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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

The suspension of the parallel market has been the governmental measure with the greatest impact on the national economy because as from the middle of last year, a great number of companies that operate in Venezuela began to use the parallel market system to satisfy their foreign currency needs. At this time, even when the Exchange Crimes Law has been modified and certain Instructions and Guidelines have been issued by the Venezuela Central Bank to carry out operations of purchase and sale of securities through the System of Transactions with Securities in Foreign Exchange - *Sistema de Transacciones con Títulos en Moneda Extranjera* (SITME), the situation is still very confusing. At this time, the companies do not know how they will operate in this new system and with the existing limitations, they do not know how they will assume liabilities in foreign currency. The economic outlook is very complex.

Energy

The Acuerdos of the National Assembly approving the incorporation of the Mixed Companies that will develop the Carabobo Project Areas were published in the Official Gazette of April 15, 2010. Two mixed companies will be incorporated with the following shareholders: (i) The Mixed Company that will develop the Carabobo 1 Block will be incorporated by CVP/PDVSA (60%) and Repsol, PC Venezuela, ONGC Videsh, Oil India Limited and Indian Oil Corporation (40%); and (ii) The Mixed Company that will develop the Carabobo 5, Carabobo 3 South and Carabobo 2 North Blocks will be incorporated by CVP/PDVSA (60%) and Chevron, Mitsubishi, Inpex and Suelopetrol (40%). Subsequently, the creation of the above mentioned mixed companies was authorized and the areas within which they will operate were delimited pursuant to Presidential Decree and Resolution published in the Official Gazette of May 7, 2010. The resolutions of the Menpet

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indicating that the above mentioned companies were selected under the pertinent bidding process were published in the Official Gazette of May 11, 2010.

The National Assembly approved the incorporation of a mixed company by CVP (Venezuela 60%) and Comercial Cupet, S.A. (Cuba 40%) to carry out exploration for and production activities in the areas of Adas, Lido, Limón and Oficina Central, located in the States of Anzoategui and Monagas, as per Acuerdo published in the Official Gazette of April 8, 2010. The resolution directly awarding this project to Cupet was published in the Official Gazette of

April 9, 2010, the Presidential Decree authorizing the incorporation of the mixed company was published in the Official Gazette of April 14, 2010 and the resolution delimiting the areas in which it will operate was published in the Official Gazette of April 15, 2010.

The Ministry of the Popular Power for Energy and Petroleum delimited for PDVSA Petróleo S.A. the area called Guafita - La Victoria Norte, of 1631,60 square kilometers, located in the Municipalities of José Antonio Páez of the State of Apure and Andrés Eloy Blanco of the State of Barinas, for the development of primary activities (Official Gazette of April 29, 2010).

Eni and Repsol announced that they have successfully drilled the Perla 2 well, located in the Cardón IV Block, in the shallow water of the Gulf of Venezuela. Apparently, the results exceeded pre-drill expectations, increasing the initial resource estimations by 30%.

The Ministry of the Popular Power for Energy and Petroleum (Menpet) approved the declaration of commerciality of Block 2 of the Plataforma Deltana (under license to Chevron and PDVSA Gas), with proven reserves certified by the Menpet at 6,958 TCF (Official Gazette of April 7, 2010).

The declaration of the state of emergency on the rendering of electricity service, its associated assets and infrastructure was extended until June 8, 2010 (Official Gazette of April 8, 2010).

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Exchange Control

The amendment of the Exchange Crimes Law was published in the Official Gazette of May 17, 2010. This amendment's most relevant aspect is the inclusion of the operations with securities denominated in foreign currency or that may be paid in foreign currency in the definition of what shall be understood as "FOREIGN EXCHANGE", as well as the provision that establishes that any operation with such securities (swap market) becomes of the exclusive competence of the Venezuelan Central Bank. Likewise, the violation

of this provision was established as an exchange crime.

In the previous law, securities were not included in the definition of "FOREIGN CURRENCY" (except banking checks) and operations with securities were specifically excluded from the operations that constituted an exchange crime; therefore, the security swap market was not reserved to the Venezuelan Central Bank. At this time it is not clear how operations with securities will be carried out and further regulation is expected. As soon as we have information in this regard, we will let you know. The amendment entered into effect on May 17, 2010, date of publication of the above mentioned Official Gazette.

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, established 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. This resolution entered into effect on April 5, 2010 and repealed the previous one published in the Official Gazette of January 13, 2010.

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 speed up the process of obtaining foreign currency through CADIVI was published in the Official Gazette of April 9, 2010. 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

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exchange rate applicable for their import. The resolution entered into effect on April 9, 2009 and repealed the previous resolution published in the Official Gazette of January 20, 2010.

The Official Gazette of April 16, 2010 contains Exchange Agreement No. 17, pursuant to which the applicable exchange rate was established for purposes of payment of (i) certain special transactions that occurred prior to the entering into effect of Exchange Agreement No. 14 (January 8, 2010), and (ii) the operations of the Chinese-Venezuelan Joint Fund.

Banking

Through a Resolution, the Venezuelan Central Bank established that the institutions that keep Venezuelan Foreign Exchange Bond positions under the custody of the System of Electronic Custody of Securities (SICET, in Spanish) kept by the Venezuelan Central Bank, are bound to announce to the public on their web page and at their offices, on a daily basis, the purchase and sales prices of said securities in the secondary market and to send to the Venezuelan Central Bank daily information about the purchase and sale transactions of said securities. Failure to comply with these provisions is penalized with a fine and a suspension from participating in the placements of Foreign Exchange Bonds.

The National Assembly amended the Law of the Economic and Social Development Bank of Venezuela (BANDES) as per publication in the Official Gazette of May 21, 2010. The most relevant changes are: the elimination of the limitations established on the Bank for the granting of bonds and other guarantees of up to 10% of the liquid assets; (ii) inclusion of the power of the Bank to approve the partial or total exoneration of contractual and delay interest in the case of expired credits during legal collection procedures; (iii) inclusion of the power of the Bank to participate alone or jointly with other financial institutions in the capital of companies subject to incorporation whose objects are the production and commercialization of national goods and services in priority sectors for the development of the country in a percentage not to exceed 20% of the corporate capital of the company subject to incorporation and for a period not to exceed 5 years; and (iv) increase of the maximum limit of debt that the Bank may assume including the issue of bonds, obtaining of loans from third parties in local or foreign currency and any other obligation of a similar nature, from 3 to 8 times its patrimony.

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As per Resolution published in the Official Gazette of April 5, 2010, the National Securities Commission (NSC) issued the Norms for the Administration Liquidation of Securities Public Brokers, Agrarian Brokerage Houses, Collective Investment Entities and their Administrating Companies. Among other things, the Norms establish that the President of the NSC shall carry out the functions attributed by the Code of Commerce to the liquidators, either directly or through the persons that he/she may designate, called Coordinators of the Liquidation Process. The Norms include provisions regarding the procedure for liquidation and formation of inventory of assets and liabilities, qualification and payment of obligations, liquidation of personnel and regime

for the sale of goods.

The partial amendment of the Law of the Venezuelan Central Bank was published in the Official Gazette of May 7, 2010. Among the most relevant aspects, we point out the following:

- 1) The creation of the Strategic System of Financial and Foreign Exchange Information that will allow the VCB to follow-up on the economic transactions of the agents that participate in the economy.
- 2) The VCB, in exercise of its power to selectively control credit, for purposes of orienting it to those sectors to which it considers more convenient and to contribute to the fact that the estimate of resources to be placed corresponds with the real needs of each productive sector, shall issue valid opinion on the proposals of establishing directed credit portfolios.
- 3) The VCB shall have the power to supervise the payment systems operating in the country and to establish its operating norms.
- 4) Among the assets in which the international reserves held by the VCB may be represented, any other asset that is qualified as of reserve pursuant to internationally recognized criteria may be included.

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Tax

The SENIAT issued the Administrative Ruling that Regulates the Filing of the Informative Return of Investments Made or Maintained in Low Tax Imposition Jurisdictions, published in the Official Gazette of April 21, 2010.

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As per Joint Resolution of the Ministries of the Popular Power for Planning and Finance and Science Technology and Intermediate Industries, published in the Official Gazette of May 3, 2010, the importation of disassembled vehicles was authorized under the Imported Assembly for Vehicles System for national production, through Chapter 98 of the Customs Duties.

The import of movable goods by entities of the National Public Administration to be used in the Project Integral Technological Solution for Monitoring and Analysis of Radio and Television Signals was exonerated from payment of value added tax, as per Presidential Decree published in the Official Gazette of

May 4, 2010.

Labor

An amendment of the Presidential Decree N° 7.237, dated February 9, 2010 and published in the Official Gazette of February 23, 2010, by which the national minimum salary was increased 25%, was published in the Official Gazette of May 5th, 2010. Said amendment modifies articles one and two of the Decree, stating that the second part of the increase originally set to enter into effect as from September 1, 2010, will now be in force as from May 1, 2010, being the minimum salaries as of said date the following:

- a) Bs. 1,223.89 per month for workers of both the private and public sector.
- b) Bs. 910.04 per month for apprentices and teenagers.

An amendment of the Law of the Statute about the Retirement and Pension Regime of Employees of the Public Administration, the States and the Municipalities was published in the Official Gazette N° 5.976 Extraordinary of May 24, 2010. Through this amendment articles 17 and 18 of the Law were modified to establish that the total amount of the survivor's pension cannot be, under any circumstances, less than the national minimum salary and, that persons living in a state of concubinage or widows which are beneficiaries of a survivor's pension will not lose their right to the pension in case they remarry or enter into a new concubinage.

In the same Official Gazette previously mentioned, an amendment of the Decree N° 6.266 with Force and Value of Law of the Partial Amendment of the Social Security Law was also published. This amendment modifies article 34 of the Law, which now sets forth that survivor's pension cannot be inferior

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to the national minimum salary, that when there is only one survivor, this one will receive the total amount of the pension and, that when there are two or more survivors, the total amount will be divided into equal fractions. Additionally, this amendment eliminates article 35 and modifies article 36 establishing that each time the number of beneficiaries is reduced, or when a posthumous child is born, the proceeding would be the one indicated in article 34 and, that the posthumous child will be entitled to the payment as of the day of its birth. Also, article 37 is modified and now provides that the survivor's pension will be recognized since the day following the death and now excludes the reference to spouses and persons living in a state of concubinage. On this

regard, article 41 which was also modified, sets forth that widows and persons living in a state of concubinage will not lose their right to the pension in case they remarry or enter into a new concubinage. Nevertheless, this article establishes that no one may receive more than one survivor's pension.

Telecommunications

CONATEL published in the Official Gazette of May 4, 2010, the Ruling containing the list of trademarks and equipment certified during 2009.

Consumer Protection

As per joint resolution of the Ministries of the Popular Power for Commerce, Agriculture and Lands and Food, the Maximum Sales Price to the Public of the following products were adjusted: milk, infant's formulae, soy milk, white cheese, yellow cheese (gouda, munster, dambo). This resolution was published in the Official Gazette of April 8, 2010 and entered into effect on that same date.

According to joint resolution of the Ministries of the Popular Power for Planning and Finance, for Food and for Agriculture published in the Official Gazette of March 5, 2010, a number of goods were declared as basic consumer goods, basically, beef, reproducing cattle, beef sold whole and without bones, wheat for planting, onions, garlic, tomato, lettuce, formulae for babies, protein concentrates, among others. This declaration was made for purposes of applying the benefit referred to in article 91 of the Organic Customs Law, for which the Non Production Certificate or the Insufficient Production Certificate must be required from the Ministry of the Popular Power for Food, to then formalize the request before the SENIAT. It is important to mention that the Resolution establishes that for the granting of the abovementioned

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certificates, the Ministry of the Popular Power for Food will have to consider the sufficient production of the goods in the member states of the Andean Community. This Resolution will be in force for one year as of its publication in the Official Gazette, but said period may be renewed.

Miscellaneous

Through resolution of the Ministries of Public Works and Housing and of Commerce published in Official Gazette dated 04-21-2010, the lease rental freeze established in May 2004 was extended for another 6 months (until November 2010) for all real property used for housing.

Caracas, June 17, 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.