

The Venezuelan Central Bank issues guidelines for new foreign currency exchange regime

August 5, 2013

In brief

On July 2, 2013, the Venezuelan government along with the Venezuelan Central Bank (VCB) published Exchange Agreement N°22 (Agreement) in Official Gazette N° 40.199, as well as Resolution N° 13-07-01 in Official Gazette N° 40.201 (Resolution). The Agreement and Resolution provide new guidelines for the Complimentary System of Currency Administration (SICAD) that was established in March 2013.

SICAD is a new sealed-bid auction mechanism that replaced SITME (the former complimentary currency exchange mechanism) through which Venezuelan companies and individuals may sell or acquire foreign currency such as the US dollar. In March of 2013, the Venezuelan government assigned US\$200 million to be exchanged via SICAD. However, US dollars may not be acquired through SICAD to pay for cross-border services, royalties or dividends. Instead, SICAD is for acquiring foreign currency (e.g., US dollar) to pay for the importation of new goods and services related to the construction, health, food, manufacturing, and tourism sectors, among others.

The Venezuelan government also announced that these auctions will be held every two weeks and that the amounts to be awarded, as well as the sectors eligible to participate, will vary from auction to auction.

In detail

The most relevant provisions of the Agreement and Resolution include:

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| 1. Individuals or companies wishing to exchange VEFs (Venezuelan bolivar fuerte) for other foreign currency via SICAD must do so through institutions authorized by the VCB. | businesses operating in particular regions or economic sectors specified in each 'call notice'. | the Venezuelan government and its decentralized entities will be carried out through SICAD. |
| 2. New applications for the acquisition of foreign currency will be limited to | 3. Rates may not be quoted below the exchange rate for sale established in accordance with Exchange Agreement N° 14 (i.e., 6.30 VEFs per US\$1). | 5. The VCB will announce the call notices, including the amount of foreign currency available to bidders, and will regulate the terms and conditions of each auction of foreign currency pursuant to the Resolution. |
| | 4. The special auctions for the purchase and sale (in VEF) of foreign currency and of securities denominated in foreign currency, issued by | 6. Certain SICAD auctions will only be open to applications from specific economic |

sectors or for specific foreign currency uses. These will be determined based on market dynamics, taking into account the objectives of the Government and the country, as well as the needs of the economy.

7. The regulations established by the VCB will determine which persons are authorized to participate as suppliers and bidders via SICAD. The regulations will also establish the necessary requirements that these persons must fulfill to participate in the auctions, as well as the mechanisms for the follow up and control of the executed operations.
8. The companies and individuals interested in presenting

applications for the acquisition or sale of foreign currency must be registered with the special registry established under SICAD (RUSICAD).

9. The VCB will issue regulations setting out how the auctions will operate.
10. The minimum and maximum purchase application amounts will be specified in each call notice.
11. At the close of each auction, the VCB will carry out the settlement process and communicate the results to the financial market.

The takeaway

Certain multinational companies with operations in Venezuela that are

facing difficulty in paying for the importation of goods and services may benefit from the new SICAD regime. The first public auction took place in mid-July, when over US\$215 million was awarded to specific sectors (mainly to companies operating in the healthcare and automotive industries, as well as companies operating in free zones). Since the announcement and focus of future auctions is not predetermined, companies wishing to exchange VEFs for US dollars in future SICAD auctions should pay particular attention to call notices which should be issued every two weeks and are expected to be published on the [VCB's website](#).

Let's talk

For a deeper discussion, please contact:

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