

SMI Markets: Venezuela

Date: 13 Mar 2014

CMIRR Markets: Venezuela

CSDs: BCV (Venezuela), CVV (Venezuela)

Government Publishes Regulation on SICAD II

Further to our previous market newsflashes, the Venezuelan Government announced that the Exchange Agreement No.27, which provides the operational conditions of the Complementary Foreign Exchange Administration System (SICAD II), came into force on 10 March 2014.

The main points of the Agreement are:

- Transactions will be executed in local currency (BVF) on the following instruments:
 - Foreign currency in cash.
 - Securities denominated in foreign currency issued by the Government, decentralised entities thereof or any other public or private entity regardless of its domicile, listed in international markets.
- Non-residents can only sell their instruments to obtain BVF. Buying is restricted to individual and legal entities residents in Venezuela.
- Short selling of instruments is forbidden. To guarantee this, traded assets must be temporarily under the authorised operators' custody.
- Final buyer and seller identity must be disclosed by the authorised operators.
- The agreed exchange rate cannot be lower than the official asked rate.
- Foreign currency transactions will settle on T+2 or sooner. Operations on securities will settle on T+3 or sooner.

Venezuelan Government is still working on SICAD II technical implementation and further regulation is expected to be issued. Details will be provided when available.

The exchange agreement can be found here (in Spanish): [Exchange Agreement No.27](#).

Market Information Impact

Venezuela

This information affects the data contained in the Cash Management 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

The SICAD II requirement to keep the instruments with the custodian for the duration of the settlement cycle could impact the Asset Commitment Risk associated to securities held at CSDs. However, the effect will depend on the procedures that will regulate these operations. Such guidelines have yet to be issued.

CSD Risk Impact

BCV (Venezuela)

CSD Rating: A
CSD Flash Impact: On Watch

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

The SICAD II requirement to keep the instruments with the custodian for the duration of the settlement cycle could impact the Asset Commitment Risk associated to securities and cash held at BCV. However, the effect will depend on the procedures that will regulate these operations. Such guidelines have yet to be issued.

CVV (Venezuela)

CSD Rating: BBB
CSD Flash Impact: On Watch

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

The SICAD II requirement to keep the instruments with the custodian for the duration of the settlement cycle could impact the Asset Commitment Risk associated to securities held at CVV. However, the effect will depend on the procedures that will regulate these operations. Such guidelines have yet to be issued.

Related Flash: [Sicad II Will Start Operations on 10 March 2014, 07/03/2014 \(click to view\)](#)

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