



## SUDEBAN Issues Rules Regulating Financial Technology Services (FinTech)

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The Superintendency of Banking Sector Institutions (SUDEBAN) issued in Resolution No. 001-21 of the *Official Gazette* No. 42,151 of the Bolivarian Republic of Venezuela of June 17, 2021, the "Rules that regulate financial technology services (FinTech)." As follows, its most relevant aspects:

**Purpose:** To regulate the financial services provided through new technologies offered by Financial Technology Institutions in any of their modalities to banking sector institutions, as well as their organization, operation and functioning.

**End:** To promote the principles of financial inclusion and innovation, promotion of competition, protection of bank users, preservation of financial stability, prevention of money laundering operations, financing of terrorism and the proliferation of weapons of mass destruction.

**Organization and Operation:** To operate, Financial Technology Institutions of the Banking Sector (ITFB) must request authorization issued by SUDEBAN, subject to the binding opinion of the Higher National Financial System Body (OSFIN). These institutions must comply with the following requirements:

- constitute as joint stock corporations with registered shares of the same class and include in their corporate name the initials: ITFB
- be constituted by a minimum of five shareholders
- its corporate purpose must be linked to the performance of financial services provided through new technologies
- be domiciled in the national territory
- comply with the minimum equity established by SUDEBAN, which must be paid in full in cash and adjusted annually

**Start of Operations:** ITFBs that have been authorized must commence operations within 120 banking business days following their authorization. If necessary, before the expiration of said term, they may request a single extension of 90 additional business days, which SUDEBAN will evaluate. Failure to comply with the established term will result in the termination of the operating authorization.

**Authorized Activities:** The authorization will state the activities that the ITFB may carry out. However, a new authorization may be requested if approval is needed for other types of activities. Provided that the activities are in line with the bylaws, and they have a suitable corporate structure, necessary infrastructure and internal controls to carry out the intended activities.

**Approved Financial Services:** ITFBs may offer the following financial services:



1. **Payment and Money Storage Products:** These services include automated savings services from user accounts to a new account; automated savings in social networks from user accounts to a peer-to-peer (P2P) platform; mobile payments; credit card payments through application programming interfaces (APIs); prepaid virtual cards; payment gateways, among others.
2. **Products Within Banking Institutions:** These services include bank account openings through new technologies; multiplatform banking solutions; use of free domain statistical data for financial purposes; FinTech and banking institution connection platforms; user voice authentication; automated interaction of financial users; compliance software; and risk management solutions.
3. **New Business Models:** These services include a) integration of social networks-payments-finance-retail; and b) banking.

**Additional Duties of ITFBs:** ITFBs shall develop and maintain:

1. Organization manuals and function descriptions of the risk control, internal control, policies and procedures for the warranty, treasury, commissions, investments, technology, information confidentiality, human resources departments and positions, among others.
2. Standards, policies and procedure manuals for the treasury, investment, technology, information confidentiality, human resources, accounting, administration y user protection departments, among others.
3. Manuals for the prevention of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction.

The ITFBs authorized to carry out activities termed payment and money storage products and new business models must have a Comprehensive Risk Management Unit, as well as a unit for preventing money laundering, financing of terrorism and financing of the proliferation of weapons mass destruction.

**Constitution of Surety Bond:** The institutions must constitute and maintain a surety bond for faithful compliance that may not be less than the equivalent of 20,000 euros (approximately \$23,700) under the exchange rate published by the Central Bank of Venezuela (BCV) at that date, issued by a banking institution or an insurance company as determined by SUDEBAN through general rules, to guarantee the activities it performs. SUDEBAN will periodically review the amount of the aforementioned guarantee and will require, if necessary, its substitution and extension.

**Obligations of ITFBs:** Some of the obligations to be fulfilled by ITFBs, without prejudice to the other responsibilities and obligations established throughout the regulations, are the following:

1. Perform permanent monitoring activities and availability of services provided to customers.
2. Maintain a chronological record of the transactions or operations carried out through its technological platform, allowing the identification of the origin and destination of the funds, date, time, internet protocol (IP) address and user.



3. Maintain technological contingency plans that ensure the continuity of operations supported by the technological platform in the event of severe service interruptions, which are periodically reviewed, updated and tested, among others.

**Regulation, Inspection and Surveillance:** The ITFBs must make the corresponding adjustments to comply with the regulations issued by SUDEBAN that apply to them according to the type of activities they carry out. In this sense, they must comply with the regulations related to the adequate risk administration, in regard to the establishment of mechanisms for the evaluation, management and mitigation of both implicit and eventual risks.

**Cessation of Activities:** In case of cessation of activities, the ITFB must request authorization at least 90 continuous days before the date it intends to carry out the definitive cessation, and must indicate in the request the estimated closure date, justification for the closure, plan for disposal of its assets and liabilities, number of clients it maintains, means of communication to be adopted by the ITFB, among others. SUDEBAN will have 30 banking business days to issue its response (extendable for 30 more days). On the other hand, the SUDEBAN will approve suspension or revocation cases after being analyzed by the OSFIN in the cases mentioned in Articles 39 and 40 of the Resolution.

**Suspension and Revocation of Authorization:** SUDEBAN may suspend, subject to the binding opinion of the OSFIN, the ITFB authorization in the following cases:

- a. failure to submit the documentation and/or information requested by SUDEBAN within the indicated term
- b. failure to comply with the necessary requirements to carry out the authorized operations or activities
- c. false information is submitted in connection with its registration or activities
- d. putting at risk customer resources or operation of the financial system
- e. a suspension order or partial limitation of its activities
- f. unauthorized activities are carried out
- g. failure to comply with the provisions set forth in the Resolution and other regulations governing the matter

**Effective Date:** These Rules regulating financial technology services (FinTech) were enforced as of June 17, 2021, with the publication of Resolution SUDEBAN No. 001-21. The publication of the rules also established the transitory provision that companies that carry out the activities indicated in this Resolution must adapt to these rules within a term of 90 continuous banking days as of the aforementioned date.

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