

CSDs: **BCV (Venezuela), CVV (Venezuela)**

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SMI Markets: **Venezuela**CMIRR Markets: **Venezuela**

National Assembly Issues New Capital Market Law

The National Assembly passed the new Capital Market Law, which became effective on 17 August 2010. The main points of the new legislation are as follows:

- The National Securities Superintendence (NSS) will be the new capital market regulator in Venezuela. Previously, the National Securities Commission (CNV) was responsible for market regulation;
- The current CNV guidelines will be effective until the NSS publishes its new guidelines.
- A new stock exchange and depository are to be set up exclusively for the purpose of trading and safekeeping of public debt securities;
- Trading of public debt securities will be undertaken by authorised brokers only;
- Free of Payment (FOP) settlements are now banned.
- Over-The-Counter (OTC) trading has also been prohibited in the market.

The bill, published in the National Gazette No. 39.489, can be found here: [National Gazette No. 39.489](#) (in Spanish only).

CSD Risk Impact

BCV (Venezuela)

CSD Rating: A

CSD Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

The new Capital Market Law is a controversial piece of legislation as it takes certain steps that could be deemed as regressive. The bill is likely to have direct effect on the perception of risks for the entire market.

The main impact for BCV is regarding the establishment of a new CSD for the settlement of government bonds. It is not known if BCV will be the exclusive depository for these securities but if a new CSD was to be created, it will have a significant impact on financial risk related to the loss of revenue and some operational risks surrounding the transfer of government securities.

CVV (Venezuela)

CSD Rating: A-

CSD Flash Impact: On Watch

Impacted Risk Type: Asset Commitment Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = BBB
Flash Impact = Negative

Impacted Risk Type: Counterparty Risk
Current Rating = B
Flash Impact = Positive

Impacted Risk Type: Financial Risk
Current Rating = A
Flash Impact = Negative

Impacted Risk Type: Operational Risk
Current Rating = A
Flash Impact = On Watch

The new Capital Market Law is a controversial piece of legislation as it takes certain steps that could be deemed as regressive. The bill is likely to have direct effect on the perception of risks for the entire market.

First of all, the banning on FOP settlements implies that Caja Venezolana de Valores (CVV) will have to change its settlement model. Currently, all trades settle on a FOP basis before CVV advises the Venezuelan Central Bank (BVC) to undertake the payment of such transactions. The prohibition on FOP forces CVV to amend its model. On the one hand, this could be regarded as a positive development since it drives the CSD to adopt a delivery-versus-payment (DVP) approach, an ideal practice from the Counterparty Risk perspective. On the other hand, the adoption of a new settlement model is a massive change that will require significant adjustments across the entire market. Such adjustments, which have yet to be announced, could represent a series of challenges from the Operational, liquidity and Asset Commitment Risk perspective. Hence these risks will be set as 'On Watch'. Meanwhile, Counterparty Risk is set as 'Positive'.

Furthermore, under the new bill, a new CSD for public debt securities is to be set up. Revenues from settlement of government securities, which averaged 45% of CVV's total assets under custody between 2006 and 2008, will be transferred to the new entity once it's operational. At that stage, CVV's revenue stream will fall sharply. Accordingly, the Financial Risk rating is set as 'Negative'.

Market Information Impact

Venezuela

This information affects the data contained in the Stock Market, Local Market Administrative Organisations, Settlement and Other market where securities are traded sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Venezuela

Market Rating: BBB
Market Flash Impact: On Watch

Impacted Risk Type: Asset Commitment Risk
Current Rating = BBB
Flash Impact = On Watch

Impacted Risk Type: Liquidity Risk
Current Rating = BB
Flash Impact = Negative

Impacted Risk Type: Counterparty Risk
Current Rating = B
Flash Impact = Positive

Impacted Risk Type: Operational Risk
Current Rating = A-
Flash Impact = On Watch

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