treatment to domiciled entities.

Tax Authority

Servicio Nacional Integrado de Administración Aduanera y Tributaria (SENIAT).

Tax Year/Filing

Companies may choose their fiscal year, which may only be changed with official approval from the tax authorities.

Taxpayers considered 'special taxpayers' are required to use a 12-month fiscal year starting on January 1 and ending December 31. A corporation's first fiscal year may contain fewer than 12 months.

Corporate self assessed income tax returns must be filed within three months of the end of the fiscal year.

All companies (except mining and oil companies) that earned more than 1,500 Tax Units during the preceding fiscal year must file an estimated tax return by the end of the sixth month of the fiscal year. The amount of tax declared in the return must be calculated based on at least 80% of the preceding year's taxable income, unless the company can justify a smaller estimate. The amount of estimated investments eligible for tax credits may not exceed 80% of the investments declared for the same purpose in the previous year's final tax declaration. All corporate taxpayers (except those involved in mining or oil activities) must make advance tax payments in six equal installments. For companies in the hydrocarbons industry, advance payments must be made in 12 equal monthly installments.

Mining and hydrocarbons companies must file estimated tax returns within the first 45 days of each year, and advance payments of 96% of the tax resulting from the estimate must be paid at that time.

Final income tax returns must be filed within three months of the close of the company's fiscal year and payment of tax liability must be made at that time.

Consolidated returns are not permitted and each company must file a separate return.

Inflation Adjustment

Companies are required to revalue their non-monetary assets and liabilities using the national consumer price index.

There is an initial 3% levy on enrolment in the Register of Revalued Assets, calculated over the increase of the value resulting from the initial adjustment of depreciable fixed assets. After the initial adjustment, there are then annual adjustments.

Banking financial institutions, insurance and reinsurance are expressly excluded from the inflation adjustment system.

Tax Units

UT (unidad tributaria) or TU (tax units) are used to counter the effect of inflation. TUs are adjusted annually depending on the level of consumer inflation in the city of Caracas in the previous year. For 2017, as enacted in the Official Gazette, the TU has been set at VEF 300.

Tax accounting rules require certain taxpayers to make adjustments for inflation; however, banking and financial institutions, and insurance and re-insurance companies have been expressly excluded from the inflation adjustments system; the tax administration may enact rules governing the accounting statements of such institutions.

Corporate Taxation

Resident companies are subject to taxation on their worldwide income.

Non-resident companies are taxable only on Venezuelan-sourced income. Foreign enterprises that conduct business in Venezuela through a permanent establishment (PE) are subject to income tax on foreign and Venezuela-source income attributable to the PE.

There is no surtax or alternative minimum tax.

The corporate tax rates are as follows:

Earnings threshold	Rate
Below TU 2,000	15%
TU 2,000–3,000	22%
Above TU 3,000	34%

Oil companies pay tax at a rate of 50% on net income, with the exception of projects deemed to be of national interest, which are taxed at normal corporate rates.

Companies engaged in the exploration, exploitation, processing, transport, distribution, storage, marketing and export of non-associated natural gas pay 34%, as do companies involved in oil refining. Oil companies also are charged a 30% tax or royalty on the amount of crude oil produced. The Ministry of Energy and Oil can reduce the royalty rate to 20% for heavy-oil projects or marginal fields, in special circumstances.

Losses may be carried forward for up to three years, except for losses arising from inflation adjustments, which cannot be carried forward. Losses carried forward may not offset more than 25% of the taxable income for any year. Foreign-source losses may be offset only against foreign-source profits earned abroad. Losses may not be carried back.

Capital Gains Tax

Capital gains and losses are taxed as part of a company's ordinary income.

Capital gains derived from the sale of shares registered on the Venezuelan stock exchange are subject to a 1% tax on the gross proceeds. Losses on sales of shares registered on the Venezuelan stock exchange may not be deducted from other income.

Stamp Duty

Stamp duty of 0.01 Tax Units per one VEB is levied when the initial capital of a company is registered or increased.

Stamp duty also is levied when a branch registers in Venezuela. Companies in the Capital District must include stamp duty of one Tax Unit plus 0.5 Tax Units per page with the incorporation request. Likewise, stamp duty is levied when a company modifies the incorporation documents (one Tax Unit plus 0.05 Tax Units per page).

Each state is entitled to regulate the stamp duty of its jurisdiction. If no law is issued by the state, the Stamp Duty Law applies until a corresponding state law is issued.

Capital Duty / Public Registry

A 1% capital duty is levied on the formation of a company and on additional contributions to capital.

The sale of companies are taxed at 2% of the amounts realized.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties/ Commissions	Branch Remittances
Resident companies	5%	Exempt or 34%*	5%**	NA
Non-resident companies in non-tax-treaty country	4.95 / 15–34%***	Exempt or 34%*	15–34%****	0–34%*****

* Dividends paid to a resident or non-resident generally are exempt. However, if dividend distributions exceed the payer company's net taxed income, a 34% withholding tax applies.

** Applies to commission only.

*** Interest paid to a non-resident legal entity is taxed at the normal corporate income tax rates (i.e. 15% to 34%) applied to 95% of the gross payment, resulting in effective rates of 14.7%, 20.9% and 32.30%, provided certain requirements are met. Interest paid to non-resident banks or financial institutions is subject to a withholding tax of 4.95%.

**** Calculated on 90% of gross income.

***** Branch profits are taxed at 34%. However, the tax is deferred if reinvested in Venezuela for at least five years.

A branch profits tax is levied on permanent establishments of foreign enterprises at a rate of 34%. However, the tax will be deferred if amounts are re-invested in Venezuela for at least five years.

Tax Treaties

Venezuela has 32 tax treaties, a number of which provide for an exchange of information.

Thin Capitalization

Interest paid to related entities will be deductible only on a specific proportion of the equity under the thin capitalization method.

The thin capitalization rules provide for a debt-to-equity ratio of 1:1.

The Venezuelan Commercial Code contains provisions that need to be considered when a company's losses exceed two-thirds of the paid-in capital.

Additionally, when determining the funding of Venezuelan operations, consideration should be given to the tax implications arising from inflation adjustment rules (when funding through capital) and from exchange gains or losses (when funding through loans).

Transfer Pricing

Venezuela's transfer pricing rules generally follow the OECD guidelines, requiring income and expenses related to transactions between related parties to be on arms'-length terms. The transfer pricing rules define related parties and set forth permitted methodologies.

Taxpayers are required to verify the existence of arm's-length pricing by conducting a transfer pricing study, and the tax authorities may adjust prices that do not reflect an arm's-length amount.

Advance Tax Rulings

Rulings are obtainable for specific circumstances, but not binding on either the tax authority or payer.

Cash Pooling

Venezuela does not have specific tax rules that apply to cash pooling arrangements.

Real Estate Tax

Urban property tax is levied by the municipalities; the rates and bases of assessment vary by location and use of the property. Some municipalities offer exemptions from real property taxes to manufacturing enterprises.

There is no transfer tax, but where a document is issued for the transfer of goods/shares, the competent office/public notary will levy stamp tax for registration of the document at rates that vary by location and by transaction.

Sales Taxes / VAT / Excise (including Financial Services)

Federal VAT is paid by the final consumer on all goods and services.

The general rate of VAT is 12%.

An additional rate of 15% applies for transactions relating to certain goods and services considered to be luxury consumption.

Education, healthcare, culture and utilities, certain foods and animal foods, agrichemicals, pharmaceuticals, books, and newspapers are exempt from VAT.

Exports are zero rated.

There is an 8% tax on domestic air transport, import of animals and foodstuffs, and on the rendering of services to public entities.

Excise taxes apply to liquor, tobacco, petroleum products and matches.

Municipal Taxes

The municipalities levy an additional tax on economic activities for the privilege of doing business in a district. The tax is usually based on gross receipts or sales and varies from 0.1% to 10%, depending on the district and type of business.

Financial Transactions / Banking Services Tax

Venezuela has no specific tax rules relating to financial transactions or banking services.

Payroll and Social Security Taxes

A company that has more than five employees must contribute to the National Institute of Educational Co-operation. The rate is 2% on payroll.

The monthly contributions for employers are as follows:

	Employer
Unemployment insurance	2%*
Social security tax	9/10/11%**
Housing Savings Plan†	2%
INCE (tax for educational purposes)	2%††

* Salary level is capped at 10 times the minimum monthly salary.

** Level depends upon the level of risk associated with the activities undertaken by the employer and the salary level is capped at five times the minimum monthly salary.

† Based upon monthly compensation rather than monthly salary.

†† No salary limit established on the application of the rate.

Law on Science, Technology and Innovation

According to the Law on Science, Technology and Innovation, enterprises generating more than 100,000 TUs contribute 0.5%, 1% and 2% of gross income depending on the activities of the company.

The 0.5% rate applies to enterprises that conduct economic activities in Venezuela and to state-owned enterprises that conduct oil and mining activities in Venezuela. The 1% rate applies to enterprises that carry out oil and mining activities in Venezuela and the 2% rate applies to enterprises that conduct activities related to alcohol and cigarettes, etc.

Contributions should be determined, filed and paid during the second quarter following the end of the tax year.

Contributions are made to the National Fund for Science, Technology and Innovation (FONACIT).

Law against Illegal Traffic and Consumption of Drugs and Narcotics

According to the Law against Illegal Traffic and Consumption of Drugs and Narcotics (LOCTISEP), public and private enterprises employing 50 or more employees should contribute on a yearly basis 1% of their annual net income. Alcohol and tobacco companies contribute 2%.

The contribution should be determined, filed and paid within the first 15 calendar days following the end of the year.

The authority responsible for collecting such contributions is the National Office against Illegal Drugs.

Although the Law provides for the contribution, collection has been suspended.

Sports Law

The Organic Law on Sports, Physical Activity and Physical Education (the 'Sports Law') was published in Official Gazette No 39.741 of August 23, 2011.

Article 68 of the Sports Law creates the National Fund for the Development of Sports, Physical Activity and Physical Education (the 'Sports Fund') which will be funded by contributions made by companies or other public or private organizations that perform economic activities for profit in the country.

The contribution is 1% of the annual net or accounting profit, and is payable by all companies or other public or private organizations that perform economic activities within the country and obtain an annual net or accounting profit of more than 20,000 TUs.

The return needs to be filed online through the National Sports Institute (NSI)'s web page, according to NSI instructions and within 120 days following the end of the taxpayer's fiscal year.

Taxpayers may pay the total tax liability in cash. Taxpayers may choose to pay the tax in three installments: the first when the return is filed and the other two every subsequent 25 calendar days.

Taxpayers also need to file an estimated return of the sports contribution and pay an amount equivalent to 0.25% of the net profit of the previous fiscal year.

National Committee of Information Technology

Enterprises whose purpose is the importation, distribution and commercialization of proprietary software for the national government must contribute 2.5% of the current year's net income to the National Committee of Information Technology.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight (www.deloitte.com).

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The Banco Central de Venezuela (BCV) was established in 1939 and operates as an autonomous institution, in coordination with general economic policy, and in accordance with the Law of the Central Bank of Venezuela.

Other banking supervision bodies

The supervisory authority for the financial sector is the Superintendencia de las Instituciones del Sector Bancario (SUDEBAN). The Asociación Bancaria de Venezuela (ABV) promotes and coordinates the interests of the banking community. The Fondo de Protección Social de los Depósitos Bancarios (Social Protection Fund for Banking Deposits) guarantees deposits in the national banking system and has the authority to intervene on behalf of illiquid financial institutions.

Órgano Superior del Sistema Financiero Nacional (Higher Entity of the National Financial System - OSFIN) is the regulatory office that oversees the supervisory practices of SUDEBAN and other financial supervision bodies. The OSFIN is run by the finance minister, the BCV president, and three directors, who are appointed directly by the president of Venezuela.

Central Bank Reporting

General

The BCV's External Sector Statistics Department is responsible for compiling and disseminating balance of payments data.

What transactions – listed

Transfers between resident and non-resident accounts are monitored via the exchange control regime, weekly bank reporting and surveys.

Whom responsible

Banks and financial intermediaries report to the central bank, but all legal entities have a legal obligation under the Central Bank Law to provide any statistical information required.

Additional reporting for liquidity management schemes

There are no additional reporting requirements.

Exchange Controls

Exchange structure

The Venezuelan government introduced a new official currency, the Bolívar Fuerte (Strong Bolivar – VEF), equivalent to VEB 1,000, from January 1, 2008. This was devalued in March 2016, when the government created a new dual-rate system with one protected exchange rate (Sistema de Cambio Protegido - DIPRO) initially fixed at the buying rate of VEF 9.975 per USD 1 and selling rate of VEF 10.00 per USD 1, and a complementary floating rate (Sistema de Cambio Flotante - DICOM) starting at VEF 206 per USD 1. On January 26, 2018, the government eliminated the DIPRO rate, which was used for essential imports such as food, medicine and raw materials for production. The DICOM rate was relaunched on February 5, 2018, at VEF 25,000 per USD 1, compared with the previous rate of VEF 3,345 per USD 1.

The new DICOM is a foreign exchange auction system through which foreign currency is offered within pre-established bands set by the central bank. Transactions are limited to EUR 420 a quarter and EUR 1,680 a year per individual or its equivalent in another foreign currency. Companies are allowed to buy up to EUR 340,000 per month or its equivalent in another foreign currency.

Exchange controls are administered by the National Foreign Trade Center (CENCOEX). CENCOEX, established in December 2013, replaced the former Foreign Exchange Administration Commission (CADIVI) in February 2014.

The central bank authorizes all cash import and export activities and all invisible transactions and current transfers. Effective February 2017, all but 80% of export proceeds must be surrendered to the central bank, and this must be converted to domestic currency via authorized dealers.

Foreign currency exports and imports exceeding USD 10,000 require a customs declaration. All foreign currency, except EUR, is converted to USD. Authorized dealers are allowed to charge a 2% commission for cash and credit card transactions and 0.25% on other transactions.

In addition, stringent controls are placed on the use of credit cards and other means of non-domestic expenditure.

Exchange tax

There is no tax on foreign exchange transactions.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There are no restrictions on forward foreign exchange markets.

Capital flows

Foreign direct investment must be registered with the Superintendency of Foreign Investment (Superintendencia de Inversiones Extranjeras – SIEX) within 60 days. There are no restrictions on the purchase of bonds and portfolio instruments by foreign investors, but the sale of securities by residents and non-residents requires approval by the National Security Commission (Comisíon

Nacional de Valores – CNV). Foreign investment in communications, mass media and professional services is limited to 19.9%.

Loans, interest and repayments

There are no controls of foreign loans, but interest payments on loans from foreign banks are subject to a 4.95% tax. Non-resident companies may borrow locally, and short-term funding is subject to the same terms offered to resident companies.

Royalties and other fees

Remittance of royalties and fees requires prior approved by CENCOEX. Royalties and fees paid to overseas entities are subject to a withholding tax calculated over 90% of the payment. Other fees, such as for technical assistance, are subject to a withholding tax calculated over 30% of the payment.

Profit remittance

Foreign investors may receive dividends in USD if prior approval is sought from CENCOEX. There are no dividend taxes on recipients, and typically capital profits are added to income and taxed at corporate rates.

Bank Account Rules

Resident entities in Venezuela are those established in the country by means of registration with a Mercantile Registry.

Residents may hold accounts denominated in local and foreign currency both within Venezuela and abroad. VEF accounts held abroad are not covered by Venezuela's deposit insurance system. Resident accounts in domestic currency are not convertible into foreign currency.

Since July 2012, non-resident companies participating in strategic public investment projects for the development of the national economy and resident companies and individuals may open foreign currency accounts with universal banks. Account holders may move funds via partial or total withdrawals in local currency at the official exchange rate.

Anti-money Laundering and Counter-terrorist Financing

- Venezuela has implemented anti-money laundering and counter-terrorist legislation (the Organic Drug Law of 1993; Resolution 333/97 Standards for the Prevention, Control and Prosecution of Money Laundering of 1997; Resolution 185.01 of 2001; the Organic Law Against Organized Crime of 2005 and the Organic Law Against Organized Crime and Financing of Terrorism 2012). Associated Resolutions have also been published.
- Venezuela is a member of the Caribbean Financial Action Task Force (CFATF) and the Organisation of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD).
- Venezuela has established a financial intelligence unit (FIU), the Unidad de Inteligencia Financiera (UNIF), which is a member of the Egmont Group. UNIF is not fully autonomous

but was created as a separate entity within the Superintendence of Banking Institutions (SUDEBAN).

- Account opening procedures require customers to attend a personal interview with the institution in question plus formal identification of the account holder. Beneficial owners must also be identified.
- Domestic business identification requirements include the provision of the entity's Tax Information Record or the Personal Firm Record and certified copies issued by the National Integrated Customs and Tax Administration Service, the company's incorporation papers and articles of association registered at the Trade Registry or Civil Registry.
- For overseas businesses, documents and the power of attorney of their legal representatives in Venezuela must be attested by the Venezuelan Consulate in the business's home country and translated into Spanish by a certified public translator.
- Financial institutions in the broadest sense are required to report suspicious transactions to UNIF.
- Currency transactions above approximately USD 2,100 must be recorded and reported to UNIF, as must the transfer and purchase of foreign currency exceeding USD 10,000.
- However, certain institutions (e.g. public service payroll agencies and tax collection entities) are exempt from currency reporting requirements, as are certain 'excluded' customers of financial institutions on the basis that they conduct high-value transactions 'habitually'.
- Records must be kept for five years.

Data as at January 2018.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million)* January 31, 2018
Banco de Venezuela	2,678
Banesco Banco Universal CA	1,819
BBVA Banco Provincial (BBVA Group)	1,036
Banco Mercantil CA	714
Banco Occidental de Descuento CA	543
Bicentenario Banco Universal	488
Banco Nacional de Crédito	315
Banco del Tesoro	264

*VEF 25,000 per USD 1.

Source: Superintendencia de las Instituciones del Sector Bancario and www.accuity.com.

Overall Trend

Venezuela's banking system has undergone significant consolidation over the past decade. This has led to a concentration of assets in the country's largest and most well-capitalized institutions and also an increase in foreign investment.

The banking sector consists of 31 financial institutions: 24 universal banks (four state-owned), one commercial bank, two state-owned banks subject to special statutes, three microfinance banks and one municipal credit institution.

Venezuela's eight largest banks control about 85% of the banking sector's total assets. Universal and commercial banks account for the vast majority of total assets, with 15% held by foreign-owned banks. Following the economic crisis of 1994–1995, nearly half of Venezuela's 130 banks were declared insolvent, but reforms in regulation and supervision – including the 2001 General Law on Banks and Other Financial Institutions which improved capital adequacy standards – had strengthened the banking sector and attracted foreign banks.

Although Venezuela's banks have been relatively profitable and stable institutions, increased government intervention in the banking system, combined with a high inflationary environment, has damaged the outlook for long-term profitability and creditworthiness.

In September 2014, the government announced the creation of a new state development bank, Banco de Desarrollo Social de las Comunas de Venezuela.

In November 2014, the government announced the creation of a new bank through the merger of the existing Banco Bicentenario, Banco de la Mujer and Banco del Pueblo. The new bank, called Banco Bicentenario del Pueblo, de la Clase Obrera, Mujer y Comunas, focuses on low-rate mortgage loans for the working class.

Payment Systems

Overview

The Central Bank of Venezuela (BCV) launched its real-time gross settlement system, Sistema de Liquidación Bruta en Tiempo Real (LBTR), on October 8, 2010. The LBTR is the country's RTGS system, used for high-value and urgent interbank and third-party electronic payments. It is operated by the BCV.

Alternatively, high-value, urgent credit transfers can also be initiated through the BCV via a proprietary SWIFT (SWIFT standard formats) system and the Funds Transfer Electronic System for Interbank Loans (SET). They can also be initiated through the non-automated methods of Paper Payment Orders (Carta Orden) and Certified Telex (Télex Testado). Payment orders sent via the proprietary SWIFT closed users group are processed through the Interbank Transfer System (Sistema de Transferencias Interbancarias – STI). High-value interbank transfers are channeled through the single account held by financial institutions at the Central Bank of Venezuela (BCV).

The BCV owns and operates CCE (Cámera de Compensación Electrónica), the national clearing house for checks, credit transfers and direct debits. Low-value payments are cleared by the CCE.

SPI (Sistetma de Pagos Interbancarios), the Interbank Payment System, was established in May 2002 by a group of seven banks to automate credit card clearing and settlement operations. Suiche 7B and Conexus are the main ATM networks in the country. Although they are interoperable, they each settle their outstanding interbank obligations separately.

High-value

Name of system	Sistema de Liquidación Bruta en Tiempo Real (LBTR)
Settlement type	Real-time gross settlement
Settlement cycle	Transactions are settled for same-day value with immediate finality.
Links to other systems	SWIFT
Payments processed	Large-value interbank and third-party electronic funds transfers
Currency of payments processed	VEF
Value and other limits to processing	The LBTR processes high-value transactions (over VEF 10,000,000), although there are no limits on the value of its transactions.
Operating hours	08:00–14:00 Mon–Fri
System holidays	2018 — March 29, 30, April 19, May 1, 14, June 4, 24, July 2, 5, 24, August 13, October 12, November 5, December 8, 24, 25, 31 2019 — January 1, 6, March 4, 5, 19, April 18, 19, May 1, June 3, 24, 29, July 5, 24, August 19, October 12, November 4, December 8, 24, 25, 31 2020 — January 1, 6, February 24, 25, March 19, April 9, 10, 19, May 1, 25, June 15, 24, 29, July 5, 24, August 15, October 12, November 1, December 7, 24, 25, 31
Cut-off times	14:00
Participants	35 participant banks. All financial institutions and public entities that maintain accounts at the central bank can participate in the BCV interbank funds transfer systems.
Access to system	SWIFT Y-COPY standard message format
Future developments	There are plans to integrate CCE and credit card processing systems into LBTR.

Name of system	SWIFT
Settlement type	Same-day gross settlement
Settlement cycle	Same-day
Links to other systems	Interbank Transfer System (Sistema de Transferencias Interbancarias – STI)
Payments processed	Large-value interbank electronic funds transfers
Currency of payments processed	VEF
Value and other limits to processing	There are no value thresholds.
Operating hours	08:00–14:00 Mon–Fri
System holidays	2018 — March 29, 30, April 19, May 1, 14, June 4, 24, July 2, 5, 24, August 13, October 12, November 5, December 8, 24, 25, 31 2019 — January 1, 6, March 4, 5, 19, April 18, 19, May 1, June 3, 24, 29, July 5, 24, August 19, October 12, November 4, December 8, 24, 25, 31 2020 — January 1, 6, February 24, 25, March 19, April 9, 10, 19, May 1, 25, June 15, 24, 29, July 5, 24, August 15, October 12, November 1, December 7, 24, 25, 31
Cut-off times	14:00
Participants	36 participants. All financial institutions and public entities that maintain accounts at the central bank can participate in the BCV interbank funds transfer systems.
Access to system	SWIFT standard message format
Future developments	NA

Name of system	Funds Transfer Electronic System for Interbank Loans (SET)
Settlement type	Real-time gross settlement
Settlement cycle	Same-day
Links to other systems	NA
Payments processed	Large-value interbank electronic funds transfers
Currency of payments processed	VEF
Value and other limits to processing	There are no value thresholds.
Operating hours	08:00–15:00 Mon–Fri
System holidays	2018 — March 29, 30, April 19, May 1, 14, June 4, 24, July 2, 5, 24, August 13, October 12, November 5, December 8, 24, 25, 31 2019 — January 1, 6, March 4, 5, 19, April 18, 19, May 1, June 3, 24, 29, July 5, 24, August 19, October 12, November 4, December 8, 24, 25, 31 2020 — January 1, 6, February 24, 25, March 19, April 9, 10, 19, May 1, 25, June 15, 24, 29, July 5, 24, August 15, October 12, November 1, December 7, 24, 25, 31
Cut-off times	1st session: 14:00 for regular interbank market financing operations. 2nd session: 15:00 mainly for levelling purposes.
Participants	All financial institutions and public entities that maintain accounts at the central bank can participate in the BCV interbank funds transfer systems.
Access to system	TCP/IP – Frame Relay, dialled line
Future developments	NA

Low-value

Name of system	CCE (Electronic Clearing System)
Settlement type	Multilateral net settlement system
Settlement cycle	Multilateral net settlement positions are calculated on a national basis at the end of the final clearing session each day. Funds are available to beneficiaries on T+1.
Links to other systems	NA
Payments processed	Checks and low-value, non-urgent electronic credit and debit transfers
Currency of payments processed	VEF
Value and other limits to processing	The CCE processes low-value transactions (up to VEF 10,000,000), although there are no limits on the value of its transactions.
Operating hours	The system operates 24 hours a day from 06:00 on Monday to 07:00 on Saturday.
System holidays	2018 — March 29, 30, April 19, May 1, 14, June 4, 24, July 2, 5, 24, August 13, October 12, November 5, December 8, 24, 25, 31 2019 — January 1, 6, March 4, 5, 19, April 18, 19, May 1, June 3, 24, 29, July 5, 24, August 19, October 12, November 4, December 8, 24, 25, 31 2020 — January 1, 6, February 24, 25, March 19, April 9, 10, 19, May 1, 25, June 15, 24, 29, July 5, 24, August 15, October 12, November 1, December 7, 24, 25, 31
Cut-off times	NA
Participants	30 current participants, including the BCV.
Access to system	STP Framework
Future developments	The modernization of the telecommunications platform of the BCV has allowed all checks to be transmitted by image as of June 2011.

Payment and Collection Instruments

Overview and Trends

Cash is still heavily used in Venezuela for retail transactions and checks are the most common instrument for bill payments by companies and consumers. However, use of electronic payment instruments, notably credit transfers, has increased.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (USD million*)		% change
	2016	2017	2017/2016	2016	2017	2017/2016
Checks	68.3	57.5	– 15.8	55,276	36,241	– 34.4
Automated credit transfers†	NA	NA	–	NA	NA	–
Manual credit transfers‡	NA	NA	–	NA	NA	–
Low-value credit transfers	261.0	471.4	80.6	56,147	80,850	44.0
Direct debits	0.416	0.544	30.8	150	301	100.7
Total	**329.7**	**529.4**	**60.6**	**111,573**	**117,392**	**5.2**

†Automated credit transfers include proprietary SWIFT and SET.
‡Manual credit transfers include letters of instruction and certified telex.
*VEF 435 per USD 1 for 2016; VEF 3,336.6 per USD 1 for 2017.

Source: Banco Central de Venezuela, 2018.

Paper-based

Checks

Checks are still commonly used for regular payments by consumers and for vendor payments by companies. As of April 1, 2011, all checks with a value equal to or greater than VEF 100 drawn on current accounts require confirmation by the issuing bank before they are presented for payment. The threshold has since been increased to VEF 500.

CCE, the electronic clearing house, processes and clears VEF checks as electronic items. VEF checks are processed for next-day value. The modernization of the telecommunications platform of the BCV means all checks have been transmitted by image since June 2011. The number of checks processed by the CCE decreased from 89.2 million in 2014 to 81.9 million in 2015 and 57.5 million in 2017.

Electronic

Credit Transfers

Credit transfers are used for both low-value and high-value payments and their usage has increased rapidly in Venezuela in recent years. Since October 2010, high-value and urgent

electronic credit transfers have been processed through LBTR, Venezuela's real-time gross settlement system. Alternatively, they can be initiated via automated methods (SWIFT and SET) or manual methods (payment orders and certified telex). In 2014, 98% of high-value domestic interbank transfers were initiated through automated methods. Low-value credit transfers are processed by the CCE, Venezuela's automated clearing house. The number of low-value credit transfers processed by the CCE increased from 119.8 million in 2014 to 177.2 million in 2015 and 471.4 million in 2017.

Cross-border

Cross-border payments are routed via SWIFT. As there is no specialized or centralized system for cross-border payments in Venezuela, transactions are settled through accounts held with correspondent banks abroad.

Bilateral trade transactions between Venezuela, Bolivia, Cuba, Ecuador, and Nicaragua (which are members of the Bolivarian Alternative for the Peoples of Our Americas, or ALBA), can be settled in sucre, a regional currency, through the Unified Regional Compensation System (Sistema Unitario de Compensación Regional de Pagos – SUCRE). The system eliminates the need to use US dollars to pay for foreign trade transactions between the countries. The sucre is a virtual currency at present, but there are plans for it to become a hard currency.

Direct Debits

Use of direct debits is largely for small, regular payments to utility services from consumers and small businesses. Direct debits are processed by the CCE, Venezuela's automated clearing house. Prior to March 2007, direct debit was only possible when the originator and the receiver had accounts at the same bank. The number of direct debits processed by the CCE varied from 354,000 in 2014 to 336,000 in 2015 and 544,000 in 2017.

Payment Cards

Debit and credit cards are increasingly being used for retail payments. By the end of 2014, 13.2 million credit cards were in circulation in Venezuela, mostly under the Visa, MasterCard and Amex brands. There were around 16.7 million debit cards in circulation in Venezuela by the end of 2010.

In May 2002, a group of seven banks established the Interbank Payment System (Sistema de Pagos Interbancarios – SPI) to automate credit card clearing and settlement operations.

ATM/POS

Holders of debit cards can make cash withdrawals from ATMs and payments at POS terminals. There were 9,843 ATMs and 432,281 POS terminals in Venezuela in December 2017.

ATMs may provide services such as bill payments and third-party funds transfers as well as effecting deposits and withdrawals. There are currently five ATM networks in Venezuela, of

which Suiche 7B and Conexus are the two main ones. Although Suiche 7B and Conexus are interoperable, they each settle their outstanding interbank obligations separately.

Electronic Wallet

Electronic money is still a relatively little used payment instrument in Venezuela. E-money cards are at an early stage in their development but their usage is growing. By the end of 2010, around 3.6 million general purpose pre-paid cards and about 382,700 store cards were in circulation in Venezuela.

Liquidity Management

Short-term Borrowing

The same funding methods are available to resident and non-resident companies.

Overdrafts

Overdrafts are only granted informally to favored customers.

As it is illegal to issue checks in Venezuela without sufficient funds (penalties for which include possible prison terms for up to 12 months), overdrafts have lost importance as a source of short-term borrowing over the last few years. Banks generally require security and the average tenor is two to 14 days.

Bank Lines of Credit / Loans

Most corporate funding is from commercial banks with short-term advances of three to six months which are regularly rolled over under general credit facilities. Since the banking crisis of the mid-1990s, security is often required. Interest is either fixed or, more commonly, floating and payable as a discount. Compensating balances are often required. Collateral or guarantees are required for smaller companies.

Trade Bills – Discounted

Banks discount trade-related bills, usually with full recourse to the borrower.

Factoring

Companies generally do not factor their receivables, although the practise is growing. Where they do, it is on a disclosed basis and with or without recourse to the firm selling its receivables.

Commercial Paper

Corporate issuers have to be authorized by the National Security Superintendency (SNV) and may not reduce their equity while commercial paper (CP) is outstanding. Issuers backed by letters of credit or guarantees do not have to be authorized by the SNV. CP can be placed directly, but is mostly issued through financial intermediaries.

Bankers' Acceptances

Bankers' acceptances are used for general domestic funding and to finance import/export. They are only denominated in VEF.

Supplier Credit

Domestic and foreign-owned companies take supplier credit when offered.

Intercompany Borrowing, including Lagging Payments

Intercompany borrowing and lending takes place between local companies and subsidiaries of foreign-owned companies and between fellow subsidiaries within the same group.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Banks are permitted to offer interest on current accounts.

Demand Deposits

Banks are permitted to offer interest on demand accounts. The central bank has set a minimum interest rate of 12.5% for savings.

Time Deposits

Time deposits are usually offered in local currency with maturities ranging between seven and 180 days, although they can be for up to five years. The central bank has set a minimum interest rate of 14.5% for time deposits.

Certificates of Deposit

The government issues certificates of deposit (CDs) in local currency, usually in a range of maturities between 14 and 28 days. CDs have gained popularity as short-term investment instruments since 2002.

Treasury (Government) Bills

Treasury bills are issued in a range of maturities of between two and nine months. Long-term public debt bonds (Deuda Pública Nacional – DPNs) are issued by the government with longer maturities, ranging from 12 months to eight years.

In April 2014, the central bank introduced a new investment instrument called Directo BCV. This new instrument is available to residents with maturities of 90 and 180 days. The minimum investment is VEF 1,000 and the maximum investment is VEF 360 million per maturity date.

Commercial Paper

Commercial paper (CP) has been a popular method of short-term investment in Venezuela. However, the number of issues has fallen significantly since 2010 due to the forced closure of more than 50 brokerage houses and uncertainty over financial regulation in the country. Since the introduction of currency controls in February 2003, companies can only issue CP in VEF.

Money Market Funds

A number of banks offer money market funds as part of their short-term investment product range.

Repurchase Agreements

Venezuela has a repurchase agreement (repo) market. Repos are traded on the Caracas Stock Exchange and the minimum investment is VEF 500.

Bankers' Acceptances

Bankers' acceptances are used as a short-term investment instrument in Venezuela. They are mostly traded by money desks.

Liquidity Management Techniques

The presence of currency controls makes it difficult for companies to implement cross-border liquidity management techniques. High inflation and international perception of political and economic instability have also led many companies to limit their exposure to the local currency.

Cash Concentration

Resident entities may use cash concentration techniques (i.e. target- or zero-balancing) to optimize domestic cash flows in VEF. However, the presence of currency controls makes it difficult for companies to implement cross-border liquidity management techniques. Residents may only participate in cross-border cash concentration structures located outside Venezuela. Companies can establish a structure in which an account held abroad acts as a header account. Funds collected in other jurisdictions can be swept to that account, allowing the company to concentrate export proceeds in one location, prior to repatriation.

Accounts held by non-resident entities may not participate in cross-border cash sweeping into or out of structures based in Venezuela as local banks are not allowed to locate the header account for a cross-border sweeping structure in Venezuela.

Notional Pooling

Notional pooling is not permitted in Venezuela.

Trade Finance

General Rules for Importing/Exporting

Venezuela has been a permanent member of the Mercosur (Mercado Común del Sur – Southern Common Market) regional common market since July 31, 2012. Venezuela fully joined Mercosur following the temporary suspension of Paraguay from the trading bloc over the allegedly undemocratic and unfair impeachment of president Fernando Lugo. Its membership was approved in 2006, but its formal admission was delayed until 2013 because the legislature of Paraguay refused to ratify it.

Venezuela was excpected to fully adopt the Mercosur Common Code and its common external tariff (CET) by the end of 2016 and achieve free trade by 2019 (sensitive products will be allowed a five-year extension). However, in September 2016, the founding members of Mercosur decided to block Venezuela from assuming the bloc's rotating presidency and, in December 2016, suspended the country temporarily from the bloc for failing to comply with a series of trade and human rights rules. In August 2017, Mercosur suspended Venezuela indefinitely for violating the bloc's democratic principles, stating that that Venezuela will remain suspended until democratic order and stability is achieved in the country.

Mercosur has signed economic complementation agreements with Bolivia, Colombia, Ecuador, Peru, Chile, Mexico and Cuba. It has also signed a preferential trade agreement with India and the Southern African Customs Union (SACU) and a free trade agreement with Israel. In addition, it has signed free trade agreements with Palestine and Egypt but the agreements have not come into force yet.

Despite the worsening relations between their two governments, the USA is still Venezuela's largest trading partner. In August 2017, the US government imposed new financial sanctions on Venezuela, restricting trading of Venezuelan bonds sold by the government in the American financial markets and increasing the likelihood of a Venezuelan debt default by the end of the year.

Venezuela withdrew from the Andean Community (CAN) in April 2006. However, Venezuela kept its rights and obligations as a member of CAN until it fully withdrew from the regional bloc in April 2011. Venezuela has replaced its full CAN preferential tariff agreements with agreements with Bolivia, Colombia and Ecuador. In January 2012, Venezuela signed a preferential trade agreement with Peru. The agreement came into force in August 2013.

Imports

Documentation Required

A commercial invoice (including a full description of the imported goods), a bill of lading, a customs declaration form and a packing list are required. In certain cases, a certificate of origin is also required.

Authorization of the National Foreign Trade Center (CENCOEX) is required for all import activities.

Import permits issued by the relevant Ministries are required prior to the commission's authorization. CENCOEX allocates foreign currency for import payments to domestic companies giving priority to food, medicine and defense materials. Foreign currency is not granted for imports of spirits, luxury goods and motor vehicles.

Import Licenses

Licenses may also be required for some products on health, safety, environmental or national security grounds.

Certain agricultural products are subject to licenses with quotas.

Import Taxes/Tariffs

Imports are subject to a customs handling fee of 1% and VAT of 12%.

Tariffs of between 5% and 10% are generally imposed on raw materials and locally produced intermediate goods. Capital and semi-finished goods are subject to tariffs of 15% and finished goods are subject to tariffs of 20%.

Cars are subject to a 35% tariff while most agricultural products are subject to a 20% tariff. Tariff quotas apply to certain agricultural imports. Imports into Paraguaná and Margarita Island are tariff free.

There are generally no taxes on exports.

Financing Requirements

Authorization from CENCOEX is required.

Risk Mitigation

There are no specific requirements.

Prohibited Imports

Motor vehicles, with the exception of hearses, prison vans and ambulances, cannot be imported.

Exports

Documentation Required

A customs commercial invoice (including a full description of the exported goods), a bill of lading and a packing list are required. In certain cases, a certificate of origin may also be required.

Export Licenses

Most exports do not require licenses. The exceptions include diamonds and radioactive materials. Exports of cocoa, coffee, gold and petroleum derivatives require approval from the relevant ministries.

Export Taxes/Tariffs

Generally, no taxes are levied on exports from Venezuela.

Proceeds

All export earnings in foreign exchange must be surrendered to the central bank. Companies may retain 80% of their proceeds for export expenses. Companies established by affiliation agreements made by PDVSA and those subject to the Gaseous Hydrocarbons Law may keep foreign currency in accounts held at foreign banks for expenses outside Venezuela.

Financing Requirements

There are no particular financing requirements for exports.

Risk Mitigation

Export protection is available from export insurance and reinsurance companies.

The Bank for Foreign Trade (Bancoex) provides short-term USD loans to companies.

Prohibited Exports

There is no published list of prohibited products.

Information Technology

Electronic Banking

Venezuela's banking market offers companies and smaller businesses a wide range of electronic banking services, including reporting and payment initiation.

Internet banking is also growing rapidly in the country, although the use of these services by individuals has lagged behind due to the relatively low internet penetration in Venezuela (estimated at 53.1% of the population as of December 2017).

External Financing

Long-term Funding

Banks are reluctant to lend for medium or longer terms because of the country's macroeconomic situation, and borrowers are reluctant to borrow foreign currencies because of the fear of further devaluations.

Bank Lines of Credit / Loans

Investment banks (*bancos de inversión*) are the main source of medium-term and long-term funding in Venezuela. However, they rarely lend for more than three years.

A number of government development agencies provide medium-term and long-term funding to companies in the agricultural and tourist sectors.

Leasing

Leasing has lost popularity in Venezuela. It is available at floating interest rates.

Bonds

Lack of investor interest in the medium and long term means bonds are only rarely issued.

Some companies have issued medium-term notes (*quirografarios*) which are often treated like commercial paper.

Private Placement

Lack of investor interest in the medium and long term means there are few issues.

Some companies have issued medium-term notes (*quirografarios*) which are often treated like commercial paper.

Asset Securitization / Structured Finance

The only structured finance issue was against offshore oil receivables from customers in the USA.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

Infrastructure financing is not common in Venezuela. The main project finance deals in recent years have been in the oil and petrochemical industries. The current government favors seeking foreign governments' help in financing infrastructure and not private finance initiatives.

Useful Contacts

National Investment Promotion Agencies

Anti-Monopoly Superintendency (formerly Superintendency for the Promotion and Protection of Free Competition
— www.procompetencia.gob.ve

Superintendency of Foreign Investment (SIEX) — www.siex.gob.ve

Venezuelan Council of Investment Promotion (CONAPRI) — www.conapri.org

Central Bank

Banco Central de Venezuela (BCV) — www.bcv.org.ve

National Foreign Trade Center Exchange Administration Commission

National Foreign Trade Center (CENCOEX) — www.cencoex.gob.ve

Bank Supervisory Authority

Superintendency of Banks and Other Financial Institutions (SUDEBAN) — sudeban.gob.ve

Banks

BBVA Banco Provincial — www.provincial.com

Banco de Venezuela — www.bancodevenezuela.com

Banesco Banco Universal — www.banesco.com

Stock Exchange

Caracas Stock Exchange — www.bolsadecaracas.com

Ministry of Finance

Ministry of Economy, Finance and Public Banking — www.mppef.gob.ve

Chamber of Commerce

Caracas Chamber of Commerce — www.lacamaradecaracas.org.ve

Bankers' Association

Venezuelan Banking Association — www.asobanca.com.ve