

## Venezuelan Currency Controls and Risks for U.S. Businesses

The Venezuelan government (GBRV) maintains a strict regime of currency exchange controls. U.S. Embassy Caracas routinely receives inquiries from U.S. exporters experiencing delayed payment or non-payment by Venezuelan importers, as well as from U.S. firms with operations in Venezuela struggling to convert their local currency earnings into U.S. dollars to repatriate dividends to their U.S. home offices.

The Venezuelan Commission for the Administration of Currency Exchange (CADIVI) is the sole legal authority for exchanging local currency, bolivars, for dollars at the official exchange rate of 6.3 bolivars/dollar. Venezuelan importers seeking official dollars must register themselves with CADIVI, obtain supporting documentation from various government ministries (e.g., non-national production certificates), and file a request with CADIVI. CADIVI only honors requests for imports deemed essential to Venezuela and maintains lists of priority products, including food, medicine, and capital goods. The process is not guaranteed, even for such priority products. Venezuelan importers sometimes fail to receive dollars, despite good-faith efforts to obtain them. Successful applicants often wait 180-270 days to receive dollars from CADIVI. U.S. exporters routinely experience delays, and occasionally non-payment, for goods sold to Venezuela. More information about CADIVI (in Spanish) is available here: <http://www.cadivi.gob.ve/>.

Foreign (including U.S.) investors in Venezuela have struggled to convert their bolivar earnings into dollars, notwithstanding laws and regulations permitting earnings repatriation. CADIVI virtually ceased selling dollars for earnings repatriation in 2008. Independent analysts estimate foreign investors hold \$9-12 billion in bolivar earnings trapped in Venezuela.

The GBRV introduced in July 2013 a complementary foreign exchange system (SICAD). The GBRV has said it will periodically auction dollars and dollar-denominated bonds through SICAD, at exchange rates greater than 6.3, to private-sector importers and individuals. Venezuelan importers welcomed the announcement as a potential mechanism to improve private-sector access to dollars. The first auctions have been operationally problematic, however, and independent analysts question the GBRV's capacity to increase substantially official dollar sales to the private sector through SICAD. SICAD's initial auctions have yielded exchange rates between 11 and 15 bolivars/dollar. Accessing SICAD dollars requires GBRV acceptance of the Venezuelan importer's auction bid, which is not guaranteed. Roughly half of Venezuelan businesses that bid in SICAD's initial auctions won dollars.

There is considerably greater Venezuelan demand for dollars than supply, so there will be Venezuelan importers that are unable to complete their transactions despite good-faith efforts. There is also a parallel, unofficial market for dollars. Venezuelan law prohibits the publication in Venezuela of the parallel exchange rate, but private websites outside of Venezuela publish it. The rate has been fluctuating between 30-32 bolivars/dollar since May 2013. Venezuelan law provides for fines and imprisonment for buying or selling dollars in the parallel market in Venezuela.

For more information, please visit the U.S. Embassy Caracas website “Business” tab (<http://caracas.usembassy.gov/business.html>) or contact:

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