



Central Bank of Venezuela Issues New Regulations on Legal Reserve Requirements

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The Central Bank of Venezuela (BCV) issued on Dec. 27, 2021, Resolution No. 21-12-01 in *Official Gazette* No. 42,284, which establishes the rules governing the legal reserve's constitution.

Among the most relevant aspects are:

- Banking institutions must maintain a minimum reserve requirement, deposited in full at the BCV, equal to the sum of the amounts resulting from applying to 85 percent of the total amount of net obligations in local currency, 31 percent for foreign currency transactions and 85 percent on Designated Investments. In addition, institutions whose exclusive purpose is to finance microfinance activities, and have a credit intermediation index of at least 50 percent, must maintain a minimum reserve requirement of 40 percent of the total amount of net liabilities in local currency and Designated Investments.
- The reserve requirement position of each institution is determined based on five-day periods counted from Monday to Friday, based on the average of the daily balances of the transactions subject to reserve requirements during that period.
- The banking institutions must provide the BCV with the information requested by said institution every week for the reserve requirement outlined in the Resolution.
- The reserve requirement must be carried out in the legal tender. The calculation, reporting and control of the reserve requirement for foreign currency transactions shall be carried out separately from the reserve requirement for local currency transactions and in accordance with the methodology established in the regulations issued.
- In the event of a reserve requirement deficit, the institutions must pay the BCV a financial cost calculated daily according to the formula set forth in the Resolution and when the result is a positive value. The interest rate for the deficit collection (tibacde) will be 9 percentage points added to the rate fixed by the BCV in its ordinary discount, rediscount and advance payments. It may be increased according to the following assumptions:
 - 2 additional percentage points if the deficit is between three and seven times within 30 continuous days counted from the day on which the first default occurred
 - 4 additional percentage points if the deficit is eight or more times in a period of 30 continuous days counted from the day on which the first default occurred
- Banking institutions that fail to sell all of the foreign currency liquidated will be charged an annual interest rate of 25 percent on the unsold balance in purchase and sale operations, as from the date execution of the foreign exchange intervention and for each day in which



the reserve requirement deficit was incurred. The rate will be determined by the BCV at the closing of each week.

- The board of directors of the BCV may modify the minimum legal reserve established in this Resolution, in which case it will inform such modification through the Institute's web page and through the electronic data transfer system used by the BCV.

The Resolution was enforced on Dec. 27, 2021, and rescinded Resolution No. 21-01-01 (*Official Gazette* No. 42,050 of Jan. 19, 2021).

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