



Central Bank of Venezuela Issues Resolution on Indexation of Loans

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The Central Bank of Venezuela (BCV) on Oct. 21, 2019, published Resolution 19-09-01 in the *Official Gazette* that regulates new loans indexed to an account unit called Commercial Credit Value Unit (UVCC). This unit is determined according to the Investment Index (IDI), and will be calculated in bolivars and adjusted according to the market reference exchange rate published every day on the BCV website. For the purpose of complying with the Resolution, banking institutions should:

1. at the execution date of the loan, issue the obligation in bolivars and pursuant to the UVCC (the division of the amount to be settled from the credit granted and the IDI in force at said date)
2. charge clients for active operations derived from commercial loans in installments to be granted to natural persons for payroll loans, loans granted to employees and managers of said banking entities and microcredits, an annual interest rate that may not exceed the rate in force for active operations related to credit cards, published every month through official notice by the BCV
3. annually charge customers for active operations in the national currency established through the use of the UVCC, an annual interest rate that may not exceed 6 percent or be less than 4 percent
4. annually charge a maximum of 0.50 percent, in addition to the annual interest rate established in the respective operation, in accordance with the above, for the delinquent obligations of customers

For the purposes of the accounting valuation and the amortization or prepayment of the credits and loans granted, the loan balance at a specific date will result from multiplying the liability position in UVCC by the IDI value at that date. If the IDI of the anticipated date is lower than the IDI of the concession date, the current IDI will be used for the credit concession date.

Commercial credits granted prior to the entry into force of the Resolution – those regulated by Article 1 of Resolution 19-01-06, dated Jan. 30, 2019 – will maintain the conditions under which such credits were agreed until their full settlement, with the understanding that banking institutions may not charge an annual interest rate greater than 36 percent for such loans.

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