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TEHAR

Caracas

Torre La Castellana, Piso 2,
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

During the month of June, the suspension of the swap market and the intervention of several brokerage houses continued to impact the operation of companies. In spite of the fact that the System of Transactions with Securities in Foreign Currency (SITME) began to operate, the limitations imposed on the maximum amounts of the transactions, which are insufficient to satisfy the needs of most companies, as well as the considerable delays of CADIVI for providing the foreign currency, have generated a great uncertainty in the entrepreneurial sector.

Energy

Resolution No. 088 of the Ministry of the Popular Power for Energy and Petroleum was published in Official Gazette of June 3, 2010. Through said Resolution a License for the Exploration and Exploitation of Non-Associated Gaseous Hydrocarbons in the area of Punta Pescador and Golfo de Paria Oeste was granted to the companies Corporación Venezolana del Petróleo, S.A. (CVP) and ENI Dación B.V. for a period of 25 years.

The declaration of the state of emergency of the electric energy national services and their installations and associated goods was extended for a period of 60 days as from June 8, 2010, as per Presidential Decree published in Official Gazette of June 7, 2010.

Presidential Decree No. 7475, published in Official Gazette of June 10, 2010, established an extension up to July 30, 2010 of the electric energy rationing measure applied to the Decentralized National and Central Public Administration. The application of said measure implies the reduction of the working hours of said entities that will continue to be from 8:00 am. to 1:00 pm.

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The Memorandum of Understanding between Venezuela and Brazil for Energy Matters, intended to encourage the exchange of technical information about operation of machinery, electric power generation, maintenance of equipment, and energy efficiency, among other matters, was published in Official Gazette of June 25, 2010.

A Presidential Decree published in Official Gazette of June 30, 2010 ordered the compulsory acquisition of eleven drilling rigs owned by the company Helmerich & Payne de Venezuela, C.A. and authorized PDVSA or the affiliate designated by it to commence and pursue the expropriation procedure. Said drilling rigs had been declared to be for public purposes and of social interest according to an Agreement of the National Assembly published in Official Gazette of June 29, 2010.

Reportedly, PDVSA CVP executed a contract with the oil company Petrovietnam Exploration Production Corporation LTD (PVEP), for the incorporation and administration of the Mixed Company PDVSA Petromacareo, S.A, which will be engaged in the performance of primary activities of production and upgrading of extra-heavy crude in Bloque Junín 2 of the Orinoco Oil Belt.

PDVSA will acquire 49% of the shares of Refinería Dominicana de Petróleo (Refidomsa) for a total price of 133.4 million dollars.

PDVSA received a credit for 1,500 million dollars, approved by the China Development Bank Corporation and Espirito Santo de Portugal, among other banks. Likewise, Citgo announced the refinancing of its debt for 2,100 million dollars.

Exchange Control

Through Resolution published in Official Gazette of June 2, 2010, the Ministry of the Popular Power for Planning and Finances determined the capital goods, consumables, and raw materials the importation of which, for up to a maximum amount of US\$ 50,000, will be benefited from an expediting of the steps to obtain the Authorization for Acquisition of Foreign Currency (AAD) and the Authorization for Provision of Foreign Currency (ALD).

Resolution No. 10-06-01 that contains the Rules Relating to the Transactions in the Foreign Currency Market, issued by the Venezuelan Central Bank (VCB), was published in Official Gazette of June 4, 2010.

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Likewise, Exchange Agreement No. 18, entered into by the National Executive and the VCB, was published. The new Rules establish that the transactions of purchase and sale in Bolívares of securities denominated in foreign currency issued or to be issued by the Bolivarian Republic of Venezuela, its decentralized entities, or any other entity may only be made through universal banks, commercial banks, and savings and loan associations, through the “System of Transactions with Securities in Foreign Currency (Sistema de Transacciones con Títulos en Moneda Extranjera - SITME)” of the VCB, in the terms and conditions established by the VCB, with the securities in foreign currency determined by the VCB and within the price range in Bolívares for purchase and

sale daily published by the VCB. Also, Exchange Agreement No. 18 establishes that the VCB will regulate via resolution the terms and conditions and the system for the negotiation in national currency of securities in foreign currency issued or to be issued by the Republic, its decentralized entities, or any other issuer, and will determine the price range according to the methodology that it deems convenient. Likewise, said Exchange Agreement establishes that the VCB may authorize the terms and conditions for the swap transactions of securities in national currency for securities in foreign currency, the final purpose of which is the obtainment of foreign currency.

On June 8, 2010, the VCB published in its web page the Instructions to Make Transactions of Purchase and Sale through the System of Transactions with Securities in Foreign Currency (SITME) (THE INSTRUCTIONS). THE INSTRUCTIONS ratify that only the universal banks, commercial banks, and savings and loan associations authorized by the VCB may carry out through the SITME transactions of purchase and sale of securities of the Bolivarian Republic of Venezuela, its decentralized entities, or any other issuer determined by the VCB. According to the INSTRUCTIONS, the authorized financial institutions will register with the SITME all bids for supply and demand of securities of their clients. The bids must include the firm prices in Bolívares and the amount in USD to supply and/or demand for each specific security. The prices in Bolívares of the bids must be within the price range or band daily established by the VCB. The minimum amount per bid for purchase or sale for each security is US\$ 1,000 and the higher bids must be multiples of US\$ 1,000. The bids for purchase and sale in Bolívares of securities will be anonymous, however the VCB is empowered to request from the operator all the information relating to said bids. The SITME will operate from 9:30 am to 12 noon during working days. The transactions agreed in the SITME will be paid with value date three (3) bank working days following the date of the agreement.

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On June 14, 2010, the VCB published in its web page the Guidelines for Making Transactions of Purchase and Sale of Foreign Currency through the System of Transactions with Securities in Foreign Currency (SITME), the most important aspects of which are the following:

(i) They establish the documents to be filed with the authorized banks by the legal and natural persons domiciled in the country in order to access the SITME; (ii) Only one authorized financial institution may be used each month to make the SITME transactions and the user must have at least one account with said bank opened more than 45 days before;

(iii) Legal persons may acquire securities for USD 50,000 per day up to a maximum monthly amount of USD 350,000 (non-accumulative), always provided that they are importers:

a) whose products are not included in Lists 1 and 2 of the Joint Resolution of the Ministries of the Popular Power for Economy and Finances, Commerce, Basic Industries and Mining, Agriculture and Lands, Health, Energy and Petroleum, Science, Technology and Intermediate Goods Industries, and Food. (Official Gazette of April 5, 2010); or

b) whose products are included in Lists 1 and 2 issued through Joint Resolution of the Ministries of the Popular Power for Economy and Finances, Commerce, Basic Industries and Mining, Agriculture and Lands, Health, Energy and Petroleum, Science, Technology and Intermediate Goods Industries and Food (Official Gazette of April 5, 2010) and that have not acquired foreign currency through CADIVI during the last 90 days; or

c) of capital goods and supplies.

(iv) Natural persons may acquire securities for

(a) USD 1,000 per month up to a maximum amount per year of USD 6,000 (non-accumulative) for remittances to relatives;

(b) up to a maximum amount per year of USD 5,000 for expenses on account of studies abroad, expenses on account of consumption in trips abroad, and payment of goods for the rendering of professional services; and

(c) up to a maximum amount per year of USD 10,000 for special health, educational, cultural, and sports expenses.

Through Resolution No. 10-06-02, issued by the Venezuelan Central Bank and published in the Official Gazette of June 15, 2010, it was resolved that the primary placement, in national currency, of securities denominated in foreign currency issued or to be issued by the Republic may only be made through the

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System of Primary Placement of Securities in Foreign Currency (SICOTME) of the Venezuelan Central Bank.

Through Resolution No. 10-06-03 issued by the Venezuelan Central Bank and published in Official Gazette of June 15, 2010, it was resolved that the transactions of purchase and sale, in the secondary market and in national currency, of Public Debt Bonds denominated in Covered Interest and Capital Bonds (Títulos de Interés y Capital Cubierto - TICC), issued or to be issued by the Republic, may only be made in the systems to that end made available by the

Venezuelan Central Bank, through the authorized financial institutions.

Through Administrative Ruling No. 104, published in Official Gazette of June 30, 2010, CADIVI established the Requirements and Formalities for the Authorization for Acquisition of Foreign Currency intended for Importation. This Ruling repeals the former one, No. 098, published in Official Gazette of August 28, 2009, and became effective as of the date of publication.

The most significant changes of the new Ruling are the following:

- 1) It establishes the requirements for registration of legal persons of the Public Sector with the Registry of Users of the System of Administration of Foreign Currency (RUSAD) (article 3.3);
- 2) It includes the Sistema Unitario de Compensación Regional de Pagos (SUCRE) as a system for processing imports; and
- 3) It establishes the obligation to notify CADIVI sufficiently in advance of the name of the beneficiaries of the importation for purposes of the verification of the goods imported by CVG Internacional, C.A. or BARIVEN, S.A., under the Agreements executed with the Institute for the Development of Small and Medium-sized Industry (Instituto para el Desarrollo de la Pequeña y Mediana Industria - INAPYMI) and the associations or guilds of small and medium-sized industrial entities and cooperatives.

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Banking

The Organic Law of the National Financial System was published in Official Gazette of June 16, 2010. The purpose of this Law is to regulate, supervise, control, and coordinate the National Financial System, formed by the group of public, private, communal financial institutions and any other form of organization

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that operate in the banking sector, the insurance sector, and the stock market. The Law creates the Superior Entity of the National Financial System (OSFIN) as policy-making body in charge of regulating, supervising, controlling, and coordinating the operation of the institutions that form the system. It is assigned to the Ministry with competence over finance matters. The OSFIN does not substitute for the entities of regulation, supervision, and control of the sectors that form the National Financial System, that is, the Superintendency of Banks, the Superintendency of Insurance, and the Venezuelan Securities and Exchange Commission, which continue to be governed by their special laws. However, some of the OSFIN's powers seem to overlap the powers of the several regulating entities of the banking and the insurance sectors and of the stock market.

Through Resolution published in Official Gazette of June 16, the Superintendency of Banks and other Financial Institutions (SUDEBAN) established a prohibition on the universal, commercial, investment banks and other entities governed by the General Law on Banks and other Financial Institutions against making and maintaining transactions with banks and other entities organized, domiciled or registered in tax havens that appear in the lists of the Organization for Economic Co-operation and Development (OECD) as updated. It also established the obligation of the universal, commercial, investment banks and other entities governed by the General Law of Banks and other Financial Institutions to present to the SUDEBAN the information about the "off-shore" transactions or operations maintained to date.

Through Resolution published in Official Gazette of June 10, 2010, the Superintendency of Banks and other Financial Institutions modified the Accounting Manual for Banks and other Financial Institutions and Savings and Loan Associations and included a group of sub-accounts and sub-sub-accounts .

Taxation

Through Ruling published in Official Gazette of June 14, 2010, the SENIAT fixed at 20.36% the average weighed interest rate for loans of the 6 principal commercial and universal banks of the country with the highest volume of deposits, for May 2010, which rate is to be applied increased by 1.2 times for the calculation of default interest.

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Labor

An interpretation of article 8 of the Law for Protection of Families, Maternity and Paternity, made by the Constitutional Chamber of the Supreme Tribunal of Justice in a decision of June 10, 2010, established the starting point for the fathers' firing freeze provided for in said provision.

In this connection, the Chamber considered that in view of the gap in the Law in regard to the starting point of the firing freeze for fatherhood privilege, it had to be considered that it begins at the time of conception, in agreement with article 384 of the Organic Labor Law that provides for the motherhood privilege; due to which the father will be also protected by firing freeze from the time of conception up to the end of one year after the birth of his son or daughter.

Likewise, according to article 335 of the Constitution, such decision has a binding character for the rest of the Chambers of the Supreme Tribunal of Justice and other Courts of the Republic, due to which its publication in the Official Gazette of the Bolivarian Republic of Venezuela was ordered, under the title "Constitutional interpretation of article 8 of the Law for Protection of Families, Maternity, and Paternity".

Consumer Protection

Joint Resolution No. 040-2010, issued by the Ministries of the Popular Power for Commerce, for Agriculture and Lands, for Health, and for Food, published in Official Gazette of June 28, 2010, established a prohibition against the sale of food products declared to be essential goods, by informal, occasional or street vendors, at prices other than those established by the National Executive and without observing the hygiene and health conditions of food for human consumption.

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Intellectual Property

Representatives of Tehar s.c., the affiliate of Travieso Evans Arria Rengel & Paz for Intellectual Property matters attended the 132nd Annual Meeting of the International Trademark Association (INTA), held in Boston, Massachusetts, USA, from May 22 to May 27, 2010.

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The INTA is a not-for-profit association of member companies with more than 5,000 trademark holders and professionals from over 190 countries, engaged in supporting and advancing trademark and other intellectual property subjects as elements of a fair and effective national and international commerce.

They were also present at the Seminar of the Inter-American Association of Intellectual Property (Asociación Interamericana de la Propiedad Intelectual - ASIPI) held in Barcelona, Spain, organized by the European Communities Trade Mark Association (ECTA) from June 15 through June 18, 2010.

The ECTA was founded in 1980. Currently, it has approximately 1,500 members formed by the member countries of the European Community and other associated members worldwide.

Miscellaneous

Through Ruling published in Official Gazette of June 4, 2010, the Superintendence of Insurance approved the form of Joint Declaration of Accidents among Vehicles, without intervention of the competent authorities and its respective Instructions, in order for it to be incorporated in the Automobile Liability Insurance Policy, which must be used by the insurance companies authorized to operate in general lines of insurance.

Through Resolution published in Official Gazette of June 17, 2010, the Ministry of the Popular Power for Tourism established that the National Commission for Casinos, Bingo Halls, and Slot Machines may not issue new installation permits or operation licenses, or geographical relocations of valid licenses for establishments of casinos, bingo halls, and slot machines, or renew the same, except for the cases of companies that operate in areas that have been declared to be tourist areas by the National Executive and suitable for the operation of this type of establishments. Likewise, it ordered the Commission to refrain from authorizing any transfer or encumbrance of shares of corporations that are holders of such licenses, for a period of six months, during which it will review the legality of the licenses granted.

The National Commission for Casinos, Bingo Halls, and Slot Machines issued the following Rulings: (i) Ruling establishing the requirements for the presentation of restated financial statements and the requirements for the registration with the Registry of Public Accountants and External Auditors, published

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in Official Gazette of June 17, 2010; (ii) Ruling establishing the regulation for prevention, detection, supervision and control of capital legalization transactions, with the purpose of establishing the policies to be followed by the Casinos and Bingo Halls to avoid being used as capital legalization instruments, also published in Official Gazette of June 17, 2010.; (iii) Ruling for the supervision of the acts of sale of shares of the companies that hold licenses of casinos and bingo halls, published in Official Gazette of June 18, 2010, which instructs Registries and Notary's Offices to refrain from registering or authenticating legal acts with the purpose of transferring or disposing of shares of corporations that hold licenses to operate Casinos, Bingo Halls, and Slot

Machines, without the previous authorization of the Commission, and to sent to said Commission the information about all the aforesaid legal transactions, which must be done by them within the next six months; (iv) Ruling published in Official Gazette of June 18, 2010, which imposes on the holders of licenses to operate Casinos and Bingo Halls the obligation to obtain and use electronic certificates and electronic signatures, for at least two of their legal representatives for purposes of the compliance with the formalities of the Commission; (v) Ruling published in Official Gazette of June 18, 2010, which imposes on the holders of licenses to operate Casinos and Bingo Halls the obligation to inform gamblers, on a continuous basis of the damages that compulsive gambling causes.

The Law of the Contentious-Administrative Jurisdiction was published in Official Gazette of June 16, 2010, and was published again due to an error in Official Gazette of June 22, 2010. Said Law modifies the structure and functioning of the Contentious-Administrative Jurisdiction and empowers the Communal Councils and other entities of planning, control and execution of policies and public services to issue their opinion about any matter related to their scope of action, even if said entities are not a party to the respective process. The Law entered into force after its publication in the Official Gazette, except for the Chapter relating to the new structure and organization of the Courts that will enter into force 180 calendar days after its publication.

The National Assembly enacted the Law to Approve the Memorandum of Understanding between the Government of Venezuela and the Government of the Republic of Ecuador for the creation of the Fondo Ecuador-Venezuela para el Desarrollo (FEVDES), which is intended to promote and finance binational projects in the area of transportation, health, environment, education, food, agriculture, tourism, energy, and infrastructure. Said law was published in Official Gazette of June 30, 2010.

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The Governments of Venezuela and Uruguay executed (i) the Agreement for the Reaffirmation and Reinforcement of the Caracas Energy Cooperation Agreement originally executed on March 2, 2005 and (ii) Certificate of Commitment for the creation of binational mixed company of a commercial character, with the purpose of satisfying the economic needs of both parties. Likewise, Venezuela and the Arab Republic of Egypt executed (i) the Agreement related to the visa requirement exemption for the holders of diplomatic, officials, special and/or service passports, (ii) the Memorandum of Understanding in relation to the management of water with agricultural purposes and (iii) the Executive Program on cultural exchange between both countries for

the 2010-2012 period. The aforementioned instruments were published in Official Gazette of June 9, 2010.

In addition, the following Memoranda of Understanding between Venezuela and Brazil were published in the Official Gazette of June 15, 2010 (i) Memorandum of Understanding for the cooperation with the Instituto de Pesquisa Económica Aplicada de la República Federativa de Brasil (IPEA) and (ii) Memorandum of Understanding for the creation of a Work Group with the purpose of consolidating the draft Agreement between both States for the establishment of a Special Border Regime. Also, the following were published: Agreements of Cooperation between Venezuela and the Arab Republic of Egypt for Education matters and for Communication and Information matters, the protocol of amendment to the Agreement between Venezuela and Russia on the establishment of the Russian-Venezuelan Bank, indicating that the founders of the Bank will be Banco VTB, Gasprombank, and the National Development Fund (Fondo de Desarrollo Nacional - FONDEN), and the Agreement between Venezuela and Brazil regarding the procedures for the authorization to fly over the border area.

Through Resolution published in Official Gazette of June 15, 2010, the Ministry of the Popular Power for Science, Technology and Intermediate Goods Industries delegated to the National Fund of Science, Technology and Innovation a group of powers referred to the processes of registration, certification, control, verification, supervision, and penalties of the contributions and investments prescribed in the Organic Law of Science, Technology and Innovation (OLSTI).

The Ministry of the Popular Power for Public Works and Housing was suppressed and the Ministries of the Popular Power for Transport and Communications and for Housing and Habitat were created, according to Decree No. 7513, published in Official Gazette of June 22, 2010.

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Resolution No. 052, issued by the Ministry of the Popular Power for Tourism, was published in Official Gazette of June 23, 2010. Said Resolution establishes the documents that are necessary for the registration with the National Tourist Registry (Registro Turístico Nacional - RTN), which has a mandatory character for all natural and legal persons that carry out tourist activities in the national territory.

Venezuelan Aeronautic Regulation 121 (Regulación Aeronáutica Venezolana 121 – RAV 121) and the Rules for the Operation of Exploiters of the Air Transport Public Service in Regular and Non-regular, National and International Operations were published in Special Official Gazette of June 28, 2010. We have not been able to access the text of said Official Gazette yet.

Caracas, July 16, 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.