

15th Annual International Anti-Money Laundering Conference

March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida

VENEZUELA

- A COMPREHENSIVE GUIDE TO THE VENEZUELAN FOREIGN EXCHANGE METHODS

VENEZUELAN STANDARDS

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F.A.T.F



- **40 RECOMENDATIONS**
 - The rating of compliance vis-à-vis the FATF Recommendations should be made according to the four levels of compliance mentioned in the 2004 Methodology
 - Compliant (C), 6
 - Largely Compliant (LC), 12
 - Partially Compliant (PC), 17
 - Non-Compliant (NC), 5

F.A.T.F



Mutual Evaluation Report
Anti-Money Laundering and Combating the
Financing of Terrorism

September 29th, 2009

VENEZUELA

Politically exposed persons
Correspondent banking
Third parties and introducers
Resources, integrity and
training (Venezuela's Regulator)
Statistics

International Narcotics Control Strategy Report

INCSR 2010 Volume II

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (RPT)	Report Financial Intelligence Units	System for Identifying/Referring Assets	Arrangements for Asset Sharing	Cooperate with International Law Eff.	International Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclose Protection "Safe Harbor"	Criminalized Financing of Terrorism	States Party to 1988 UN Convention	Int. Terrorism Financing Convention
Togo	Y	Y	Y	M	N	Y	N	Y	Y	N	N	N	N	Y	Y	Y
Togo and Togo	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Turkey	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Turkmenistan	Y	Y	N	M	N	Y	N	Y	Y	N	N	N	Y	Y	Y	Y
Turks & Caicos ¹	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Uganda	Y	N	N	M	N	N	N	Y	N	N	N	Y	Y	Y	Y	Y
Ukraine	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
United Kingdom	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
United States	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Uruguay	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Uzbekistan	Y	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Vanuatu	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Venezuela	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Vietnam	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Yemen	Y	Y	N	Y	M	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y
Zambia	Y	Y	N	Y	M	N	Y	N	Y	N	N	N	N	Y	N	N
Zimbabwe	Y	Y	N	Y	M	N	Y	N	Y	N	N	N	Y	Y	Y	Y

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- **Criminalizes terrorist financing: Yes**
- Under the OLOC, terrorist financing is a **crime against public order in Venezuela and is criminalized to the extent that an individual finances**, belongs to, acts or collaborates with armed bands or criminal groups with the purpose to commit violent acts or to subvert the constitutional order or gravely alter the public peace. Terrorist financing, **however, is not adequately criminalized in accordance with international standards. The law does not establish terrorist financing as a separate crime, nor does it provide adequate mechanisms for freezing or confiscating assets.**

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F.A.T.F



- **Recommendation 15** .International standards require financial institutions to establish and maintain anti-money laundering and anti-terrorist financing policies and controls and that these policies and controls must be known by their staff. They are also required to designate a responsible person (compliance officer) with an adequate profile for checking the processes set up for this purpose, and with the rank, function and independence necessary to obtain access to information and data on the identification of customers, files and other relevant information.
- **Effectiveness**. From interviews with the private sector, we were able to confirm, compliance with these standards and the existence of a compliance officer with functions and responsibilities as laid down in the sector standards.

CHART IV (32.2)
Suspicious Operations Reports received and distributed by the FIU to the Ministerio Publico 2004 - 2007

Reports	Year				Total
	2004	2005	2006	2007	
Reports received by the FIU	584	843	1,021	1,234	3,098
Reports distributed by the FIU	308	282	332	529	1,143

Source: National Financial Intelligence Unit

Other Necessary Aspects

VENEZUELA FACTS & FIGURES



- **27th Worldwide Economy**

- 29 World Bank

- **17 STOCK OF MONEY**

- 21 World Bank



- Venezuela was the United States' 22nd largest goods export market (2009)
- Venezuela was the United States' 8th largest supplier of goods imports (2009)
- Venezuela FDI in the United States (stock) was \$6.1 billion
- More than 30 billion in FDI (cumulative US dollar value of all investments, excludes investment through purchase of shares) (2009)

VENEZUELA FACTS & FIGURES



- 92% of U.S Fortune 500 companies.
- 90% of U.S food international Franchises



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- Third Country with U.S Mayor Vehicles companies with Mexico & Brazil



Venezuela is a major drug money laundering centre, due to its proximity to Colombia as well **as to the size and sophistication of its financial markets**

- 75% of Venezuelan Banks have more than 50 years in the Financial Industry
- 51% of Venezuelan Banks are International Corporations.
- 27% of Venezuelan Banks (locally owned) have nationally chartered financial institutions within the United States.

INCSR 2010 Volume 1

Introduction

Presidential Determination

The White House Washington September 15, 2009

Presidential Determination No. 2009-30

- Pursuant to section 706(1) of the Foreign Relations Authorization Act, Fiscal Year 2003 (Public Law 107-228) (FRAA) I hereby identify the following countries as major drug transit or major illicit drug producing countries: **Afghanistan, The Bahamas, Bolivia, Brazil, Burma, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, India, Jamaica, Laos, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, and Venezuela.**
- I have also determined, in accordance with provisions of section 706 (3) (A) of the FRAA, that support for programs to **aid Venezuela's democratic institutions are vital to the national interests** of the United States.
- You are hereby authorized and directed to submit this report under section 706 of the FRAA, transmit it to the Congress, and publish it in the Federal Register.
- Barack Obama

INTRODUCTION TO THE VENEZUELAN Bond Swap and Other Complex Foreign Exchange Methods

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BANCO CENTRAL DE VENEZUELA

VOLVER A PÁGINA PRINCIPAL

INFORMACIÓN ESTADÍSTICA

INDICADORES

EXPORTACIONES E IMPORTACIONES DE BIENES Y SERVICIOS SEGUN SECTORES (Millones de US\$) Año 2009 (*)

	Total	IV	III	E	I
EXPORTACIONES DE BIENES FOB	57.395	16.790	16.445	14.560	9.840
Públicas	16.790	16.263	16.819	14.107	9.883
Petrobras	54.231	15.843	15.454	13.709	9.158
No Petrobras	1.559	442	425	398	324
Privadas	1.605	498	526	453	306
Petrobras	0	0	0	0	0
No Petrobras	1.605	498	526	453	306
EXPORTACIONES DE SERVICIOS	2.005	568	564	434	439
Públicas	886	281	219	225	183
Petrobras	383	129	88	57	68
No Petrobras	505	152	130	128	115
Privadas	1.117	307	345	209	256
Petrobras	0	0	0	0	0
No Petrobras	1.117	307	345	209	256
IMPORTACIONES DE BIENES CIF	41.965	9.812	9.835	11.823	12.295
Importaciones de Bienes FOB	39.842	9.479	9.822	10.095	11.195
Públicas	9.281	2.217	2.412	2.172	2.600
Petrobras	3.970	862	1.086	1.056	967
No Petrobras	5.321	1.355	1.326	1.117	1.633
Privadas	29.151	6.193	6.410	7.883	8.600
Petrobras	0	0	0	0	0
No Petrobras	29.151	6.193	6.410	7.883	8.600
Fletes y Seguros	3.523	602	813	968	1.140
Públicas	1.179	256	295	289	339
Petrobras	498	150	133	129	136
No Petrobras	681	106	162	160	203
Privadas	2.344	346	518	679	801
Petrobras	0	0	0	0	0
No Petrobras	2.344	346	518	679	801
IMPORTACIONES DE SERVICIOS IV	6.099	1.632	1.916	1.587	1.944
Públicas	3.207	870	782	809	686
Petrobras	1.751	361	422	324	423
No Petrobras	1.456	479	370	324	263
Privadas	2.892	762	724	728	858
Petrobras	0	0	0	0	0
No Petrobras	2.892	762	724	728	858

FUENTE: Instituto Nacional de Estadística, Petróleos de Venezuela, S.A., Ferrocarriles del Orinoco, Petróleos Privados, Puertos, Aeropuertos, Sidermin.
(*) Incluye Fletes y Seguros de Importación.



Conceptos	CADIVI Divisas Autorizadas a Liquidar (con ALD)		
	Solicitudes	Monto USD	Monto Diario
Importaciones	169.133	16.276,4	66,4
*Convenio ALADI	32.231	6.070,3	24,8

- 53% CADIVI
- 47% ALTERNATIVE
- Between 28 & 34 billions

VENEZUELA FACTS & FIGURES

RESUMEN DE INDICADORES DE DIVERSAS SECTORES
PERIODO DEL 01/01/2009 AL 31/12/2009
(en millones USD)

Categoría	CAGNY Bienes Automóviles y Usados (en USD)			BCV Bienes Usados		
	Indicador	Unidad	Valor	Indicador	Unidad	Valor
Importaciones	199.133	16.276,4	84,6	138.410	14.824,5	60,9
**Importaciones de Bienes	32.231	6.879,2	24,8	32.231	6.879,2	24,8
Importaciones de Capital	15520	3.447,2	14,1	13182**	3.346,3	13,7
Unidad Aérea	287	862,8	3,8	186	862,7	3,8
Importación de Vehículos	246	165,8	0,7	226	125,4	0,5
Importaciones de Vehículos	5750	921,8	3,9	10891**	147,9	0,6
Importaciones de Vehículos de Bienes	11891	228,2	1,0	14831**	112,2	0,5
**Importaciones de Vehículos de Capital	26.474	288,7	1,2	22.746	286,5	1,2
Registros y Vehículos	630	146,5	0,6	627	145,5	0,6
Comercio e Importaciones	3.219	81,7	0,3	3.219	81,7	0,3
Bienes de Consumo Privados	88	62,2	0,3	37	39,5	0,2
Bienes de Consumo	2.748	71,3	0,3	2.408	76,5	0,3
Transportación	144	43,3	0,2	124	41,1	0,2
Industria	8.846	89,9	0,4	8.218	82,1	0,3
Comercio	57	7,8	0,0	58	9,9	0,0
Total	271.185	38.862,4	158,3	227.422	27.346,8	114,8



- CORPORATE PROFIT
- CORPORATE EXPENSES
- FDI OUT VENEZUELA
- STOCKS INVESTMENTS
- BANKING INVESTMENTS
- SERVICES IMPORTS

Foreign Exchange Methods

Necessary Steps in order to Manage Emerging Risks

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KYC

- Improve the Know Your Customer Program according to the new trends in Foreign Exchange Methods.
- Improve the Enhanced Due Diligence in order to establish the Company Structure and the real capabilities to perform & control the Foreign Exchange Methods.

OPEN SOURCES

- The Open Sources are the dominant analysis sources.
- But a common misconception is that Open Source material is enough to provide quality analysis.
- The Permuta (Bond Swap) Case show us a failure to analyze collected material objectively

Premature closure results

- When analysts did early judgments about the permuta, based in wrong or incomplete information.
- The early judgment:
 - Permuta is a new instrument for moneylaunderers
 - Permuta is illegal.
 - Every wire transfer from Venezuela is a Permuta

PERMUTA...

- IS A FINANCIAL INSTRUMENT SINCE THE 19TH CENTURY. AND WE HAVE TO LEARN ALL ABOUT
 - DERIVATIVES
 - OVER-THE-COUNTER INSTRUMENTS
 - OPTIONS ON A SWAP (SWAPTION)
 - CONSTANT MATURITY SWAPS

PERMUTA IS

- LEGAL.
- IS IN EVERY COMMERCE & TRADE CODE IN THE WORLD.
- IS THE FAVORITE FINANCIAL INSTRUMENT FOR THE BIG CORPORATIONS

Venezuelan Bond Swap and Other Complex Foreign Exchange Methods

- 7% BOND SWAPS (PERMUTA)
- 48% TICC (Títulos de Interés y Capital Cubierto)
- 30% LOCAL AND INTERNATIONAL DEBT BONDS
- 8% PUBLIC AND PRIVATE STOCKS
- 4% EXPORTATION MARKET
- 3% MARGIN LENDING & OTHERS (FORWARD CONTRACTS, CREDIT DERIVATIVES)

Don't Forget This lesson

- Don't blame the Financial Instrument, we have to learn all about it.

Foreign Exchange Methods

An introduction to the Venezuelan
Stock Market Companies and
Compliance Structure

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Year 2009

Only the Strong Survive

- Despite tumultuous year, 2009 was the year of consolidation of the Stock Market Companies and Compliance Structures.
 - The D.E.A operations (Rosemount & Puerto Rico)
 - Stronger Pressure of U.S Banks (correspondent accounts)
- Reduced the size of the market and companies from 108 operators to less than 25

THIS 25 COMPANIES

- Are moving forward to high quality international standards
- Fulfill the necessary steps to enhance their compliance structures and programs.
- A major focus of reform of corporate governance