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TEHAR

Caracas

Torre La Castellana, Piso 6,
Avenida Principal, La Castellana.

Maracaibo

Unicentro Virginia, Piso 2,
Local 2-12. Avenida 3C con
esquina calle 67, Sector La Lago.

Valencia

Torre Movilnet, Piso 7,
Oficina No. 3. Avenida Paseo
Cabriales.

Puerto la Cruz

Torre Banco Venezolano
de Crédito (BVC), Piso 6,
Oficina 6-J, Avenida
Intercomunal,
Sector Las Garzas.

Maturín

Centro Comercial
Petroriente (CCP), Nivel
Oficinas 2,
Oficinas 02-N19 y 02-N20,
Ala Norte del Green Mall,
Avenida Alirio Ugarte
Pelayo.

Introduction

Venezuela began the year with the devaluation of the Bolivar and extreme measures to reduce power consumption. The government has tried to stabilize the parallel market rate by creating various exchange rates and directly participating in the exchange market via the issue of special bonds, but the result is still unclear. The government has programmed electricity cuts throughout the country. The electricity cuts scheduled for Caracas lasted only 24 hours. Scheduled cuts in the rest of the country continue today with immense cost for companies and individuals.

Energy

The following two consortia presented offers to participate as partners of PDVSA/CVP in the incorporation of mixed companies that will develop the fields subject to the Carabobo Project bidding process (i) Repsol (Spain), Petronas (Malaysia), Oil and Natural Gas Corporation (India's State-owned company), Oil Indian Limited and Indian Oil Corporation which will develop the Carabobo 1 Block; and (ii) Chevron (USA), Inpex and Mitsubishi (Japan) and Suelopetrol (Venezuela) which will develop the Carabobo 3 Block.

PDVSA announced that it will form a mixed company with ENI to develop the Junín 5 block of the Orinoco Oil Basin.

PDVSA announced that the Mariscal Sucre project will be developed solely by PDVSA, despite the fact that in 2009 it had invited several companies to compete in order to participate as Minority Shareholders. PDVSA indicated that its expectations were not met and as a result the project will continue under PDVSA's sole control.

PDVSA fixed the prices for transport of gasoline and diesel from PDVSA's supply plants up to service stations and/or marine stations pursuant to a distance

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scale and mountain routes detailed in the Resolution that was published in the Official Gazette of January 18, 2010 for such purposes.

The new Minister of the Popular Power for Electric Energy is Alí Rodríguez Araque, pursuant to appointment published in the Official Gazette of January 18, 2010.

As part of the extraordinary measures implemented to reduce power use, the government reduced the working hours of certain public offices which will now work from 8:00 am to 1:00 pm (Official Gazette of January 13, 2010). This temporary measure excludes essential services such as health, security and transport.

Exchange Control

Pursuant to Exchange Agreement No. 14, published in the Official Gazette of January 8, 2010, the official exchange rate has been modified as follows:

A) Bs. 2.60 /USD 1.00 for the sale of foreign currency for (i) imports for the food, health, education, machinery and equipment, science and technology sectors pursuant to the commercial policies established by the government; (ii) remittance of funds to relatives living abroad; (iii) payment of expenses of Venezuelan citizens studying abroad, (iv) payments for the recovery of health, sports, culture, scientific research and other special urgency cases to be decided by CADIVI; (v) payments to retirees living abroad; and (vi) acquisition of foreign currency by diplomatic representations and foreign representatives of international entities;

B) Bs. 2.60 /USD 1.00 for sale of foreign currency for public sector payments (industry other than the oil industry) - including the foreign public debt;

C) Bs. 4.30/USD 1.00 for the sale of foreign currency for operations set forth in the existing Exchange Agreements different from the ones listed in A above;

D) Bs. 2.5935/USD 1.00 for the purchase of foreign currency obtained by the public sector (other than PDVSA);

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E) Bs. 4.2893/USD 1.00 for the purchase of foreign currency other than that listed in D above (including foreign currency derived from exports by non-oil public sector and private exporters) and PDVSA which has a separate regulation;

Please note that Exchange Agreement No. 14 entered into effect on January 11, 2010.

Exchange Agreement No. 15 between the National Executive and the Venezuelan Central Bank was published in Official Gazette of January 27, 2010, in order to stipulate that the foreign currency to be provided for transactions of sale of foreign currency corresponding to the requests for acquisition of foreign currency (AAD) for the items indicated below, which were filed with CADIVI up to January 8, 2010, will be provided at the rate of exchange of Bs. 2.60 per dollar of the United States of America:

a) imports for the communications-press, electronic and information technology sectors that entered the country and with an AAD issued by CADIVI within the 3 months preceding January 11, 2010, date of entry into force of Exchange Agreement No. 14;

b) imports for the electric, construction, chemical, rubber and plastic, paper, cardboard and wood, health-veterinary, textile, graphic and services sectors that entered the country and with an AAD issued by CADIVI within the 6 months preceding January 11, 2010, date of entry into force of Exchange Agreement No. 14;

c) imports for the metallurgical and non-metallic mineral sectors that entered the country and with an AAD issued by CADIVI within the 12 months preceding January 11, 2010, date of entry into force of Exchange Agreement No. 14;

d) services of international air transportation of passengers, cargo, and mail regulated by CADIVI Ruling No. 023 and transactions inherent in civil aeronautics regulated by CADIVI Ruling No. 083.

e) international investments, payment of royalties, use and exploitation of trademarks, patents, licenses, and franchises, technology importation and technical assistance agreements under CADIVI Ruling No. 056 (including repatriation of capital, remittance of profits, revenues, interest, and dividends, indemnification for expropriation, proceeds of the sale or total liquidation of the international investment, capital reduction);

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f) payment of capital, interest, guarantees and other collateral of the private sector external debt; and

g) transactions inherent in the activity of the insurance sector referred to in Joint Ruling No. 082 of CADIVI and the Superintendence of Insurance.

Please click on <http://www.traviesoevans.com/listas-productos-tasas-cambio.pdf> to access the Official Gazette of January 13, 2010 which contains the Joint Resolution of the Ministries of the Popular Power for Economy and Finance, Commerce, Basic Industries and Mining, Agriculture and Land, Health, Energy

and Petroleum, Science Technology and Intermediate Industries and Food, containing the lists of goods that do not require certificates of non-national production or insufficient national production (List 1) and the goods that do require such certificates (List 2) for purposes of obtaining foreign currency through the CADIVI system, with indication of the applicable exchange rate for each good.

For clarity purposes, we inform you that there are 4 lists: (i) List 1 at Bs. 2.60, (ii) List 2 at Bs. 2.60, (iii) List 1 at Bs. 4.30, and (iv) List 2 at Bs. 4.30. The resolution entered into effect on January 13, 2010.

Please click on <http://www.traviesoevans.com/pub/2010-01-20-393501-listas-USD50000.pdf> to access an extract of the Official Gazette of January 20, 2010 which contains the Resolution of the Ministry of the Popular Power for Economy and Finance establishing that the import of certain goods, inputs and raw material by companies that form the productive sector of the country up to an amount of USD 50,000 will have the right to a more expeditious process for obtaining foreign currency through CADIVI. Said resolution also contains the list of products that are subject to this special system, the indication of whether or not they require the filing of certificates of non-national production or insufficient national production, and the exchange rate applicable to their import. The resolution entered into effect on January 20, 2010.

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CADIVI amended Administrative Ruling No. 092 which regulates the requirements and steps for export operations in order to increase from 10% to 30% the percentage of the amount of the foreign currency obtained from exports that exporters may withhold to pay the expenses related to such exports (Official Gazette of January 15, 2010).

CADIVI also amended Administrative Ruling No. 014 which authorizes the purchase of foreign currency in Venezuela by duly authorized exchange brokers (Official Gazette of January 15, 2010).

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Banking

The Venezuelan Central Bank published in the Official Gazette of January 28, 2010, Resolution N° 10-01-02 which establishes the exchange rate of Bs. 2.60 per USD for valuation and accounting records of assets and liabilities in foreign currency kept by banks and other financial institutions (public and private) regulated by the General Law of Banks and other Financial Institutions and by the companies regulated by the Capital Markets Law and the Law of Insurance and Reinsurance Companies. In the case of securities in foreign currency issued

by the Venezuelan public sector, the valuation and accounting record will be made at Bs. 4.30 per USD; except for the paid-up capital securities (TICs in Spanish) the valuation and accounting record of which will be made at Bs. 2.60 per USD.

The Superintendence of Banks (SUDEBAN) issued a Resolution establishing that the net benefits of financial institutions resulting from the modification of the controlled exchange rate will be registered in the account “Profits or Losses due to Exchange Fluctuation for Holding of Assets and Liabilities in Foreign Currency”. This balance may only be used for the following items: (i) to absorb operational losses or deficit as of December 31, 2009; (ii) increase of capital; (iii) constitution or coverage of deficit balances in provisions for asset contingencies, or (iv) to set off deferred expenses based on special plans (Official Gazette of January 29, 2010).

SUDEBAN modified the Accounting Manual for Banks and other Financial Institutions and Savings and Loan Entities to incorporate the account “Profits or Losses due to Exchange Fluctuation for Holding of Assets and Liabilities in Foreign Currency” (Official Gazette of January 29, 2010).

The National Securities Commission modified the Norms on the Activities of Intermediation of Brokerage and Stock Exchange, repealing the articles on operations of *mutuos* of securities (*‘mutuos’*) and reducing the level of financial debt or hedging of brokerage or stock exchange houses which under the previous norms was 8 times the ratio between direct financial liabilities and accounting patrimony and now is 2 times such ratio.

The Law approving the Treaty that Constitutes the Regional Payment Compensation Unit System (SUCRE) was published in the Official Gazette of January 13, 2010. This Treaty was executed by Bolivia, Cuba, Ecuador, Honduras, Nicaragua and Venezuela as members of ALBA and its purpose is to

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establish a common currency for ALBA which will be the “Sucre”. On January 27, 2010, the list of goods that Venezuela will import under this system was published and it includes the following examples: corn, rice, sulphuric acid, mineral or chemical fertilizers with nitrogen, phosphorous and potassium, cotton sewing thread and textiles. The list of products that will be exported by Venezuela was also included, among which are melons, bananas, coffee, cocoa, lard, black beans, mangos, ammonia, urea, methanol, oil, lubricant greases, lubricants, gasoil and drilling fuels. Finally, the Venezuelan Central Bank issued a resolution published in the Official Gazette of January 28, 2010 establishing that the use of the SUCRE will be voluntary.

Tax

Interest obtained by holders of PDVSA bonds were exonerated from payment of Income Tax as per Presidential Decree published in the Official Gazette of January 19, 2010.

Through an Official Release published in the national press, the Anti-drug National Fund (ONA) informed that due to technical inconveniences occurred in the “Registration and Contribution” platform, the taxpayers who declare and pay the contributions corresponding to year 2009 before March 15, 2010 will not be penalized for payment after the time limit. However, it will be considered that the date of payment of the contribution corresponding to fiscal year 2009 will be January 15, 2010 in order to comply with the Schedule for the due payment of the contributions corresponding to fiscal years 2006, 2007 and 2008, contained in Administrative Ruling No. 008-2009, dated December 29, 2009, of the Anti-drug National Office .

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Likewise, according to said Official Release, the labor prevention projects may be filed with the Project Management of the Anti-drug National Office as from March 1, 2010.

Telecommunications

The notice containing the lists of the audiovisual production services that filed the documentation required in Temporary Provision First of the Technical Standards on National Audiovisual Production Services was published on the web page of the National Telecommunications Commission (*Comisión Nacional de*

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Telecomunicaciones – CONATEL) <http://www.conatel.gob.ve/>. In the following link http://www.conatel.gob.ve/noticia_comp.asp?numn=2716 you will find the list of Audiovisual Production Services qualified as National and Non-national by CONATEL.

The Audiovisual Production Services not included in said lists because they did not file the required documentation were qualified as National Audiovisual Production Services until the contrary is proven. They must comply with the provisions of the Law of Social Responsibility in Radio and Television.

Miscellaneous

The National Assembly declared the real property of Almacenes Exito, C.A. (a supermarket chain owned by French and Colombian investors) of public use and social interest, as well the existing consumption goods, chattel property and vehicles at the time of commencement of the expropriation procedure, in order to allow for the continuation of its commercial activity (Official Gazette of January 19, 2010). On January 21, 2010, the Presidential Decree ordering the forceful acquisition of the assets of the Exito group was published in the Official Gazette, the reason being the incorporation of the Socialist Market Corporation (COMERSO in Spanish).

HIDROVEN, C.A., issued a resolution to establish the methodology, formulae, models and technical criteria to regulate the tariffs for drinking water and sanitation services rendered by the affiliates of Hidroven, C.A. (Official Gazette of January 25, 2010).

In the Official Gazette of January 4, 2010, the following laws, which are in force since the day of publication, were published:

- Law to Protect the Free or Captive Domestic Fauna, with the intention of establishing norms for the protection, control and well-being of the domestic fauna and, to regulate its property, possession, management, use, and commercialization. Said Law indicates that the norms contained in it are of public order and, for example, sets forth that persons who have domestic animals should prevent damages to third persons or goods; that persons who have pets must register them before the municipal authority of their locality, which may prohibit the property and possession of animals considered dangerous; and that the person who acts as temporary responsible person for a domestic animal should have a written

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TRAVIESO EVANS ARRIA RENGEL & PAZ

VENEZUELAN LEGAL AND ECONOMIC NEWSLETTER

JANUARY 2010

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authorization granted by the owner. Furthermore, this Law indicates that the possession of pit-bull dogs is restricted and that these should permanently remain in captivity until December 31, 2014, date from which the property and possession of these dogs is forbidden. Also, this Law provides that from its promulgation, the import, adoption, reproduction, breeding and commercialization of pit-bull dogs is forbidden. It also provides for penalties that may vary from 20 to 100 Tax Units, according to the infringement.

- Law of the Indigenous Artisans, with the purpose of guaranteeing the rights of the indigenous artisans and promoting their activity. This Law includes, among other provisions, that cultural demonstrations and craftworks of the indigenous people and communities must be included in the curriculum of study, until the basic level of the National Education System and, that the indigenous craftwork activity will be exempt from paying national taxes. Also, it establishes that the access to financial credits must be made easier for indigenous artisans, by simplifying procedures and requisites related to their approval.

The Ministry of the Popular Power for Tourism issued a series of Administrative Rulings to regulate the activities of casinos and bingo salons (Official Gazette of January 25, 2010).

Caracas, February 19, 2010.

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NOTE: THIS NEWSLETTER SHOULD NOT BE CONSTRUED AS LEGAL ADVICE ON ANY SPECIFIC MATTER, AND ITS CONTENTS ARE INTENDED AS A MANAGEMENT ALERT AS TO CURRENT DEVELOPMENTS IN VENEZUELA. ANY SPECIFIC LEGAL QUESTIONS REGARDING THE POSSIBLE APPLICATION OF NEW OR PROPOSED LEGISLATION TO PARTICULAR SITUATIONS SHOULD BE ADDRESSED TO TRAVIESO EVANS ARRIA RENGEL & PAZ.

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