

Country Guide

Venezuela

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2023

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I. OVERVIEW OF THE JURISDICTION

A. Geography/Climate

Venezuela is in the north of South America and its capital, Caracas, is located in the northern-central area of the country, 45 minutes from the coast. Venezuela borders to the north with the Caribbean Sea; to the south with Brazil; to the east with the Atlantic Ocean and Guyana; and to the west with Colombia. The official national language is Spanish, with a couple of dozen native languages also spoken by indigenous peoples and recognized as official national languages. Furthermore, Venezuela has a tropical savanna climate, which can shift to hot and humid during the summer (being like so year-round in some areas of the country). The annual temperature nationwide usually ranges from 24°C to 27°C.

B. Major Industries

There are three principal industries in Venezuela. Venezuela has the largest oil reserves in the world and the oil industry is the largest and most important industry in the country. The exploration, exploitation, distribution, and exportation of oil is handled by the state-owned oil company, *Petróleos de Venezuela, S.A. (PDVSA)* and its subsidiaries, together with national and foreign companies acting as contractors or as investors in joint-venture agreements. Venezuela is one of the founding members of the Organization of the Petroleum Exporting Countries (OPEC), which reaffirms the assertive stance and relevance of Venezuela's role in the oil industry and *vice versa*.

Venezuela's GDP and national employment rates also rely on the agricultural and manufacturing industries. Agriculture, it is not only one of the main pillars of the Venezuelan economy but also the most sustainable resource it has. Venezuela counts with the ideal tropical climate for harvests to flourish and be garnered most naturally and efficiently, due to the country's exceptionally fertile soils. Additionally, possesses more than 3.4 million hectares of land apt for agriculture.

In the manufacturing business, production accounted for approximately 15 percent of the national GDP (2018). The commercialization of manufactured goods is among the country's top export commodities. These may take shape in the form of aluminum, cement, fertilizer, steel, textile, bauxite, and other minerals and materials. Venezuela is abundantly wealthy in raw materials and minerals sourced locally for many manufactured goods subject to exportation. Moreover, Venezuela also has a strong mining industry due to its wealth in raw materials and minerals, which the government commonly exploits.

C. Investment Climate

The Venezuelan Constitution guarantee the freedom to develop any legal economic activity, with some State-imposed limitations, such as the State may reserve itself the right to exploit specific industries or services, such as oil and gas industries.

Nevertheless, when it comes to the climate for investments, it is important to denote that the current Venezuelan government (2019-2024) has left-wing tendencies and policies. Notwithstanding this, governmental policies have slowly and softly shifted towards promoting national and foreign investment, still with solid control over administrative authorities. This

shift in the approach of the government has resulted in the GDP growing 17.73% by 2022 in accordance with the Venezuelan Central Bank (BCV).

D. Government

Venezuela is a nation governed by the rule of law, with a democratic and participative government. The terms for the positions elected by the people are as follows:

1. President: 6 years with unlimited reelection.
2. Members of Parliament: 5 years with unlimited reelection.
3. States Governors, members of the State Legislative Council, Mayors, and Municipal Legislative Council: 4 years with unlimited reelection.

Public Power is divided into levels (National, State and Municipal) and branches (Executive, Legislative, Judicial, Citizen, and Electoral Powers). The Constitution establishes the competence of each level, as follows:

1. **National:** It is responsible for national legislation and policies in the following matters: international relations, State organization, defense, security, national police, armed forces, financial system, monetary system, and most taxes, including import, export, income, and consumption, as well as hydrocarbons and mines; rights and guarantees, natural resources, transportation, essential services, commercial, labor, criminal, health, education, alimentation, tourism, notaries and registries, civil law, immigration, identity and justice.

At this level, the Executive is headed by the President of the Republic as Head of State and Government, jointly with the ministers and other officers. The Legislative is exercised by the National Assembly, the Judicial Power is vested upon the Supreme Tribunal of Justice and other courts, the Citizen's Power is headed by the General Prosecutor, the Ombudsman and the General Comptroller. Finally, the Electoral Power is represented by the National Electoral Council.

2. **State:** It is responsible for the territorial organization of its municipalities, the administration of the resources that correspond to it from the national budget, the use of non-metallic minerals, state public services, administration, and help in coordination with the executive of land routes, ports, and airports.

The Executive Power is headed by State Governors and the Legislative Power is exercised by the State Legislative Councils. States do not have regional judicial, citizen's or electoral powers.

3. **Municipal:** It is responsible for the administration and design of policies regarding the urban planning of the municipality, urban roads, public entertainment, municipal transport services, municipal police, environmental protection, health, preschool education, drinking water, sports, municipal culture and circulation of vehicles.

The Executive Power is headed by a Mayor and the Legislative Power is exercised by the Municipal Councils. Municipalities do not have regional judicial, citizen's or electoral powers.

E. What is the political system?

According to the Constitution, Venezuela is a social and democratic state under the rule of law and justice. The aim is to create a welfare state, under the principles of social solidarity and common good under the law.

With the new Constitution in 1999, the Venezuelan democracy was modified to increase the participation of the society in the decision-making process. In this sense, a new phase of the proceedings for the discussion of bills by the parliament was included to secure that the citizens are heard before a bill is enacted. Also, the referendum was included in the Constitution for several purposes: approval of a new law or revocation of an existing one, recall of elected officers, approval of constitutional reforms or amendments, the calling of a constitutional assembly, or consult the opinion of the people on matters on interest. The Constitution also provides for the independence of the different branches of the Public Power.

F. The Economy

After several economic crackdowns over the last decade, all resulting in hyperinflation or devaluation of the national currency, the economy has finally reached a stabilizing point, even some could say, growth. However, this has not happened without going through other hardships, including a deep recession in 2020-2021 due to the COVID-19 pandemic and several economic sanctions imposed by the United States government since 2018.

By 2022 Venezuela's GDP has managed to grow over 17%, the largest GDP grow in Latin America and the Caribbean, with a relevant impact from different sectors of the economy after seven years of recession and constant states of emergency. This optimistic perspective is due to a rise in oil production and demand, expansion of banking credit, tax revenue, and increased national and foreign investment.

II. GENERAL REGULATION OF BUSINESS

A. Government structure

The structure of the government is established in the Constitution, the Public Administration Organic Decree-Law and the Decree for the General Organization of the National Public Administration.

The President of the Republic is both Head of State and Head of Government. The Vice-President is the one in charge of the relationship with the National Assembly, collaborates with the President in conducting the government and act as a President in his/her absences. The Vice-President is also in charge of the coordination of the de-centralization process by acting as President of the Government's Federal Council. Finally, the Vice-President also act as a President of the State's Council, where representatives of all the other branches and levels of the Public Power meet to create long term policies.

Currently, there are also five Sectoral Vice-Presidents for: (i) Economy, (ii) Planning, (iii) Social Development and the Revolution of Missions, (iv) Political Sovereignty, Security and Peace and (v) Development of the Territorial Socialism.

In the last Decree for the General Organization of the National Public Administration, in force since 2016, the President of the Republic created the following 31 Ministries: Office of the Presidency of the Republic and follow-up of the government action, Foreign Affairs, Internal Affairs, Justice and Peace, Defense, Communication and Information, Banking and Finance, Industry and Commerce, Basic, Strategic and Socialists Industries, International Trade and Investment, Productive Agriculture and Lands, Urban Agriculture, Fishing and Aquacultures, Alimentation, Tourism, Oil, Ecological - Mining Development, Planning, Health, Indigenous Peoples, Woman and Gender Equality, Youth and Sport, Penitentiary Service, Social Process of Labor, Culture, Education, University Education, Science and Technology, Eco-socialism and Waters, Habitat and Housing, Communes and Social Movements, Transport and Public Works and Electric Power.

There are other government bodies such as public or independent institutes, state-owned companies, state foundations, state associations or partnerships. Each of the mentioned bodies is attached to an organism of the National Administration (Presidency, Vice-Presidency, Sectoral Vice-Presidencies or Ministries), which is in charge of controlling the activity of the corresponding entity. Additionally, the President may create “Missions”, in order to satisfy basic and urgent needs of the population.

B. The legal system (common law/civil law), courts, and arbitration

Venezuela belongs to the civil law system. The National Assembly discusses and approves laws, which are sent to the President for their assent and publication in the Official Gazette of the Bolivarian Republic of Venezuela.

The courts are headed by the Supreme Tribunal of Justice, composed by different chambers: Civil, Criminal, Constitutional, Political-Administrative, Social, Electoral, and Plenary. Lower courts are divided by subject matters in criminal, civil, commercial, banking, labor, transit, judicial review, agrarian, tax, youth and family matters, among others. According to Venezuelan laws, in general, a litigious matter should not take more than 6 to 12 months in first instance courts, which includes all procedures regarding subpoenas, responses to complaints, evidence, and decision. However, because of the backlog of the local courts, some proceedings may take up to 5 years, or even longer.

Regarding arbitration, Venezuela is a favorable jurisdiction. The Commercial Arbitration Act 1998 is based on the UNCITRAL Model Law, and recent court decisions have reiterated the favorable stance toward arbitration. Also, Venezuela is signatory of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958); the Inter-American Convention on International Commercial Arbitration (Panama, 1975), and the Inter-American Convention on Extraterritorial Validity of Foreign Judgements and Arbitral Awards (Montevideo, 1979).

C. Foreign investment rules

Venezuela has 25 Bilateral Investment Treaties in force with the following countries: Argentina (1995), Barbados (1995), Belarus (2008), Belgium and Luxembourg (2004), Canada (1998),

Chile (1995), Costa Rica (2001), Cuba (2004), Czech Republic (1996), Denmark (1996), France (2004), Germany (1998), Indonesia (2003), Iran (2006), Lithuania (1996), Paraguay (1997), Peru (1997), Portugal (1995), Russia (2009), Spain (1997), Sweden (1998), Switzerland (1994), the United Kingdom (1996), Uruguay (2002) and Vietnam (2009).¹

Additionally, foreign investments are regulated in the Constitutional Law of Productive Foreign Investment. The purpose of the law is to establish the principles, policies, and procedures that govern productive foreign investments of goods and services in any of their categories, to achieve the harmonious and sustainable development of the Nation.

The law establishes the functions of the foreign investment authority in matters of foreign investment, the rights and obligations of foreign investors, as well as the characteristics and requirements that all foreign investment must comply with, among which is the need for the foreign investment to be registered, so that the foreign investor can be considered as such and thus be subject to the corresponding rights and duties under the law.

Nevertheless, it is an important distinction to make that the foreign investments subject to registry are those that amount to EUR 800,000 or RMB 6,500,000, or the equivalent to that amount or more in any foreign currency. Those investments covered by BITs are protected under the terms of the corresponding treaty.

D. Monetary policy/foreign exchange controls

The Venezuelan currency is the “Bolivar”. Since 2018, exchange control is considerably less strict than previous years. Regarding the exchange rate, the USD rates tend to move freely depending on the exchange market. Moreover, USD rates are heavily influenced by the unforeseeable increase or decrease of the exchange rate due to its volatility in the Venezuelan economy, thus, causing the BCV to intervene in order to try to stabilize the foreign exchange rate.

This policy allows for purchases, sales, and even the payment of salaries, to be carried out in foreign currency. Currently, in Venezuela, there is a high rate of inflation. However, the rate of inflation has been decreasing.

E. Banking system

The Venezuelan financial system is under the supervision and regulation of the Superintendency of the Institutions of the Banking Sector (SUDEBAN). The Banking Institution’s Sector Law, enacted in 2014, is the primary legal body that governs all banking sector-related institutions and regulates all their activities. In this regard, the so-called “universal banks” have the highest participation in the market share. These institutions can perform most financial operations permitted by the Banking Institution’s Sector Law.

¹ There are different sources of information regarding the validity of BITs. In this chapter, we refer to the Investment Policy Hub website created by the United Nations Conference on Trade and Development (UNCTAD). The BITs to which Venezuela is a party can be found at <https://investmentpolicy.unctad.org/international-investment-agreements/countries/228/venezuela-bolivarian-republic-of>. The BITs with the Netherlands and Ecuador were terminated by unilateral denunciation. The former was terminated on 1 November 2008 and the latter on 19 May 2018. Venezuela ratified an additional BIT with Palestine which was published in *Official Gazette* 6.208 dated 28 December 2015. However, no information is available about this treaty entering into force. In January 2023, Venezuela and Colombia signed a BIT and it is currently passing under the corresponding ratification proceedings in each country.

Banking is the main activity of the Venezuelan financial system compared with the capital market and insurance sectors. Despite the aforementioned sectors having both public and private institutions, to determine which sector is stronger (public or private) it would depend on the sphere of the economy under analysis. When analyzing both sectors from the amount of its worth and/or wealth, the public sector has an upper hand; under the scope of assets and deposits, the private sector is a predominant force, due to the novel phenomenon of allowing foreign currency deposits.

For investment activities, it is necessary to maintain bank accounts in the country whenever the investor's actions justify it. The requirements to open an account may differ from institution to institution. Moreover, there are no specific restrictions to using the account, as long as the Law and the institution's particular rules are followed.

Additionally, the Banking Institution's Sector Law allows foreign investment in the banking sector through the following channels:

1. The acquisition of shares in existing banking institutions.
2. The establishment of banking institutions owned by foreign banks or investors.
3. The establishment of branches of foreign banking institutions.

Furthermore, the Law establishes that foreign banking institutions must fulfill all the regulatory obligations applicable to local institutions.

F. Personal Liability laws

In Venezuela, the rule establishing the general principle of personal liability is article 1.185 of the Civil Code, which states, *"Whoever intentionally, or through negligence or recklessness, has caused damage to another, is obliged to repair it. Who has caused damage to another must also make reparation, exceeding, in the exercise of his right, the limits set by good faith or by the object in view of which that right has been conferred."*

When the obligations come from contracts, the Venezuelan Civil Code contains the general norms that regulate this source of obligations. In principle, contracts must be executed in good faith and bind parties not only to comply with what is expressed in them, but to all the consequences that derive from the same contracts, according to equity, uses or law. Likewise, contracts have no effect except between the contracting parties: they do not harm or take advantage of third parties, except in the cases established by law.

In the bilateral contract, if one of the parties does not perform its obligation, the other party can, at its choice, legally claim the execution of the contract or the resolution thereof, and also claim compensation for moral and economic damages in both cases, if applicable.

Although these are general principles, there are specific liabilities established in specialized laws that rules not only individual natural persons by their omissions, but also legal entities, their board of directors, and even shareholders.

For instance, when it comes to labor law, the Organic Law for Labor establishes several civil, criminal, and administrative responsibilities in different cases to fall upon the employer and other superiors of the employee. Additionally, Article 538 establishes the possible causes for arrest; yet verbatim, the article states that *“this penalty, in the case of associated employers, will be affected by the instigators of the infraction. If they are not identified, it will be applied to the members of the respective board of directors”*.

In insurance matters, the Insurance Activity Act also establishes civil, administrative, and criminal responsibilities for all legal entities and natural persons that intervene in the insurance sector. These can range from the board of directors or shareholders of a company, the company itself, the President of the Superintendency on Insurance Activity, and any other person that affects the insurance sector or upon which the insurance sector inflicts any effects.

The Banking Institution’s Sector Law in articles 30 and 185 declares who are the subjects applicable for the sanctions there stated. Article 30 establishes that all board of directors’ members are liable civilly and criminally for their actions or omissions when intending to comply with their respective duties and attributions. Furthermore, article 185 establishes that the subjects who are sanctionable by the law are *“the institutions of the banking sector, as well as the natural persons who hold administrative or management positions in them, directors, advisers, consultants, internal and external auditors, area managers, secretaries, or secretaries of the board of directors or similar charges, that violate any provision stated in this Law and any other set of regulations enacted by the Superintendency of the Institutions of the Banking Sector, will incur in administrative liability, punishable in accordance with the provisions in this Title of the Law.”*

G. Anti-money laundering and countering financing of terrorism laws

The Organic Law Against Organized Crime and Financing Terrorism regulates the prevention, investigation, prosecution, prescription, and sanctioning of offenses related to organized crime and financing terrorism. This law also includes provisions for the prosecution of corruption and money laundering.

The law provides an outline of the subjects obligated to comply with its provisions, as well as the obligations organs and entities in charge of controlling and overseeing the upholding of the law must follow to provide due diligence to prevent organized crime and the financing of terrorism.

Furthermore, subjects that belong to the banking, insurance, stock, and overall finance sectors, as well as tourism such as casinos and non-profit organizations are obligated to comply with the law. Moreover, professionals as lawyers, business administrators, economists, and accountants in the free practice of their professions, are also obligated to comply with the dispositions established in the law when carrying out certain activities therefore determined. Thus, all natural and legal persons, whether public or private, who belong to the aforementioned sectors, are tasked with preventing organized crime and financing terrorism, otherwise sanctioned by law.

Additionally, the Law contains sanctions applicable to these types of crimes. Most offenses are punished with years of prison, including money laundering, financing of terrorism, illegal trafficking, crimes against individuals and their integrity, the justice administration, free trade, and others.

H. Contract law

In Venezuela, contract law is governed by the principle of the autonomy of the parties' will, with the limits of public policy established by the law. The Civil Code sets that contracts have the force of law between the parties and cannot be revoked except by mutual agreement or for reasons expressly stated in the Law. Therefore, breaches of contractual obligations are enforceable in the courts. The Civil Code establishes the conditions required for a contract to exist, namely the consent between the parties; an object that can be contracted, be possible, lawful, and determined or determinable; and a lawful cause that must not contradict the law or be against public policy and the general customary principles of morality.

Generally, parties have no limitations other than the public order, implying that they can carry out any civil or commercial contract on the terms agreed by them, following or not supplementary contract rules. Additionally, as previously mentioned, the Civil Code denotes that contractual relationships and obligations have no limitations other than those of public policy and lawfulness established in the Code. Nevertheless, contracts that bind parties in particular law matters that require specified regulations (such as the employment, insurance, banking and other regulated areas) may refer to the dispositions established in the laws specifically oriented to such issues, thus governing the contractual relationship.

I. Anti-bribery and corruption laws

The Law against Corruption Act seeks to safeguard public resources and goods and guarantee their adequate management, as well as the transparent performance of public functions. This applies to all natural and legal persons and public officers. Furthermore, this law creates several criminal offences punishable by prison, such as embezzlement, illicit enrichment, appropriation of public funds, and bribery.

Additionally, Venezuela is part of the United Nations Convention against Corruption, which entails the obligation of the Venezuelan government as a high-contracting party to uphold and respect all provisions stated, being accountable to the international community for infractions and omissions of the Convention.

J. Protection against nationalization or expropriation

In the Venezuelan legal system, expropriation is primarily provided for in article 115 of the Constitution as a mechanism to protect private property. The Constitution determines that expropriations can only proceed if:

- i. Declared by a final court ruling.
- ii. Payment of compensation.
- iii. For reasons of public interest.

The expropriation for reasons of public or social good Act 2012 establishes the mandatory procedure to execute the forced transfer of ownership over the property or goods by expropriation. The mandatory procedure allows the individual or company affected by an expropriation to perform a settlement agreement with the State or oppose the expropriation

before a court-of-law. Additionally, the law provides for the individual (whether a natural or legal person) subjected to the expropriation to disagree on the price appraised by the State on their property. In this case a judge must design an independent appraisal commission to reassess the worth of the property. Parties can appeal the decision as long as it did not rule in their favor, or at least not entirely.

The law also contains the figures of temporary occupation and previous occupation (an occupation before the final decision on the expropriation); only can proceed in specific instances.

In some economic sectors, specialized expropriation laws could apply to expropriation procedures.

The power to expropriate is reserved to the State under the usual conditions of no discrimination, due procedure and payment of compensation in order to be a lawful expropriation. In most cases during the 2008-2018 era, the mentioned conditions were not satisfied by the government. However, the trend has now changed, and the government is even returning formerly expropriated properties to their rightful owners.

III. FOREIGN INVESTMENT

Foreign investors from countries with a BIT with Venezuela (see above “Foreign Investment Rules”) will have their investment protected under the terms of the corresponding treaty. However, the obligations established in the national legislation must be complied with. Those investors who are not covered by a BIT will see their investment fully under the rights and obligations of the local legislation.

The National Law that regulates all the general theoretical and procedural aspects of foreign investment is the *Constitutional Law on Productive Foreign Investment* (onward, the LPFI). The LPFI aims to “*establish the principles, policies, and procedures that regulate (...) foreign investments on goods and services (...) to achieve the cohesive and sustainable development of the nation...(...)*” (Article 1). Foreign investment is defined as “*the investment made through contributions by foreign investors, constituted by tangible and intangible resources, destined to become a part of the wealth [or assets] of the recipients of the foreign investments in the national territory.*” Moreover, the LPFI recognizes two types of investments: (i) direct and (ii) portfolio.

Furthermore, foreign investments are subject to the jurisdiction of the courts of Venezuela, following the provisions in the Constitution and laws regulating this jurisdiction. Notwithstanding this, the Constitution itself promotes the possibility of arbitration or any other dispute settlement procedure as long as the parties agree to it previously. Arbitration is available for those investors protected by a BIT and in the terms of the corresponding treaty.

The authority on foreign investment in this matter is the Vice-Ministry of Foreign Trade and Investment Promotion of the Ministry of Popular Power of Economy, Finance, and Foreign Trade.

The Constitutional Anti-Blockade Law for National Development and Guarantee of Human Rights (commonly known as the “Anti-Blockade Law”) is also applicable. The Anti-Blockade Law creates the International Center for Productive Investment as the body responsible for

registering, studying, and monitoring unilateral coercive measures and other restrictive or punitive measures. Additionally, for the evaluation, approval, and promotion of productive projects derived from applying this Law and managing the Country's Brand, as a strategy to increase investment and foreign trade.

A. Treatment of Productive Foreign Investment

Foreign investment may be established in any area, sector or economic activity permitted by Venezuelan legislation, tending to increase the financial and productive capacities of the populations where it is installed.

The State reserves the development of strategic sectors per national interests, the provisions established in the Constitution, and those in the LPFI, without prejudice to the provisions in the legal system that establish special regimes for certain economic activities.

The government may authorize and implement measures that stimulate and promote the participation, management, and partial or integral operation of the national and international private sector in developing the national economy. Such measures shall consider the particularities and specific needs for the support of small and medium-sized enterprises.

B. When Governmental consent is required

Foreign investment only requires registration with the Ministry of Popular Power for Economics, Finance and Foreign Trade. Such registration shall prove the status of a foreign investor for the purposes of the LPFI but will not prevent the foreign investor to enjoy the protection of an applicable BIT.

C. Process

As previously mentioned, foreign investment is subject to registration with the competent Ministry. According to the LPFI, a foreign investment contract will be attached to the registration. It will be mandatory for the parties, being these the investor or a foreign company with:

1. The state.
2. Grand National companies.
3. Private, public, or mixed national companies.
4. natural persons living abroad, and
5. foreign natural persons residing in the country.

The obligation of the investment contract applies only to investments equal to or greater than EUR 800,000 or RMB 6,500,000 or its equivalent in another foreign currency. Assets below these amounts are excluded from that condition. Article 19 of the LPFI establishes the minimum amount a foreign investment needs to be to obtain the registration; the contributions must be constituted at the current official exchange rate, for a minimum amount of €800,000 or RMB 6,500,000 or its equivalent in another foreign currency. The authority may establish a

minimum amount for the Constitution of foreign investment that may not be less than 10% of the amount described above. Moreover, the Article specifies that *“to make effective the rights that emanate from this Law and its regulations, a minimum permanence of two years is required, counted from the moment the investment materializes. This period may be increased in the foreign investment contract when the authority deems it so, after hearing the opinion of the competent body or entity, based on the needs of predictability and productive stability thereof.”*

The abovementioned contracts outlined in article 19 are mandatory exclusively for investments that comply with the requirements mentioned in the Article (those equal to or greater than EUR 800,000 or RMB 6,500,000). These contracts have the following specifications:

1. Nature of the investments as well as the subjects of the contract (may they be natural or legal).
2. The object or activity.
3. Value of investment.
4. Area of the country in which the investment will be directed.
5. Duration of the contract.
6. Financing.
7. Incentives.
8. Control and monitoring actions and
9. Relevant characteristics of the investment.

The LPFI establishes that the competent Ministry may suspend or revoke the registration of the investment or the benefits associated with the foreign investment when the investor fails to comply with its provisions. Moreover, if this happens, the procedure will be determined by the dispositions established in the Organic Law on Administrative Procedures (“LOPA” for its initials in Spanish).

D. Timing

The regulation governing the formalities and timeframes determined regarding the registration requisites for foreign investments is issued by national entities competent in investment. Articles 8 and 9 of the LPFI provides that the Ministry with competency in foreign investments (being so the Ministry of Economy and Finance) will be responsible for centralizing the Registry of Foreign Investments and requesting the arrangements, definitions, and authorizations from the competent national bodies and entities in this matter.

These bodies and entities must respond to the authority within 90 days, extendable for particular reasons only when granting the Foreign Investment Registry, whenever the investments are intended for specific sectors.

E. Local equity conditions and foreign equity limits

The establishment of foreign investment in the country must comply with the following aspects:

1. The value of the investment shall consist of 100% assets in the country.
2. The domestic financing used by foreign investors to finance their investments may not exceed 15% of the total amount of the investment.
3. The permanence of the investment in national territory must be at least two years, from the day the foreign investment registry has been granted. After this period, investors may, before payment of taxes and other liabilities if arise, make remittances abroad for the capital initially invested, registered, and updated. Remittances abroad must be duly justified and presented to the authority for pertinent purposes.

Under the LPFI, foreign investments must:

1. Contribute to the production of national goods and services to cover internal, as well as the increase of non-traditional exports.
2. Contribute to national economic development and the country's research and innovation capabilities and promoting the incorporation of goods and services of national origin.
3. Participate in the policies issued by the government for the development of local suppliers to ensure that national companies incorporate technologies, knowledge, human talent, and innovation capabilities to provide the quality and other specifications required.
4. Have the endorsement of the Ministry of Popular Power with jurisdiction over indigenous peoples to authorize foreign investment when its establishment in the territories of original settlers is envisaged.
5. Channel monetary resources from the foreign investment through the national financial system.
6. Participate in national economic activity. In this sense, companies, as well as their representatives or executives, may not contribute through donations, contributions, rents, and/or logistical facilities, with public or private institutions, non-governmental organizations, civil associations or natural persons, without the consent of the competent body or entity.
7. They may not participate directly or indirectly in the national political debate, or contribute directly or indirectly to shaping opinions on issues of public interest in the media.
8. Guarantee compliance with external or internal credit contracts signed with natural or legal persons under private or public law, Venezuelan or foreign.

9. Notify the authority of any investment in national or foreign companies in the national territory that is made after the initial Foreign Investment Registry—achieved through the purchase or assignment of shares or other property rights, credits, mergers, acquisitions, or any other means that do not imply a real capital investment but merely a financial one. Any operation that materializes without the notice established herein will be considered null.
10. Be subject to national legislation on commercial, labor, tax, customs, environmental, and other areas that arise during the investment.
11. Respond to the objectives of national economic policy.
12. Provide the information required by the regulatory authority to exercise its functions.
13. Demonstrate the origin of the financial or material resources subject to the investment to the regulatory authority.

F. Current major investment incentives

The incentives for foreign investment under the LPFI are as follows:

1. Tax reliefs.
2. Accelerated amortization.
3. Purchase of production by public sector bodies.
4. Tax discount.
5. Tariff exemptions.
6. Tax exemptions.
7. Special credit conditions.
8. Special rates on public services.
9. Preferential access to inputs and/or raw material administered by the State.
10. Term of tax stability.
11. Any other that may be ordered by the President of the Republic.

Benefits and incentives should be adequately detailed in foreign investment contracts, which must be attached to the application to obtain the foreign investment registration—the authority or competent body is responsible for establishing the conditions for those incentives and benefits.

G. Exchange control restrictions for foreign investors

As mentioned above, there is no exchange restrictions in force. Foreign investors have the right to remit 100% of profits and dividends arising out of their investment after the first fiscal year of making the investment. In cases of force majeure or extraordinary economic situations, the government may reduce the amount of remittances to between 60% and 80% of profits.

They may do so if the investor decides to remit the dividends partially. The difference may be accumulated with profits obtained for up to three fiscal years, following the fines for their remission abroad. Nevertheless, dividends that were not remitted abroad due to force majeure or extraordinary situations declared by the government are exempt from applying the previously outlined provision.

IV. BUSINESS ENTITIES

A. Common business structures

Industrial and commercial activities in Venezuela may be carried out in several ways, ranging from an individual entrepreneur to forms of legal entities.

The Code of Commerce provides the following types of business entities: i) Corporation (Compañía Anónima o Sociedad Anónima); ii) Limited Liability Companies (Sociedad de Responsabilidad Limitada); iii) General Partnership (Sociedad en Nombre Colectivo); iv) Simple Limited Partnership (Sociedad en Comandita Simple); v) Stock Limited Partnership (Sociedad en Comandita por Acciones), and vi) Branches.

In general, there are no restrictions on foreign persons to be shareholders, managers, or directors, except in specific sensitive industries, including television, radio broadcasting, Spanish language newspapers and services in areas that require the participation of professionals whose practice is governed by national laws. Some industries, such as the oil industry or the mining of gold are reserved to state-owned companies. Companies operating in all other sectors may have up to 100% foreign ownership. Such companies may remain as foreign-owned companies indefinitely.

Nevertheless, it is essential to point out that the Mercantile Registry Offices may request a copy of the shareholders' passport and visa (Labor or Business) and often ask for the same documents for at least one of the foreigners appointed as managers or directors.

In stock corporations, shareholders are only liable for the company's acts up to the subscribed capital. However, shareholders can be held responsible for environmental and price regulation matters. In addition, recent decisions from the Supreme Court have pierced the corporate veil in employment matters and other public-interest issues and established that a member of a group of companies is jointly and severally liable in these situations. In general, no minimum or maximum share of capital is required for stock corporations. Shareholders must subscribe to the total capital stock and pay at least 20% by the time of incorporation. Although no minimum capital stock is legally required (other than regulated areas such as financial services), Mercantile Registry Offices tend to require a minimum capital stock of US\$ 5,000 in the equivalent of local currency. Other minimums may apply to specific business areas (such as banking and insurance) due to specific regulations.

Certain tax advantages apply to joint ventures and taxpayers whose income derives from the manufacture of industrial products and agro-industries, tourism, agriculture, and fishing.

B. Establishment of local subsidiary or branch or representative office

Establishing a branch of a foreign company in Venezuela is a simple process. The documents required are the articles of incorporation and bylaws of the company; an abstract of the corporate law of the country or state where the company is incorporated; a resolution of the Board of Directors of the company authorizing the establishment of the branch and stating the capital to be assigned to the branch, and a general power of attorney authorizing a person in Venezuela to carry out the steps necessary to establish the branch. The above documents must be duly legalized or apostilled and translated into Spanish by a Venezuelan certified public translator, registered and published.

Except for the restrictions mentioned above for specific sensitive industries, foreign companies can have wholly owned subsidiaries in Venezuela. The cost of registering a subsidiary or branch office depends on the amount of the registered capital. The registration of subsidiaries and branches takes approximately one month, counting from when all documents are delivered, and capital is transferred to a Venezuelan bank account.

In the banking sector, Representative Offices are permitted in the Banking Institution's Sector Law, serving as an intermediate between their constituents and natural or legal persons who received credits. Representative Offices need authorization issued by SUDEBAN and must fulfill every requirement and formality established by such Superintendence through general rules. The issuance of this authorization can take a few months. The Representative Offices shall constitute and maintain a pledge with a financial institute or insurance company in Venezuela to guarantee the fulfillment of the obligations acquired during its activities.

Commercial law treats branches as local corporations; therefore, branches are authorized to conduct business without limitations other than the legal provisions applicable to companies organized in Venezuela. Branches are not regarded as different or autonomous entities, so parent companies retain total liability for the branch's operations. In terms of liability limits, even though the parent company's capital must be allocated to the branch, the branch's liability is determined by the parent company's capital.

On the other hand, parent companies are only liable for the acts of their stock corporation subsidiaries as shareholders and only up to the subscribed capital. However, parent companies can be held responsible for environmental issues. In addition, recent precedent-setting decisions from the Supreme Court have pierced the corporate veil in employment matters and other public-interest issues and established that group member companies are joint and severally liable in these situations.

The parent company is responsible for tax obligations of branches and representative offices. The local company's tax obligations are the responsibility in what stands for subsidiaries. All profits from stock sales of companies incorporated in Venezuela are subject to taxation. Transfers of stocks made through the stock exchange are subject to a proportional tax of 1% of the price withheld by the stock exchange.

The purchase of an ongoing business or some of its assets is subject to a tax withholding of five percent (5%) of the gross sales price. Tax should be withheld by the purchaser and paid to the national treasury. Tax consequences of a foreign investor are not different from those of a local company.

C. Filing and record-keeping requirements

To legally incorporate a business entity in Venezuela, the law requires registration of the articles of incorporation and bylaws before the Mercantile Registry Office and its subsequent publication in a local newspaper; this process can take approximately one month. Additionally, shareholders must file evidence of payment of the capital contribution.

Failure to fulfill all legal requirements results in the company not being considered legally incorporated. Therefore, shareholders, administrators, and any other person who has acted on behalf of the company will be deemed personally liable for all ventures the company enters. During the operation of the business entity, to have validity against other parties, it is also necessary to record shareholders' decisions.

The registry of a shareholders' meeting minute usually takes one month. There is a registration fee for incorporation of the company of up to three percent (3%) of the capital stock or the capital allocated to the branch, plus administrative fees payable to the Registry Office.

D. Governmental Participation

State-owned companies are constituted according to the norms of Commercial law, in which the State or any functionally decentralized entity, alone or jointly, has a participation greater than 50% of the capital stock. If the shares owned are less than 50% the State is considered a common shareholder with the same economic rights as any other depending on the bylaws of the company; if the shares owned represent more than 50% of the capital stock, the company is considered a State-owned Company. The creation of a state-owned company shall be authorized by decree issued by the President in Executive Cabinet and acquire legal personality with registration in the Mercantile Registry Office.

The Hydrocarbons Organic Act establishes that for primary activities to be carried out by the State *“either directly by the National Executive or through companies of its exclusive property. Likewise, it may do so through companies where it has control of its decisions, by maintaining a participation greater than fifty percent (50%) of the capital stock, which for the purposes of this Law are called mixed companies.”*

The so-called “mixed companies”, created by the Hydrocarbons Organic Law, are incorporated joint-ventures between private companies and the state-owned oil companies. Mixed companies will require the prior approval of the National Assembly for their constitution and conditions to govern the performance on primary activities.

E. Joint Ventures

The most similar to a joint venture in the Venezuelan legal system is a consortium. A consortium is an association of two or more individuals, companies, organizations, or governments (or a combination of all the aforementioned) with the objective of realizing a common goal and working in a unified manner toward the contracting party. The particularity of a consortium is that it does not have a legal personality. A consortium needs to be formalized via registration at the respective Mercantile Registry Office.

Furthermore, the non-incorporated joint ventures are also similar to the “accounts in participation” outlined in the Code of Commerce. The Code defines accounts in participation as one in which a merchant or a commercial company, gives one or more people, participation in the profits or losses of one or more operations of their trade; they can also take place in commercial operations carried out by non-traders. These contracts also require registration at the respective Mercantile Registry Office.

Foreign investors can also enter into joint ventures. It is advisable to provide in detail all the rights corresponding to minority shareholders as there are very few minorities protection provisions in the Code of Commerce. Whenever the joint venture of the investor and the other party’s efforts results in the incorporation of a company, its registration will follow the regular procedure of incorporation of a new company. When the investor already has a company incorporated in the country, it is necessary to file before the Mercantile Registry Office a Shareholders’ Meeting Minute where the joint venture is approved, and its terms.

F. Limited Liability Companies

The Code of Commerce establishes three different companies under the limited liability regime:

1. Corporation (*Compañía Anónima*) is a company in which societal obligations are guaranteed by a specific capital and where the shareholders are only liable for the amount of their shares.
2. Limited Liability Company (*Sociedad de Responsabilidad Limitada*) are those in which societal obligations are guaranteed by a specific capital, divided into participation quotas, which may not be represented in any case by shares or negotiable titles.
3. Limited Partnerships (*Sociedad en Comandita*) are those in which obligations are guaranteed by the unlimited and joint liability of one or more partners, called general partners and by the liability limited to a certain sum of one or more partners, called limited partners; the capital of the limited partners may be divided into shares. The partners of companies of this nature have different obligations and rights, or at least have different integrations depending on the situation and whether seen from the position of a general partner or a limited partner.

Incorporating a limited liability company can take approximately one month, counting from when all documents are delivered and capital is transferred to a Venezuelan bank account. Minimum capital contributions are regulated by the head Registry Authority and vary depending on the purpose of the business entity starting on US\$ 5.000 payable in local currency. Investments may be made in cash or by the capitalization of assets. As previously mentioned, all profits from stock sales of companies incorporated in Venezuela are subject to taxation.

G. Unlimited Liability Companies

Regarding unlimited liability, the Code of Commerce foresees three types of companies that fall under this classification:

1. General Partnerships (*Compañías en Nombre Colectivo*) are those in which the societal obligations are guaranteed by the unlimited and joint liability of all its partners or shareholders;
2. The previously mentioned Limited Partnerships or *Sociedades en Comandita* also fall within the unlimited liability clause since general partners are liable unlimitedly and jointly in their societal obligations; and
3. Sole traders (*firma personal*), are deemed as unlimited liability companies due to the law-established requirement that for the constitution of a sole trader, the trader or merchant must be liable with their assets.

H. Partnerships

The Venezuelan legal system establishes two others mercantile partnerships, cooperative societies, and civil associations. Cooperative associations do not pursue trading or commercial purposes but rather cooperative efforts, distinguished by cooperation between natural persons with socioeconomic motivation.

Civil partnerships are constituted when two or more people agree to contribute toward a common economic goal, achieved without the need to carry out commercial actions or acts subjected to commerce. These can be for-profit or nonprofit. They may or may not have legal personality.

I. Trusts and other Fiduciary Entities

Trusts do not exist in Venezuela as in common law countries, but the equivalent is the *fideicomiso*, recognized as a legal relationship where the grantor transfers one or more assets to a “trustee”, who is obliged to use such assets in favor of a third party called the beneficiary. Transferred assets and those that substitute them cannot be enforced by the trustee’s creditors. Unless otherwise provided in the law, the trustee will only be subject to comply with said assets, the obligations derived from the trust, or its execution; in addition, the trustee could oppose any precautionary or enforcement measures requested by the creditors on the occasion of debts that are not related to the trust or its execution.

The investor can be a grantor or beneficiary but not a trustee. Only banks and insurance companies incorporated in the country can be trustees. They must be authorized by SUDEBAN or by the Superintendency of Insurance Activity.

J. Sole traders

The Venezuelan Commercial Code regulates sole traders (*firmas personales*). These are not considered a company, but it allows a person to develop a particular activity without the need to incorporate a company. The sole trader must be registered before a Mercantile Registry Office. The registration takes approximately one month. There is a registration fee for incorporation of personal commercial companies in the order of approximately USD 500.

The sole trader is personally liable. The creditor can seize their assets under court order for the payment of debts. There is no assigned capital as the sole traders’ assets are the ones of the exclusive partner – i.e., their wealth.

V. CAPITAL MARKETS

Venezuela has a historical tradition and has enjoyed of periods of wide development of its capital markets. Although the growth of the Venezuelan Capital Markets during the last two decades was affected by political decisions and economic measures imposed by the Government, since 2018, the progressive and still ongoing dismantling of the strict exchange control, the issuance of a series of new regulations aimed to promote the national securities market and the authorities' promotion of these activities have provided incentives for companies, financial institutions, investors and other important actors for the reactivation of the Venezuelan capital market. Nowadays, private placement of securities is not regulated by Venezuelan Laws.

The Venezuelan securities market system is broadly regulated in Venezuela and its activities are subject to the strict control and supervision of (i) the Superior Body of the National Financial System ("OSFIN"); and (ii) the Superintendency of National Securities ("NSS"), formerly denominated as the National Securities Commission. Once equity and/or debt securities are registered in the NSS, the issuer has an ongoing obligation to disclose and provide all material information, trading, and financial results to the NSS.

There are four active main stock exchanges in Venezuela: the Caracas Stock Exchange (CSE), the Bicentenary Public Stock Exchange (BPSE), the Stock Exchange for Agriculture Products (Bolpriaven) and the Decentralized Stock Exchange (BDVE). Instruments traded on these stock exchanges include stocks, unsubordinated bonds, commercial papers, promissory notes, and asset-backed securitization, among others.

The CSE and the BPSE had an outstanding growth rate in their numbers since 2018, as Venezuelan investors moved towards these markets as a means to protect their assets. It has become a way for entrepreneurs to find financing and the government has even encouraged it in certain occasions to develop projects.

A. Regulation

The Venezuelan general legal regime on Capital Markets is set forth in the Capitals Market Law and in the regulations issued by the NSS. The Capitals Market Law establishes that issuers of publicly offered securities, brokerage firms, securities brokers, investment advisers, stock exchanges and transfer agents, among others, are subject to the control and supervision of the authorities previously mentioned. The conduction of (i) the public offering of securities; (ii) securities brokerage and intermediation, and (iii) investment advice, which includes the distribution of research reports containing recommendations in connection with the purchase and sale of securities issued in Venezuela or abroad, are restricted activities, subject to NSS's regulations and prior authorization from the NSS.

The Capitals Market Law provides the general guidelines for (i) the organization, function, and attributes of the NSS as the monitoring entity on Stock's matters; (ii) the institutions, corporations and persons obliged to follow the rules set by the NSS and its general obligations; (iii) the Venezuelan stock regime; (iv) the regulation of the National Securities' Registry, and (v) the applicable sanction regime for the non-compliance of the stock regulations.

Public Offerings are defined as any offering addressed through any means of broadcasting or publicity to: (i) the General Public; (ii) Specific Groups, or (iii) Specific Sectors will be considered a Public Offering; hence, an offering originally meant to be private could be considered a Public Offering.

Venezuelan legislation and regulations only establish certain processes and requirements for the Public Offerings of investment products; the Private Placement of these products is not regulated in Venezuela. Thus, the parties wishing to acquire any investment product through the means of a Private Offering will not need to deal with the regulations set by the NSS.

Venezuelan laws and rules on Capital Markets make no distinction between Primary and the Secondary Markets. In the practice, the Primary offers in Venezuela have been through Public Offering, thus following the processes established on those matters by the NSS.

As well as setting the aforementioned criteria, the Venezuelan Capitals Market Law establishes a list of whom may be considered an institutional investor, which would be the following: (i) Securities brokers; (ii) investment advisors to persons or entities; (iii) Stock exchange houses and brokerage firms; (iv) Domestic and Foreign Banks and financial institutions; (v) Insurance and reinsurance companies; (vi) savings banks and funds; (vii) Cooperatives; (viii) The Bolivarian Republic of Venezuela, the Venezuelan Central Bank, state banks and financial institutions, state enterprises and other legal entities under public law; (ix) Foreign governments and foreign central banks; (x) Stock exchange and clearing houses; (xi) venture capital companies; and (xii) those entities governed by the Collective Investment Entities Law and its foreign equivalents.

Recently, the NSS issued a new set of regulations governing the Public Offerings, the Placement and Publication of securities. These new regulations merge the previously scattered set of rules governing the national Capital Markets, which comprises a new strategy upon its organization, and thus the facilitation of the entrance of new capitals and investors to the Securities issuance and investment. Additionally, this new regulation merged the criteria established in Venezuela on Capital Markets.

The Venezuelan regulations establish the possibility of acquiring the following investment products: (i) Shares, (ii) Bonds, (iii) Convertible Bonds, (iv) Bonds backed through mortgages, (v) Commercial Papers, (vi) equity bonds, which are duly defined through the national regulations on Capital Markets. A new innovative investment mechanism for the Venezuelan markets was introduced through this law: promissory notes, whether individually or in investment plans, are developed through this new regulation.

Bonds, securities, shares issued and any other investment mechanism issued through a public offering shall be safeguarded by entities incorporated for those means, and for this purpose, the Custody Entities Act was enacted in 1996; establishing the regulation applicable to the safeguarding entities in Venezuela, their characteristics, possible actions, incorporation and the safeguarding contract characteristics.

Primary Placement of Securities is defined as the process of the initial acquisition of securities directly from the issuer or through an agent selected for this purpose. The Primary Placement of Securities is completely regulated by the Venezuelan regulations issued by the NSS from its beginning through its final delivery to the investor, which comprises a previous evaluation of

the market, the pricing of the securities, whether the issuance would be held directly or through an agent, the contracts to be signed, and its final delivery to the investor.

B. Exclusions from offer document requirements

According to the Capitals Market Law, the requirements of an offer document will be simplified in the case of Small and Medium Enterprises (SME), and the requirement to present an expert opinion issued by a risk rating company could be waived through the same regulation.

Recently, the NSS has issued regulations establishing certain waivers and simplifications on the requirements for Public Offerings in favor of the SME.

C. Takeovers

According to the Capitals Market Law and the Rules on Public Offers to Acquire, Exchange and Take Over of Listed Companies, any person or entity that intends to acquire, complete or increase, in a single or successive acts, either directly or indirectly, ten percent (10%) or more of the capital stock of a listed company (Significant Participation), must comply with the procedures set for a public acquisition offer (OPA for its Spanish acronym), a public exchange offer (OPI for its Spanish acronym), or a public takeover offer (OPTC for its Spanish acronym), as the case may be.

OPA refers to the procedure and regulations applicable to the process of acquisition involving the payment of a determined amount of money as consideration thereof. OPI refers to the procedure and regulations applicable to the process of acquisition involving payment in kind by delivering securities as consideration thereof. OPTC refers to the procedure and regulations applicable to the process of acquisition which intends to reach a political majority in the target company that enables the prospective purchaser to control the decisions of the target company's shareholders meeting, regardless of the consideration offered.

According to the Capitals Market Law and the Rules on Public Offers to Acquire, Exchange and Take Over of Listed Companies, any person or entity that intends to acquire, complete or increase, in a single or successive acts, either directly or indirectly, ten percent (10%) or more of the capital stock of a listed company (Significant Participation), must comply with the procedures set for a public acquisition offer (OPA for its Spanish acronym), a public exchange offer (OPI for its Spanish acronym), or a public takeover offer (OPTC for its Spanish acronym), as the case may be.

D. Private Equity and Venture Capital

Private Equity and Venture Capital are regulated in the Decree with Force of Law on Private Equity Funds and Venture Capital Companies. The purpose of this Decree is to regulate the creation, organization, and operation of Private Equity Funds and Venture Capital Companies. According to this Decree, a Private Equity Fund is defined as a legal entity that acts as an intermediary between potential investors who evaluate investment opportunities in medium- and long-term projects of an innovative nature or linked to companies with high growth and development potential. Similarly, the Decree defines a Venture Capital Company as a legal entity whose corporate purpose includes direct, temporary, and non-permanent participation in innovative projects, companies in formation, or in the capital of companies, under the terms of the Decree.

Pursuant to this Decree, the incorporation of Private Equity Funds and Venture Capital Companies, as provided for, requires prior authorization of the Superintendence of Banking Sector Institutions, and such entities are subject to the supervision of this authority. Likewise, this Decree establishes that only those entities previously authorized by this Superintendence may use the words "Venture Capital Fund" and "Venture Capital Company" in their corporate name.

VI. TAXATION

Generally, all corporate forms are subject to the same taxation system. In Venezuela there is no "tax ruling" procedure. Only a "consultation procedure" to determine if the interpretation and application of some tax rule applied or to be applied by the taxpayer is correct, exists. In case the Tax administration does not answer the "consultation", the taxpayer cannot be sanctioned, in case they would apply the interpretation exposed in the consultation. This does not imply the faculty of tax administration to request the tax difference in case it will not agree with the taxpayer's position, in any time, until the statute of limitations of the tax obligation expires.

Regarding the general anti-tax avoidance system, there is only a prevision in Article 16 of the Organic Tax Code and Article 92 of the Venezuelan Income Tax law that contains a general anti-elusive tax rule that recognizes the faculty of the Venezuelan Authorities to disregard any forms or structures, contracts, and any other juridical procedures or acts, in case they considered that these negotiations or structures have been made for the purpose of avoiding or reducing the tax effects of the business. The decisions of tax authorities based on this faculty will only affect tax implications.

Taxes are calculated on the basis of a referential unit called Tax Unit (TU). One TU equals VES 0,40, which is approximately 0.016 USD at the official exchange rate and its value is updated yearly.

A. Income tax rates/bands

Residents are subject to a progressive income tax rate that ranges from a minimum of 6% for an annual taxable income of up to 1,000 fiscal units to a maximum of 34% for an annual taxable income of over 6,000 fiscal units. Non-residents are taxed with a proportional rate of 34% of their gross income. They are not municipal or regional or state tax rates on income for residents or non-residents.

B. Tax residency

The Tax administration establishes that those who have remained in the country for more than 183 days (continuous) in one year are tax residents. Individuals who exercise public representation functions will also be considered domiciled in the country.

For tax purposes, residence of the individuals is the place where they develop their main civil or commercial activities, also the place where the taxable event takes place. Where there is more than one residence, the tax residence will be chosen by the Tax administration.

Various aspects are considered to determine the tax residency of corporations, such as the address, the place of administration, the main activity or the place of the taxable event. In the case of an entity with a foreign address, the residence of the entity's representative in the country or the place of the main activity, business, or permanent establishment can be deemed as the tax residence.

Any resident entity is subject to taxes on a worldwide basis. Foreign entities performing business activities in Venezuela through a permanent establishment is considered a tax resident. Not domiciled foreign entities are subject to taxes on the territorial source income. The corporation is subject to tax on its worldwide income. The income obtained in the country as well as the income obtained abroad is subject to taxation if the corporation is incorporated or domiciled in Venezuela. Non-domiciled entities with a permanent establishment in Venezuela must pay taxes based on the profits from territorial or extraterritorial sources from such permanent establishments.

C. Corporate Taxation

In Venezuela there is no specific corporate tax, the same rules that regulate natural persons apply to their taxes. However, there are special rules for the following:

1. Value Added Tax (VAT). Companies are obliged to declare when they make sales of movable goods, the definitive importation of movable goods, exports and the provision of services. The tax rate minimum is 8%, up to a maximum of 16.5%. VAT is declared and paid on a monthly basis for general taxpayers and biweekly basis and is paid in the week following the closing for special taxpayers.
2. Tax on Large Financial Transactions (LFT). The taxable event is (i) the debit in bank accounts, escrow deposits or other types of demand deposits, liquid assets and other funds in the financial market realized in banks and other similar institutions; (ii) the assignment of checks, securities, escrow deposits paid in cash and any other negotiable instruments; (iii) acquisition of checks in cash; (iv) lending operations carried out by banks and other financial institutions, among them; (v) the transfer of securities in custody between different holders; (vi) cancellation of debts without the intermediation of the financial system; (vii) debits to accounts that are part of private organized payment systems not operated by the Venezuelan Central Bank; and (viii) debits to accounts for cross-border payments.

The taxable base will be the total amount of each debit with a 2% tax rate. In 2022 this Tax was extended to natural persons, legal entities and economic entities without legal personality, for payments made in (i) foreign currency, or (ii) in cryptocurrencies or (iii) crypto assets other than those issued by the Government of Venezuela, within the national banking system and without the intermediation of a foreign correspondent bank. For payments made to persons classified as "special taxpayers", the applicable rate in those cases is 3% over the amount paid in foreign currency.

3. Income tax is filed and paid on a yearly basis, and it must be paid before 31 March the following year. However, in relation to the estimated tax return, taxpayers who have obtained taxable net income in excess of 1,500 TUs in the taxable year prior to the current financial year shall determine and pay income tax in advance on 80% of the net global enrichment corresponding to the immediately preceding year, proceeding to the

payment of 75% of the amount of the resulting tax, as of the sixth month following the closing of the fiscal year. When filing an estimated tax return, the income tax determined is paid monthly, as an advance payment of the tax payable for the correspondent fiscal year.

Net income is determined by subtracting to gross income, all costs and expenses permitted by law. If the company's net income is:

1. Less than 2,000 tax units (TUs), the rate is 15%.
2. Between 2,000 TUs and 3000 TUs, the rate is 22%.
3. Greater than 3,000 TUs, the rate is 34%.

Income tax applicable on oil and hydrocarbons is 50% and income tax applicable on mines activities is 60%.

The government established the temporary income tax and VAT advance payment regime applicable to special taxpayers. The taxable base of the temporary advance tax is the tax declared the previous week, divided by the working days of the week. The advance tax period is every fifteen days. The advance referred to in this rule is deductible from the final income tax and VAT return. Municipal tax is mostly paid in installments, but the time and methods vary in each case, according to local rules.

D. Branch taxation

In Venezuela there is no specific branch tax. However, branches are considered a permanent establishment and will pay income tax over the benefits attributable to it.

E. Personal Income Tax

Individuals are ordinary taxpayers if they are within the taxable event. This tax is payable during the first three months of the year following the end of the fiscal year. The taxable income is composed of the gross income less the costs and expenses incurred to obtain the enrichment. The rate to be paid will have a maximum of 34% of the tax rate.

F. Withholding taxes

Dividends are subject to a 34% tax, royalties are subject to 34%, over 90% of gross income and interests are subject to a 34% rate or 5% in the case of financial institutions, unless a Double Taxation Treaty (DTT) applies.

G. Double Taxation Treaties

The first DTT signed by Venezuela dates back to 1988 with the Kingdom of Sweden. In 1993 it signed a treaty with the Republic of Italy. In 1997 the Republic signed treaties with Germany, Portugal, Czech Republic, Switzerland and Trinidad and Tobago on income tax, wealth, tax evasion and tax fraud. In 1998 Venezuela signed treaties with the United Kingdom, Norway

and Belgium. More recently, it signed treaties with the United States (2000), Barbados (2000), Indonesia (2003), China (2004), Canada (2004), Cuba (2004), Spain (2004), Iran (2005), Kuwait (2005), Russia (2006), Qatar (2007), Korea (2007), Austria (2007), Malaysia (2008), Vietnam (2009), Belarus (2009) and UAE (2011).

When there are no Treaties subscribed by Venezuela with a given country, the Income Tax Law provides all the mechanisms to be applied. The general anti elusive tax rule entitles the Venezuelan Authorities to disregard any forms or structures, contracts and any other juridical procedures or acts, in case they considered that this negotiations or structures have been made for the purposes to avoid or reduce the tax effects of the business. The decisions of tax authorities based on this faculty will only have tax implications.

H. Capital Gains

Capital gains are subject to income tax in Venezuela as part of the taxable net income, unless a DTT applies. Capital gains obtained by tax resident corporations are taxed as ordinary income. However, capital gains produced by the sale of shares registered in the CNV, with have been traded in the VSE are subject to a flat tax equivalent to 1% of the sale price. The applicable rate is 34%.

There are no municipal or local taxes on capital gains. There is a municipal tax on economic activities that is calculated over gross income obtained for carrying out business or service activities within a municipal territory and is applicable only over ordinary income related to the business activity.

I. Land Tax

The ownership of real rights over urban real estate, as well as the beneficiary of administrative concessions over the same property is taxable by local authorities. The taxable base is considered according to the value of the land and the value of what is built, constructed or installed on it.

J. Stamp Duty

Stamp duty is paid through stamps, stamped paper and in cash to the office for the reception of national funds. The tax rate varies from 0.1 TU to 2,000 TU depending on the act or document subject to tax. These acts or documents issued by public bodies, such as registrations, certifications, quality brands, evaluations, approvals, authorizations, analysis, inspections, sanitary registration, technical reports, trademarks and patents registrations, among others.

Similar to the stamp duty, every document to be executed before a public notary or a registry office, including a mercantile registry or the public registry office in charge of real estate, must pay the corresponding tariff, which are calculated on the basis of Petros (the “cryptocurrency” created by the Venezuelan government), which value varies. These tariffs are usually far more relevant than stamp duty.

There is a registration tariff due upon the incorporation of a company, as well as when registering a branch. Increases of capital are also subject to stamp duties, the applicable aliquot varies depending on the jurisdiction of registering because it is a state tax. Foreign investors may subscribe capital increases in any Venezuelan corporation, providing prior notice of the

transaction to the appropriate agency. Foreign investment after the capital increase may not exceed the maximum proportion allowed by law in the economic sector. There are no registration tariffs due upon the transfer of the company's shares, unless after the transfer of the company's shares, an increase of capital will be decided.

The transfer of stock is not subject to taxation unless a capital gain is verified because of the transaction. A recent decree established a withholding tax (which in fact is an advance payment of the final income tax determined when the yearly income tax return is filed) for all sales of stock not made through the stock exchange. Gain on the sale of shares of a company incorporated in Venezuela is taxable irrespective of the domicile of the seller and purchaser or the fact that the sales contract is executed outside Venezuela. Gain on the sale of shares of an offshore holding company is not subject to Venezuelan income tax, even if the only assets of the offshore holding company are the shares of the Venezuelan company. Transfer of stock made through the stock exchange is subject to a withholding tax of 1% of the selling price, independent of any capital gain.

The Shareholder's Meeting Minute where the transfer of shares is decided or informed must be registered before the competent Mercantile Registry Office. The transfer of shares must also be registered in the company Shareholders' Book and finally, the tax authority shall be notified. In the case of the purchase of an ongoing business or all or substantially all its assets: five percent (5%) of the gross sales price must be withheld by the purchaser and paid to the treasury. In order to avoid the transfer of liability of debts of the seller, notice of the bulk sale must be published three times at ten-day intervals both in a local newspaper of the place where the seller carries on business and in a national daily newspaper. The document evidencing the transaction must be filed at the Commercial Registry. The Shareholder's Meeting Minute where the transfer of corporate assets is decided or informed must be registered before the relevant Mercantile Registry Office. After the incorporation of a business organization, several requisites must be fulfilled, such as: registration with the Venezuelan Internal Revenue Service in order to obtain a tax ID number (RIF); classification of the company by the appropriate agency; and registration of the foreign investment with the appropriate agency, when applicable.

K. Inheritance and Gift Tax

The *inter vivos* transfers and inheritance are taxed individually based on their relationship with the deceased. Both personal and real property rights and actions located in Venezuela are subject to inheritance tax. The same tax rates and tax treatment apply to both inheritance and/or gifts. The gift tax is generated by the act of transferring assets and other rights free of charge to a beneficiary which accepts such gift.

The following assets are deemed located in Venezuela:

1. Shares, obligation and securities issued in Venezuela and abroad by companies incorporated or domiciled in Venezuela.
2. Shares obligations and securities issued abroad by foreign companies when these are held by individuals domiciled in Venezuela.
3. Rights or actions over assets or property in Venezuela.

4. Personal rights or obligations where the legal bases arose in Venezuela.

The tax rates on both inheritance and gifts range from 1 to 55 % of the estate to be transferred in the inheritance or the amount of the *inter vivos* gift. The taxable basis is the fair market or economic value of the assets transferred.

Estates inherited from ascendants, spouse, adoptive parents and adopted children under 75 TU are exempt from tax. A tax credit is available in the case of inheritance tax, which varies from 5 to 40 % of the tax due on each distributed share where the total tax does not exceed 250 TU, depending upon the relationship of the beneficiary or legatee with the deceased.

The following assets are excluded for the purposes of inheritance tax:

1. House that has served as the permanent dwelling for the deceased's family and is transmitted for the same purpose to ascendants, descendants, spouse, and adoptive parents or children.
2. The amounts received from labor benefits or indemnities, insurance contracts and those paid by mutual assistance or widow/orphan pension funds provided they are paid because of the deceased's death.
3. The deceased's books, clothing and personal utensils, and furnishings; not included in this exemption are jewelry and art constituting valuable collections, nor the files that, in the opinion of the government, are of historic value.

In the case of inheritance tax, the tax return must be filed within 180 days after the death and the payment of tax must be done at that moment. Tax returns must be filed with a description of all personal assets of the deceased. The value of the assets will be considered at the time of death. In the case of gifts, fiscal authorities must be informed of the intention to gift and the related taxes must be paid before the formalization of the act before the competent authorities.

L. Value added tax

Value added tax (VAT) is based on the price for the sales of import of goods and services. The input tax is creditable against the output tax. "Tax debit" (output VAT) invoiced by the taxpayer within the tax period will be reduced by subtracting "Tax credits" (input VAT). When the taxpayer carries out exempted and taxed activities, "Tax credits" will be proportionally creditable to obtain the amount payable.

The rate is set out in each year's Budget Law, which is approved before December 15th of each year based about public finances, and ranges from 8% to 16.5% of the sales price; currently the rate is 16%. The sales and imports of essential goods for human consumption, determined by the government by decree, are exempt (food, vehicles destined for public transportation, medicines, health services, educational services). VAT is determined monthly; tax return will include taxed and exempted activities. Export activities are taxed at 0%.

The filing and payment of VAT must be done in the formats duly authorized by Tax Administrations Authorities, through the mechanisms and systems created by tax authorities. Online procedure to filling and paying VAT and to file and paid withheld VAT is available to some categories of taxpayers.

M. Filing and Payment Requirements

While value added tax returns must be filed monthly, income tax is paid annually, and taxpayers have a term of three months from the end of their fiscal year to file income tax returns and to pay income taxes.

Income tax is paid annually (in exemption of the estimated tax return, and temporary VAT advance payment regime -established in the Constituent Decree that establishes the temporary Income Tax and VAT), but the rest of taxes are mostly paid in installments.

N. Miscellaneous Taxes Due

There is a municipal business license tax, which is a tax applied by local governments to commercial or industrial activities carried out within their jurisdiction.

A contribution for technology and science applies to entities with gross revenues over 150,000 higher exchange rate of the higher valued foreign currency, at a tax rate of 0.5%, 1% or 2% depending on the activity carried out by the taxpayer. There is another contribution set for the in the anti-drugs law and the contribution set forth in the sport activities law.

Generally, other tax contributions are filed and paid on a yearly basis, some at the same time of filing and payment of income tax. Specific kinds of taxpayers may be required to file and pay taxes at special times and conditions.

O. Social Security and Welfare System Contributions

Employees must pay the following contributions:

1. INCE: 0.5% of annual profit-sharing bonus.
2. Social security: 4% of monthly salary.
3. Unemployment: 0.5% of monthly salary.
4. Housing Policy Law. 1% of monthly salary.

Employers must pay the following:

1. INCES: 2% of the payroll every three months.
2. Social security: between 11% and 13% of each employee's monthly salary.
3. Unemployment: 2% of each employee's monthly salary.
4. Housing Policy Law: 2% of each employee's monthly salary.

P. Special Tax Schemes

There are no consequences of doing business in the country under a special tax scheme. General tax obligations apply for local and foreign entities. Unless there is a DTT applicable in which case there would be benefits and tax reduction applicable to avoid double taxation.

Q. Treatment of Tax Losses

Corporate tax losses can be carried forward for a three-year period, however adjustment by inflation losses cannot be carried forward.

R. Wealth Tax

The Constituent National Assembly established the Large Estates Tax Law, which will levy the net equity of qualified passive subjects as special taxpayers when it is equal or higher than 150.000.000 TUs for individuals and corporations. It is applicable to domiciled and non-domiciled special taxpayers.

For Venezuelan residents all assets and rights located in the country or abroad. For nonresidents assets and rights situated and/or that can be used or profited from in the country. This is, according the normative, the real rights constituted over immovable property located in the country, ships, aircrafts, vessels, navigational accessories and motor vehicles with national registration plates, as well as the referred to foreign registration plates; as long as they have remained effectively in the country for the least 120 continual or discontinuous days during the period of imposition, ownership, shares, allowances, social participations, security titles, social capital or equivalent, issued by Venezuelan societies and possessions expressed in precious stones, minerals, works of art and jewelry. The tax becomes chargeable on September 30th of each year, and it would be levied annually on the value of net equity at the close of each period.

The filing and payment requirements must be made within the terms and under the rules and modalities established by the tax administration, this is in the month of November and under the formats provided on the tax portal.

Will be exempt from the payment of the tax foreseen in the regulation: (i) The Republic and other territorial entities; (ii) the Central Bank of Venezuela; (iii) decentralized entities; (iv) principal residence registered; (v) the household linen; (vi) social allowances and any other Laboral benefits; (vii) assets and rights of the common property; (viii) assets invested in livestock, agricultural, aquaculture, fish farming and fishing activities as long as they are the principal activity of the taxpayer and executed on primary level; and (ix) the proper work of art from artists, and (x) those assets located in the country belonging to foreign diplomatic and consular missions, to the extent and with the limitations established by the applicable International Conventions and considering the conditions of reciprocity.

The value attributable to urban or rural real estate located in the country shall be the greater value resulting from the application of any of the following parameters: (i) The value assigned in the municipal cadaster; (ii) The market value; and (iii) The value resulting from updating the acquisition price, in accordance with the rules issued by the Tax Administration for this purpose. The value of real estate built or under construction shall be added to the value of the land, according to the previous methods, except in the case of constructions on land owned by third parties, in this case it will be determinate by the value of the project of construction.

S. Withholding Taxes

There are no special rates applicable for foreign corporations. The general progressive tariff from 15% to 34% is applicable.

VII. TRADE REGULATION

In addition to the foreign trade regulations in force explained above, Venezuela has in place regulations derived from its participation in the WTO and in regional integration agreements.

In connection with the commercial activities, must be considers the antitrust law and consumer law. In the case of specific sectors (telecom, banks, energy and others) there are additional sectorial regulations.

A. Anti-Trust laws

The competition issues are treated in the Venezuelan Constitution of 1999 and the antitrust is regulated under the provisions of the Antitrust Law, both established the general framework for each matter, and both are the current applicable laws. The Antitrust Law is applicable to all natural and legal persons, public or private, national or foreign, profit-seeking or nonprofit, who realizes economic activities in the country.

The law is not applicable to:

- i. The organizations of the people's power governed by the Organic Law of the Communal Economics' System.
- ii. The public or mixed corporations with strategic activities.
- iii. The government corporation that provides publics services.

B. Consumer protection laws

Consumer protection is regulated by the Law of Fair Price, focused on the mechanisms for calculating prices. In that sense, selling goods at higher prices are prohibited. The traditional consumer rules are very limited and only is establish the prohibition to sale expired products, the imposition of abusive conditions or false advertising to consumers.

C. International Trade

1. Customs regimes of importation and exportation

The customs import and export regimes are governed by the Decree with Range, Value and Force of Organic Law of Customs ("LOA") and its regulations. Importation is the introduction of goods into the national territory, for their use and definitive consumption in the country, upon payment of the taxes caused by the entry of those goods into the country, and in compliance with the formalities and procedures in front of customs authorities. On the contrary, exportation is the exit of goods from the national territory, for use and consumption abroad, subject to compliance with formalities and procedures for that purpose.

2. Legal regimes applicable to the import and export of goods

In this regard, the entry or exit of goods may be subject to certain restrictions, and depending on the tariff code, a product may be subject to the presentation before the Venezuelan Customs Authority of a certificate, license or import permit or registration, as applicable.

3. Classification and valuation of goods

After the importer or exporter determines the product to be imported or exported, the classification and valuation may be requested from the Value Management or Tariff Classification Management of the National Integrated Service of the Customs and Tax Administration (“SENIAT”), as applicable. It is important to mention that this application is not mandatory: it only serves as a basis for the importer or exporter to support its customs operations when a product raises reasonable doubts as to its valuation or Tariff code.

If the importer or exporter has no reasonable doubt, he may contact his Customs Agent, who is the person authorized to act before the custom authority on behalf of the consignee or importer of the goods, to carry out the procedures on his/her behalf and perform the import or export customs procedures, as the case may be.

It is important to mention that the custom authority performs customs control functions while the goods are in and outside the customs zone in subsequent customs control functions. The custom authority may make adjustments to the customs value or reject the method of determination of the transaction value, object the tariff classification of the product, or any other aspect related to the declaration of the goods.

4. Customs nationalization and export procedure

a. Formal nationalization process:

1. The importer, through the Customs Agent or Agency, shall register through the Automated Customs System (“SIDUNEA”), the Advance Declaration of Information (“DAI”) for the entry of goods: (i) within no more than 15 and 1 day, before the arrival of the goods, in case of imports by air or land, and (ii) within no more than 15 and 2 days, before the arrival of the goods, in case of imports by sea.
2. After the arrival of the goods in the country, the importer must make the Declaration of Value (“DVA”) and will have 5 working days to register the single customs declaration (DUA for its Spanish acronym). If the importer fails to register the DUA timely, a fine will be imposed, and the goods will pass to the status of legal abandonment if the importer does not declare the goods within the next 30 days.
3. The documents necessary for the importation and nationalization of goods before the customs authorities are: (i) final commercial invoice; (ii) original Bill of Lading or Air Waybill; and (iii) any other documents required according to the type of goods—i.e., customs export regimes referred to in point A.1.
4. After the importer registers the DUA, the applicable taxes must be paid: (i) the Import tax or ad-Valorem Tariff set out in the customs tariff which, depending on the good and

its tariff code, ranges from 0% - 35% of the price of the goods; (ii) rate for determination of the customs procedure equivalent to 1% of the price of the goods; and (iii) the VAT.

5. The Agent or Customs Agency registers the payment in the SIDUNEA system, and that system yields a channel of selectivity for the recognition of the goods in the warehouses guarded by the customs authority.
6. Once the recognition is completed, the official may authorize the release of the goods.

b. Formal export process:

1. The exporter shall register the export declaration in the SIDUNEA system no later than 5 business days following the date of entry of the goods into the storage area through its Agent or Customs Agency.
2. The documents required for export are: (i) final commercial invoice; (ii) the documents required according to the type of goods. and (iii) copy of the Bill of Lading or Air Waybill.
3. In addition to the documents required in the previous point, the exporter must obtain, depending on the type of product: (i) an export permit for goods subject to the statutory regime No. 4; (ii) certificate of free sale and consumption; (iii) phytosanitary protection certificate; (iv) zoo-health certificate; (v) domestic demand satisfied for exportation certificate; (vi) certificate of analysis for food exports; (vii) certificate of origin; (viii) pharmaceutical products certificate for medicinal products; (ix) authorization to export coffee or cocoa in grains; (x) permit for the export of forest products; (xi) export permit for fishery products; and (xii) sanitary certificate for fishery products.
4. Export transactions are not subject to the Ad-Valorem Tariff, nor are they subject to the payment of 1% of rate for determination of the customs procedure or VAT.
5. The recognition of the goods may be carried out, both in the warehouses of the customs area, or before, in the private warehouse of the exporter with a prior authorization to carry out the on-site recognition from the head of the customs export office.

5. General vehicles import regime

Depending on the type of vehicle and its tariff classification, prior to arrival in the country, the importer shall process one or all of the following requirements in accordance with Article 21 of the Customs Tariff for nationalization: (i) Import License administered by the Ministry for trade; (ii) Registration Certificate of Venezuelan Standard COVENIN; or (iii) Registration Certificate of Technical Regulations. Additionally, a special vehicle import regime is currently in place, for imports made without commercial purposes.

6. Export Prohibited Products

The export of the following material is allowed only with the prior approval of the Executive Vice President of Venezuela: waste and scrap metal, ferrous, aluminum, copper, iron, bronze, steel, nickel or other types of metal, naval, aeronautical, electrical and electronic scrap, in any condition; as well as non-metallic solid waste, optical fiber and secondary fiber, product of the

recycling of paper and cardboard, which for the purposes of the regulations are called “strategic material susceptible to recycling”.

7. Temporary exemption from the filing of certain legal regimes applicable to exports

A temporary regime for the optimization and dynamization of exports is in force until June 2023. In this regard, at the time of export, the filing to the Customs Authorities is exempted, as applicable to the type of product according to the Customs Tariff, of: (i) Legal Regime No. 4 "Permit of the Ministry of People's Power with competence in matters of Industries"; (ii) Legal Regime No. 14 "Permit of the Ministry of People's Power with competence in matters of Food"; (iii) Legal Regime No. 18 "Permit of the Ministry of People's Power with competence in matters of Fishing and Aquaculture", (iv) and the authorization to export coffee beans and cocoa beans.

8. Single Window for Foreign Trade (VUCE)

The operation of the Foreign Trade Single Window (VUCE) was implemented in 2021 to serve as an integrated system of trade facilitation, which will streamline and centralize the procedures related to foreign trade. In this system, it will be possible to manage and receive the formalities related to foreign trade and the permits required in this area, centralizing the management of the transit or exit of goods from the national territory, exports and foreign investments in a single electronic system.

9. Product labelling requirements

Domestic or imported products commercialized in the country shall have a label or sign, tag, packaging or wrapping, or container with the name of the product, net content expressed in units or in units of the corresponding decimal metric system, identification of the main components of the product, alerts of warnings about the scientifically proven risks of consuming that product, to the personal health and the environment, expiration date, country of manufacture, manufacturer's direction and conservation requirements. Imported products that do not contain the labelling information in Spanish must include an additional label with information mentioned. Food, clothing and footwear have particular labeling rules.

10. Anti-dumping laws

The Marrakesh Agreement that created the World Trade Organization (“WTO”), incorporated several rules into the Venezuelan legal system, including anti-dumping or unfair competition rules.

As for domestic law, it is in force the Unfair Practices of International Trade Law, which provides that when a product its subject of dumping when imported or during the process of importation into the country or has received subsidies, it may be subject to the payment of anti-dumping or countervailing duties, as the case may be, provided that it cause or threatens to cause material damage to domestic production of similar goods. In addition, anti-dumping or countervailing duties shall not exceed the margin of dumping or the amount of the subsidies.

In that order, there is also the Regulation of the Unfair Practices of International Trade Law. The regulation provides that anti-dumping or countervailing duties shall apply irrespective of

customs duties and other levies on the importation of goods into Venezuela, and their payment shall be borne by the consignee. In addition, it regulates the formalities for the calculation of the anti-dumping or countervailing duties.

11. Trade Agreements

Venezuela is member of the following integration agreements and schemes:

1. General Agreement on Tariffs and Trade (“GATT”), member since August 31, 1990, and of the WTO since January 1, 1995. As is known in the world, the WTO promotes international trade operations in an environment of unfettered, unhindered competition and promoting the free movement of goods around the world.
2. Latin American Integration Association (“LAIA”), created through the Montevideo Treaty of 1980. It is a system that promotes economic integration among Latin American countries, establishing the fundamental rules for member countries within that treaty, to conclude both regional and far-reaching agreements regarding customs, trade promotion, reciprocal tariff preferences and other subjects.
3. MERCOSUR is an integration scheme of which Venezuela is a state party, although Venezuela is currently suspended, both for matters related to the incorporation of its rules into Venezuela's legal system, and for the application of the so-called “Democratic Clause” (Ushuaia Protocol).
4. World Customs Organization (“WCO”), formerly known as the Customs Co-operation Council, is an international body whose purpose is to promote the efficiency of customs administrations, contributing to economic well-being and social protection of their members.

Under LAIA, Venezuela has entered into the following agreements for the establishment of tariff preferences and the elimination of non-tariff restrictions:

1. Partial Scope Agreement No. 20, signed between Venezuela and Trinidad and Tobago.
2. Partial Scope Agreement No. 22, signed between Venezuela and Guyana.
3. Partial Scope Agreement No. 23, signed between Venezuela and Guatemala.
4. Partial Scope Agreement No. 25, signed between Venezuela and Nicaragua.
5. Partial Scope Agreement No. 26, signed between Venezuela and Costa Rica.
6. Partial Scope Agreement No. 27, signed between Venezuela and El Salvador.
7. Partial Scope of Commercial Nature Agreement No. 28, signed between Colombia and Venezuela.
8. Regional Agreement. AR.PAR No. 4, signed between Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, México, Paraguay, Perú, Uruguay and Venezuela.

Other agreements signed under LAIA:

1. Partial Scope Agreement No. 16, signed between Venezuela and Honduras, which aims to strengthen and energize trade flows through the granting of tariff preferences.
2. Agreement on Trade and Investment No. 24, signed between Venezuela and the Caribbean Community (“CARICOM”), whose purpose is to strengthen economic and trade relations.
3. Economic Complementation Agreement No. 40, signed between Cuba and Venezuela, whose objectives are to facilitate, expand, diversify and promote trade between the parties and all associated operations thereof.
4. Economic Complementation Agreement No. 59, between Argentina, Brazil, Paraguay and Uruguay, members of MERCOSUR, and Colombia, Ecuador and Venezuela, members of the ANDEAN COMMUNITY (“CAN”), which aims to establish the legal and institutional framework of cooperation and economic and physical integration, to contribute to the creation of an expanded economic space, aimed at facilitating the free movement of goods and services and the full use of productive factors, under conditions of competition between the contracting parties.
5. Partial Scope Agreement No. 63, signed between Uruguay and Venezuela, by which Venezuela grants Uruguay total tax relief for a group of products of its exportable offer.
6. Partial Agreement No. 64, signed between Paraguay and Venezuela, by which Venezuela grants Paraguay total tax relief for a group of products of its exportable offer.
7. Partial Scope Agreement on Economic Complementation No. 69, signed between Brazil and Venezuela, laying down the provisions on trade release that will regulate trade between the two countries during the process of incorporating Venezuela into MERCOSUR.
8. Partial Scope Agreement on Economic Supplementation No. 68, signed between Argentina and Venezuela, laying down the provisions on trade release that will regulate trade between the two countries during the process of incorporating Venezuela into MERCOSUR.
9. Economic Complementation Agreement No. 23, signed between Chile and Venezuela, through which an expanded economic space is established.

12. Other Agreements

1. Trade Development Agreement between Venezuela and the Republic of Turkey, whereby both parties grant each other preferential access in accordance with the provisions of the Agreement and in conformity with Article XXIV of the General Agreement on Tariffs and Trade (GATT 1994).
2. Agreement for the Constitution of the Economic Space of ALBA-TCP (ECOALBA-TCP), concluded between Bolivia, Cuba, Nicaragua and Venezuela, whose purpose is to constitute the economic space ECOALBA-TCP, as an economic zone of shared

development, aimed at consolidating an alternative model of economic relations to strengthen and diversify the productive apparatus and commercial exchange; as well as to establish the bases for the bilateral and multilateral instruments that both parties subscribe in this matter.

13. UN Convention for the International Sales of Goods

Venezuela hasn't signed the United Nations Convention on Contracts for the International Sale of Goods, however, the rules contained in that convention may be used as a reference for the development of international sales contracts, and their provisions may be incorporated into those contracts as a generally accepted principle in international trade.

VIII. INTELLECTUAL PROPERTY

The relevant legislation regulating IP matters include:

1. Constitution of the Bolivarian Republic of Venezuela (1999).
2. Intellectual Property Law (1955).
3. Law on Copyright (1993).
4. National Cinematography Law.
5. Statutory Deposit Law.
6. Law on Books (1997).
7. Law on Information Technology (2005).
8. Law on the Protection and Defense of Cultural Heritage (1993).
9. Law against informatics crimes (2001).

Treaties subscribed:

1. Agreement on Trade-related Aspects of Intellectual Property Rights, commonly known as TRIPS.
2. Bern Convention for the Protection of Literary and Artistic Works.
3. Paris Convention for the Protection of Industrial Property.
4. Universal Copyright Convention of April (1966).
5. Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Reproduction of their Phonograms (1982).
6. Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of September 1995.

7. WIPO Copyright Treaty (WCT) of December 2004 (this treaty has not yet been ratified); WIPO Performances and Phonograms Treaty (WPPT) of January 2005 (this treaty has not yet been ratified).
8. Convention on the Protection and Promotion of the Diversity of Cultural Expressions 2005 (28 August 2013).
9. Convention for the Safeguarding of the Intangible Cultural Heritage (12 July 2007).
10. Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (2005).
11. International Plant Protection Convention (2005).
12. International Treaty on Plant Genetic Resources for Food and Agriculture (2005).
13. Kyoto Protocol to the United Nations Framework Convention on Climate Change (2005).
14. Cartagena Protocol on Biosafety to the Convention on Biological Diversity (2003).

A. Trademarks and service marks

Further to Venezuela's withdrawal from the Andean Community, on April 22, 2006, our Industrial Property Act of 1955 went back in force instead of Decision 486 of the Andean Community. Trademark matters remain regulated under this legislation. According to our IP law, distinctive words and signs and combinations thereof that can be graphically reproduced can be registered as trademarks, including numbers and numerals.

Venezuela is also a signatory to several international treaties that are directly or indirectly related to intellectual property, including the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Exclusive trademark rights are granted only by registration. Holders of registered trademarks may be able to prevent the registration of similar trademarks by filing an opposition to the application. The Venezuelan Patent and Trademark Office (SAPI) may deny an application based on the existence of prior similar application.

Use is not required either to file or grant a trademark; like most civil law-based trademark systems, Venezuela is a first-to-file jurisdiction. However, according to the Industrial Property Act, use may be required in two cases:

1. When a non-use cancellation action is filed, and
2. In case of an opposition based on a "better" right -this procedure, set out in the Industrial Property Act, allows for the filing of an opposition based on notoriety or prior use.

There are no restrictions as to who may file a trademark application. National and foreign individuals, including legal entities, may file trademark applications. In addition, an application

may be filed by joint applicants. For filing purposes, the following information must be included for each applicant:

1. Name and address.
2. Nationality and if the applicant is a legal entity, place of incorporation, and
3. Name and address of the applicant's legal representative if it has one (required when the applicant is a foreign individual or corporation).

A power of attorney, duly signed by the applicant and notarized and certified by apostille or legalized by a Venezuelan consulate, is required to act as a legal representative. Trademark applications are most commonly rejected where the trademark for which registration is applied for is: (i) descriptive, generic or both; (ii) similar to a prior trademark application or registration; (iii) deceptive (i.e., with respect to its place of origin); (iv) comprises only a color; (v) contrary to morals and public order; or (vi) a trade name, where the applicant is an individual and not a company.

Trademark registration affords protection throughout a fifteen (15) year term, which may be renewed for subsequent equal terms. In order to obtain the renewal of a registration, the interested party must file the request within six months prior to expiration of the respective term.

1. Remedies available

In Venezuela, there are no specialized courts for trademark infringement. Nevertheless, Intellectual Property infringement cases are tried by the first-instance courts for civil and commercial matters, which have jurisdiction to decide such matters. These courts may issue a wide range of injunctions to safeguard legal rights, provide that irreparable harm can be proved.

Precautionary measures may also be applied before the commercial court, which allow the claimant to stop the infringement immediately, preventing the defendant from using the trademark until a final decision has been issued.

In order for the court to dictate precautionary measures, the claimant must demonstrate that there is a real risk, and that the final decision may not be enforced. The claimant must prove its claim and the fact that continuance of the infringement could cause serious damage. If the judge considers that the situation is adequately proved, he or she can order such preventive measures accordingly.

The merits of the claim are not directly linked to the measures ordered by the court. If the judge decides not to order measures, this does not mean that the claimant cannot obtain a favorable final decision. Nonetheless, for the duration of the process, if there is no precautionary measure, the other party can continue to use the contested trademark.

2. Civil Damages (including general and punitive damages), an award of profits, or other monetary relief (related to all intellectual property rights)

The enforcement of trademark rights can be sought through both criminal and civil jurisdictions. Border enforcement mechanisms are also available. The most common way to proceed is through the commercial jurisdiction, as it entails less liability for the claimant. In order to succeed in civil proceedings, it's better if a valid trademark registration exists.

3. Criminal actions

The procedure must be initiated by the owner of the infringed trademark. The investigation is conducted by the Prosecutor's Office and the competent police department. If the offender cannot submit evidence of authorization or a license granted by the trademark holder, the office may seize the infringing products.

The public prosecutor will initiate an investigation in order to obtain enough evidence to prosecute the alleged infringer before the criminal courts. Before prosecution, the parties may execute compensatory agreements in which the infringer acknowledges that an infringement has been committed and promises to desist from such illicit activity.

B. Copyright and design

The legislation in force is the Copyright Law, implemented in 1993. The legislation regarding copyright is enforced by the Ministry for Trade through the Copyright Direction of the Autonomous Service for Intellectual Property (SAPI). Venezuela has signed the Berne Convention for the Protection of Literary and Artistic Works and the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention).

C. Patents

Since October 2020, the TRIPS is being directly applied. This has allowed the granting of patents, even in sectors prohibited by law, such as the pharmaceutical industry. As for the validity of the exclusive rights granted by the patent, these would last for 20 years from the granting of the patent.

D. Passing off and enforcement

Passing off can be enforced both before the Competition Authority or the commercial courts. By giving notice to the competition authority, the proceedings will be conducted by the authority without the need of intervention by the claimant, who is allowed to participate and produce evidence. The sanction would be a fine and the competition authority is entitled to impose any order on the offender.

The proceedings before the courts will depend on the arguments and evidence produced by the parties and the court will impose an order to pay damages and to stop the illegal conduct.

E. Confidential information

Regarding confidential information, there is no regulation on this matter in Venezuela. The only normative that provides protection to confidential information in the Venezuelan jurisdiction is the Constitution.

Provided by the article 60 of the Venezuelan Constitution, honor, private life, intimacy, confidentiality and reputation of a person are entitled to protection by the law. Furthermore, this provision also states that the law shall limit the use of informatics to protect those rights, and their development by the people.

Regarding matters of confidential information in Intellectual Property rights, this normative could be the only one that could be enforced to protect said confidentiality.

IX. LABOR AND EMPLOYMENT

The law that governs the employer/employee relation is the Organic Labor Law (LOTTT from its Spanish acronym). This law provides general guidelines for the protection of work and of employees. The law provides the statutory minimum benefits such as vacation leave and vacation bonuses, year-end bonuses, overtime surcharges, as well as collective bargaining rights.

A. Legislative protections

Regarding the employment of foreigners, the applicable Law provides that foreign employees shall not exceed 10% of the total work force in any business.

The weekly working time shall not exceed five days a week and the employee will be entitled to two days off, continuous and paid during each week of work.

The workday has the following limits:

1. Day shift: 5:00 a.m. to 7:00 p.m. It shall not exceed 8 hours per day or 40 hours per week.
2. Night shift: 7:00 p.m. to 5:00 a.m. It shall not exceed 7 hours per day or 35 hours per week.
3. Mixed shift: It shall not exceed 7 and a half hours per day or 37 and a half hours per week.

When the worker reaches a year of service uninterrupted it will enjoy a period of fifteen working days of paid vacation leave. The worker shall be entitled to an additional paid day for each year of service up to a maximum of an additional fifteen working days. The employer may grant collective holidays by suspending activities for a number of days per year. Those days will be discounted from the worker's annual vacation leave. The employer must pay the worker on the opportunity of the vacation, a special bonus equivalent to a minimum of fifteen days of salary plus one day for each year of service up to a total of thirty days of normal wage. The Organic Labor Law provides that employee sickness will be considered as a justified cause for absence to work.

The Organic Labor Law does not contemplate a minimum of employees to be hired by the employer. The Labor Law also does not contemplate a minimum number of hirings, notwithstanding, it is important to note that employers are required to hire a number of nationals equivalent to at least 90% of its staff. The Organic Labor Law contemplates that certain positions in the company that must be held by Venezuela nationals such as: Head of the Industrial Relations, Ship and Aircraft Captains and positions with similar functions.

B. Unions

Unions are recognized in Venezuela. Industries such as Oil, Construction, Pharmaceutical, Manufacturing, among others, have established unions and a mandatory Collective Bargaining Agreement. Most unions have political affiliations. There is no obligation on the part of the employer to organize unions.

C. Termination rights

The Organic Labor Law as well as the Law of Special Protection Against Termination, provide that all the employees except for executive management employees or seasonal employees may not be dismissed without an approval through a proceeding in the Labor Inspector Office. In this sense, all the dismissal must be justified according to the specific provisions established in the Organic Labor Law and Employees.

If the Labor Inspector Office concedes its approval for the dismissal, the employer must only pay the employee its seniority and pending labor benefits. Notwithstanding, without the approval of the Labor Inspector Office, an employee who has been dismissed may file for reinstatement before the Labor Inspector Office or request an indemnity for unjustified termination equivalent to the total amount of the applicable seniority benefits accruals.

D. Redundancy entitlement

According to the Organic Law of Work and Workers, in case of unjustified dismissal, the worker must be compensated for an equivalent of the total amount of its seniority benefits accruals.

E. Employing an overseas person (visas)

Foreign employees must have a work permit and a work visa. Work permits are granted by the Ministry of the Popular Power for Work's Social Process and the work visa is granted by the Ministry of the Popular Power for Justice, Peace and internal relations. The process for obtaining a labor permit can take between 3 to 4 months. There are no fees involved in the process before the competent authority.

F. Compulsory superannuation

It is optional for the private industry establish a compulsory superannuation by his own regulations, but it is mandatory for the public administration, and it is established in the Decree-Law for Superannuation and Pensions of Workers of the Public Administration National, Estate and Municipal, this Decree applies the private companies with at least 50% of the participation for the Venezuelan Estate.

This public worker will be eligible for the superannuation when they turn 60 years old for men and 55 years old for women and have 25 years of service; or when have 35 years of service regardless of age.

G. Workplace safety laws

All companies must follow the Organic Law for the Prevention, Conditions and Labor Environment (known as LOPCYMAT, from its Spanish acronym). This law establishes mandatory safety and health regulations and requires employers to train employees with respect to occupational safety and health.

H. Worker compensation

According to the Organic Law for the Prevention, Conditions and Labor Environment, in case of work accident or labor sickness, previously certified by the National Institute for the Preventions of Working Conditions and Environment (known as INPSASEL, from its Spanish acronym), the worker must be compensated, but the amount may vary in function of the incapacity degree.

I. Pay Equity

The Organic Labor Law provides for gender equality between men and women and their right to have equals opportunities to get a job, promotions, payment and responsibilities to manage work. The Law also contemplates the protection in cases of sexual harassment and workplace harassment.

X. IMMIGRATION

Foreigners are required to have a visa to travel to Venezuela. According to the type of travel, there are different types of visas:

1. Tourist Visa: The tourist visa will be issued to that who wants to enter into the country with recreation and health purposes or activities that not involves any kind of benefits, like cultural, artistic, scientist, sports, contact with national corporations or persons of public or private sector, or journalistic contact for specials events.
2. Business Visa: Will be issued to merchants, businesspersons, legal representatives and small business owners, not migrant who wants to enter into the country to carry out activities and/or trade transactions or another legal activity related with his business.
3. Student Visa: Will be issued to non-migrants, who wants to enter the country to carry out university or technical studies, postgraduate or make an internship program.
4. Visitors with Fixed Income (produced outside Venezuela) Visa: Will be issued to persons or legal representatives, who has established the contacts (proved through credible document) and the investment which has been accepted by the competent Venezuelan official bodies.

5. Family Visa: Will be issued to the spouse, children under eighteen, parents and parents in law, after proving the family relationship and economics' dependency with the holder of a work visa.
6. Religious Visa: Will be issued to representatives of any religion, no migrants, when they come to Venezuela in their religious character.
7. Work Visa: Will be issued to the foreign worker who enters to the country to work in a corporation, with previous authorization, requested by the corporation, for the Administrative Service of Identification, and Migration Affairs (SAIME). This type of visa will be not issued to artists, foreign journalist and athletes.

The national from the following countries are exempt from stamping a tourist visa to enter Venezuela:

Andorra	Costa Rica	Guatemala	Mexico	Saint Lucia
Antigua and Barbuda	Chile	Hong Kong	Monaco	Saint Martin
Argentina	Cyprus	Hungary	Norway	Saint Vincent and the Grenadines
Aruba	Croatia	Ireland	New Zealand	San Marino
Australia	Czech Republic	Iceland	Netherlands	Slovak Republic
Austria	Denmark	Italy	Palestine	Slovenia
Barbados	Dominica	Jamaica	Panama	South Africa
Belgium	Estonia	Japan	Paraguay	South Korea
Belize	Finland	Latvia	Poland	Spain
Bonaire	France	Liechtenstein	Portugal	Sweden
Brazil	Germany	Lithuania	Romania	Switzerland
Bulgaria	Great Britain	Luxembourg	Saba	Trinidad and Tobago
Canada	Greece	Malaysia	Saint Eustatius	Turkey
Curaçao	Grenada	Malta	Saint Kitts and Nevis	Uruguay

A. Work visas

Immigration and visa requirements in Venezuela are subject to Migration and Immigration Law and to regulations from the Administrative Service for Identification, Migration and Immigration (SAIME).

Venezuelan authorities are allowed to issue several kinds of visa, but only two are relevant to business: Work Visa and Business Visa. In addition, citizens from certain countries may not require a Visa for visiting Venezuela as tourists.

The Business Visa is granted to merchants, executive employees, industry or corporate representatives and micro-entrepreneurs, no-migrants, who wish to enter the country in order to carry out activities and/or commercial transactions, mercantile, financial or other lucrative activity related with his or her business. It is obtained directly by the person before the

Venezuelan Consulate in his or her country of origin or residence. It is granted for one year for multiple entries. The holder of this visa is not entitled to work for any local company.

The Work Visa is the visa with which anyone can work in Venezuela and be hired by a company registered in Venezuela. It is advisable to obtain the visa before the employee enters Venezuela. If the employee needs to come to Venezuela before obtaining the visa, the employee shall enter in Venezuela with the Business Visa. Once the Work Visa is authorized, the employee shall get it stamped at the Venezuelan Consulate in his country of origin or residence. It is granted for one year and the holder can bring his family to Venezuela with a Family Visa.

The Business Visa is obtained directly by the person before the Venezuelan Consulate in his or her country of origin or residence. It is granted for one year for multiple entries. The holder of this visa is not entitled to work for any local company.

The procedure to obtain the work permit to enter the country may take from three (3) to four (4) months. The documents required for the Business visa are:

- i. Description of the purpose of the trip,
- ii. Contact information of the persons and companies being visited in the country,
- iii. Registry documents of the company in Venezuela,
- iv. Invitation letter from a company or a Business or Trade Association,
- v. Any other document that the consulate might consider necessary.

The documents required for the work visa are the following (all documents must be certified with Apostille or legalized):

- i. Passport,
- ii. 2 identity sized photos,
- iii. Medical certificate and criminal records,
- iv. Copy of the labor permit granted by the Ministry of the Popular Power for Labor and Social Security,
- v. Request for entry permit,
- vi. Required forms duly fulfilled,
- vii. Proof of payment of taxes.

XI. REAL ESTATE

A. Basis of land ownership

The right to property is one of the constitutional guarantees established in the Constitution of the Bolivarian Republic of Venezuela. In addition to guaranteeing the right to property, it is indicated that this right will have no limitations other than those established by law.

The Venezuelan Civil Code contains the legal definition of property. This law establishes that "property is the right to use, enjoy and dispose of something exclusively, with the restrictions and obligations established by law". Likewise, property has certain attributions or rights for its owners, which are:

1. Use: it is the faculty of the proprietor to maintain in his property and to apply the same one to any service without destroying it, alienating it or consuming it.
2. Enjoyment: it consists in the faculty of the owner to enjoy and get the fruits that can generate the good.
3. Disposition: is manifested in the ability of the owner to perform any act desired on their property, which is not expressly prohibited by law.

The right to property has some limitations justified on grounds of public or private use, according to the Venezuelan Civil Code. Among the limitations for reasons of public policy we can find those established in Venezuelan Civil Code, which refer to: "the conservation of forests, the course of waters, the passage along the banks of rivers and navigable canals, air navigation, the construction and repair of roads and other public works" and also the limitations contained in the Expropriation for Public or Social Use Law; the Coastal Zones Law; the Security and Defense of the Nation Law.

Pursuant to the Law of Security and Defense of the Nation, there are certain areas set by Decree of the National Government in which foreigners cannot acquire properties without the previous authorization of the Ministry of Defense. As for the limitations due to private use, they are focused on the coexistence of several neighboring or nearby property rights. These limitations can be derived from easements, such as right of way; of aqueduct and of electric conductors; by the party wall; by reason of drainage; among others.

B. Process for buying and selling land

The registration of property and rights shall be carried out in accordance with the system known as "folio real", so that the registration entries are based on the property and not its owners. The procedure for transfer of a real estate consists of registration of the document by which the transfer is made before the Real Estate Registry Office with territorial competence determined by the location of the property. The procedure begins by requesting Real Estate Registry Office the prior review of the document or contract made for transferring the property. Once the document has been approved, the Real Estate Registry Office official shall issue a form for payment of the registration fees. After the registration fees are paid, the document containing the transfer of property is submitted for a new and more complete review by the Real Estate Registry Office which takes 3 business days for review and set a date for the execution of a document by the parties and registration of the document.

C. Mortgages

The Venezuelan Civil Code defines mortgages as follows: “The mortgage is a real right constituted on the assets of the debtor or of a third party, for the benefit of a creditor, to ensure with these assets, the fulfillment of an obligation”. It is a “real right” of guarantee. Because it confers on the mortgagee the right to have the thing executed for the enforcement of his credit, even if it passes into the hands of a third party. A mortgage is an accessory to the obligation, so it cannot exist without the principal obligation. It does not confer on the mortgagee any right in order to use, enjoy and dispose of the mortgaged thing.

The mortgage can be legal, judicial or conventional. The legal mortgage is the one to which the law gives the creditor the right to the constitution of a mortgage; the assumptions of these cases are regulated in the Venezuelan Civil Code. A judicial mortgage is one that is ordered as a result of a judicial decision. Consensual mortgage, which arises through a contract between the parties, either between the creditor and the debtor or with a third party.

The mortgage only takes effect from the moment of its registration in the Real Estate Registry Office. The lack of this formality implies the inexistence of the mortgage and the process of registration is the same applicable for the transfer of property. Several mortgages can coexist over a property, with the earliest to be registered having priority over the later ones.

The mortgage, being an accessory right to a principal obligation, is extinguished by redemption of the mortgage, for example: the total payment of the principal obligation guaranteed; the payment in kind of the property; the novation of the principal obligation (in principle, since the law foresees the possibility that the mortgage subsists if the creditor expressly reserves it); the prescription of the principal obligation and others.

The mortgage may also be extinguished without extinguishing the secured obligation. Among the cases of this cause of extinction are: the loss of the encumbered property; the resignation of the mortgagee on it; the expiration of the term to which it has been limited; the fulfillment of the resolutive condition that has been placed on it; the prescription of the mortgage in favor of the third occupier; the annulment of the title that originates it; and finally, in case of confusion, that is to say, that the figure of the mortgagee and the creditor is in the same person.

D. Leases

The legal definition of leasing is found in the Venezuelan Civil Code, which defines it as follows: “Leasing is a contract by which one of the contracting parties undertakes to make the other party enjoy a movable or immovable thing, for a certain time and by means of a determined price that the latter undertakes to pay”.

Leasing is regulated extensively, in one general law being the Venezuelan Civil Code, and three special laws, namely:

1. Real Estate Leases Decree-Law, which applies to properties for the operation or development of offices, industrial, professional, educational and other uses, whether leased or subleased in full or in parts.

2. Regularization and Control of Housing Leases Act, which sets the special legal regime for the leasing of urban and suburban properties intended for housing, whether lease or sublease in whole or in part.
3. Regulation of Real Estate Leasing for Commercial Use Decree-Law, which regulates and controls the conditions, procedures and the relationship between lessors and lessees for the rental of immovable property for commercial use.

XII. ENVIRONMENTAL LAW

A. Zoning and planning

Provided by the Planning Land Act, the Venezuelan government decreed in 1998 a National Plan of Land Use to establish the special, cones, territories and their different uses. Some of these zones include that of forestry operations, agricultural, mining, recreational and some others that most of them comprehend the National Parks and are called Areas Under Special Administration regimen. This Areas Under Special Administration Regimen, are the most specialized in provided protection for the biodiversity founded therein, and therefore the most restricted ones for economic activities, except those related to tourism.

These territories are regulated by certain normative that aims to protect the environment from industrial and exploitation activities, by means of the requirement of certain permits and authorizations to interested parties that manifest their intentions of performing economic activities in those protected areas, territories or zones.

Provided by the valid land planning legislation, the national government is entitled to reform the national plan, and by doing so, to establish a different zoning in which environmental laws could be applied different than from other areas.

B. Environmental laws

Environment in Venezuela is regulated by the Environment Organic Act. Individuals and companies, privately or publicly owned, shall execute their activities according to the plans established, the provisions of the law and any other legal instrument applicable to this matter. They are responsible for the formulation and execution of projects involving the use of natural resources and biological diversity and shall create a permanent process of environmental education in order to promote the conservation of the ecosystem and a sustainable development.

The Environmental Criminal Act establishes that actions against the natural resources and environment are criminal offences. This law is innovative since the legal persons have criminal liability. This aligns Venezuela with the global trend to establish criminal responsibility and sanctions to legal persons.

Other statutes related to the environment are:

1. Biodiversity Management Act.
2. Forests Act.

3. Firemen and Firewomen and Civil Emergency Administration of the Capital District Act.
4. Water Act and its Regulations.
5. Territorial Ordering Organic Act.
6. Urban Planning Organic Act.
7. Coastal Zones Organic Act.
8. Integral Management of Garbage Act.
9. Integral Management of Social, Natural and Technological Risks Act.
10. Seeds Act.
11. Integral Agricultural Health Act.
12. Agri-Food Security and Sovereignty Organic Act.
13. Hazardous Substances, Materials and Waste Act.
14. Tourism Organic Act.

C. Sanctions

Pursuant to the Environment Organic Act, administrative violations in environmental matters will be sanctioned with fines that may not exceed 10,000 Tax Units, and the amount shall be fixed according to the seriousness of the act, the conditions of the same and the circumstances of its commission. In case of re-offenders, the amount of the fine shall be increased by 25%. The application of fines does not prevent the adoption and imposition of the necessary measures to prevent, suspend, correct and/or repair the illegal activities, their effects and damages. The Environment Criminal Act also imposes criminal sanctions: Imprisonment up to 10 years, arrest, the dissolution of the legal person, fine.

XIII. SECURITY OVER PERSONAL PROPERTY

A. Overview

In our jurisdiction, a pledge is regulated by: (i) the Civil Code; and (ii) the Mobile Mortgage and Pledge without the Displacement of Possession Act (MMPA). A pledge is a contract where the debtor or a third party gives a personal property in security of a debt, that must be returned after the fulfillment of the obligation of the debtor. The MMPA provides for a pledge where there is no obligation to transfer the possession of the personal property given as security. Therefore, there are two types of pledges in our jurisdiction: (i) the Classic Pledge defined in the Civil Code; and (ii) the Pledge without Displacement of Possession, defined in the MMPA.

B. Personal Property security regime

1. Classic Pledge

The Pledge becomes effective when the debtor gives the possession of the asset to the creditor and ends when the debtor pays his debts or fulfills his obligation to the creditor. When the guaranteed obligation ends in any way, the Pledge is extinguished, and the creditor must return the asset to the debtor. The loss or destruction of the asset extinguishes the Pledge, but if it is because of the debtor's fault, the guaranteed obligation may lose the benefit of the term it may have. But, if it is because of the creditor's fault, he will be responsible in front of the debtor.

The creditor has the following rights:

1. The right to possess the security.
2. The right to keep the possession of the Security against the claims of third parties over it.
3. The right to sell the security through a tribunal to collect his credit when the debtor fails to fulfill his obligation.
4. The right of preference to collect his credit over the security against the claims of third parties.
5. When the security deteriorates or loses its value to the extreme that there is fear it will no longer suffice as security of the credit, the creditor has the right to request the judge that the security be sold at a public auction. The debtor also has the right to oppose the request and recover the security in exchange of a different Security that replace it. The creditor has the following obligations:
 - a. The obligation to return the possession of the security to the debtor after the fulfillment of his obligation.
 - b. The obligation to safe keep and preserve the security, during the term of the contract.
 - c. The obligation to not use the security.

The debtor has the following rights:

1. The right to apply before the court for the security be sold at a public auction or replace it when the security deteriorates or loses its value, and the creditor also has the right to oppose it. There is no need of risk that the security will no longer suffice as security of the credit.
2. The right to apply before the court for the authorization to sell the security, when an advantageous opportunity to sell arises.

The debtor has no obligations at the start of the contract, but he might be obliged to pay any expenses made by the creditor to safekeep and preserve the security during the duration of the contract.

2. Pledge without Displacement of Possession

This type of the Pledge contract differs from the classic version in the following:

1. There is no obligation to transfer the possession of the security to the creditor. The purpose of this type of contract is to facilitate the procedure to give as security the personal property, which possession is difficult or impossible to transfer, without damaging it. A few examples are: (i) possible future crops; (ii) animals of any species; (iii) forestry products that are cut or about to be cut; (iv) machines, tools and other instruments used for agricultural, livestock and forestry operations; and (v) works of art.
2. The contract must be registered at a Public Registry for it to be valid.

XIV. CORPORATE INSOLVENCY

Bankruptcy or insolvency laws are the set of material and procedural rules that regulate and make possible a declaration to proceed to the collective execution of all the debtor's assets. Corporate Insolvency is regulated mainly by the Code of Commerce¹ and the Civil Code. Additionally, there are other special laws that regulate insolvency depending basically on the type of entity involved, such as banks, insurance companies, and companies listed on the stock market.

In our jurisdiction, insolvency is considered as a situation in which an individual or entity can't discharge its payment liabilities ("nonpayment situation"). The mechanisms that exist in Venezuela in case of nonpayment situation, are: (i) For non-merchants: the assignment of assets, (ii) For merchants: (a) the Moratorium Procedure; and (b) the Bankruptcy Procedure.

Additionally, for companies regulated by special laws (Banks, insurance companies, etc.), there may be other processes, such as in the case of banks, where special laws establish figures such as intervention, rehabilitation, nationalization, administrative rehabilitation, among others.

In the case of corporate groups, as each subsidiary has its own corporate body under Venezuelan law, the parent company is not included in the insolvency procedures of its subsidiaries. Each entity will be subject to an individualized insolvency procedure and subsidiaries creditors can only pursue their claims against the assets of the subsidiaries, not the assets of the parent.

Without limiting the generality of the foregoing, the shareholders or partners of a company based in some precedents, could be directly liable for: (i) the debts the company owes to their workers, as all the other companies that form an economic unit with the first one; and (ii) the debts of the company when they abuse their rights of association to avoid the payment of debts by creating a corporate structure aim to harm their creditors. Companies that share the same shareholders or partners could be considered an economic unit.

A. Options for creditors

1. Application for bankruptcy

Creditors can apply for the declaration of bankruptcy of their debtors even when their credits are not enforceable, but are of commercial nature. The creditors with non-commercial credits can apply for bankruptcy of their debtor, but only if those credits can justify the non-payment of the commercial debts of their debtor. The purpose of the declaration of bankruptcy is to liquidate all the assets of the debtor to pay off the debts of all its creditors. The liquidation is a procedure in which all the assets of the debtor are sold or assigned through direct sale, or at private or public auction, within the shortest period possible. During the bankruptcy procedure, the creditors can celebrate an agreement with the debtor along with the other creditors to settle the bankruptcy. The bankruptcy and liquidation procedures are defined below.

a. Process for liquidation

Companies enter into the liquidation process when one of the following grounds of dissolution occurs: (i) the expiration of its term established in the bylaws; (ii) the lack or cessation of the object of the company or the impossibility of achieving it; (iii) the fulfillment of that object; (iv) when entering into a moratorium procedure; (v) the bankruptcy of the company even if the agreement is concluded; (vi) the entire loss of social capital or for the loss of one third of the social capital, when the partners or members do not resolve to reintegrate or limit it to the existing one; (vii) by the decision of the partners or members; or (viii) the incorporation into another company.

During the liquidation process, the administrators cannot make any new transactions and their powers are limited to: (i) collecting the company's claims; (ii) extinguishing the obligations previously incurred; and (iii) performing operations that are pending. If the bylaw of the company doesn't establish the rules of the liquidation process, the rules set out in the Code of Commerce regarding the liquidation process shall be observed. The liquidation process for the moratorium and bankruptcy procedures of any kind shall be determined during those procedures. The companies will finish the dissolution procedure when the liquidation procedure is finished.

In labor matters, workers will have privileges at the time of payment. In this regard, the Labor Law establishes that the Judges of the Labor Jurisdiction will have jurisdiction for the execution of labor credits and will exclude with priority the jurisdiction of the Judge of the backlog or bankruptcy labor credits and will exclude with priority the competence of the Judge of the backlog or bankruptcy, and these will not be able to act, nor the arrears or bankruptcy proceeding until the compulsory execution proceeding has been concluded and the enforcement proceedings have been concluded and all the rights of the workers have been fully satisfied.

The requirements necessary for the judicial declaration of bankruptcy are: (i) the quality of merchant of the debtor; (ii) the nonpayment situation of the debtor; (iii) the commercial nature of the payable obligations; and (iv) the absence of a Moratorium Procedure. When all the above is fulfilled, the debtor has the obligation to present a manifest of bankruptcy before the commercial judge and the creditors have the right to demand the bankruptcy. The judge can't initiate a bankruptcy procedure by its own motion.

The debtor has the obligation to file before the court, within the three days after the beginning of its nonpayment situation, the following documents: (i) a manifest of bankruptcy; and (ii) a general balance of the company or an explanation of the causes that prevents him from presenting them. A criminal court can punish the non-compliance of this obligation with the declaration of a guilty bankruptcy.

There are three types of bankruptcy: (i) accidental; (ii) guilty; and (iii) fraudulent. Bankruptcy is always presumed to be accidental, and the guilt or fraud must be proven:

1. The accidental bankruptcy is the one caused by fortuitous or force majeure cases-e.g.:(a) any decision of the State that prohibits or heavily restricts the commercial activity of the debtor; (b) a theft; (c) an unexpected fall of the prices of the goods or services provided by the debtor; (d) the impossibility to collect payable accounts because of the bankruptcy of his debtors; (e) a fire; or (f) an economic crisis.
2. The guilty bankruptcy is the one caused by imprudent and negligent behavior of the debtor. The Code of Commerce distinguishes two types of circumstances the court must consider before declaring the guilty bankruptcy. In the first group are the circumstances for which the judge must necessarily declare the guilty bankruptcy, and the in second group are the ones that the judge must consider but do not necessarily make a bankruptcy guilty.
3. The fraudulent bankruptcy is the one caused by fraudulent acts of the debtor to harms its creditors.

A declaration of bankruptcy will have the following effects:

1. The convicted of guilty bankruptcy will be punished with arrest of six (6) months to three (3) years, and the convicted of fraudulent bankruptcy will be punish with imprisonment of three (3) to five (5) years. The administrators, promoters and members of the company can be convicted of guilty and fraudulent bankruptcy.
2. Loss of the powers of administration and disposition and occupation of all the assets of the debtor.
3. The tribunal will call all the creditors to the first meeting of the General Board of Creditors, and they must file the documents that validate their credits against the debtor.
4. Creditors cannot initiate individual actions against the debtor and against third parties for the collection of their claims against the debtor.
5. Liquidator's appointment: The liquidator, as representative of the creditors, is the only entitled to bring all actions against third parties for the reconstruction of the debtor's assets. He also manages the insolvency assets, practices all the possible measures necessary for the security of the rights and the collection of the assets of the bankruptcy and settles them. The General Board of Creditors can replace o ratify the liquidator appointed by the judge after the declaration of bankruptcy.
6. Interests over unsecured debts with privilege, pledge or mortgage stop running.

7. Non-monetary claims are not part of the verification process and do not give the creditors membership status in the mass of creditors unless most creditors and the liquidator agree.
8. Unexpired claims against the debtor are made enforceable.
9. Creditors cannot invoke compensation between their claims and debts against the debtor.
10. The on-going collection proceedings will be incorporated into the bankruptcy proceeding.
11. The assets of the debtor will be sold, and the payments of the debts will be rated and ordered by the tribunal after reading the reports of the trustee and the creditors. The creditors with legal privileges and mortgages will have preferences over the other creditors when it comes to the rating and order of the payments.

B. Options of the creditors and the company

1. The Concordant

The closest thing we have to a voluntary administration of a nonpayment situation is the Concordat. The Concordat is a contract signed between the debtor and his creditors with judicial approval, and by which the debtor is obliged to pay his creditors, in whole or in part, immediately or in installments, on the condition that the debtor will be released from them, and that the bankruptcy will be suspended. This contract is signed by the creditors who deliberate in the general meetings of the Moratorium or Bankruptcy Procedures, subject to special conditions as to the majority. The concordat approved by the creditors and the judge is mandatory for creditors absent at the general meeting convened by the court, even for those who oppose it. Preventive concordats are not contemplated in our legislation, and extrajudicial concordats are prohibited by the Code of Commerce.

The company's administrators also have the obligation to summon the shareholders to decide what they wish to do when the company's capital has declined by a third, as a preventive measure to prevent the company from entering a default state with its creditors. The members have three options: (i) reinstate the Social Capital; (ii) limit it to the amount remaining; or (iii) liquidate the company.

2. Moratorium Procedure

This procedure is a benefit for business individuals or entities whose assets are superior to their liabilities but can't pay their creditors in time, because of lack of liquidity, consequence of unpredictable events and other reasonable excuses. This procedure allows the merchants to apply to a commercial court for the authorization for the friendly liquidation of their business, to pay their creditors within a period of twelve months (only an extension of twelve months can be granted). During this procedure, the business individuals or entities can only make retail operations without the authorization of the court and must file the necessary corporate documents. He can also make any agreement or concordat with the creditors, but it needs to be approved by all the creditors. It can be approved by the three-quarter majority, but the

agreement must establish a way to resolve any controversy of the dissident creditors of the concordat.

After reviewing the documents, the judge will: (i) designate a receiver and a commission of creditors to review the situation of the company or merchant; (ii) establish any preventive measures he considers appropriate; and (iii) call a meeting with the business individual or entity, the receiver and the creditors. The occupation of the assets of the business individual or entity by the tribunal is not specifically established by law, but the judge can perfectly order it as a preventive measure. After the meeting, the judge will review the statements of the receiver and the creditors and decide if he will grant or not the benefit to the business individual or entity or declare bankruptcy instead. The rules for the liquidation process will be established by the tribunal and the General Board of Creditors created during the procedure.

C. Administrative insolvency proceedings

1. Intervention Procedures

Intervention Procedures are the ones directed by administrative government bodies or entities with the purpose to rehabilitate or liquidate financial or insurance institutions. These institutions are excluded from the Moratorium and Bankruptcy Procedures previously mentioned, because they manage and/or hold a large quantity of money of third parties, and if they find themselves in a nonpayment situation, this can affect the public. During an Intervention Procedure, the institutions can be subject to: (i) nationalization; (ii) administrative rehabilitation; or (iii) administrative liquidation. The institutions subject to Intervention Procedures in case of a nonpayment situation are:

- i. Securities brokerage firms, brokerage houses, collective investment entities, their management companies, dominant or dominated companies, as well as those legal persons that the National Superintendence of Securities qualifies as related to them.
- ii. Natural or legal persons who carry out insurance activity in the national territory with the prior authorization of the Superintendence of Insurance Activity.
- iii. The banking sector institutions.

Employment courts can process labor claims against a business individual or entity, which are in a nonpayment situation, and shall exclude with priority the competence of the judges with competence in commercial matters. They may not act, nor process any procedure, until the procedure of forced execution of the labor claims has concluded and all the rights of the workers have been fully satisfied.

D. Creditors compromises

During a Bankruptcy or Moratorium procedure, the creditors can't initiate any individual judicial procedure to collect their debts against the debtor that is in a Bankruptcy or Moratorium Procedure. There are exceptions to this rule, like the lien or right of retention describe previously. During the Bankruptcy or Moratorium Procedures, the creditors must present the proofs of their credits and assist to the general meetings of these procedures.

XV. DISPUTE RESOLUTION

A. Court hierarchy

The head of the court system is the Supreme Court, body in charge of controlling the legality of the actions of the public power, based on their constitutionality. This Court is made up of 32 Justices appointed by the National Assembly for a 12-year term and is divided in five chambers: Constitutional, Political-Administrative, Civil, Social and Electoral. Each of the chambers act as the highest tribunal in their jurisdiction. All the Justices can sit together in a Plenary Chamber. Other special or regular Courts are created by law. Decisions issued by the Supreme Court are not subject to any sort of appeal. The Supreme Court is empowered to repeal laws if deemed unconstitutional, to decide over conflicts of jurisdiction of the Courts and act as a final appellate court.

The Judicial Power also comprises courts with ordinary jurisdiction: Superior Courts, First Instance Courts and Municipal Courts for Civil, Mercantile and Transit Matters and Control Courts, Trial Courts and Superior Courts for ordinary criminal matters.

The Special Jurisdiction works in parallel with the Ordinary Jurisdiction and is made up by courts that will hear about certain specific matters, such as: Courts for the Protection of Children and Adolescents, Labor Courts, Courts for the Judicial Review of Administrative Matters, Courts for Judicial Review of Tax Matters, Measure Enforcement Courts and Maritime Courts, among others.

B. Enforcement of judgments

Private International Law Statute states that jurisdiction corresponding to Venezuelan courts, according to its provisions, may not be conventionally waived in favor of foreign courts, or arbitrators deciding abroad, in case where the issue is related to disputes concerning rights in rem over immovable property located in Venezuela, or on matters for which cannot be settlement or that compromise essential principles of Venezuelan public policy. Every decision must contain:

1. The indication of the Court that pronounces it.
2. The indication of the parties and their attorneys.
3. A clear, precise and laconic synthesis of the terms in which the controversy, without transcribing in it the acts of the process that consist of cars.
4. The factual and legal reasons for the decision.
5. Express, positive and precise decision in accordance with the deduced claim and the exceptions or opposing defenses, without in any case being able to be acquitted of the instance.
6. The determination of the thing or object on which the decision falls

These decisions can be enforced when they are considered final and binding. The enforcement of any decision or of any other act that has the force of such, will correspond to the Court that

has heard the case in the first instance. In case of arbitral awards, the enforcement will correspond to the Court who would have heard of the matter if the arbitration had not been carried out.

By application of the party, the court will issue a decree ordering its execution. In said decree the Court will set a period that will not be less than three days nor more than ten, for the debtor to make the voluntary compliance, and enforcement may not begin until that period has elapsed without the compliance by the respondent.

The parties may by mutual agreement filed before the enforcement court, suspend the enforcement for an agreed term, as well as reach agreements regarding compliance with the sentence. Once the term of the suspension has expired or the agreement has been breached, the execution will continue.

C. Ways of enforcement

If the judgment falls on a liquid amount of money, the Judge will order the seizure of assets owned by the debtor that do not exceed double the amount and costs.

If, in the decision, any movable or immovable thing has been ordered to be delivered, the delivery will be carried out, using public force, if necessary. If the movable thing cannot be found, its value may be estimated at the request of the applicant, proceeding then as if it were the payment of a quantity of money.

If the decision orders an obligation to do or not to do, the Judge may authorize the creditor to enforce the obligation himself or to destroy what has been done in contravention of the obligation not to do at the debtor's expense. If the creditor does not make such a request or if the nature of the obligation does not allow enforcement in kind or makes it too onerous, the credit will be determined in an amount of money and then proceed as established by law. If the order is for the delivery of one of several things, the creditor may request the delivery of any one of them.

If the party that is forced by the judgment to perform a contract does not comply with its obligation, and whenever possible and is not excluded by the contract, the sentence will produce the effects of the unfulfilled contract. In the case of contracts whose purpose is the transfer of ownership of a specific thing, or the constitution or transfer of another right, the judgment will only produce these effects if the claimant has complied with its provisions and is proved in the records.

Apart from the agreement of the parties, the enforcement can only be interrupted on the following grounds:

1. When the executed party alleges that the prescription of the enforceable order has been consummated and thus evidence of the minutes of the process.
2. When the executed party claims to have fully complied with the decision by paying the obligation and proving in the same act of the opposition an authentic document that proves it.

Foreign decisions are valid, provided that they comply with the requirements stipulated in the International Private Law regulation, namely: 1. decisions must be issued for civil or commercial matters or, in general, for matters of private juridical relations; 2. decisions must have *res judicata* effect pursuant to the laws of the state where they were issued; 3. decisions must not involve real rights regarding real state located in the Republic, and they must not take from Venezuela the exclusive jurisdiction that may correspond to the country to know of the matter; 4. the courts of the state that issued the decision must have jurisdiction to hear the case in accordance with the general principles of jurisdiction stipulated in Chapter IX of the Law; 5. the defendant must have been duly summoned, with enough time to appear, and the defendant must have been granted procedural guarantees that ensure a reasonable defense; and, 6. must not conflict with a previous decision with *res judicata* effect, and no trial must be pending before Venezuelan courts involving the same subject and the same parties, and initiated before the issuance of the foreign decision.

In order to enforce a foreign decision, such decision must be final pursuant to the laws of the country where it was issued. By means of the exequatur procedure, a final decision issued abroad, for private matters, can be recognized and have *res judicata* effect or be enforced in another State.

In Venezuela, the exequatur procedure is handled by the Supreme Court, with the exception of non-litigious jurisdiction cases, which must be heard by the Superior Court for Civil Matters. All decisions issued in Venezuela can be enforced in other countries, provided that they comply and do not conflict with the laws of the country where they are to be enforced and with international law regulations.

D. Alternative dispute resolution processes

Apart from arbitration, Venezuela does not have a legal framework for mediation, although the country signed the United Nations Convention on International Settlement Agreements Resulting from Mediation (the Singapore Convention), it has not been ratified by the National Assembly yet. Any settlement agreement reached by way of a negotiation or mediation is regulated by the special provisions of the Civil Code for settlement agreements. When the agreement has been reached while a court proceeding has been already initiated, it requires the recognition of the judge to be enforceable as if it was a judgment. If the agreement has been reached out-of-court, the enforcement would require the initiation of legal proceedings for the performance of the agreement as is required for any other contract.