



## Venezuelan Central Bank Releases Rules Governing Reserve Requirement

By Holland & Knight

The Venezuelan Central Bank (BCV) on Jan. 19, 2021, issued Resolution 21-01-01 (Resolution), which establishes the "*Rules that will govern the constitution of the Reserve Requirement.*" These Rules must be adopted by Venezuelan banking institutions (including universal and microfinance banks and commercial banks undergoing transformation process before the Superintendency of Banks and Financial Institutions).

It is essential to mention that the Resolution took effect on Jan. 20, 2021, and the reserve requirement position will be determined by the BCV as follows: 1) based on five-day periods (counted from Monday to Friday), using the average of the daily balances of the transactions subject to reserve requirements during such period and; 2) according to the information provided by the banking institutions every week to the BCV.

Article 4 of the Resolution provides, as an exception, that the calculation of the legal reserve position will not take into account: 1) obligations of institutions arising from credits obtained from the BCV; 2) obligations arising from financial assistance operations of the Fund for the Guarantee of Deposits and Banking Protection (FOGADE) and; 3) obligations arising from funds received from state, national or foreign agencies for the financing of special programs in Venezuela, once such funds are earmarked for their respective financing; among others.

The BCV established in Article 9 of the Resolution that if the banking institutions do not provide the information required by the BCV within the set deadlines and terms, any non-compliant banking institution must maintain a special reserve of 1 percent with respect to the number of credit assets and investments in securities according to the last reported balance sheet.

Therefore, it may be concluded that the BCV implemented this measure for banking institutions to report to the BCV the transaction balances subject to reserve requirements every week. Non-compliance with such measure may result in the non-compliant banking institutions being obliged to maintain special reserve requirements established by the BCV.

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