

# GLOBALPANDI

## *Circular for P & I Clubs*

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**Correspondents for:**

**Britannia, British Marine, Charterers P&I Club, GARD, ITIC, Navigators, Nordisk Defence Club (Through Sabatino Pizzolante), North of England P&I Club, Raets Club, Shipowners P&I Club, Skuld, South of England, Steamship Mutual, The American Club, The London P&I Club, West of England and Through Transport Club (TTC).**

### *New Exchange Rates implemented in Venezuela*

Since 2003 the government has implemented a rigid exchange control in the country aimed to regulate and impose restrictions on foreign currency exchange rates and the procedures used to obtain foreign currencies. For the administration of this scheme the so-called CADIVI was established, governmental agency with authority to sell US\$ to individuals and corporations. Up to 10<sup>th</sup> January 2010, US\$ sold by CADIVI used to have an official exchange rate of Bs.F. 2.15/US\$ 1.00. Nevertheless, in the Official Gazette No. 39,342 dated 8<sup>th</sup> January 2010 the Exchange Agreement No. 14 was published, through which the local currency Bs.F. was in practice devaluated, with application from 11<sup>th</sup> January onwards. The only one exchange of rate of Bs.F. 2.15/US\$ 1.00 is now replaced by a system with two types of exchange rates, in attention to the destination of the currency and the nature of the person using it, i.e. public or private sector. The first one was fixed at Bs.F. 2.5935/US\$1.00 for purchase and Bs.F. 2.60/US\$1.00 for sale; and the second one was fixed at Bs.F. 4.2893/US\$1.00 for purchase and Bs.F. 4.30/US\$1.00 for sale.

Generally speaking article 1 of the Exchange Agreement No. 14 sets up a rate of exchange of Bs.F. 2.60/US\$ 1.00 for the sale of foreign currency intended for imports of food, health, education, machinery and equipment and science and technology sectors, according to the commercial policy established by the national executive; remittances to relatives living overseas; payments on account of expenses of students overseas; payments in connection with health, sports, culture, scientific research, and other cases of special urgency to be considered by CADIVI; payments to retirees living abroad; and acquisition of foreign currency by diplomatic representations and foreign representatives of international agencies. A rate of Bs.F. 2.60/US\$ 1.00 was also established for the sale of foreign

currency intended for the payments of the public sector other than the oil sector, including the payment of the foreign public debt. A rate of Bs.F. 2.5935/US\$ 1.00 was established for the purchase of foreign currency obtained by the public sector other than PDVSA.

On the other hand, a rate of Bs.F. 4.30/US\$ 1.00 was established for the sale of foreign currency prescribed in the existing Exchange Agreements for transactions other than those prescribed in art. 1, whereas a rate of Bs.F. 4.2893/US\$ 1.00 was established for the purchase of foreign currency derived from the exports of the public sector other than the oil sector and also de exports of the private sector.

Since the introduction of the new scheme of exchange rates last January, there have been great confusion in the port and shipping sector as to what rate should be used for the conversion or calculation of port dues (usually established by the port tariffs in dollars), navigational aids dues, container demurrage and services in general. While ports now under the administration of centralized entity Bolivariana de Puertos, S.A. are using the rate of Bs.F. 2.60/US\$ 1.00 to charge for the port dues, OCHINA (Navy entity administering buoys, lighthouses, etc.) is using the rate of Bs.F. 4.30/US\$ 1.00. On the other hand, governmental entities importing goods such as PDVAL and Corporacion La Casa has directed the shipping lines to use the rate of Bs.F. 2.60/US\$ 1.00 for the container demurrage invoiced to them, contrary to what it should be the applicable rate of Bs.F. 4.30/US\$ 1.00 taking into account that this is a charge ancillary to the contract of carriage, i.e. definitely a service contract.

Consequently, there is a significant degree of discretion by the public sector about the exchange rate to be used, for which reason weeks ago the Venezuelan Shipping Association requested a legal opinion from CADIVI to give some guidance on this matter, the one which is pending for answer.

However, it has been generally accepted that for the purposes of conversion of Bs.F./US\$ for services rendered by ship agents to foreign carriers, the exchange rate to be applied is Bs.F. 4.30.

**Should you need any assistance or further information regarding the topic stated above, please feel free to contact:**

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