

FUNDAMENTAL ASPECTS OF CURRENCY REDENOMINATION

November 21st, 2007 Version



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INTRODUCTION

The Central Bank of Venezuela (BCV), guiding body of the currency redenomination process, aware of the leading role citizens, communities and institutions play in this process, makes available the first version of the guide entitled FUNDAMENTAL ASPECTS OF THE CURRENCY REDENOMINATION. The objective of this work is to document and prepare all audiences on the different aspects of currency redenomination, so that the new expression or monetary scale, which will come into effect on January 1st, 2008, can be assumed easily and with confidence. In this sense, it is expected that this guide will serve as a reference for the whole citizenship, to public and private companies and institutions, especially to those that have to carry out the necessary adaptations of their calculation systems, and to the organizations that perform surveillance and monitoring activities.

Moreover, this document is a reference for all educators and informants of the currency redenomination process of the Central Bank of Venezuela, and of other public and private institutions participating in the development of activities aimed at guiding and educating the community on the different aspects of this process, which represents the first experience of this kind in the contemporary history of the country. It is important to highlight that the currency redenomination is a State project involving all sectors of the society, which is the reason why the BCV opens up the necessary spaces, and creates the favorable conditions the keep the whole citizenship informed.

This second version of the Fundamental Aspects of Currency Redenomination summarizes, in a very concrete fashion, the information available on this process until November 21st, 2007. Among the innovations included, three new chapters stand out; one about the physical characteristics of the new bills and coins; another about payments, change and bank deposits during the phase of simultaneous circulation of both families of bills and coins; and a last one about labor aspects. New elements are also added to the chapter on the communication strategy of the currency redenomination, and two new sections were added in the chapter on basic aspects of currency redenomination, about currency splitting and about the 12.5 cents coin. Additionally, the section referring to the simultaneous managing of both currency expressions (bolivares and bolivares fuertes) has been added with the objective of clarifying the idea that during the phase in which the bills and coins of the current monetary cone and those of the new monetary cone will be circulating, the citizenship may pay in cash and receive change with coins or bills of the current monetary cone, with coins and bills of the new monetary cone, and with coins and bills of both monetary cones.

Moreover, in the chapter on distribution exchange of coins and bills during currency redenomination, it is specified that January 2nd, 2008, will be a normal banking operations day throughout the whole country, and that it is not necessary to go and exchange all current bills and coins for the ones of the new monetary cone, since current coins and bills may be used during the transition phase to make payments or to get change.

The appendixes include three new resolutions made by the BCV. Appendix B.4 deals with the regulations related to the documents presented before Registries and Notaries and with the managing of the prices of stocks quoted at the stock market. Appendix B.5 includes the regulations that govern the aspects related to wages and other social benefits in the framework of currency redenomination. And appendix B.6 makes reference to the support and collaboration of entities and organizations of public

authorities to the process of currency redenomination, especially those with supervising, comptrolling, surveillance and controlling competences. A summary of this resolution can be found in the section on sanctions in the basic aspects of currency redenomination chapter.

As new information becomes available and that would allow us to extend the different aspects dealt with in this document, or about other aspects not developed so far, the Central Bank of Venezuela will make new editions with the inclusion of additional chapters, extensions and/or modifications to the already existing sections, in order to keep the different audiences and users up to date.

BASIC ASPECTS OF THE CURRENCY REDENOMINATION

WHAT IS CURRENCY REDENOMINATION?

Currency redenomination is a public policies measure that simplifies the understanding, use and managing of the national currency through its expression in a new and smaller equivalent scale. In other words, the currency redenomination consists of eliminating a specific number of zeroes from the currency, and bringing everything that is expressed through the national currency to that new monetary scale. It involves all amounts: prices of goods and services sold in the country, wages and salaries, savings, pensions, debts, rents, and other payment commitments, exchange rate and taxes, among others.

For a while, mechanisms are put in place to help citizens establish the equivalences between the coins and bills of the monetary scale being converted, and the coins and bills of the new scale, so that people is able to use both monetary denominations with ease and confidence during the time both coins and bills families jointly circulate.

In the case of Venezuela, currency redenomination consists in dividing by one thousand (1,000), or eliminating three zeroes from the national currency, and adapting that new monetary scale to every amount expressed in bolivares. This measure means that all prices, wages, pensions and any other social benefit, bonds, taxes, sums in national currency contained in statements of affaires, or in any other countable document or credit deed and, in general, any operation or reference in current bolivares, shall be converted to “bolivares fuertes” by dividing the amounts by one thousand (1,000).

With the currency redenomination there will be no change in the denomination of the national currency, which will continue to be the bolivar; but in order to achieve an easier, more effective and quicker familiarization with the new monetary scale, during a period of transition the adjective “fuerte” will be added to the word “bolivar”, to make it “bolivar fuerte”. This denomination will be represented by the symbol “Bs.F.”. For instance, a 672,000 current bolivares (Bs.) wage, once converted to the new monetary scale will equal 672.00 bolivares fuertes (Bs.F.). A payment of the electrical service for 23,170 current bolivares (Bs.), will be equal to 23.17 bolivares Fuertes (Bs.F.); a Bs. 1,400 kilogram of corn flour will be equal to Bs.F. 1.40; and a Bs. 900 urban bus fare will be equal to Bs.F. 0.90. As we can see, in order to get the new monetary scale we divided by one thousand (1,000), or moved the comma three spots to the left, all the amounts used on this example:

$$\text{Bs. 1,000} = \text{Bs.F. 1}$$

The currency redenomination process is part of a larger policy being carried out by the Executive and by the Central Bank of Venezuela, which goal is to promote the growth of the economy, the social and economical development of the country, and the strengthening of the bolivar. In this sense, currency redenomination is an element that goes hand in hand with the growth and economical stability of the country.

This is a good time to point out that Venezuelan economy has experienced a significant and continuous growth for the last 15 three-month periods, in which time it has reached a 12.4% average year-on-year increase. This growth has been mainly based on the dynamism of the private sector not related to the oil business, where the behavior of the manufacturing activity, commerce, the construction sector and the financial and insurance institutions stand out. This fact has contributed to the increase of the participation of formal workers, and places Venezuela in the front of Latin American growth.

WHEN DOES THE CURRENCY REDENOMINATION BEGIN?

The currency redenomination will come into force in January 1st, 2008, but since October 1st, 2007, and with the objective of familiarizing the whole population with the new monetary scale, the prices of goods and services shall be presented in current bolivares and in bolivares fuertes. Starting in January 1st, 2008, any operation that uses the national currency shall be made using the new monetary scale. This means that all commercial or industrial companies, mayor's offices, ministries, governor's offices, universities, clinics, hospitals, banks, insurance companies, cooperatives, and, in general, all citizens should be prepared to make and register any operation with the new monetary scale. It is important to take into account that by January 1st, 2008, every computer system that registers operations in national currency has to be adapted to the new scale.

KEY DATES

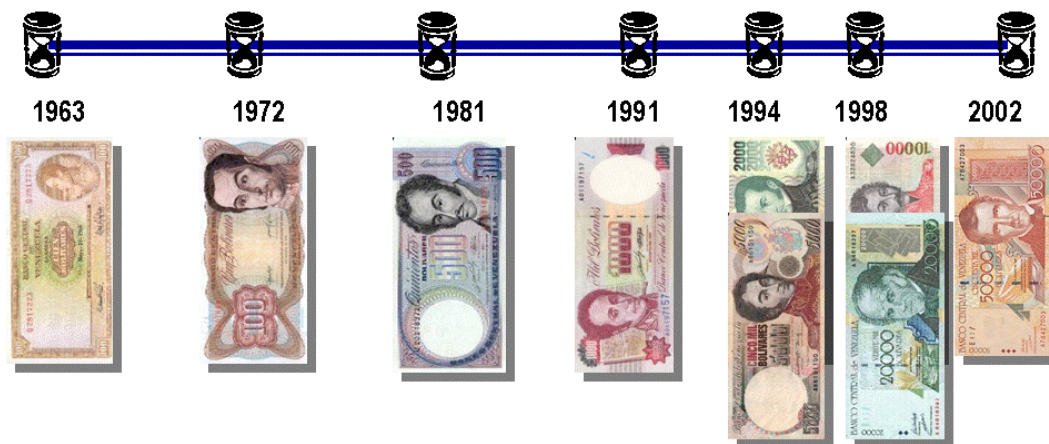
- **March 6th, 2007.** Publication of the Decree with Force of Law on Currency Redenomination.
- **October 1st, 2007.** Show, offer or exhibition to the public, in current and in bolivares fuertes, of the prices of goods and services through spoken word, advertising or informative material, or through any other instrument that complies with the function of familiarizing the public with the new monetary scale. This means that the invoices and other accounts are not included in the instruments that shall show the double expression, in other words, bolivares (Bs.) and bolivares fuertes (Bs. F.). They will continue to be presented in current bolivares until December 31st, 2007.
- **January 1st, 2008.** Coins and bills of the new family start circulating, as well as all the aspects related to the currency redenomination measure. In other words, invoices, contracts, checks, wages and salaries, rents, and everything else that can be bought, paid, expressed or registered in national currency, shall be made using the new monetary scale.

The obligations contracted before January 1st, 2008, and that should be paid after that date, should automatically be considered as expressed in the new monetary scale. Moreover, and until the Central Bank of Venezuela decides otherwise, the showing, offering and exhibition to the public of the prices of goods and services in current bolivares (Bs.) and in bolivares fuertes (Bs. F.), should continue after January 1st, 2008.

CAUSES FOR THE CURRENCY REDENOMINATION

With the passing of time and due to the loss of purchasing power of coins and bills, new higher denomination monetary coins and bills started to circulate, those of

lesser denomination started to disappear, and successive changes in the monetary cone were experienced. For instance, in the 70s, the highest denomination bill was the 100 bolivares bill¹; in the 80s, it was the 500 bolivares bill¹; by the end of the 90s, the 20,000 bolivares bill was already circulating, and in 2002, the 50,000 bolivares bill entered circulation. As the economy demanded the introduction of higher denomination bills, the understanding, use and managing of national currency started to get increasingly complicated. That is the reason why this situation had to be tackled at some point, through a currency redenomination.



Note: According to issuing year

PURPOSE OF THE CURRENCY REDENOMINATION

The objective of the currency redenomination is:

- a) Facilitate the understanding of very large quantities of money. For instance, it is easier to understand the meaning of 1.5 billion bolivares than 1.5 trillion bolivares.
- b) Simplify the arithmetic calculations of amounts expressed in national currency. It is easier to divide 20 by 5, than 20,000 by 5,000.

¹ The Bs. 500 bill was first issued in 1940. Nonetheless, its massive issuing only started in 1981, because, in general, its previous use was limited to high value transactions. Source: Sucre, S. (1990). *Los billetes del Banco Central de Venezuela*, Caracas: Banco Central de Venezuela.

- c) Facilitate the transactions made with coins and bills. It is easier to pay with 50 or 100 bolivares fuertes than with 50,000 or 100,000 bolivares.
- d) Achieve a more efficient use of calculation and accounting record systems. The use of bolivares fuertes will allow for three digits savings.
- e) Leave behind the **consequences** the history of inflations of the past had on the currency, and strengthen the **trust** in the monetary sign. A smaller monetary scale improves the perception individuals have of the national economy and, as a consequence, it strengthens trust in the currency.

THE NEW MONETARY CONE

The family of coins and bills in circulation is called monetary cone. The new monetary cone has seven (7) coins and six (6) bills. The coins are: 1 bolivar fuerte, 50 cents, 25 cents, 12.5 cents, 10 cents, 5 cents and 1 cent. The denominations of the bills are the following: Bs. F. 2, Bs. F. 5, Bs. F. 10, Bs. F. 20, Bs. F. 50, and Bs. F. 100. The new coins and bills will not have the word “fuerte” printed in them, but their characteristics will allow for their differentiation from the current family of bills and coins, and will be easily recognizable. The chapter “Physical characteristics of the new coins and bills” offers more details on this subject.

The new monetary cone (Bs.F.)

Coins	Bills
Bs.F. 1 (one bolivar fuerte)	Bs.F 100 (one hundred bolivares fuertes)
Bs.F. 0,50 (fifty cents)	Bs.F. 50 (fifty bolivares fuertes)
Bs.F. 0,25 (twenty five cents)	Bs.F. 20 (twenty bolivares fuertes)
Bs.F. 0,125 (twelve and a half cents)	Bs.F. 10 (ten bolivares fuertes)
Bs.F. 0,10 (ten cents)	Bs.F. 5 (five bolivares fuertes)
Bs.F. 0,05 (five cents)	Bs.F.2 (two bolivares fuertes)
Bs.F. 0,01 (one cent)	













EQUIVALENCES BETWEEN THE CURRENT AND THE NEW MONETARY CONE

Almost all current coins and bills will have an equivalent in the new monetary cone: 2,000, 5,000, 10,000, 20,000 and 50,000 current bolivares bills will have their equivalent in the new 2, 5, 10, 20 and 50 bolivares fuertes bills. The Bs. F. 100 bill is added to this family. It has no equivalent in the current monetary cone and will be the bill with the highest denomination.

The 10, 50, 100, 500 and 1,000 current bolivares coins will also have their equivalents in the 1 cent, 5 cents, 10 cents, 50 cents and 1 bolivar coins, respectively. The new coins that do not have an equivalent in the current monetary cone are those of 25 cents (which equals to 250 current bolivares), and those of 12.5 cents (which equals to 125 current bolivares). The 20 current bolivares coin will not have an equivalent coin in the new monetary cone.

THE NEW MONETARY CONE (Bs.F.), AND ITS EQUIVALENCES

Cono monetario-equivalencias

	Bolívares	Bolívares Fuertes	
		Bs.F. 100	100 Bs.
	Bs. 50.000	Bs.F. 50	50 Bs.
	Bs. 20.000	Bs.F. 20	20 Bs.
	Bs. 10.000	Bs.F. 10	10 Bs.
	Bs. 5.000	Bs.F. 5	5 Bs.
	Bs. 2.000	Bs.F. 2	2 Bs.
	Bs. 1.000	Bs.F. 1 (un bolívar fuerte)	1 Bs.
	Bs. 1.000		
	Bs. 500	Bs.F. 0,50 (cincuenta céntimos)	50^{cs}
		Bs.F. 0,25 (veinticinco céntimos)	25^{cs}
		Bs.F. 0,125 (doce céntimos y medio)	12,5^{cs}
	Bs. 100	Bs.F. 0,10 (diez céntimos)	10^{cs}
	Bs. 50	Bs.F. 0,05 (cinco céntimos)	5^{cs}
	Bs. 20		
	Bs. 10	Bs.F. 0,01 (un céntimo)	1^{cs}

MONETARY UNIT SPLITTING

The Bs.F. 0.50 coin is half (1/2) of one bolivar fuerte. The Bs.F. 0.25 coin is a quarter (1/4) of one bolivar fuerte, and the Bs.F. 0.125 is an eighth (1/8) of one bolivar fuerte.

Value representations of one (1) bolivar*

0.25

0.125

0.125

0.50

* In lesser denomination coins.

The Bs.F. 0.10 coin is a tenth (1/10) of one bolivar fuerte. The Bs.F. 0.05 coin is a twentieth (1/20) of one bolivar fuerte, and the Bs.F. 0.01 coin (one cent) is a hundredth (1/100) of one bolivar fuerte.

Value representation of twenty five (25) cents*

0.10

* In lesser denomination coins.

THE 12.5 CENTS COIN

The 12.5 cents coin, popularly known as the locha, is an eighth of one strong bolivar. When used in even amounts, the Bs. F. 0.125 coin allows to equal other species

of the monetary cone, or values expressed in cents that can also be obtained through combinations of coins. For instance, with two (2) Bs.F. 0.125 coins, one gets Bs.F. 0.25; four (4) Bs.F. 0.125 coins add up to Bs.F. 0.50; six (6) Bs.F. 0.125 coins equal to Bs.F. 0.75; and eight (8) Bs.F. 0.125 coins add up to Bs.F. 1.00.

On the other hand, when using the Bs.F. 0.125 coin in odd amounts, the value of one of these coins should be rounded up to Bs.F. 0.13, to get a two decimals amount. It is not necessary to round off the value of the rest of the coins used in the transaction. For instance:

- One (1) coin of Bs.F. 0.125 = Bs.F. 0.13
- Three (3) coins of Bs.F. 0.125 = Bs.F. 0.38
- Five (5) coins of Bs.F. 0.125 = Bs.F. 0.63
- Seven (7) coins of Bs.F. 0.125 = Bs.F. 0.88

The Bs.F. 0.125 coin will allow us to considerably reduce the number of coins one needs to use to make cash payments, and, in consequence, this will translate into important time savings during transactions. Thus, for instance, for the cash payment of an amount ending with 38 cents of Bs.F, one could use one Bs.F. 0.25 coin, and one Bs.F. 0.125 coin; in other words, just two coins. The same Bs.F. 0.38 could be obtained with a Bs.F. 0.25 coin, one Bs.F. 0.05 coin, and three Bs.F. 0.01 coins. This combination involves the use of five coins instead of the two counted at the beginning. This amount could be paid by using another combination of coins of the new monetary cone that would not involve 12.5 cents coins. Nonetheless, when using it, one saves time and uses less coins.

The 12.5 cents coin has already been circulating in Venezuela's monetary history, which is why it is not new for many citizens².

EFFECTS ON THE PURCHASING POWER

The currency redenomination process does not alter the purchasing power. In other words, with the savings and/or wages and salaries, and with any amount of money expressed in Bs. F., we could pay for the same quantity of goods and services that we can pay for before the redenomination. Currency Redenomination does not produce any alteration on the value of goods, services, credits, and debts, whatever their nature.

For instance, nowadays, with a minimum wage of Bs. 672,000, and with a kilogram of corn flour at a price of Bs. 1,400, if someone wants to spend their whole wage in corn flour they could buy 480 kilograms. Once the currency redenomination is in force, the 672,000 current bolivares wage will become Bs.F. 672.00, and corn flour will have a price of Bs.F. 1.40 per kilo. If someone wants to spend their whole wage in corn flour, they would still get the same 480 kilograms of corn flour.

² The 12.5 cents coin was first minted in 1896, at the Berlin Royal Mint, in Germany. 6,000,000 coins were minted for this currency redenomination process. Source: De Pardo, M.C. (1989). *Monedas venezolanas*, volume I, third edition, Colección Histórico- Económica Venezolana, Caracas: Banco Central de Venezuela.

This example could be simplified even further: if one kilogram of corn flour, with a price of Bs. 1,400, is paid for with a Bs. 2,000 bill, the change received by the buyer would be Bs. 600. With the redenomination, the Bs. 2,000 bill will be equal to Bs.F. 2, and the kilogram of corn flour could be bought with this amount too. In this case, the change would be Bs.F. 0.60, which equals to 600 current bolivares.

In other words, the current purchasing power is maintained, but the prices and wages will be expressed in a smaller scale, just as any other amount expressed in national currency.

SIMULTANEOUS MANAGING OF BOTH MONETARY EXPRESSIONS (BOLIVARES AND BOLIVARES FUERTES)

Starting in January 1st, 2008, and until the Central Bank of Venezuela indicates otherwise, users will be able to make cash payments and to get change in any of the following forms:

- 1) With coins and bills of the current monetary cone
- 2) With coins and bills of the new monetary cone
- 3) With a combination of coins and bills of both cones, as long as the equivalences are observed

For instance, if someone pays in cash for a stove which value is Bs.F. 800, they have three choices to purchase the item: 1) With 800,000 current bolivares; 2) with Bs.F. 800 in coins or bills of the new monetary cone; or 3) with a combination of coins and bills of the new monetary cone and of the monetary cone being replaced. It is recommended that buyers and sellers get familiar with the new coins and bills and their respective equivalences in coins and bills currently circulating.

Moreover, the purchase of a newspaper which price is Bs.F. 1.30 or Bs. 1,300 could be made in any of the forms mentioned above. Likewise, the change, if any, could be received in any of these three options. For instance, the payment could be made with a Bs. 2,000 bill, with two 1 bolivar fuerte coins, or with a one bolivar fuerte coin and one 1,000 current bolivars coin. Either way, the change for 0.70 strong bolivars or 700 current bolivares could be obtained in any of the following forms:

- 1) With coins of the current monetary cone and which process of substitution will begin in January 1st, 2008. It is important to take into account that as long as the coins and bills of the current monetary cone are of legal tender, everyone has to receive them. This will be possible until the Central Bank of Venezuela indicates otherwise.
- 2) With coins of the new monetary cone. This amount could be obtained with one 50 cents coin, and two 10 cents coins; or through any other combination of coins of the new monetary cone that add up to 70 cents.
- 3) With a combination of coins of both families, which could be, 400 current bolivares (equaling 40 cents of bolivar fuerte), and 30 cents of bolivar fuerte (equal to 300 current bolivares), or any other combination of coins of both monetary cones adding up to 0.70 bolivares fuertes³.

³ For further information about the simultaneous managing of both monetary cones, see the chapter on "Payments, change and bank deposits during the phase of simultaneous circulation of both families of coins and bills."

DEMONETIZED COINS AND BILLS

The puyas, lochas, medios and reales that already stopped circulating, as well as the 5, 10, 20, 50, 100 and 500 bolivares bills, which also stopped circulating, can not be used because they were demonetized by the Central Bank of Venezuela, in other words, they no longer have release power over debts and payments and, as a consequence, they are no longer of legal tender.

For the new monetary scale defining the redenomination, the BCV will issue completely new bills and coins, which correspond to the new currency value and to the changes contemplated by the Constitution and the law.

THE ISO CODE OF THE BOLIVAR

The ISO code (acronym for the International Standardization Organization) is an international standard code used to identify every currency in the international market and, in some cases, in the domestic market. It has a three letter structure: nowadays, the letters VEB are used for the bolivar. Any modification to a currency should be reflected in its ISO code.

Starting in January 1st, 2008, the new alphabetic ISO code for the Venezuelan currency will be **VEF**. This code has a numerical equivalent – also three digits – used for the registration of specific operations such as credit cards. The new numerical code will be **937**.

It is worth highlighting that this new ISO code for the bolivar, “VEF”, will continue to be used even after the end of the transition process, when the adjective “fuerte” will no longer be used.

TYPES OF EXCHANGE

Exchange rates will be subjected to the same redenomination rule of 1,000 to 1. In this sense, the currency redenomination process will be neutral in terms of the currencies of the rest of the world; in other words, the redenomination does not imply the devaluation of the bolivar.

An example with the United States currency:

The exchange rate for sales is Bs. 2,150 per dollar. At this exchange rate, with Bs. 215,000 one gets 100 dollars. With the bolivar fuerte, the exchange rate will be Bs.F. 2.15 per dollar. With Bs.F. 215.00 one gets 100 dollars too.

Moreover, the exchange rate to buy is Bs. 2,144.60 per dollar. With this exchange rate, for every 100 dollars one gets Bs. 214,460. With the bolivares fuertes, the exchange rate will be Bs.F. 2.1446 per dollar. For every 100 dollars one gets Bs.F. 214.46, an amount equivalent to Bs. 214,460.

An example with the Colombian currency:

If the exchange rate is 1.09137056 per Colombian peso, with Bs. 10,000 one gets 9,162.79 Colombian pesos. With the bolivares fuertes, the exchange rate for the value used on the example will be Bs.F. 0.00109137056 per Colombian peso. With Bs.F. 10 one gets 9,162.79 Colombian pesos. In other words, with Bs.F. 10, whether it is in Colombia, the United States or in some other country, one gets the same quantity of goods and services they can get for Bs. 10,000.

According to the rules that govern the monetary re-expression and rounding off, once divided by 1,000, the number of decimals used for the exchange rate of each currency will be determined by the Central Bank of Venezuela, which would allow to

maintain the exchange differential between buying and selling prices of each currency. This information will be available on our web page: www.bcv.org.ve.

For this reason, currency redenomination does not affect the value of imports and exports of the country. For instance, the Colombian producer that exports to Venezuela will get the same amount of Colombian pesos they receive nowadays for their sales to Venezuela. Likewise, a Venezuelan producer that exports to Colombia will get an amount in bolivares fuertes equivalent to the amount in current bolivares. This way, the commercial exchange between Venezuela and other countries will not be affected by currency redenomination.

INSTITUTIONS THAT SHALL LOOK AFTER THE COMPLIANCE WITH THE DECREE-LAW ON CURRENCY REDENOMINATION

Compliance with the law will be enforced by the following organizations:

- Central Bank of Venezuela (BCV)
- Stock Market Regulatory Body (CNV)
- Banks and Other Financial Institutions Regulatory Body (SUDEBAN)
- Insurance Regulatory Body
- Integrated National Service of Customs and Tax Administration (SENIAT)
- Ombudsman's Office
- National Institute for the Defense of Consumers and Users (INDECU)

SANCTIONS

The Decree-Law on Currency Redenomination contemplates two penalizing suppositions:

a) Article 9 contemplates that those who refuse to perform the currency redenomination established on article 1 of the Decree-Law, or that do not comply with any of the obligations established in it, will be sanctioned with a fine ranking from 10 tax units (T.U.), to 10,000 T.U.s. This fine will be imposed and settled by the INDECU, in accordance with the provisions of the Law for the Protection of Consumers and Users or, failing that, by the SUDEBAN, should the offender be a financial institution.

b) The twelfth transitory provision establishes that those who refuse to receive the coins and bills of the current family will be sanctioned with a fine equivalent to four times the amount they have refused to receive. This fine will be imposed and settled by the Central Bank of Venezuela.

Resolution Number 07-11-02 of the Central Bank of Venezuela, dated November 20th, 2007, establishes that the entities and organizations with supervising, comptrolling, and surveillance competences, in accordance with article 7 of the Decree with Force of Law on Currency Redenomination, shall facilitate the infrastructure and the technical staff to educate, transmit and inform about the basic aspects of currency redenomination; and will carry out, in the framework of their legal competences, the necessary inspections in the production centers, businesses, commercial establishments, and other offices dedicated to the commercialization of goods or to the rendering of services, with the objective of determining the commission of acts in violation of the abovementioned Decree-Law, or of the provisions set forth by the BCV for its execution. To this end, they will use the regulations and materials, the documents and the guiding means with contents referring to currency redenomination, which will be timely supplied by the BCV.

WHERE TO FIND OFFICIAL INFORMATION?

The Central Bank of Venezuela has made available a web page exclusively dedicated to the currency redenomination. The address is the following: www.reconversionbcv.org.ve. There the public can find information on general and specific aspects of the currency redenomination in Venezuela. The toll-free phone line 0800-bolivar (0800-2654827) has been available to the public since October 1st, 2007. They can also send messages to the address of the BCV's Library via the e-mail address biblio@bcv.org.ve.

Moreover, the currency redenomination process has a team of informers and trainers made out by BCV and other public and private organizations employees, including the financial institutions, the Ministry for the People's Power for Light Industries and Commerce, through the Indecu; the Ministry for the People's Power for Finances, through the Seniat; the network of national libraries, the Ministry for the People's Power for Food, through Mercal, C.A.; the Ministry for the People's Power for Science and Technology, through the National Center for Technological Innovation (Cenit); and the Infocentro Foundation, the National Land Institute (INTI), among others⁴.

Some universities⁵ have also joint the communicational effort on currency redenomination and have developed information activities for different audiences with their students and employees. BCV and other institutions employees, as well as the students dedicated to the information activity, have been properly trained on the different aspects of currency redenomination, and use informative material made and/or authorized by the BCV. This joint work with other organizations has allowed us to inform more citizens.

⁴ Main Mayor's Office, Metro de Caracas, Cantv, Yaracuy Governor's Office, Legislative Council of Bolivar, Accountants Association of Lara, Military Garrison of Yaracuy. The list of organizations adding to the list of contributing institutions grows on a daily basis, and so it is difficult to list them thoroughly.

⁵ INCLUDING THE UNIVERSITY OF CARABOBO (UC), THE NATIONAL EXPERIMENTAL UNIVERSITY OF THE ARMED FORCES (UNEFA, YARACUY), THE TECHNICAL EXPERIMENTAL UNIVERSITY (UNEXPO, YARACUY), THE LISANDRO ALVARADO CENTRAL-WESTERN UNIVERSITY (UCLA), THE NATIONAL EXPERIMENTAL UNIVERSITY OF THE WESTERN PLAINS (UNELLEZ, BARINAS), THE ANDRÉS BELLO CATHOLIC UNIVERSITY (UCAB).

ROUNDING OFF

THE ROUNDING OFF RULE

With the redenomination, when dividing the prices or any other amount or sum of money by one thousand (1,000), sometimes the resulting figures or quantities show more than two decimals, which could be taken to two decimals through the application of the rounding off rule, with some exceptions.

The general rounding off rule is the following:

- When a third decimal of an amount converted to Bs.F. is equal to or higher than 5, the second decimal is raised by one unit.
- When the third decimal is lower than 5, the second decimal stays the same.

Examples:

Bs. 38,568 converted and rounded off, become Bs.F. 38.57

Bs. 38,562 converted and rounded off, become Bs.F. 38.56

Since every rule has its **exceptions**, the rounding off rule has some that are explained below:

The prices per unit of the following are expressed with at least three decimals:

- a) Automotive fuels (gas, natural gas – GNV-, and gas oil)
- b) Liquified Petroleum Gas (LPG) sold in bulk
- c) Water, electricity, methane gas, phone and Internet services
- d) Stocks quoted at the stock market ⁶

Likewise,

- e) Three decimals are used on the tax unit
- f) For the case of exchange rates, the number of decimals is the one that corresponds to the currency, in accordance to the BCV's web page

For instance, the price of a 95 octane liter of gas is Bs. 97.00, and with the redenomination it will be Bs.F. 0.097. Likewise, the Bs. 37,632.00 tax unit established for 2007, will now be Bs.F. 37.632.

Even if the prices and amounts considered as special cases have at least three decimals, **for purposes of payment or accounting** they should be rounded off to two decimals. Such rounding off will be applied to the result of multiplying the price by the amount of units of the good, service or monetary amounts consumed, bought or counted. For instance, if the price of a 95 octane liter of gas is Bs.F. 0,097, and 21 liters of gas are needed, the result of multiplying such amount by the price is 2.037. In this case, to pay this amount it should be rounded off to two decimals, in accordance with what is established by the general rounding off rule. In other words, since the third decimal is seven (higher than five), the second decimal is increased by one and the result is 2.04 bolivares fuertes.

⁶ According to Resolution Number 07-09-01 of the BCV, published in the Official Gazette of the Bolivarian Republic of Venezuela Number 38,773, dated September 20th, 2007, the price in bolivares fuertes used to show, offer or exhibit to the public the value of stocks quoted in the stock market, shall reflect at least three (3) decimals; an obligation that shall only be applied when such show, offer, or exhibition to the public view is made through means other than calculation systems. As of January 1st, 2008, the price for the quotation and closing of transactions with such stocks shall be expressed with at least two (2) decimals.

Another example is that of the electricity company that today uses five (5) decimals for the kilowatt per hour (kWh) rate. Once such rate is re-expressed in Bs.F., the company could use the same quantity of decimals it uses today or a larger number of decimals, but the total amount to be paid for the electricity consumption in the month should be rounded off to two decimals.

IMPACT ON INFLATION

The impact of the rounding off rule on inflation will be almost zero, because this rule will be applied to a very small percentage of the prices of goods and services comprising the domestic goods and services basket.

It is important to highlight that when analyzing the prices that nowadays make up the data base of the Consumer Price Index (CPI) in the metropolitan area of Caracas (over 22,000), we see that:

- a) Very few of them end in decimals (around 1.5%).
- b) Over 90% end in zero (for instance: it is common to find prices such as Bs. 2,450 and Bs. 3,280, and so on).

Moreover, in order to guarantee that the impact on inflation will be minimal, the Central Bank of Venezuela took the precaution of establishing special cases on the prices and rates of some goods and services (gas, water, electricity, methane gas, phone, and other services), which are consumed by more than one unit and that nowadays are below 1,000 bolivares. These prices and rates will be re-expressed with at least three decimals. So, the rounding off will not pose many problems, because the one cent (Bs. 0.01) coin will allow for the payment of exact amounts.

WHEN DOES THE ROUNDING OFF RULE NOT APPLY?

The rounding off rule does not apply when after dividing by one thousand (1,000) the result gives us only two decimals or less. This takes place with those monetary amounts such as prices, incomes, savings, and, in general, all that is expressed in national currency and that ends in zero with no decimals.

Example:

- Price "X" in Bs.: 11,420.00
- Conversion to Bs.F.: $11,420.00/1,000 = 11.420 = 11.42$
- The rounding off rule does not apply because a new price is obtained automatically, expressed with cents or two decimals.

Since over 90% of the prices that make up the data base of the consumer price index in the metropolitan area of Caracas end in zero and do not have any decimals, the rounding off rule will not be widely used for the prices of goods and services that constitute the domestic goods and services basket.

THE CASE OF TOO LOW PRICES AND RATES

Should there be a "per unit" price too small in current bolivares, and that is not considered by the special cases of the currency redenomination and rounding off rules, and that once converted equals to zero, the change of commercialization practices for such good or service is recommended, so that it would give a significant price in the new monetary scale. For instance, if the "per unit" price of a good Z is Bs. 2, once divided by 1,000 it becomes 0.002. The rounding off rule would indicate a price of

Bs.F. 0, but since this makes no sense from the economical point of view, it is recommended to establish a price for each ten or one hundred units of the product, so that once it is reconverted to bolivares fuertes it would give a price higher than zero. Using the same example, if a good Z is offered in ten-unit packages for Bs. 20, once re-expressed in the new monetary scale the result would be Bs.F. 0.02 for ten units. With this practice, the prices of these goods and services would not be altered, and the seller would be within the framework of the law, by complying with the mandatory principles of equality of value and nominal equivalence.

CHECKS

CHARACTERISTICS OF CHECKS

With the currency redenomination, characteristics of checks and checkbooks will not change, because it will not be necessary to write the expression “bolivares fuertes” or the symbol Bs.F. in the space provided in the checks to write the amount in numbers and/or letters. So the way to determine if a check is expressed in current bolivares or in bolivares fuertes would be by its issuing date.

It is important to point out that the use of the expression “bolivares fuertes” or the symbol “Bs.F.” will not be cause for the returning or invalidation of checks issued.

CHECKS ISSUED IN 2008

Checks issued starting in January 1st, 2008, should be made with the new monetary scale, and special care has to be taken when issuing checks, so that the amounts reflect the redenomination.

CHECKS ISSUED IN 2007 AND CASHED IN 2008

In case there are non-cashed checks in January 1st, 2008, that were issued before that date, the amount will automatically be understood as re-expressed in bolivares fuertes; for this reason, their amounts should be divided by one thousand (1,000) and rounded off to the closest cent.

For instance, for a 158,000 bolivares check issued in December 23rd, 2007, presented at a bank’s window in January 2008, the teller will pay the amount equivalent to the new monetary scale to the bearer; in other words, 158 bolivares fuertes. The check could be paid with coins and bills of the new family, with coins and bills of the current family, or with a combination of coins and bills of both families.

Next, we present an example in which the amount to be paid has to be rounded off. If the amount of the check is Bs. 158,234, then its bearer will receive Bs.F. 158.23 (one hundred and fifty eight bolivares fuertes and 23 cents). Likewise, the same amount in bolivares fuertes will be registered in the client’s account if they decide to deposit it instead of cashing it at the bank’s window.

It is important to take into account that the rounding off to two decimals will only apply to checks ending in a number other than zero or that have decimals, issued in 2007 and cashed in 2008. Checks issued in 2008 should have two decimals and, for

whatever the amount, there will be coins and bills that will allow for the exact payment in case the bearer decides to get the amount in cash.

CLEARING

The presentation of checks issued in 2007 that have not been cashed by December 31st of that year before the Electronic Clearing House, will only be possible during the month of January 2008. This means that only during the month of January the checks from a bank, issued in 2007, could be deposited in other banks accounts.

Starting in January 1st, 2008, checks with an issue date corresponding to 2007 could be cashed only through the respective bank's windows, or through exchange mechanisms between financial institutions, and their payment will be made through bills and/or coins, regardless of whether they are from the new monetary cone or from the monetary cone being replaced.

BANKS OBLIGATION TO SUPPLY INFORMATION TO THEIR CLIENTS

The banks and other financial institutions have the obligation to inform their clients, through the most convenient and suitable means, of the rules applying to the payment of checks in the currency redenomination process.

PHYSICAL CHARACTERISTICS OF THE NEW BILLS AND COINS

The six bills and the six coins that make out the new monetary cone, and that will start circulating as from January 1st, 2008, have the following elements: the name of the issuing country, Bolivarian Republic of Venezuela; images of the Liberator Simón Bolívar, national heroes and distinguished figures of history and of different ethnic background; and different natural elements. Moreover, they will show the National Coat of Arms and some allegories to the National Flag.

The new coins and bills maintain the denomination in bolivares (Bs.), since the National Constitution of the Bolivarian Republic of Venezuela provides that the monetary unit of the country is the "bolivar". Nonetheless, during the transition⁷ in which both monetary cones will simultaneously circulate, the new family will be called "bolivar fuerte" (Bs.F.), with the objective of differentiating it from the family that is currently circulating.

Among the innovative elements found in the new bills we have the vertical design of the obverse, and the introduction of the image of the woman, represented by national heroine Luisa Cáceres de Arismendi. Moreover, ethnic diversity is taken into account, with the inclusion of emblematic figures such as Lieutenant Pedro Camejo and Cacique Guaicaipuro. Likewise, images of indigenous endangered animal species are presented, in order to raise public awareness on the importance of conservation and respect of biodiversity.

7 For further information, read the chapter on “Distribution and change of coins and bills during the currency redenomination process.”

Also, the 1, 5, 10, 25 and 50 cents coins are identified on the obverse by their respective denominations and by the eight stars of the national flag. The 12.5 cents coin is decorated with graphical motifs symbolizing palms. Last, the 1 bolivar coin preserves the image of the Liberator. On the reverse, all coins boast the National Coat of Arms.

With the new coins and bills designs, the shapers of our nationality are honored, and at the same time it is a contribution to the raising of awareness on the importance of the conservation of the natural spaces and of the different flora and fauna species distinguishing this unique and sovereign homeland called Venezuela.

CHARACTERISTICS OF THE NEW BILLS

As a general characteristic, all bills have the issuing country, the serial numbers, the denomination in numbers and letters, and the signatures of the BCV authorities on the obverse; and on the reverse the issuing body and the National Coat of Arms.

The two (2) bolivares bill

The predominant color is blue. On the obverse is the image of the “Generalissimo” Francisco de Miranda. Born in Caracas on March, 28th, 1750, Miranda became the precursor of the Independence of Venezuela and of Spanish America. He was recognized as the “first universal Venezuelan” because of his education and traveling spirit. He gave the country the tricolor flag, which he raised at La Vela in Coro on August 3rd, 1806, and signed the Act of Independence. He died in Cadiz (Spain), on July 14th, 1816. The portrait is an original replica of Georges Rouget’s work, made by Charles Ventrillon-Horber (not dated).

The reverse presents a scenery of the Dunes of Coro National Park, state of Falcón. There is also the Worm Flower, a marine species that can be found in the Caribbean Sea, on hard substrata such as rocks or corals, pier piles and ship hulls. Likewise, there is the fresh water dolphin, which lives at the basin of the Orinoco river, and in the rivers Casiquiare and Negro. The main threat this species face is the intervention of humans in their habitat.

The five (5) bolivares bill

The predominant color is orange. On the obverse is the image of Pedro Camejo, or Negro Primero. Born in the state of Apure in 1790, he enlisted on the republican forces commanded by General José Antonio Páez in 1816. He had the rank of cavalry officer (lieutenant). He was one of the 150 lancers that participated in the Queseras del Medio battle (April 2nd, 1819), and for his performance he got the Liberator of Venezuela Order. He died in the Battle of Carabobo, on June 24th, 1821. The image is inspired by the bronze bust of Lieutenant Pedro Camejo (Negro Primero), made in 1930 by Antonio Rodríguez del Villar.

On the reverse is a scenery of the Venezuelan plains and an image of the giant armadillo or Cuspón, which lives in Venezuela, in the woods located along the side of the Coastal and Andes mountain range. It is mainly threatened by its indiscriminate hunting for human consumption, and for the use of its paws to manufacture ornaments.

The ten (10) bolivares bill

It is multicolor, mainly brown. On the obverse there is the image of Guaicaipuro, cacique of the Teques and Caracas Indians, who lead the resistance movement against the European penetration during the decade of the 1560'. Caciques Naiquatá, Guaicamacuto, Aramaipuro, Chacao, Baruta, Paramaconi and Chicuramay recognized him as the supreme chief for promoting the upheaval of all tribes against the Spanish. After his frustrated attempt to attack the recently founded city of Caracas, in 1568, Diego de Losada ordered his arrest. He died in an ambush at his hut. The image was taken from the work *Mapas y alegorías venezolanas* (not dated), oil on canvas, by Pedro Centeno Vallenilla.

On the reverse is the Ucaima Fall and the Venado and Kurún tepuys (Canaima National Park), in the state of Bolívar, and the Harpy Eagle, one of our larger bird species. It lives to the north of the Orinoco river. It is very vulnerable to invasions of its habitat and humans represent a major threat.

The twenty (20) bolivares bill

The predominant color is pink. On the obverse is the image of Luisa Cáceres de Arismendi. Born in Caracas on September 25th, 1799, she was the wife of military man and patriot leader Juan Bautista Arismendi. She was arrested by the royalists as an extortion measure to arrest her husband, and she remained in custody and in exile for three years. She unconditionally supported the patriots cause and her husband, in spite of the penuries she endured during her imprisonment. She died in Caracas in 1866. The Portrait of *Luisa Cáceres de Arismendi* is oil on canvas painted by Emilio Jacinto Mauri around 1899.

On the reverse are the Macanao mountains, an extraordinary and little known place at the island of Margarita; and the tortoiseshell turtle, which mainly nests at the Los Roques archipelago and at the La Blanquilla island. Its shell makes it vulnerable to hunters that take the tortoiseshell for commercial purposes.

The fifty (50) bolivares bill

It is mainly green. On the obverse is the image of Simón Rodríguez. Born in Caracas on October 28th, 1796, he was a teacher and philosopher with a lasting and incisive intellectual body of work. He stands out as a serious expert on Spanish American society. Moreover, he was Simón Bolívar's teacher and mentor, who called him "Colombia's Socrates". In 1797 he joins the project of independence proposed by Manuel Gual and José María España, and as a consequence of the failure of this project he leaves for Jamaica, where he would change his name to Samuel Robinson. He died in Peru, in 1854. The portrait was made by Juan Agustín Guerrero with oil on canvas.

On the reverse is the Santo Cristo's Lagoon, the largest mountain lagoon in Venezuela, located in the Sierra Nevada National Park (state of Merida); and the Spectacled Bear, a unique species that only exists in South America. Its habitat in Venezuela is located in the states of Barinas, Tachira, Merida, Trujillo and Zulia. Poaching is the main cause for the decrease of the populations of these animals.

The one hundred (100) bolivares bill

It is multicolor, but the main colors are yellow and ocher. On the obverse is the image of the Liberator and father of the homeland, Simón Bolívar, born in Caracas on July 24th, 1783. Influenced by republican ideas, he was one of the ideological promoters of Venezuelan and South American emancipation. Bolivia, Colombia, Ecuador, Peru and Venezuela get their independence thanks to his ideas and actions. A statesman, a military man, and a strategist, he led several campaigns with a vast list of victories against royalist forces. Among his works there are invaluable political documents, such as the "Cartagena Manifest", the "Jamaica Letter", and the "Speech of Angostura". He died in Santa Marta, Colombia, on December 17th, 1830. This portrait of the Liberator is inspired on the *Bolívar Diplomático* (1860), made by artist Rita Matilde de la Peñuela "Aita", with oil on canvas.

On the reverse is the Guaraira Repano (El Avila mountain) in an outstanding shade of orange. It was declared National Park on December 12th, 1958, to preserve the green areas near Caracas. Finally, the Red Siskin, considered to be one of the most threatened species in Venezuela, completes the design. This bird lives between the states of Falcon and Lara, and between the states of Anzoategui, Guarico and Miranda. The Red Siskin is indiscriminately hunted to use its plumage as ornament, and also to cross with canaries, with the objective of red broods.

CHARACTERISTICS OF THE NEW COINS

The one (1) cent coin

It is copper-colored. The denomination of the coin is on the obverse, as well as undulated lines forming the National Flag, Venezuela's mint, and eight five-tip stars. On the reverse the issuing country, the National Coat of Arms and the issuing year stand out.

The five (5) cents coin

With features similar to the previous ones, the five cents coin is copper-colored, the denomination is on its obverse, as well as the undulated lines forming the stripes of the National Flag, Venezuela's mint, and the eight five-tip stars. The reverse presents the National Coat of Arms, the issuing country, and the year of issuing.

The ten (10) cents coin

Unlike the previous coins, this one is silver in color, but maintains the same graphic elements on the obverse and on the reverse. The obverse presents the denomination of the coin, the undulated lines forming the stripes of the National Flag,

Venezuela's mint, and the eight five-tip stars. The reverse shows the National Coat of Arms, the issuing country, and the year of issuing.

The twelve and a half (12,5) cents coin

Silver in color, this coin is decorated with graphic representations symbolizing palms on the obverse, and also the denomination in numbers, Venezuela's mint, and the eight five-tip stars. The reverse maintains the National Coat of Arms, the issuing country, and the issuing year.

The twenty five (25) cents coin

In the case of the 25 cents coin, silver-colored, on the obverse one can see the denomination in numbers, undulated lines forming the stripes of the National Flag, Venezuela's mint, and eight five-tip stars. On the reverse are the National Coat of Arms, the issuing country, and the issuing year.

The fifty (50) cents coin

The 50 cents coin, silver-colored, has features similar to the rest of the coins family. The obverse shows the denomination, the undulated lines representing the National Flag, Venezuela's mint, and eight five-tip stars. The reverse presents the National Coat of Arms, the issuing country, and the issuing year.

The one (1) bolívar coin

The one (1) bolivar coin is bimetallic. On the obverse it presents the image of the Liberator, which was first used in 1873, and made by engraving artist of the Paris's mint, Albert. D. Barre (1818-1878), who was inspired by a drawing by Venezuelan painter Carmelo Fernández. Also on the obverse, there are stripes representing the National Flag and Venezuela's mint. The reverse shows the National Coat of Arms, the denomination of the coin, the issuing year, and the eight five-tip stars.

GENERAL ASPECTS ON SECURITY ELEMENTS

All bills incorporate security elements that allow for the recognition of their authenticity. These elements are present in the present day family of bills and coins, as well as in the new family that will start circulating as from January 1st, 2008. The BCV will timely inform about the security details of the new family of bills. Nonetheless, some general elements that will allow for the recognition of the authenticity of the bills are mentioned below.

Touch sensitive security elements

- **Paper:** The bills are made of a security paper that has a firm and resistant texture, and that is nothing like regular paper.
- **Relief printing:** The bills have special marks for the blind. Moreover, the relief of the ink can be felt on different parts of the paper.

Visual security elements

- **Water marks:** It is an almost transparent image that can only be observed clearly when observing the bill against the light. This mark generally represents the face of the historical character identified on each bill.
- **Perfect register:** On the obverse and on the reverse of each bill, a partial image can be seen, which can only be completely identified and in exact coincidence when looking at the bill against a source of light.
- **Security thread:** At first sight the thread appears to have little windows (interrupted stripes), but when looking at it against the light it can be seen complete and continuous. This thread has small texts identifying the bill.
- **Microfibers:** These are small colored fibers dispersed along the whole bill.
- **Optically variable ink:** When turning or tilting the bill, an image that changes color due to the incidence of light can be seen.
- **Fluorescent effect:** Fluorescent images only visible by using ultraviolet lamps, generally used by tellers and businesses.

DISTRIBUTION AND EXCHANGE OF COINS AND BILLS DURING CURRENCY REDENOMINATION

TRANSITION PHASE

This is the name given to the phase of the currency redenomination process during which coins and bills of the current monetary cone and of the new one are simultaneously circulating. This phase will last at least six months and begins in January 1st, 2008. During the transition phase, any good or service may be paid with both currencies, as long as the equivalences are observed. For instance, a 50,000 current bolivares bill will have the same value of a 50 bolivares bill of the new family of coins and bills, which will start circulating with the currency redenomination.

DISTRIBUTION OF COINS AND BILLS

The BCV will be in charge of the distribution of the new family of coins and bills throughout the whole country. During the distribution process of the new monetary family in those regions of the national geography that do not have a local bank network, the BCV will count on the support of other governmental institutions. More information will be made available to the public in due time.

EXCHANGE OPERATIONS FREE OF CHARGE FOR USERS

Making exchange operations, in other words, the act of exchanging or replacing current coins and bills for those of the new monetary cone, that will begin circulating in January 1st, 2008 (once the currency redenomination comes into force), will be free for

consumers and users, with no charges for expenses, commissions, honoraries, prices, or any other similar concept.

EXCHANGE RECCOMENDATIONS TO USERS

Starting in January 1st, 2008, the process of exchange or substitution of current coins and bills for those of the new monetary cone will begin. People and institutions may gradually exchange their current coins and bills starting on this date.

The exchange period will be long enough and will be extended beyond the transition; in other words, it will be maintained after the current coins and bills stop been of legal circulation. The end of the transition period will be previously defined and announced to the public in advance by the Central Bank of Venezuela.

EXCHANGE IN BANKS

Banks should perform the exchange of current bills and coins for those of the new monetary cone for their clients and non-clients that walk into their branches. Institutions may establish limits in the amounts to be exchanged in each of their branches, which will depend on the availability of coins and bills of the new family, with the objective of guaranteeing the supply to the largest number of people possible.

On January 2nd, 2008

January 2nd, 2008, will be a regular banking day in the whole country. That day will mark the beginning of the exchange of the current family of coins and bills for the new monetary expressions at all bank branches of the country. It is recommended that the citizenship should not hurry to change all current bills and coins for those of the new monetary cone, since current coins and bills may be used during the transition phase to make payments and to get change. Once this period is finished, current bills and coins could be exchanged at any bank or at the BCV for a long enough period of time.

AUTOMATIC TELLER MACHINES

As from January 2008, and while the joint circulation of coins and bills of both monetary cones is taking place, Automatic Teller Machines will be able to supply current bolivares or bolivares fuertes, **but not a combination of bills of the current and the new family**. It is important to mention that since article 1 of the Decree-Law on Currency Redenomination establishes that starting in January 1st, 2008, the bolivar resulting from the currency redenomination will continue to be represented by the symbol "Bs.", the receipts issued by these machines will continue to indicate the symbol "Bs.", regardless of whether the amount reflected by them is expressed in the new scale.

For instance, if an ATM supplies current bolivares and the request is for the withdrawal of Bs.F. 50, the customer could receive a Bs. 50,000 current bill, or several current bills that add up to the amount requested. In this case, the receipt will indicate a withdrawal of Bs. 50.

PAYMENTS, CHANGE, AND BANK DEPOSITS DURING THE SIMULTANEOUS CIRCULATION PHASE OF BOTH FAMILIES OF COINS AND BILLS

With the currency redenomination, as from January 1st, 2008, a new monetary cone will start circulating, made up by seven (7) coins, and six (6) bills, which maintains the denomination bolivares, since the Constitution of the Bolivarian Republic of Venezuela establishes that the monetary unit of the country is the bolivar. Nonetheless, new coins and bills will circulate at the same time with current coins and bills **for at least six months**. During this transition phase, the new coins and bills will be called “bolivares fuertes” to differentiate them from those presently circulating.

PAYMENTS IN CASH AND CHANGE

During the transition phase, payments in cash could be made using coins and bills of both families or monetary cones without distinction. Likewise, the change received could be expressed in each of the three possible options:

- 1) With coins and bills of the current monetary cone
- 2) With coins and bills of the new monetary cone
- 3) With a combination of coins and bills of both families, as long as the equivalences are observed

For instance, if a shirt is bought for Bs.F. 96.00 or Bs. 96,000, and the payment is made in cash, the buyer could use two Bs. 50,000 current bills, one Bs.F. 100 bill; or a Bs. 50,000 current bill and one Bs.F. 50. Likewise, the change received could be Bs.F. 4, or Bs. 4,000 in the following fashion:

- 4) With coins and bills of the current monetary cone, and which substitution process will begin during the first days of 2008. In any case, these coins and bills will add up to 4,000 current bolivares, and the buyer will have to take them during the transition phase, or during the simultaneous circulation of coins and bills of both monetary cones.
- 5) With coins of the new monetary cone, which amount could be obtained with two Bs.F. 2 bills, or with coins of the new monetary cone adding up to Bs.F. 4.
- 6) With a combination of coins and bills of both families, which could be one Bs. 2,000 current bill, and one Bs.F. 2; or any other combination of coins of both monetary cones adding up to 4 bolivares fuertes.

Likewise, if during a visit to the grocery store or to the supermarket several items are bought and the total amount to be paid is Bs. 36.78, it will be understood that such amount is expressed in bolivares fuertes, and that it equals to 36,780 current bolivares. Moreover, this amount could be paid for in cash using any of the three options mentioned above.

That is why it is recommended that buyers and sellers alike should get familiar with the new coins and bills, as well as with their respective equivalences with the ones currently circulating.

PAYMENTS THROUGH ELECTRONIC MEANS OR IN CHECK

Just like it used to be before the coming into force of the currency redenomination, in case the payment is made through electronic means or in check, there will only be one way to reflect the amount of the transaction. This amount should be the amount indicated on the invoices⁸, and charged to the credit card or deducted from the savings or checking account in bolívares fuertes; in other words, with the new monetary scale.

BANK DEPOSITS

When doing a bank deposit, separate vouchers shall be used for current bolívares and for bolívares fuertes.

GENERAL RECOMMENDATIONS TO BANKS AND BUSINESSES

It is important that banks and businesses train their employees in the managing of the new coins and bills, how to make the conversions from current bolívares to bolívares fuertes, and to provide the information about prices and details of the operations to users, especially during the transition phase.

RECOMMENDATIONS TO CASHIERS

If possible, it is recommended that cashiers give the change for all transactions in bolívares fuertes. In case they are forced to give change using both monetary cones, they should give the first amount in bolívares fuertes and the rest in bolívares from the current family of coins and bills, along with a proper explanation of the equivalence on bolívares fuertes.

Likewise, it is recommended that they use some sort of technological tool or calculator to expedite the conversion of the amounts to bolívares fuertes of the amounts expressed in current bolívares.

A sign or label could be placed at the cash register reading the following phrase: "As from January 1st, 2008, and for at least six months, the coins and bills from the current and the new family of coins and bills will circulate together."

For the managing of the cash, it is recommended that the current family of coins and bills is separated from the family that will begin circulating as from January 1st, 2008, do the closing for both monetary expressions, and then perform a consolidated closing in bolívares fuertes.

⁸ The system for the preparation and issuing of invoices does not change, as well as the tax machines will not be affected by currency redenomination. However, it should be taken into account that invoices prepared until

December 31st, 2007, will be understood as expressed in current bolivares, whereas those issued as from January 1st, 2008, will be understood as expressed in bolivares fuertes.

The verification of the issuing date of the checks is of the utmost importance, since a check with an issuing date from 2007 is expressed in current bolivares, and thus the conversion established in accordance with the Decree-Law on Currency Redenomination should be made. If the check is dated in 2008, it should be understood as issued in bolivares fuertes (Bs.F.), and there will be no need to write the word “fuerte”, or the symbol “Bs.F.”

The format of the banks deposit sleeve is unique, and the deposit sleeves registering current coins and bills will be processed separately from those registering coins and bills from the new monetary cone.

Cashiers shall show and tell the customer the result of their purchase exactly as it is shown on the cash register, with no additional rounding off. Likewise, cashiers shall be aware of security elements included on the new bills and coins, and verify them before making any transaction.

RECOMMENDATIONS TO USERS

Users should verify the deposit sleeve or the purchase invoice, and leave the cashier’s window only after been sure that the amount expressed in Bs.F. corresponds to the transaction made.

It is recommended that users should pay special attention to the amount they write on the checks, as well as the issuing date, especially during the transition phase.

Just like the cashiers, users should also be aware of the security elements included on the new bills and coins, and verify them before making any transaction.

INVOICING, INVENTORIES, CONTRACTS AND OTHER PAYMENT OBLIGATIONS

DISPLAY OF PRICES IN BOLIVARES AND IN BOLIVARES FUERTES

In order to familiarize the public with the new monetary scale, starting in October 2007, and until the Central Bank of Venezuela indicates otherwise, the prices of goods and services shall be displayed, offered, and exhibited for the general public in current bolivares and in bolivares fuertes. To this end, the expressions and symbols “bolivares/Bs.” and “bolivares fuertes/Bs.F.” should be used through spokespersons, advertising or informative material, and through any other mechanism with the same function as those mentioned above (whether physical or electronic).

For instance, when going to a supermarket, people will be able to see that the prices shown on the shelves are expressed in Bs. and in Bs.F. So, in the vegetables shelf, prices should be indicated in both scales. Example: Bs. 2,550 and Bs.F. 2.55. In

the case of corn flour, it should be indicated that a kilogram costs Bs. 1,400 or Bs.F. 1.40.

Moreover, a brochure, banner, or poster showing a special cell phones sale should indicate that model XYZ, for instance, has a cost of Bs. 315,200 or Bs.F. 315.20.

DISPLAY OF PRICES IN THE PACKING OF PRODUCTS

It is not mandatory to indicate both expressions (bolivares and bolivares fuertes), or both symbols (Bs. And Bs.F.) on the packing of the products, neither starting in October 1st, 2007, nor with the coming into force of the currency redenomination, starting in January 1st, 2008.

As from January 1st, 2008, every product with a retail price regulated by the National Executive shall have the retail price in bolivares fuertes printed by the manufacturer or by the importer on the body or packing of the product, also indicating the marking date. When the nature of the good does not allow for the marking of the price on the body of the product, or when this price is not maintained until the time it is sold to the consumer, providers shall show it on price lists or banners, on accessible and easily viewable locations for the consumers⁹.

INVENTORIES OF PRODUCTS WITH REGULATED PRICES

If by January 1st, 2008, there are goods for sale with the price printed on their packages or wrappings in current bolivares, such price should automatically be understood as re-expressed in bolivares fuertes, in accordance with the equivalence established on the Decree-Law on Currency Redenomination, and so **it is not mandatory to proceed to re-tag all prices.**

INVOICES AND INVOICING

It is not mandatory to issue invoices in both monetary expressions (bolivares and bolivares fuertes), neither it is mandatory to make modifications to invoices nor to the invoicing process as a consequence of currency redenomination. But it is necessary to adapt all calculation systems, so that as from January 1st, 2008, every invoice issued takes into account the new monetary scale.

POINTS OF SALE

As from January 1st, 2008, whenever a payment is made with a debit or credit card through points of sale, the amount should be charged in the new monetary scale. Just as with ATM's, receipts will be expressed in the new scale, but always using the symbol "Bs."

CONTRACTS AND PAYMENT OBLIGATIONS

The exhibition of prices in Bs. and in Bs.F. as from October 1st, 2007, is not applicable to the legal instruments or businesses presented before the different registries or notary's offices¹⁰.

⁹ See the Resolutions published on the Official Gazette of the Bolivarian Republic of Venezuela Number 38,777, from September 26th, 2007.

10 See Resolution Number 07-09-01, issued by the Central Bank of Venezuela, and published on the Official Gazette of the Bolivarian Republic of Venezuela Number 38,773, from September 20th, 2007.

With the coming into force of the currency redenomination process in January 1st, 2008, there is no need to reedit or to sign again the contracts signed before the said date, and that would be in force during 2008 and in later years. It is important, though, to take into account that, as from January 1st, 2008, every payment obligation or commitment previously entered into should automatically be re-expressed in the new monetary scale, in accordance with the equivalence established on the Decree with Force of Law on Currency Redenomination.

For instance, the amount for the rent of an apartment after January 1st, 2008, will be equivalent to the same monetary amount, only re-expressed in bolivares fuertes. Likewise, expressions contained in any payment mean or payment instrument (letters of exchange, promissory notes, contracts, mortgages, among others), shall have the same validity when they pass from 2007 to 2008, with no need for those instruments to be modified. For instance, a mortgage contract granted before January 1st, 2008, does not need to be modified or presented again before the Registry.

Contracts signed in 2008 containing monetary amounts should be expressed in the new monetary scale; in other words, in bolivares fuertes, with no need to add the adjective "fuerte".

ACCOUNTING RECORDS, STATES OF AFFAIRS, AND BUDGET

ACCOUNTING RECORDS

Conversion of countable balances in financial years with a closing date other than December 31st

Bodies with financial years with closing dates other than December 31st should convert the balances of accounts and accounting assistants to bolivares fuertes (Bs.F.) by December 31st, 2007, by dividing such balances by one thousand (1,000). As from January 1st, 2008, transactions should be reflected on the balance sheets in bolivares fuertes (Bs.F.), and accumulated with figures obtained after applying the procedure described in the first part of this paragraph.

Accounting of rounding off differences

Any accountable difference caused by the rounding off of figures should be incorporated to the results of the financial years to which such procedure is applied.

Historical records

Bodies may keep a log of their historical data, accounting assistants and controls for expenses and budget purposes with all the decimals needed. Nonetheless, the information made public should be expressed in whole numbers or with no more than two (2) decimals.

Record of expenses associated to currency redenomination adaptations

The expenses companies and other bodies, public and private, shall incur due to the adaptation of their accounting, administration, computer or any other system using monetary values to the currency redenomination process, should be recognized as expenses of the financial year in which they take place. Nonetheless, bodies subjected to special supervision should follow the guidelines established by their supervising body.

STATE OF AFFAIRS AND CURRENCY REDENOMINATION

Accounting principles

The currency redenomination process does not modify any accounting principle. Consequently, states of affairs should continue to be prepared in accordance with the Accounting Principles Generally Accepted in Venezuela (PCGA) applicable to each particular body.

States of affairs with closing dates other than December 31st, 2007

States of affairs closing on December 31st, 2007, or in any other date of this year, should be prepared in current bolivares. Any comparative figure should be presented in the same unit of account. For future use, states of affairs from December 31st, 2007, should be converted to bolivares fuertes (Bs.F.), by dividing the figures presented in them by one thousand (1,000).

Expression of balances from December 31st, 2007, in bolivares fuertes

Bodies which fiscal year ends on December 31st, 2007, should convert the account balances and accounting assistants to bolivares fuertes (Bs.F.), by dividing them by one thousand (1,000). This has the objective of using these figures as the initial balance for the new fiscal year.

States of affairs for fiscal years ending in 2008

States of affairs making reference to fiscal years ended as from January 1st, 2008, should be prepared and presented in bolivares fuertes (Bs.F.). Any comparative information should be presented in the same unit account. States of affairs with intermediate dates (other than the closing date) should be treated in the same fashion.

ABOUT THE 2008 BUDGET

The 2008 Budget Bill should be presented in whole bolivares fuertes (Bs.F.) (with no decimals). To this end, right from the 2008 Budget Draft, request estimations should be made in the new monetary scale.

For the 2008 budget formulation, projects coming from previous fiscal years that do not end in 2007 should be adjusted to the regulations established by the BCV for monetary re-expression and rounding off (BCV Resolution # 07-06-02 from June 21st, 2007, "Rules that govern monetary re-expression and rounding off", Official Gazette # 38,711, June 22nd, 2007). Moreover, this formulation of the year 2008 should be presented in bolivares fuertes and with no decimals: total cost of the project and its

financing sources in the year included in the budget; the division into quarterly periods of the financial execution, and the budget imputations by specific stocks items from previous years, in force and to be budgeted. For further information, refer to the National Budget Office web page <http://www.onapre.gov.ve/>.

TAX ASPECTS

2007 TAX UNIT

The tax unit (T.U.) for 2007 is worth 37,632 current bolivares. In order to convert it to bolivares fuertes it has to be divided by one thousand (1,000), keeping its three decimals; in other words, the comma has to be moved three spots to the left to get Bs.F. 37.632.

The tax unit for 2007 is one of the special cases in which the rounding off to two decimals rule, contemplated on the Central Bank of Venezuela Resolution # 07-06-02 about "Rules that govern monetary re-expression and rounding off", published in Official Gazette Number 38,711, from June 22nd, 2007, does not apply. This document can also be consulted at the currency redenomination web page: www.reconversionbcv.org.ve.

EXISTANCE OF STAMPED PAPER, REVENUE STAMPS, STAMPS AND/OR POSTAGE STAMPS, AS FROM JANUARY 2008

Stamped paper, revenue stamps, stamps and/or postage stamps, as well as any other item valued in current bolivares, should be used until exhaustion, although as from January 1st, 2008, their value will be recognized by their equivalent in bolivares fuertes.

TAX PAYMENT IN 2008

Formal duties and other taxpayer's tax obligations will not be affected by the currency redenomination. The only difference is that the books, invoices, declarations, payments and accounting records in general should be expressed in bolivares fuertes as from January 1st, 2008.

2007 INCOME TAX RETURN

The 2007 Income Tax Return should be expressed in bolivares fuertes, and in order to do this, the total amount of accounts or items included in the declaration should be divided by one thousand (1,000) and rounded off to the closest cent through the application of the rounding off rule established on the Decree-Law on Currency Redenomination.

MANAGING OF INVOICES ISSUED IN 2007 THAT NEED TO BE MADE VOID IN 2008

In this case, the invoice is voided through a credit note that makes reference to such invoice, and the amount is expressed in bolivares fuertes. To this end, it is necessary to perform the redenomination and the rounding off established on the Decree-Law. Should the operation require the issuing of a new invoice, it should be issued in bolivares fuertes.

RECORD OF INVOICES IN THE PURCHASE LEDGER

All transactions entered in the 2007 balance books should be expressed in current bolivares, and those registered and entered in 2008 should be expressed in bolivares

fuertes. Should it be necessary to record the amounts with cents, the rounding off rule should be applied in accordance with the provisions of the Decree-Law on Currency Redenomination.

APPLICABLE PROCESSING OF TAX MACHINES BY DECEMBER 31ST, 2007

Tax machines do not need to be adjusted, because they simply work with the amount entered by the operator. For this reason, as from January 1st, 2008, all amounts should be understood as expressed in bolivares fuertes, regardless of whether the ticket or invoice has the denomination in bolivares.

LABOR ASPECTS

WAGES AND SALARIES, PENSIONS, RETIREMENT FUNDS, AND OTHER SOCIAL BENEFITS

In view of the principle of intangibility and progressivity of the labor rights established on numeral 1 of article 89 of the Constitution of the Bolivarian Republic of Venezuela, when converting wages and salaries, pensions and retirement funds, and other social benefits of workers up to December 31st, 2007, to bolivares fuertes, and the result is a decimal part which thousandth is other than zero, an adjustment will be made, just once, in order to eliminate the thousandth and to take the hundredth to the higher cent.

It is important to highlight that wages and other social benefits of workers can not suffer, even if it implies small amounts of money; just like pensions and retirement funds can not suffer either, in view of the constitutional protection all these concepts enjoy.

For instance, a worker that until December 31st, 2007, earns Bs. 672,110, as from January 1st, 2008, will earn a Bs.F. 672.11 wage. In this case, since the wage ends in zero, it is not necessary to adjust it when the time comes to make the currency redenomination to the new monetary scale. If it were the case of wages such as the following: Bs. 672,111, Bs. 672,112, Bs. 672,113, and Bs. 672,114, when converted to the new monetary scale they would all turn into Bs.F. 672.12, just as if they ended up in any number from 5 to 9.

Likewise, retirement funds, pensions, and other labor benefits, such as commissions, bonuses, benefits participation or profits, vacation bonuses, vacations, holidays surcharges, extra time or night shift, food, seniority benefit; labor severance payments, among others, will be subjected to the adjustment to the immediate higher cent, as set forth by the Resolution of the Central Bank of Venezuela Number 07-11-01, from November 20th, 2007.

PAYROLL DEDUCTIONS

Since payroll deductions are made, generally, based on the percentage of a wage, when expressing such calculation base in bolivares fuertes, they are automatically being expressed in that new scale. In case more decimals result when multiplying the calculation base by the corresponding percentage to be deduced, it will be necessary to take the resulting amount to two decimals, just as it is done in the monetary scale in force until December 31st, 2007.

Should there be any deduction that is not a percentage of any concept expressed in national currency, article 1 of the Decree with Force of Law on Currency Redenomination shall be applied to convert it to the new monetary scale.

TECHNOLOGICAL ADAPTATION

WHAT IS TECHNOLOGICAL ADAPTATION IN THE CURRENCY REDENOMINATION PROCESS?

The technological adaptation consists of adapting different technological components such as data, data structure, programs and routines, screens and reports on the information entering and exiting, sending and reception of messages between systems, among others, so as to have all amounts and/or prices expressed in the new monetary unit (Bs.F.).

WHO SHOULD ADAPT THE CALCULATION SYSTEMS BASED ON CURRENCY BASED ON CURRENCY REDENOMINATION?

All **state or private natural and legal persons** shall adjust the calculation systems so that **all** transactions made and referred to national currency are expressed in Bs.F. as from January 1st, 2008.

DEADLINE TO CARRY OUT THE TECHNOLOGICAL ADAPTATION

The deadline set to complete the calculation systems adaptation is December 31st, 2007. A planning process shall be made in order to minimize the risk of not being ready for the abovementioned date. Executing a test process is also important.

RECOMMENDATIONS TO TACKLE TECHNOLOGICAL ADAPTATIONS

Technological adaptation based on the currency redenomination process is a software engineering project that should consider changes in processes, information systems, and documents.

In order to carry out this project, the following phases or stages should be covered:

1. Definition of requirements
2. Inventory of technological components to be adapted
3. Design of alternate solutions
4. Construction
5. Tests and certification
6. Moving on to production
7. Preparation of alternate plans

Up next is a brief description of each of these phases:

1. *Definition of requirements*: Consists of the checking of the different aspects of the Decree with Force of Law on Currency Redenomination, with the different business areas, and determine the scope of the project. The product of this phase is a report of requirements based on the legal framework.

2. *Inventory of technological components to be adapted*: Consists of determining which technological components and monetary amounts manage monetary amounts. The product of this phase is a document called “Technological impact report”, which indicates the components that make up the calculation systems, among which there are the screens, reports, functions, data structures. Likewise, it contains the forms and hardware used to enter or print the monetary amounts. Moreover, it indicates whether the system was built by the company or acquired through a third party.

3. *Design of alternate solutions*: Once phases 1 and 2 are covered, the possible alternate solutions are determined, and in order to do this it has to be considered whether the historical data will be completely converted, or if only the data required for the continuity of the operations will be converted. The alternatives could be to keep a database in Bs. and another one in Bs.F., expanding decimal amounts to the databases, among others (see appendix C). Afterwards, the estimate of the time and the necessary resources for the technological adaptation of each component should be made, to then establish a detailed work plan for each one of them.

4. *Construction*: Consists of adapting the technological components detected on the previous phases in the times established on the work plan. Priority should be given to the adaptation of calculation systems that are critical to the organization. Likewise, it is necessary to determine the relations between the applications and identify the critical route of the technological adaptation process.

5. *Tests and certification*: This is the most important phase of the whole process, since it is the one that verifies that the right components comply with the requirements established in accordance with the legal framework. During this phase, the necessary tests to guarantee the functionality of the system for 2007 and 2008 should be performed.

6. *Moving on to production*: This phase is a regular activity in the technological adaptation processes, and does not require any further description.

7. *Preparation of alternate plans*: This is a very important phase, since organizations should guarantee the continuity of operations, and to this end they have to determine what to do in case the information systems that have been adapted to operate with the new monetary scale should fail.

WHICH SYSTEMS OR MECHANISMS WILL BE AFFECTED BY THE CURRENCY REDENOMINATION?

All systems handling, registering or operating with bolivares will be affected by the currency redenomination. Some examples are given:

- Information systems
- Websites
- Data structures
- Automatic Teller Machines
- Some electronic measuring instruments:

- Scales
- Parking time calculation
- Telephone consumption meters
- Vending Machines:
 - Drinks or snacks
 - Tickets or tokens
 - Gasoline
 - Systems to generate labels and price tags
 - Systems of interactive voice response (IVR)

CALCULATION SYSTEMS THAT WILL BE AFFECTED STARTING ON OCTOBER 1ST, 2007

As from October 1st, 2007, all calculation systems, technological instruments or mechanisms used to offer, show or exhibit prices of goods and services must use and show both currencies, Bs. (Bolivar) and Bs.F. (Bolivar Fuerte), to the public.

As from October 1st, 2007, the following systems shall be adjusted:

- Price lists (wholesale and retail) printed and/or published on websites.
- Labels and price tags of products marketed in stores, such as: supermarkets, drugstores, among others.

ABOUT CASH-BASED CALCULATION SYSTEMS

As from January 1st, 2008, all technological solutions rendering services to customers or users and receiving cash payments shall consider, at the time of the adaptation, the possibility of receiving and giving both families of coins and bills (Bs. y Bs.F.).

ABOUT DATA CONVERSION TO BOLIVARES FUERTES

Converting all the historical data to Bs.F. is not mandatory. If a given commercial activity requires partial or total conversion of the historical data in order to maintain the operational capacity, it is suggested to keep the original information in Bs. before converting, or as an alternate solution, divide only the historical data by one thousand (1,000) so as not to lose the accuracy of the original figure.

COULD HISTORICAL DATA BE LEFT IN CURRENT BOLIVARES (BS.)?

Yes, the amounts could be kept in their original unit of currency, namely, Bs. for all transactions made before December 31st, 2007, and Bs.F. for those made after January 1st, 2008.

If it is necessary to look for information prior to December 31st, 2007, expressed in bolivares, different conversion and rounding off routines may be used to convert these amounts from Bs. to Bs.F.

ALGORITHMS FOR CONVERSION AND ROUNDING OFF

Within the framework of the currency redenomination, the Central Bank of Venezuela (BCV) has defined two formulas (algorithms) to facilitate the technological adaptation of the calculation systems when expressing sums of money with the purpose of guaranteeing the completion of the conversion and rounding off process. The first formula allows the systems to divide automatically a given amount by one thousand (1,000), and the second one rounds off the amount to two decimals.

These algorithms are expressed in natural language, thus, any institution, company or store may use them as a pattern to round their calculation systems off. Regardless of the software used to make the conversion, both formulas shall give the same result.

FINAL RECOMMENDATIONS ON TECHNOLOGICAL ADAPTATION

In order to keep yourself timely and duly informed about the technological adaptation process for the currency redenomination, it is highly recommended to consult the document published on the website www.reconversionbcv.org.ve. This website contains documents and resolutions published by the BCV such as: “Technological guidelines for the adaptation of systems and information technologies based on currency redenomination”, which describes all the technological aspects to be taken into account by the time of starting the adaptation process of the information systems.

If you need additional information please email us to biblio@bcv.org.ve.

COMMUNICATION STRATEGY FOR CURRENCY REDENOMINATION

From the communication point of view, the vision of the Central Bank of Venezuela could be summarized in a basic premise: the public’s acceptance of the currency redenomination process is much easier if the people accountable for its execution manage to give clear and effective answers as to when and how the change will take place, and explain the reasons why the government is undertaking this process.

The success of the currency redenomination process depends on the Institution’s capacity to inform people about the change. In this regard, the unique, special and symbolic character of the currency makes that its acceptance within the public does not depend on individual leanings, but on the confidence built as a community. Therefore, communication is not just an “added value” to the process of currency redenomination, but a fundamental aspect of the change.

Although Venezuela will just use a new monetary scale and the bolivar will be kept as the national currency, the communication challenges are enormous, in both their national reach and content, since the objective is to educate people about many aspects: the mathematical operation to make the conversion and facilitate a proper understanding of the equivalences, the use of decimalized coins; and, most importantly, raising awareness about the bolivar’s value.

The communication strategy requires then a creative and daring use of traditional and alternative media with the objective of taking this message timely and specifically to diverse audiences of the country. This is a determining factor as a contribution to help people accept, easily and confidently, the new monetary scale that will be ruling in Venezuela from January 1st, 2008.

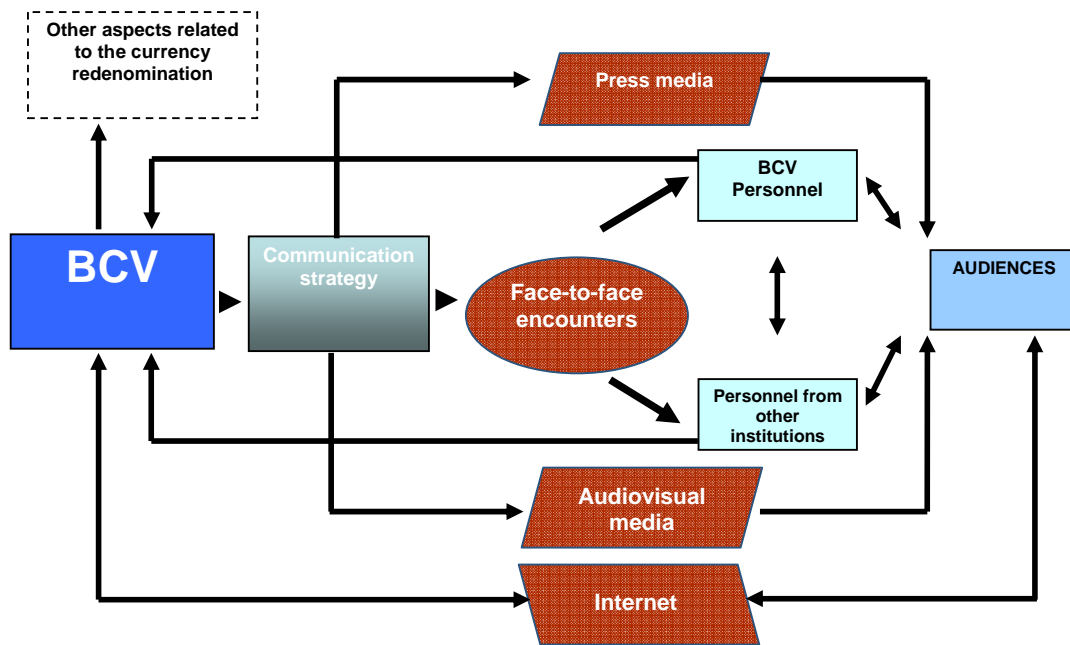
The communication strategy recognizes the differences and complementarities of the diverse media, and designs a multimedia map that harmonizes the strength of each information/communication channels to assure that people receive the message.

Besides the traditional media (press, radio and television), other forms of communication are being used: programs in which people can participate through face-to-face encounters and discussions, educational videos to foster debates in different natural venues of participation already common to our society (ranging from community councils to sports centers), products conceived for children audiences and multimedia options such as animated CDs, the calling center (0- 800-bolivar), and a web page designed to gather all the information and communication resources in a media of national and international reach.

These type of media allows for the user to assume an active attitude with the information that is being presented to them, which contributes to the educational intention that should prevail in this strategy.

The communication strategy has then a wide reach, since it uses mass media, with an emphasis on the informative aspect, and other communication mechanisms to reach more reduced and specific audiences, with an educational intention coverage.

COMMUNICATION PROCESS ASSOCIATED TO THE CURRENCY REDENOMINATION PROCESS



TERRITORIAL COMMUNICATION STRATEGY

The BCV designed a communication strategy on currency redenomination that, through the division of the national territory into six regions (Capital, Central, Plains, Western, Eastern, and South), has allowed for the carrying out of simultaneous spreading and education activities in different regions of the country. For each region agendas aimed at understanding each of the municipalities comprising the 24 states of the country are developed, coordinated by a senior professional of the Institution, and assisted by two other professionals with a wide trajectory in the BCV.

Moreover, each regional coordination counts on support personnel for the organization, follow up and control of the education and spreading activities. It is

important to highlight the voluntary participation in this activity of a significant number of professionals of the Institute, and of several organizations of national and regional institutions.

For the effective development of the spreading and education activities, the BCV designed a training program that has allowed for the use of a team of facilitators (promoters, informers, and trainers) of the currency redenomination, which make up a network of communicators for the transmission of information to several audiences and locations of the country.

The communication tools used by the informers and educators of currency redenomination are periodically updated and spread through electronic means to each member of the network.

CONTROL ROOM FOR THE TERRITORIAL COMMUNICATION STRATEGY ON CURRENCY REDENOMINATION

The control room for the territorial communication strategy on currency redenomination was created with the objective of coordinating all the communication activities performed, in the framework of this process, throughout the country, which are carried out by the BCV, and by the cooperating entities. The general coordination of this control room is made by a medium management professional of the Institute.

In order to get more information about the training and spreading activities on currency redenomination, the electronic mails associated to each of the abovementioned regions may be contacted: rcapital@bcv.org.ve, rcentral@bcv.org.ve, rlosllanos@bcv.org.ve, roccidente@bcv.org.ve, roriente@bcv.org.ve, rsur@bcv.org.ve; or through the phone numbers: 0212-801- 8461, 0212-801-8117, and 0212-801-8700.

OBJECTIVES OF THE COMMUNICATION STRATEGY ABOUT THE CURRENCY REDENOMINATION

With the objective of guaranteeing that the different audiences receive accurate answers to the different questions related to the currency redenomination process, the communication strategy has the following objective:

- Raise public awareness about the importance and usefulness of currency redenomination.
- Provide information about the mechanisms, terms and details of the redenomination process.
- Raise awareness about the currency's value and link it to essential aspects of the citizenship.
- Facilitate the learning of equivalences between the new set of coins and bills and the current ones.
- Provide information about the physical characteristics and the safety elements of the new monetary unit.
- Favor cooperation between the different economic, state and private organizations in the redenomination process.

- Disseminate measures to prevent people from been swindled.
- Contribute with the currency redenomination process in order to make it understandable for the political, administrative and economic actors of third countries and their respective populations.

TARGET POPULATION

The currency redenomination process is aimed at the population living in the national territory, as well as at those foreigners related to our national routine, or at those visiting the country during the term in which both families of coins and bills will coexist.

In line with the efficiency required for the communication process about the currency redenomination, the target population was classified in different types of audiences, then, proper communication instruments were designed in order to meet the needs of each group. The different audiences, among others, are the following: housewives, people organized through the government's social programs, consumer associations and community councils, trade union organizations, such as commerce chambers and producers associations; state and private employees, workers and clients from the financial sector, rural and indigenous communities, students and teachers; and, finally, international visitors.

COMMUNICATION RESOURCES ON CURRENCY REDENOMINATION

The Institution has the following resources at hand to inform and educate the different audiences about the currency redenomination:

Radio and TV adds

The main objective of this resource is to motivate and inform extensively about the different aspects of the currency redenomination, and to contribute with the educational dimension of the communication strategy.

Electronic and hardcopy presentations

- Power Point presentations for all kinds of public: directed to students and personnel from secondary and higher education, and organized community groups (community councils, groups of citizens, neighbors associations, among others)
- Technical presentations in Power Point directed to the specialized public (state and private bodies)
- Power Point presentations in English: for activities abroad related to the currency redenomination
- Spread paper presentations: this is a useful resource that allows people with no access to electronic media to receive the message, and the most important aspects about the currency redenomination

Printed material

Diverse printed material (three-page leaflets, brochures and other spread formats) that complete and extend the contents spread through press, radio and television. This

resource serves also as supporting material for the presenters of the face-to-face encounters. The explanations given through these materials about the fundamental aspect of the currency redenomination are more detailed with regard to the adjustment process of the new monetary cone, since they serve well as permanent reference sources for the population. The following brochures have been printed as part of a wider programming of printed material productions to address key elements of this process:

- *All you need to know about currency redenomination in Venezuela* (Spanish¹¹, English and Portuguese¹²). The objective of this document is to inform about the concept, purpose, advantages, and key dates for the currency redenomination. It provides answers to the most frequent questions formulated by the time the redenomination was announced.
- *What is your new bolivar (bolivar fuerte)?* This product explains fundamental aspects of the currency redenomination using a colloquial language. This affects neither the technical thoroughness nor the proper use of language.
- *Basic aspects of the currency redenomination.* This three-page leaflet is a reference option for a relatively well-informed public.
- *Rounding off rules applying to checks and technological adaptation in the currency redenomination process.* It has detailed information regarding the issuing and cashing of checks, and the regulations that rule currency redenomination and rounding off. Moreover, it informs about the showing of prices in bolivares and bolivares fuertes, the preparation and presentation of states of affairs, and explains in simple terms the aspects related to technological adaptation.
- *New family of coins and bills of Venezuela.* It shows images and details of the coins and bills that make up the new monetary cone.

Children educational notebook

This resource deals with the currency redenomination, and it is aimed at nine year olds or older. It is distributed among the children population enrolled in educational state and private centers. The Ministry of the People's Power for Education will support this publication with instructive material for teachers.

General and specific documents about currency redenomination

The objective of these documents is to make relevant information on the subject available for the people, and contribute with a higher and better understanding of the currency redenomination. These documents are published as printed bulletins or electronic formats.

¹¹ *Lo que usted debe saber sobre la reconversión monetaria.*

¹² *O que você deve saber sobre a reconversão monetária*

Videos

These resources favor the interactive answers, in other words, they help users take on an active position within a context of full participation. Therefore, their contribution to the efficiency of the strategy is fundamental. In this regard, some audiovisual programs aimed at adult and children audiences have been considered as a means to provide a general perspective of the process of currency redenomination, and explain the basic aspects of this process.

Internet

The BCV has a website on the Internet (www.reconversionbcv.org.ve) that gathers all the official information about the currency redenomination, and provides different communication resources and practical help to learn about the conversion and the rounding off mechanisms to express amounts in the new monetary scale.

Toll-free number 0800-bolivar

Since October 1st, 2007, the BCV has been offering a toll-free number 0800-bolivar (0800-2654827) for the whole population, which allows for all citizens to have the opportunity to clear specific aspects of the currency redenomination process.

Radio show Up-to-date with the redenomination

It is broadcasted through the informative channel of the Radio Nacional de Venezuela, AM frequency, every Tuesday from 7:00 to 8:00 am.

Weekly column "Advances of the redenomination"

It is published every Monday on national newspapers¹³. In this column, the BCV informs the community of the recent activities regarding currency redenomination.

Others

Besides the resources mentioned above, other informative initiatives are being implemented by qualified spokesmen of the Institute such as: press conferences, interviews, institutional messages over radio and television, among others. Likewise, a cell phones text messaging service will start operating as well.

INTERINSTITUTIONAL COOPERATION NETWORK

The Central Bank of Venezuela has a network of state and private institutions cooperating with the information and education campaign about the currency redenomination. This network is made up by the Ministry of the People's Power for Communication and Information, the Ministry of the People's Power for Science and Technology, the Ministry of the People's Power for Light Industries and Commerce, the Ministry of the People's Power for Education, the Ministry of the People's Power for Finances, the National Institute of Lands, the network of national libraries, banks and universities¹⁴.

THE ROLE OF THE CIVIL SERVICE ORGANIZATIONS, ENTITIES, AND COMPANIES, AND THAT OF THE FINANCIAL INSTITUTIONS

The organizations and entities of the Civil Service, as well as public and private financial institutions, actively contribute to the communication of the different aspects of currency redenomination to the public. In accordance with Resolution Number 07-08-01, issued by the BCV and published on the Official Gazette Number 38,756, dated August 28th, 2007, such institutions shall:

- Prepare brochures and material to contribute to the promotion of the currency redenomination process.
- Set stands at each headquarter, branch, or office, with material regarding the currency redenomination process.
- Create a link in the web page of each of the institutions that allows for the access to the web page of the currency redenomination process: www.reconversionbcv.org.ve. Likewise, institutional web pages shall show promotional banners on currency redenomination.
- Prepare and place in privileged locations, at each headquarter, branch or office, posters, banners, and/or placards regarding the currency redenomination process.
- Have a space on its advertising schedule, in the form of a band in the lower part of the screen, to broadcast informative messages regarding the currency redenomination process.
- Whenever appropriate, it shall include, in the form of brochures in the correspondence addressed to its customers, information and messages regarding the subject of the redenomination process.

All actions and any other established by the Resolution shall be carried out based on the contents and graphic elements supplied by the BCV, through the currency redenomination page: www.reconversionbcv.org.ve.

¹⁴ For further information regarding the different cooperating organizations in the matter of communication of the currency redenomination process, see the section "Where to find official information?" in this document.

SPECIAL PROGRAM FOR JUDGES, DISTRICT ATTORNEYS, REGISTRARS, AND NOTARIES

This program, designed jointly by the BCV, the Supreme Court, and the Ministry for the People's Power for the Interior and Justice, has the objective of training judges, district attorneys, registrars, and notaries of each state, on the different aspects of the currency redenomination process.

CURRENCY REDENOMINATION SURVEY

The BCV periodically carries out a survey about currency redenomination designed by experts in the area with the aim of assessing the level of knowledge, expectations and perspectives of the public regarding this process. The results of the survey allow the Institution to take timely actions on the aspects of the currency redenomination process, in which the information campaign, messages and communication resources shall be emphasized in order to effectively convey the message to the different audiences.¹⁵

¹⁵ The survey is applied to people 12 years old or older, residents of different locations of the national geography. To this end, during a first phase, geographic segments are chosen, and households are selected for the second phase. The basic unit of observation are the household members to whom this instrument is applied.

APPENDIX

Appendix A

DECREE WITH FORCE OF LAW ON CURRENCY REDENOMINATION
HUGO CHÁVEZ FRÍAS
PRESIDENT OF THE REPUBLIC

In exercise of the powers conferred to by Article 236, 8 of the Constitution of the Bolivarian Republic of Venezuela, and pursuant to provisions set forth in Article 1, number 5 of the Law, enabling the President of the Republic to issue decree with force of law in the delegated matters, published in Official Gazette of the Bolivarian Republic of Venezuela N° 38,617, dated February 1st, 2007, in Board of Ministers,

Decreases the following,

DECREE WITH FORCE OF LAW ON CURRENCY REDENOMINATION
Chapter I
GENERAL PROVISIONS

Article 1. As of January 1st, 2008, the unit of the monetary system of the Bolivarian Republic of Venezuela is to be expressed in the equivalent of one thousand current bolivares. The bolivar resulting from this redenomination will continue to be represented with the symbol “Bs.”, being divisible by one hundred (100) cents. Consequently, any amount expressed in national currency before the abovementioned date shall be converted to the new unit of currency, dividing it by 1,000, and taken to the closest cent.

The rounding off of any fraction resulting from the new expression addressed in Article 1, being lower than zero up to zero point five (0,5) cents, shall be equivalent to the previous lower cent; while the rounding off of any fraction resulting from the new expression, being equal or higher to zero point five cents, shall be equal to the next higher cent.

Article 2. In occasion of the currency redenomination referred to in the previous Article, all bonds in national currency shall be incurred in the new expression of the bolivar, in its multiples, and, if necessary, submultiples. Likewise, without detriment of the stipulated in the Temporary Provision One of this Decree-Law, as of January 1st, 2008, all payment bonds in national currency shall be solved by handing over, according to its nominal value, the monetary signs that represent the new expression of the bolivar.

Article 3. As of January 1st, 2008, prices, wages and other economic benefits of social nature, as well as taxes and other sums expressed in national currency contained in financial statements or in other accounting documents or credit instruments, and, in general, any transaction or reference expressed in national currency shall be expressed in accordance with the new unit of currency.

Article 4. The currency redenomination stipulated in Article 1 of this document is ruled by the principles of value equality, nominal equivalence, fungibility and gratuity pursuant the terms listed as follows:

- a) Value equality: The currency redenomination is neutral since it does not cause any alteration of the value of goods, services, loans and debts, of any nature.
- b) Nominal equivalence: Any amount expressed before January 1st, 2008 shall be equivalent to the monetary amount expressed in bolivares, upon the conversion referred to in Article 1.
- c) Fungibility: The expressions contained in any mean or instrument shall keep the same validity and efficiency once the adjustment to the corresponding equivalence has been made as stipulated in Article 1 of this Decree-Law.
- d) Gratuity: The conversion of the bolivar, as well as the completion of the transactions considered herein, or any other that might be necessary to its application, shall be gratuitous for consumers and users. This shall not imply the collection or payment of expenditures, commissions, fees, prices or analogue concepts. Any clause, covenant or agreement opposite to the provisions herein stipulated shall not have legal force.

Article 5. The Central Bank of Venezuela is entitled to rule by means of Resolutions any matter related to the execution and implementation of the currency redenomination set forth herein, as well as to carry out all the activities leading to the due substitution of the monetary basket up to the moment in which the new coins and banknotes are issued. To these effect, the other State Powers, in exercise of their competences, shall support, cooperate and facilitate the means to contribute to the aforementioned objective, aiming at preparing and assuring the adequate and timely operation of the new expression ruling the monetary system, with the respective protection to the people's interests.

Article 6. The Central Bank of Venezuela, in coordination with the National Government, shall be accountable for the definition of a communication campaign about the currency redenomination set forth in Article 1 herein. This campaign shall have informative and communicative nature, and be implemented through all media, including the design of informative initiatives directed towards the most isolated communities.

To such effects, the comprehensive educational and informative campaign about the currency redenomination will: guarantee the learning process in price conversion and rounding matters, by means of the creation of rules and practical examples allowing to illustrate the effects of this redenomination; raise awareness about the importance and usefulness of this measure; inform about the mechanisms, terms and operational details of the process; emphasize on the new monetary basket; and suggest precaution measures to protect people.

The institutions from the financial sector and the bodies and entities of the State Administration shall devote in their advertising plans, regardless the mean applicable to their transactions or activities with the public, a space for disseminating the new bolivar's equivalence provided in Article 1 herein, pursuant to the Resolutions on the matter.

Article 7. The Ombudsman's Office, the National Institute for the Defense of Consumers and Users (INDECU), the Banks and Other Financial Institutions Regulatory Body (SUDEBAN), the Integrated National Service of Customs and Tax Administration (SENIAT), Insurance Regulatory Body, and the National Committee of

Securities, shall look over the compliance of this Decree-Law, acting separately in exercise of the attributions, capacities and matters of their specific competence according to the regulations set forth to such effects.

Article 8. The National Institute for the Defense of Consumers and Users (INDECU), is accountable for receiving and processing all denouncements and claims resulting from the lack of compliance with any of the precepts herein expressed, unless, by virtue of its nature, these correspond to be known by other body or entity of monitoring or fiscal supervision in accordance with the rules set to such effects.

Such denouncements and claims shall be substantiated and solved pursuant to the corresponding administrative procedures, provided by the respective laws.

Article 9. Except for special provisions, those that refuse to apply the conversion provided in Article 1, or that do not comply with any of the obligations herein stipulated, shall be penalized with a fine amounting from ten tax units (10 T.U.) to ten thousand tax units (10,000 T.U.). The fine referred to in this Article shall be imposed and settled by the National Institute for the Defense of Consumers and Users (INDECU), in compliance with provisions stipulated in the Law of Protection for Consumers and Users.

If the subject of the fine is a financial institution, the fine referred to in this article shall be imposed and settled by the body or entity of control, surveillance, and fiscal supervision to which is subjected to, pursuant to the corresponding procedure.

Chapter II

TEMPORARY PROVISIONS

First: Coins and banknotes issued by the Central Bank of Venezuela, representing the unit of currency to be expressed by virtue of this Decree-Law, shall circulate after January 1st, 2008. It is completely understood that such monetary units will keep their releasing power until they are demonetized according to Resolutions of the Central Bank of Venezuela.

Second: While the banknotes and coins referred to in the First Temporary Provision have not being demonetized, the Central Bank of Venezuela shall include, among the characteristics and design of the banknotes and coins representing the new bolivar's monetary expression, distinctive indicators in order to set a difference between the monetary baskets circulating.

Third: As of January 1st, 2008, and until the Central Bank of Venezuela, by means of Resolutions, decides otherwise, the payment bonds in national currency shall indicate that these are to be denominated in the new unit of currency through the name: "Bolívar Fuerte" or the symbol "Bs. F".

The checks and other credit instruments issued up to December 31st, 2007, and presented to be cashed starting in January 1st, 2008, shall be cashed by banks and other financial institutions according to the equivalence stipulated in Article 1 herein.

It is understood that the sums to be cashed in checks and other credit instruments issued as from January 1st, 2008, shall comply with the currency redenomination provided herein.

Fourth: The sums expressed in national currency set forth in laws, regulations, decrees, resolutions, provisions, circulaires, instruments or administrative acts of general or personal nature, as well as judicial sentences, negotiable instruments or other documents that produce legal effects dictated and/or entered into force, according to the

case, before January 1st, 2008, shall be converted in accordance with the equivalence provided in Article 1.

Likewise, stamped paper, revenue stamps, seals and/or stamps, as well as any other similar document valued in current bolivares shall be used until they have been used up, being understood that, as from January 1st, 2008, their value shall be adjusted as provided in Article 1.

Fifth: As of January 1st, 2008, and until the Integrated National Service of Customs and Tax Administration (SENIAT) has fixed the new value of the tax unit, this shall be the deriving from the application of the current equivalence stipulated in Article 1.

Sixth: The financial statements corresponding to accounting periods finished before January 1st, 2008, that are to be approved after this date, shall be expressed in the new unit of currency.

Seventh: As of October 1st, 2007, and until the Central Bank of Venezuela, by means of Resolution, stipulates otherwise, all instruments used to exhibit prices of good and services, as well as other that show monetary amounts, shall be exhibited in both the unit of currency prior to the new monetary expression provided in Article 1, and the new unit deriving therefrom.

Eight: The Central Bank of Venezuela shall carry out, peremptorily, the actions required in order to meet the production and distribution of the new banknotes and coins to be issued in accordance with the provisions set forth herein. Thus, the BCV shall choose the suppliers of banknotes and coins as finished products, as well as the goods and services necessary for its production, and hire the services related to the substitution of the existing monetary basket and the distribution of the new one, by means of the procedure stipulated in Chapter II, Title IV of the Decree with Force of Law on the Partial Reform of the Bidding Law, published in Official Gazette of the Bolivarian Republic of Venezuela N° 5,556, Extra, dated November 13th, 2001.

Ninth: State or private individual and legal entities shall be responsible for coordinating the pertinent actions so that as of January 1st, 2008, the calculation systems and any other mechanism used thereof for businesses and/or transactions processing referred to national currency, are adjusted in order to use the new expression in accordance with the redenomination stipulated in Article 1.

To that effect, the Central Bank of Venezuela is entitled to implement the necessary measures and stipulate the pertinent provisions oriented towards facilitating the adjustments herein referred to.

Tenth: The banks and other financial institutions shall adjust their systems and coordinate the pertinent actions so that as of January 1st, 2008, the account balances of their clients, whether resulting from passive, active or other transactions, are totally converted pursuant to provisions stipulated herein. Likewise, the banks and other financial institutions shall timely inform through the means deemed necessary to such effect about these actions; without detriment of any regulations stipulated by the supervision and fiscal control bodies established for this purpose.

Eleventh: Those activities or transactions necessary for producing and distributing the new banknotes and coins to be issued by the Central Bank of Venezuela as provided herein are exempted from any national, state, district or municipal tax, duty, fee or contribution, as well as the goods and services necessary for their production, and the contracting of the services related to the substitution of the existing monetary basket and the distribution of the banknotes and coins with the new unit of currency, as well as

those to be generated while the communication strategy led by the Central Bank of Venezuela is implemented on the occasion of this Decree-Law.

The Integrated National Service of Customs and Tax Administration (SENIAT) shall provide the necessary means to guarantee the rapid completion of the procedures to allow the imports related to this Decree-Law.

Twelfth: Those natural or legal persons that refuse to accept and receive the unit of currency, as referred to in the First Temporary Provision of this Decree-Law, by way of the discharge of monetary obligations, shall be penalized with a fine equivalent to four times the sum that was refused to be accepted. The fine mentioned herein shall be imposed and settled by the Central Bank of Venezuela.

Chapter III

FINAL PROVISION

The present Decree with force of Law shall enter into force from its publication date in Official Gazette of the Bolivarian Republic of Venezuela.

Given in Caracas, on this 16th day of March, 2007. 196 years of Independence and 148 years of Federation.

Let it be executed,

(L.S.) HUGO CHÁVEZ FRÍAS

Ratified

Executive Vice President

(L.S.) JORGE RODRÍGUEZ GÓMEZ

Ratified

Minister of the People's Power for the Presidency Office

(L.S.) HUGO CABEZAS BRACAMONTE

Ratified

Minister of the People's Power for Domestic Affairs and Justice

(L.S.) PEDRO CARREÑO ESCOBAR

Ratified

Minister of the People's Power for Finance

(L.S.) RODRIGO CABEZA MORALES

Ratified

Minister of the People's Power for Defense

(L.S.) RAÚL ISAÍAS BADUEL

Ratified

Minister of the People's Power for Tourism

(L.S.) OLGA CECILIA AZUAJE

Ratified

Minister of the People's Power for Higher Education

(L.S.) LUIS ACUÑA CEDEÑO

Ratified

Minister of the People's Power for Education

(L.S.) ADÁN CHÁVEZ FRÍAS

Ratified

Minister of the People's Power for Health

(L.S.) ERICK RODRÍGUEZ MIÉREZ

Ratified

Minister of the People's Power for Labor and Social Security
(L.S.) JOSÉ RIVERO GONZÁLEZ

Ratified

Minister of the People's Power for Infrastructure
(L.S.) JOSÉ DAVID CABELLO RONDÓN

Ratified

Minister of the People's Power for Energy and Petroleum
(L.S.) RAFAEL DARÍO RAMÍREZ CARREÑO

Ratified

Minister of the People's Power for Environment
(L.S.) Yuvirí Ortega Lovera

Ratified

Minister of the People's Power for Planning and Development
(L.S.) JORGE GIORDANI

Ratified

Minister of the People's Power for Communication and Information
(L.S.) WILLIAN RAFAEL LARA

Ratified

Minister of the People's Power for Food
(L.S.) RAFAEL JOSÉ OROPEZA

Ratified

Minister of the People's Power for Housing and Habitat
(L.S.) RAMÓN ALONSO CARRIZÁLEZ RENGIFO

Ratified

Minister of the People's Power for Participation and Social Development
(L.S.) DAVID VELÁSQUEZ CARABALLO

Ratified

Minister of the People's Power for Telecommunications and Information
Technology
(L.S.) JESSE CHACÓN ESCAMILLO

Ratified

Minister of the People's Power for Indigenous Peoples
(L.S.) NICIA MALDONADO MALDONADO

Published in Official Gazette of the Bolivarian Republic of Venezuela N° 38,638,
dated March 6th, 2007.

APPENDIX B.

RESOLUTIONS OF THE CENTRAL BANK OF VENEZUELA ON CURRENCY REDENOMINATION MATTERS

B.1. REGULATIONS RULING THE NEW MONETARY EXPRESSION AND ROUNDING OFF RESOLUTION N° 07-06-02

The Board of Directors of the Central Bank of Venezuela, in exercise of the powers conferred to by Article 5 of the Decree with Force of Law on Currency Redenomination, as well as Article 7, number 4 and Article 21, number 26 set forth in the Law of the Central Bank of Venezuela,

Decides to:

Stipulate the following,

REGULATIONS RULING THE NEW MONETARY EXPRESSION AND ROUNDING OFF

Article 1. The rounding off rule stipulated in Article 1 of the Decree with Force of Law on Currency Redenomination shall be implemented so that prices and individual values of goods and services, as well as other monetary amounts, are taken to a two-decimal expression; except for the provisions set forth in the following article.

Article 2. Without detriment of Article 1 of this Resolution, the new expression established in the Decree with Force of Law on Currency Redenomination, of prices of goods and services and monetary amounts, shall be made by dividing such price or unit value by one thousand (1,000), and the decimals resulting therefrom shall be expressed according to the provisions provided by in the Sole Paragraph of this article:

- a) Motor vehicle fuels.
- b) Liquefied Petrol Gas (LPG), commercialized in bulk.
- c) Water, energy, methane gas, telephone and internet services.
- d) Shares quoted in the Stock Market.
- e) Exchange rates.
- f) Tax unit.

Sole Paragraph. In the cases contemplated in letters a), b), c) and d) of this Article, the corresponding amounts shall show at least three (3) decimals, without detriment of using a higher number of decimals in keeping with the existing regulations, practices and conventions regarding this matter.

In the case specified in letter e), the number of decimals to be used shall keep the currency expression determined by the Central Bank of Venezuela as published in its website.

In the case stipulated in letter f) of this article, the three (3) decimals resulting from the division are to be shown.

Article 3. Always provide that, as from October 1st, 2007, and until the Central Bank of Venezuela stipulates otherwise, the offer, exhibition or display of products have exhibited the prices of goods and services in both units of currency (Bs. and Bs.F.), by means of price tags, labels, price lists, advertising or informative material and other instruments or mechanisms with the same function as those mentioned before, regardless of the mean used for their dissemination, identifying each price with the

expressions “Bolivar” and “Bolivar Fuerte” or the symbols “Bs.” and “Bs.F.”, the obligation contemplated in the Seventh Temporary Provision of the Decree with Force of Law on Currency Redenomination shall be deemed as complied with.

Article 4. As from January 1st, 2008, any good in sale that still shows its price exclusively in bolivares in the package of the product, shall be converted to the new unit of currency (Bs.F.) pursuant to the equivalence stipulated in Article 1 of the Decree with Force of Law on Currency Redenomination.

Article 5. As from January 1st, 2008, the two-decimal rounding off shall be made by multiplying the quantity of good, service or monetary amount by the price or unit value indicated in Article 2 herein, in order to pay or enter any transactions related to those goods, services and monetary amounts stipulated in the abovementioned article.

Article 6. The preparation and presentation of the financial statements corresponding to an accounting period finished before January 1st, 2008, to be approved after the abovementioned date, shall be made in current bolivares according to the Accounting Principles Generally Accepted. To the effects of comparing the financial statements corresponding to previous accounting periods, the accounting balances of such statements shall be converted in compliance with the provisions stipulated in Article 1 of the Decree with Force of Law on Currency Redenomination; consequently, the obligation contemplated in the Sixth Temporary Provision of the aforesaid Decree-Law, shall be deemed as fulfilled as provided by in this Article.

Article 7. Any doubts resulting from the interpretation and implementation of this Resolution, shall be solved by the Board of directors of the Central Bank of Venezuela.

Article 8. This Resolution shall enter into force on its publication date in Official Gazette of the Bolivarian Republic of Venezuela.

Caracas, June 21st, 2007.

In my capacity of Secretary of the Board of Directors, I certify the authenticity of this Resolution.

Let it be known and published.

JOSÉ FERRER NAVA

First Manager Vice President

Published in Official Gazette of the Bolivarian Republic of Venezuela N° 38,711, dated June 22nd, 2007.

B.2. RULES APPLYING TO CHECKS IN THE CURRENCY REDENOMINATION PROCESS
RESOLUTION N° 07-07-04

The Board of Directors of the Central Bank of Venezuela, in exercise of the powers conferred to by Article 5, and in compliance with the Third Temporary Provision of the Decree with Force of Law on Currency Redenomination, as well as Article 7, numbers 4 and 8, and Article 21, numbers 18 and 26 of the Law of the Central Bank of Venezuela,

Stipulates:

Article 1. Pursuant to the provisions set forth in the Decree with Force of Law on Currency Redenomination, the sum written in any non-cashed checks issued before January 1st, 2008, shall be understood as automatically expressed in the new currency unit. Therefore, these shall be paid in accordance with the equivalence stipulated in Article 1 of the referred Decree-Law.

Article 2. The System of the Electronic Clearance Chamber, managed by the Central Bank of Venezuela, shall only process the checks issued before January 1st until

January 31st, 2008. As from February, 1st, 2008, these checks may only be cashed in the corresponding bank window, and their payment could be made, indistinctively, in banknotes and coins representing the new monetary basket, as well as the basket to be substituted.

Article 3. For checks issued as from January 1st, 2008, the drawer shall not necessarily write the denomination “Bolívares Fuertes” or the symbol “Bs.F.” in the space used to write the amount in numbers and/or letters, thereby and in accordance with this Article, the substitution or emission of new checkbooks by the respective banks and financial institutions shall not be required.

The use of the denomination “Bolívares Fuertes” or the symbol “Bs.F.” shall not be deemed as grounds for return or invalidation of the issued check.

Article 4. The banks and other financial institutions ruled by the Decree with Force of General Law of Banks and other Financial Institutions, as well as other special laws, shall inform their clients, as from the entry into force of this Resolution, and through the more convenient and suitable means, the rules applicable to the payment of checks within the redenomination process, pursuant to the provisions set forth in both the Decree with Force of Law on Currency Redenomination and this Resolution.

Article 5. The doubts deriving from the interpretation and implementation of this Resolution shall be clarified and solved by the Board of Directors of the Central Bank of Venezuela.

Article 6. This Resolution shall enter into force as from its publication in Official Gazette of the Bolivarian Republic of Venezuela.

Caracas, July 26th, 2007.

In my capacity of Secretary of the Board of Directors, I certify the authenticity of this Resolution.

Let it be known and published.

JOSÉ FERRER NAVA

First Manager Vice President

Published in Official Gazette of the Bolivarian Republic of Venezuela N° 38,733, dated July 26th, 2007.

B.3 REGULATION RULING COMMUNICATION ASPECTS OF CURRENCY REDENOMINATION
RESOLUTION N° 07-08-01

The Board of Directors of the Central Bank of Venezuela, in exercise of the powers conferred to by Articles 5 and 6 of the Executive Decree with Force of Law on Currency Redenomination,

Stipulates:

to issue the following,

REGULATIONS RULING COMMUNICATION ASPECTS OF CURRENCY REDENOMINATION

Article 1. Within the framework of the activities related to the informative and educational campaign on currency redenomination, the bodies and entities of the State Administration, as well as banks and other state and private financial institutions, shall:

- 1) produce brochures and material that contributes to the promotion of the currency redenomination (POP material) based on the contents provided by the Central Bank of Venezuela and/or done by themselves.

- 2) display material about the currency redenomination done by each one of them and/or those provided by the Central Bank of Venezuela to such effects, in each institution, agency or branch, according to the case.
- 3) create a link in the website of all institutions enabling access to the special web site devoted to currency redenomination www.reconversionbcv.org.ve.
- 4) install promotional banners about the currency redenomination in the web sites of all institutions, based on the contents provided by the Central Bank of Venezuela.
- 5) properly position, in each institution, bank agency or branch, placards and/or banners about the currency redenomination, done by them and based on the contents provided by the Central Bank of Venezuela.
- 6) include, through audiovisual means, messages linked to the currency redenomination, which text is to be defined and provided by the Central Bank of Venezuela.
- 7) make available, within their printed advertisements, a space in the upper part in which an informative message related to the currency redenomination, which content is to be given by the Central Bank of Venezuela.

Article 2. The state companies devoted to the rendering of services, as well as banks and other state and private financial institutions, shall, within the framework of the activities linked to the informative and educational campaign on currency redenomination, and additional to the obligations set forth in Article 1 of this Resolution:

- 1) Include as inserts in the correspondence to their clients, the brochures produced about currency redenomination or provided by the Central Bank of Venezuela to such effects.
- 2) Incorporate the messages provided by the Central Bank of Venezuela in all account balances.

Article 3. Without detriment of any interinstitutional cooperation agreements signed with the Central Bank of Venezuela, the bodies and entities of the State Administration, whose competences are directly related to economic, social, educational and/or technological matters, shall, in addition to the obligations set forth in Article 1 of this Resolution, devise communication strategies focused on informing and guiding the public on the aspects related to the currency redenomination process.

Article 4. To the effects stipulated in this Resolution, the Central Bank of Venezuela shall provide to the bodies and entities of the State Administration, as well as to the banks and other state and private financial institutions, all the contents and graphical elements through the special website www.reconversionbcv.org.ve.

Article 5. The doubts deriving from the interpretation and implementation of this Resolution shall be clarified and solved by the Board of Directors of the Central Bank of Venezuela.

Article 6. This Resolution shall enter into force as from its publication in Official Gazette of the Bolivarian Republic of Venezuela.

Caracas, August 28th, 2007.

In my capacity of Secretary of the Board of Directors, I certify the authenticity of this Resolution.

Let it be known and published.

JOSÉ FERRER NAVA

First Manager Vice President

Published in Official Gazette of the Bolivarian Republic of Venezuela N° 38,756, dated August 28th, 2007.

B.4 REGULATIONS REGARDING THE DOCUMENTS PRESENTED BEFORE THE REGISTRIES AND NOTARIES AND THE MANAGING OF THE PRICE OF STOCKS QUOTED AT THE STOCK MARKET

RESOLUTION NUMBER 07-09-01

The Board of Directors of the Central Bank of Venezuela, in exercise of the powers conferred to by Article 5 of the Decree with Force of Law on Currency Redenomination, as well as number 14 of Article 7, and number 26 of Article 21 set forth in the Law of the Central Bank of Venezuela,

Stipulates:

Article 1.- The expressions in national currency contained in every legal instrument, act or business signed or held by December 31st, 2007, and that shall keep their legal effects after the abovementioned date, will automatically be understood as re-expressed as from January 1st, 2008; and thus the holding or signing of a new instrument will not be necessary, neither will it be necessary to make any procedure to such effect before the different Autonomous Services of Registries and Notary's Offices.

Article 2.- The provisions set forth on Article 3 of Resolution N° 07-06-02, which regulates all matters related to the double expression of prices of goods and services, in force starting on October 1st, 2007, are ratified, and thus the Seventh Transitory Provision of the Decree with Force of Law on Currency Redenomination, developed on the abovementioned article, is not applicable to the legal instruments or businesses generating legal effects, and that are the subject of official recording or authentication before the different Autonomous Services of Registries and Notary's Offices.

Article 3.- In order to comply with the provisions set forth on the Seventh Transitory Provision of the Decree with Force of Law on Currency Redenomination, in accordance with the provisions set forth on Article 3 of Resolution N° 07-06-02, the price in bolivares fuertes used to show, offer or exhibit the value of the stocks been quoted in the stock market to the public, shall result from the re-expression made in accordance with the provisions set forth on Article 2 of the abovementioned Resolution. This obligation shall only be applied when the referred show, offer or exhibition to the public is made through means other than the calculation systems.

As of January 1st, 2008, the price for the quotation and closing of such stock certificates shall be expressed with at least two (2) decimals, without detriment of the use of a larger number of decimals, in compliance with the existing regulations, practices and conventions in the matter.

Article 4.-This Resolution shall enter into force as from its publication in

Official Gazette of the Bolivarian Republic of Venezuela.

Caracas, September 20th, 2007.

In my capacity of Secretary of the Board of Directors, I certify the authenticity of this Resolution.

Let it be known and published.

José Ferrer Nava First Manager Vice President

Published in Official Gazette of the Bolivarian Republic of Venezuela N° 38,773, dated September 20th, 2007.

B.5. REGULATIONS RULING MATTERS RELATED TO WAGES AND OTHER SOCIAL BENEFITS WITHIN THE FRAMEWORK OF CURRENCY REDENOMINATION
RESOLUTION N° 07-11-01

The Board of Directors of the Central Bank of Venezuela, in exercise of the powers conferred to by Article 5 of the Executive Decree with Force of Law on Currency Redenomination, in compliance with regulations set forth in Article 21, number 26, in the Law of the Central Bank of Venezuela,

WHEREAS

In accordance with provisions set forth in Article 1 of the Executive Decree with Force of Law on Currency Redenomination, pursuant to stipulations in Article 1 of the Resolution of the Central Bank of Venezuela Number 07-06-02 dated June 21st, 2007, as of January 1st, 2008, any amount in domestic currency shall be expressed in the new monetary scale, which would be effected by dividing the corresponding amounts by one thousand (1,000), and using a two-decimal expression.

WHEREAS

As from January 1st, 2008, salaries and other social benefits shall be expressed according to the new monetary scale, pursuant to stipulations established in Article 3 of the Executive Decree with Force of Law on Currency Redenomination.

WHEREAS

Based on the principle of intangibility and development of labor rights set forth in the Constitution of the Bolivarian Republic of Venezuela, Article 89, number 1, wages and other social benefits for all workers cannot be unimproved; the same condition applies to all pensions or retirement funds in line with the constitutional protection given to these concepts.

STIPULATES:

To decree the following, Regulations ruling matters related to wages and other social benefits within the framework of currency redenomination

Article 1. All basic wages and salaries, as well as pensions and retirement funds and other benefits related to the work performed by workers until December 31st, 2007, shall be adjusted as from January 1st, 2008, in compliance with the terms stipulated in Article 2 of this Resolution, in the event that the amounts corresponding to such concepts, when divided by one thousand (1,000) as established in Article 1 of the Executive Decree with Force of Law on Currency Redenomination, result in a decimal amount which thousandth is different to zero.

Article 2. The adjustment mentioned in the previous article shall be effected just once, so as to eliminate the thousandth and take the hundredth to the higher immediate cent.

Article 3. This Resolution shall enter into force as from its publication date in Official Gazette of the Bolivarian Republic of Venezuela.

Caracas, November 20th, 2007
Let it be known and published.
JOSÉ FERRER NAVA
President (E)

B.6 ABOUT SUPPORT AND COOPERATION BY THE INSTITUTIONS AND BODIES OF THE PUBLIC POWERS
WHITIN THE PROCESS OF CURRENCY REDENOMINATION
RESOLUTION N° 07-11-02

The Board of Directors of the Central Bank of Venezuela, in exercise of the powers conferred to by Article 5 of the Executive Decree with Force of Law on Currency Redenomination, as well as Article 21, number 26 in the Law of the Central Bank of Venezuela,

WHEREAS

Currency redenomination is a State project that involves all sectors of the society, and the joined effort made by all bodies related to the national public sector in the areas of inspection, oversight and control of the different segments of standard economic activities represents a fundamental factor for the successful achievement of such measure taken by the National Executive in concert with the Central Bank of Venezuela, with the objective of reaching an easy and trustful understanding of the new monetary expression, and, regarding consumers and users, guaranteeing their protection against the speculative elements that may arise from the aforesaid process, in detriment of their rights.

WHEREAS

Article 5 of the Executive Decree with Force of Law on Currency Redenomination stipulates that the representatives of the authorities shall, in exercise of their capacities, give support and cooperation and facilitate the necessary means aimed at complying with the objective of the referred Decree-Law, in order to prepare and guarantee the proper and timely operation of the re-expressed monetary system always in keeping with the due protection of the people's interests.

WHEREAS

The Central Bank of Venezuela, acting as guiding institution of the currency redenomination process, is fully aware of the need of issuing clear guidelines for all state and private entities that participate in the development of activities aimed at the offering of guidance and education to the communities on all matters related to this process, which represents the first experience of this kind in the country's contemporary history, hence, the most favorable conditions shall be generated in order to keep people updated and informed.

Stipulates:

Article 1. The institutions and bodies members of the different authorities, in exercise of their capacities, and for purposes of complying with the obligations conferred to by Articles 5 and 7 of the Executive Decree with Force of Law on Currency Redenomination, shall give to the Venezuelan Central Bank the necessary support and cooperation, as well as facilitate the means aimed at achieving the objectives set forth in the Executive Decree with Force of Law on Currency Redenomination.

Article 2. In line with provisions stipulated in Article 1 of this Resolution, the institutions and bodies members of the different authorities holding oversight, control, follow-up and monitoring competences, shall develop the following activities:

a) Facilitate the infrastructure and technical staff required to educate, convey and report the information related to the fundamental aspects of currency redenomination to the higher number of people within the spectrum of protection, control, oversight and monitoring as before referred to.

b) Carry out, within the framework of their legal competences, the inspections that may be needed in the centers of production, businesses, shops and other entities devoted to trading goods or rendering services, as banks and other financial institutions, money and stock exchange, insurance companies, aiming at determining the commission of any act that brakes the Executive Decree with Force of Law on Currency Redenomination, or any of the provisions decreed by the Central Bank of Venezuela for its execution, and that at the same time represent an administrative illegal act or a sanction contemplated in the respective laws.

Article 3. All officers appointed by the institutions and bodies members of the authorities to perform inspection, oversight and monitoring tasks provided herein, as well as those that particularly should have been authorized with the objective of performing special activities devoted to verify the compliance with the obligations inherent in currency redenomination, shall use to such effects the corresponding regulation, as well as the guiding materials, documents and instruments with contents related to currency redenomination provided timely by the Central bank of Venezuela.

Article 4. The Central Bank of Venezuela shall report to the institutions and bodies members of the authorities, by the most expeditious means, using any information instrument, related to inspection, control, monitoring and supervision tasks provided in Article 7 of the Executive Decree with Force of Law on Currency Redenomination, the information regarding the execution of the currency redenomination process necessary for the fulfillment of the functions contemplated in the aforesaid Decree-Law. A timely report of this information must be guaranteed.

Article 5. The Central Bank of Venezuela shall render permanent technical assistance to the staff of the institutions and bodies mentioned herein that may have

been efficient in training, inspection, oversight and monitoring in relation to currency redenomination, with the objective of assuring the rightful and sufficient education and updating in this regard.

Article 6. Any doubts that may arise from the interpretation and application of this Resolution shall be clarified and solved by the Board of Directors of the Central Bank of Venezuela.

Article 7. This Resolution shall enter into force in its publication date in Official Gazette of the Bolivarian Republic of Venezuela.

Caracas, November 2007

Let it be known and published.

JOSÉ FERRER NAVA

President (E)

APPENDIX C

TECHNOLOGICAL GUIDELINES FOR THE ADAPTATION OF SYSTEMS AND INFORMATION TECHNOLOGIES BASED ON CURRENCY REDENOMINATION

INTRODUCTION

Currency redenomination is a measure taken by the Central Bank of Venezuela, along with the National Government, consisting on eliminating, as from January 1st, 2008, three zeroes from the current unit of currency in order to facilitate the understanding, use and handling of national money by expressing it in a new monetary scale. To that effect, the current amounts shall be divided by one thousand (decimal point shall be moved three spaces to the left).

As a part of the learning process needed to help the population easily understand the new unit of currency, as from October 1st, 2007, and until the Central Bank of Venezuela stipulates otherwise, prices of goods and services shall be shown, offered, exhibited and displayed to the public, in both current bolivares and in bolivares fuertes, using the respective denominations and symbols “Bs.” and “Bs.F.” in price lists, price tags, advertising or informative material, and in other instruments or mechanisms used to that effect.

The systems and information technologies that render services to clients and, besides, handle cash, shall be prepared to offer the double monetary expression and consider that as from January 1st, 2008, all electronic operations are to be processed in Bs.F.

In this regard, the Board of Directors of the Central Bank of Venezuela passed, in late June 21st, the resolution containing the “Regulations ruling new monetary expression and rounding off” and the document about the **Technological Guidelines for the adaptation of systems and information technologies based on currency redenomination**.

The documents collected the comments and suggestions received by the authorities of the issuing institute in public consultation, carried out through the Internet and in an event held in the BCV headquarters on June 8th. Likewise, other aspects of the Decree-Law on Currency Redenomination are developed in order to make the completion of this State process as simple and dynamic as possible.

The options regarding the adaptation of the information systems include some suggestions given by the Central Bank of Venezuela, related to the following matters: adaptation strategies, a redenomination and price rounding off algorithm, information storage, data conversion and managing of historical data, communications with other systems, information processing, as well as data base and spreadsheet managing.

It is important to highlight that both the algorithm and the suggestions are for reference purposes only, since other programming languages, data base controllers or other instruments already include the rounding off function.

TECHNOLOGICAL GUIDELINES FOR THE ADAPTATION OF INFORMATION SYSTEMS AND TECHNOLOGIES BASED ON THE CURRENCY REDENOMINATION

The Central Bank of Venezuela presents in this document, and for all citizens, the **technological guidelines for the adaptation of information systems and technologies based on currency redenomination**, which objective is to provide a guide for the activities related to the modification of information systems that handle monetary amounts in national currency, and to provide orientation on some effects that could come into view as a result of the conversion and rounding off established in the Decree with Force of Law on Currency Redenomination, in order to facilitate the preparation of the technologies for the required adaptation.

To that end, this document indicates some alternatives for the solution. It is important to highlight that we do not intend to comprise or provide all the possible options, because there is a wide range of information systems that handle monetary amounts and the best solution for one system may be unviable for another. In this connection, individuals may adopt the technological solution that best fits their needs and realities, as long as it complies with the provisions of the aforementioned Decree-Law. It is necessary to clarify that this guide does not intend to set standards for the transformation of systems, or to determine what to do during the transition, or to regulate strategies.

The content of this document refers to the following issues:

- The effects produced by the operations of conversion and rounding off.
- General alternatives that can be selected considering elements of storage, input, output.
- Algorithm for conversion and rounding off of monetary amounts, that can serve as a general framework to comply with the Decree with Force of Law on Currency Redenomination with regard to currency redenomination, as a guide to validate the expected results.
- Strategies for conversion of the information of the monetary expressions with the proper treatment of the resulting consequences, such as the addition of decimals in the fields of prices and monetary amounts.
- Alternatives for the input of data to enable the input of monetary figures and facilitate an easy use with timely controls that avoid confusion in the handling of historical data and operations performed from January 1st, 2008.
- Alternatives for the output of data to enable the presentation of information before January 1st, 2008, as well as the comparisons required for this type of solutions.
- Communication among systems to enable exchange of information without leading to confusion, error or omission.
- Processing of information so all the elements of the system are prepared to deal with monetary amounts.
- Alternatives for the treatment of historical information.
- Treatment of spreadsheets, databases and end-user management tools, which must be considered, although the responsibility of adaptation lies on the user.

GLOSSARY OF TERMS

- **Algorithm for conversion and rounding off**
Procedure used to perform the operation of conversion and rounding off that will serve as a reference for the comparison of the expected results.
- **In-Transit Operation**

Operations initiated before January 1st, 2008, that shall remain pending, and must be processed after that date.

- **Changeover**

Action of taking off circulation coins and banknotes of the current basket and replacing them with the equivalents of the new basket.

- **Transitional Period**

Period beginning on January 1st, 2008, and with ending established by the Central Bank of Venezuela, when coins and banknotes of both the current basket and the new basket shall circulate simultaneously, having both equal payment discharge power.

- **Conversion Routines**

Procedures or algorithms that are used as required as part of a conversion program.

EFFECTS OF CONVERSION AND ROUNDING OFF

The effects resulting from the application of the rule of rounding off established in the Decree with Force of Law on Currency Redenomination are basically effects of neutrality, reversibility and homogeneity, which are detailed in the following examples:

Neutrality Effect

In some cases, when performing the re-expression of the monetary amounts (from Bs. to Bs.F.), some differences emerge, due to the rounding off effect:

Ejemplo	Diferencia
5.002,55 Bs. / 1.000 = 5,00255 Bs.F. <> 5,00 Bs.F.	-2,55 Bs.
5.003,33 Bs. / 1.000 = 5,00333 Bs.F. <> 5,00 Bs.F.	-3,33 Bs.
5.004,11 Bs. / 1.000 = 5,00411 Bs.F. <> 5,00 Bs.F.	-4,11 Bs.
5.007,44 Bs. / 1.000 = 5,00744 Bs.F. <> 5,01 Bs.F.	+2,56 Bs.
5.008,22 Bs. / 1.000 = 5,00822 Bs.F. <> 5,01 Bs.F.	+1,78 Bs.
5.009,00 Bs. / 1.000 = 5,00900 Bs.F. <> 5,01 Bs.F.	+1,00 Bs.

The largest possible difference is within the range of Bs. (-5,+5).

Reversibility Effect

When performing the conversion of an amount from Bs. to Bs.F., and then from Bs.F. to Bs., the result will not be the initial amount in all cases. Let us see an example where the conversion Bs. / Bs.F. / Bs. is not reversible:

$$\begin{aligned} 51.384.256,83 \text{ Bs.} / 1.000 &= 51.384,25683 \text{ Bs.F.} \Leftrightarrow 51.384,26 \text{ Bs.F.} \\ 51.384,26 \text{ Bs.F.} * 1.000 &= 51.384.260,00 \text{ Bs.} \end{aligned}$$

The difference is +3.17 Bs.

- If during the transitional period, an amount is re-expressed, rounded to two decimals, and then the result is stored like that, it would be impossible to determine later the initial amount.
- If historical data is converted and rounded, it would be impossible in the future to accurately obtain the initial value in current bolivares.

Homogeneity Effect

The sum of the conversions of the amounts (detail) may not be equal to the conversion of the sum (total):

$$\begin{aligned} 5.003 \text{ Bs.} / 1.000 &= 5,003 \text{ Bs.F.} \Leftrightarrow 5,00 \text{ Bs.F.} \\ 5.004 \text{ Bs.} / 1.000 &= 5,004 \text{ Bs.F.} \Leftrightarrow 5,00 \text{ Bs.F.} \\ 5.004 \text{ Bs.} / 1.000 &= 5,004 \text{ Bs.F.} \Leftrightarrow 5,00 \text{ Bs.F.} \\ 5.004 \text{ Bs.} / 1.000 &= 5,004 \text{ Bs.F.} \Leftrightarrow 5,00 \text{ Bs.F.} \\ \hline 20.015 \text{ Bs.} / 1.000 &= 20,015 \text{ Bs.F.} \Leftrightarrow 20,02 \text{ Bs.F.} \\ &\text{(redondeo del total)} \end{aligned}$$

$$= 20,00 \text{ Bs.F.} \\ \text{(suma del} \\ \text{detalle} \\ \text{redondeado)}$$

- The homogeneity effect must be taken into consideration in the handling of invoices, where the total invoiced may not be equal to the sum of all items.
- This effect is particularly important when reconciling accounts. It is highly unlikely that the sum of the conversions of the individual entries matches the conversion of the total account.

ADAPTATION STRATEGIES

The options for the adaptation of information systems to the currency redenomination are subject to the application of the new monetary expression for electronic transactions, and the fact that during the transitional period there is a dual circulation of the currency basket (current basket and the new one), when it will be possible to perform cash exchange in both currency expressions, as well as the changeover beginning on January 1st, 2008, and for the term to be established by the Central Bank of Venezuela.

The information systems and technologies that provide services to clients and handle cash money during this period shall be prepared to offer the dual currency expression, bearing in mind that as from January 1st, 2008, all electronic transactions **must be processed in bolivares fuertes** (new currency).

Therefore, as part of the design strategies for the adaptation of information systems, it is necessary to distinguish the events which dates should be established in parameters, according to each case, or whenever it is necessary according to the nature of the operation. These dates are the following:

- Beginning of the presentation of reference prices of goods and services in both values (Bs. / Bs.F.) in the calculating systems.
- Beginning of circulation of the new basket of coins and banknotes.
- The date when BCV establishes the return of the exclusive denomination "Bs."
- End of the legal circulation of the current basket of coins and bills.
- Date of the demonetization of the current basket of coins and bills.
- End of the term for reference prices in both expressions.

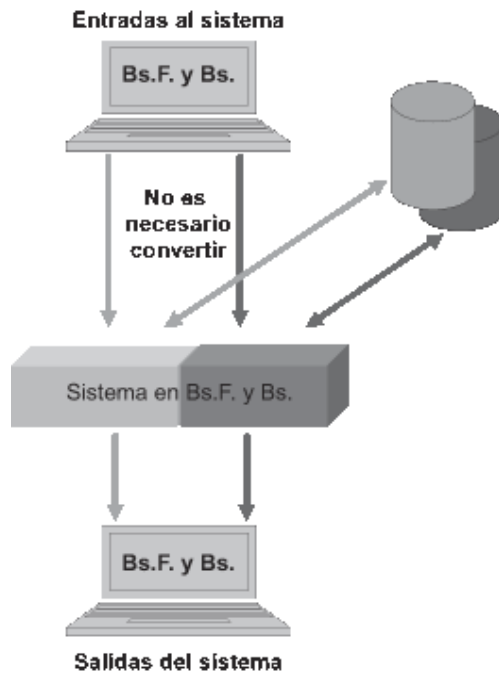
Next, we present some alternatives for adaptation in the calculating system:

A) Dual currency expression

The system allows transactions in both Bs. and Bs.F.

1) Multi-base

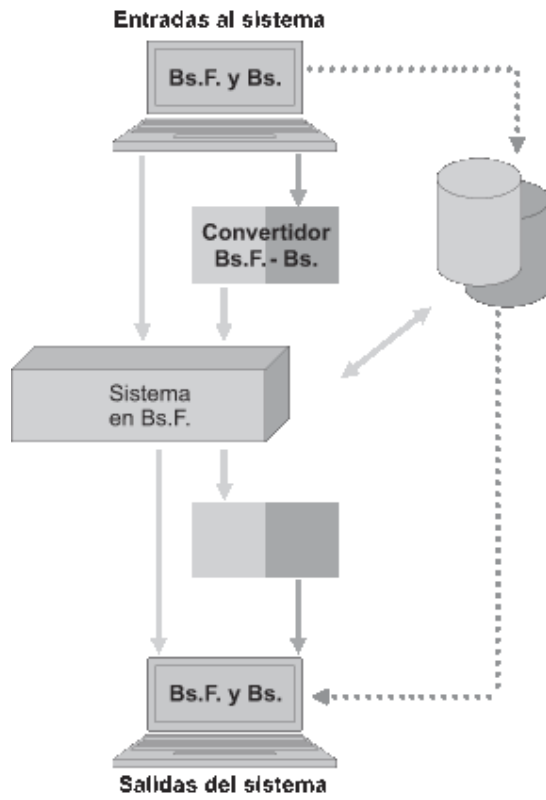
The system is able to perform input, output and storage of information in both Bs. and Bs.F.



2) Bs.F. Base

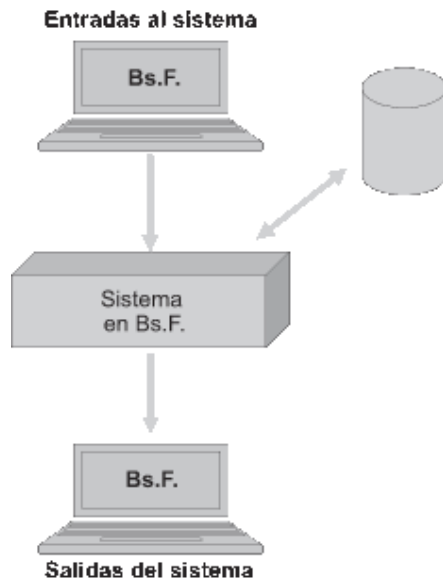
The system is able to receive information in Bs. and Bs.F., and present it in both expressions. The processing is performed exclusively in Bs.F.

The conversion between screens, reports and programs in Bs. should be done through the implementation of conversion routines located between the input/output elements and the databases.



B) Single Currency Expression

This system works internally with one single currency expression and accepts input and output only in that expression. Therefore, it does not offer dual function.



ALGORITHM FOR CONVERSION AND ROUNDING OFF OF MONETARY AMOUNTS

In order to guarantee the process of conversion and rounding off, the Central Bank of Venezuela has defined an algorithm to perform this operation that shall act as a reference for the comparison of the expected results. It is hereby made obvious that said algorithm is strictly referential, because there are programming languages or database administrators, or other tools that already handle the rounding off function.

Rounding off or method of simple approximation is the process through which negligible figures are eliminated from a decimal, upon fulfillment of the following conditions:

- If the next decimal is less than **5**, the previous decimal **remains unchanged**.
- If the next decimal is greater than or equal to **5**, the previous decimal is increased by one (1) to the next higher **positive** number.
- If the next decimal is less, or equal to **-5**, the previous decimal is increased by one (1) to the next lower **negative** number.

The variables used in the algorithm are detailed below:

Limit

Refers to a function which objective is to limit the value of the amount (**i**) to the number of indicated decimals (**d**).

Example: **LIMIT (10.4589578 , 4)=10.4589**

Power

Function of raising the power of a base number (**B**) and the exponent (**e**).

Example: **POWER (2,3)=23=2x2x2=8**

Absolute Value

Mathematical function that does not consider the sign of the expression.

Example: $|-5| = 5$ or $|5| = 5$

Amount

Rational numerical expression to be rounded off.

Decimals

Natural numerical expression that indicates the precision of decimal figures as a result of rounding off.

START

READ amount

READ decimals *** (2) ***

DECLARE VARIABLE factor

DO

factor=LIMIT(ABSOLUTE_VALUE|amount|+(0.5*POWER (10,decimals*(-1))),decimals)

IF amount IS LESS THAN zero (0) DO

factor = factor * (-1)

END

RETURN: factor

END

As an example, we can see:

Amount = 12354.4568

Decimals = 2

Factor = 0

DO

Factor = truncate (|12354.4568| + 0,5*(10⁻²); 2)

= truncate (|12354.4568| + 0.005; 2)

= 12354.46

IF amount < 0 THEN

Factor = Factor * (-1)

END IF

RETURN Factor

END PROCESS

In this regard, a **conversion algorithm** (Bs. a Bs.F.) was redefined, where the variables are defined as:

Amount

Rational numerical expression to be converted.

Rounding off

Indicator of intention of rounding off or not. ('Y','N') (Omitting means 'Y').

Decimals

Natural numerical expression that indicates the precision of decimal figures resulting from the rounding off.

Operating

Indicator of division (/) or multiplication (*). In our case, the indicator to convert Bs. to Bs.F. is (/); otherwise (*):

START

```
READ amount
READ decimals      *** (2) ***
READ operating     *** (/) ***
READ rounding      *** (S) ***
INITIALIZE v_amount
```

DO

```
IF operating = '*' THEN DO
v_amount:=amount * 1000
OTHERWISE DO
v_amount:=amount / 1000
END
IF rounding off = 'Y' THEN
RETURN FUNCTION ROUNDING OFF(v_amount,decimals);
OTHERWISE DO
RETURN v_amount;
END IF
```

END PROCESS

STORAGE OF INFORMATION

The method for internal storage of information is one of the major decisions to be made and the strategy that will affect most immediately the rest of the elements of the information system, influencing the entire design.

Next, we present some alternatives:

- Incorporating in all data tables an indicator code that specifies the currency expression in which the operation was initiated. It is noteworthy that this solution is useful only during the transitional period. The inconvenient is, basically, the need to review all programming to treat the information according to the respective currency expression.

- Including all monetary amounts in one single registry. Amounts in current bolivares and re-expressed bolivares are stored together in the same registry.
- Including each amount in a separate registry, in order to keep registries per currency expression.
- Another alternative is to replicate the databases, one with current bolivares and the other with re-expressed bolivares.
- Keeping the registries with monetary amounts in re-expressed bolivares. For the systems that will choose the alternative of single processing with Bs.F., it will be necessary to perform a complete adaptation, changing all the elements of processing, input, and output.

The database must keep the fields of monetary amounts in two decimals, except those indicated in the Resolution of the Central Bank of Venezuela N° 07-06-02, which sets the “Standards that regulate the monetary re-expression and rounding off.”

DATA CONVERSION AND TREATMENT OF HISTORICAL DATA

In case the business rules established for the information require the conversion of historical data, it is advisable to divide the figure only by one thousand (1,000) and include at least three decimals; thus, the figure will be recorded accurately, avoiding the reversibility effect explained above.

Furthermore, these conversion processes should be simulated in advance and, if possible, on more than one occasion, in order to have a verification and timely correction of problems or differences that may occur.

In case the information remains in current bolivares, profit systems must be able to read it as such. A possible inconvenience is that tools must be in place to read the data, as well as to convert to Bs.F. every time it is necessary to compare historical figures in current Bs. to those in re-expressed bolivares.

In order to display historical information stored in current Bs. and then the operational data from 2008, stored in re-expressed Bs., a separation of the screen could be performed, in Bs. and Bs.F. This separation consists on duplicating the screens, with one side for Bs. and the other for Bs.F., in a way that both sides are identical in all aspects, except the currency field.

DATA INPUT

Some of the alternatives for presenting and collecting data on screen are the following:

The letters intended to designate the monetary expression should be represented by the denominations “bolivar” or “bolivar fuerte”, when representing payment obligations or reference prices. The fields of data presentation and collection shall comply with the stipulations set forth in the regulations of the Central Bank of Venezuela, regarding the new monetary expression and rounding off, therefore, these are to be designed to accept at least two decimals so that the corresponding cents could be entered and visualized.

An alternative for cash-handling systems consists of duplicating the screens, keeping one of them for Bs. and the other for Bs.F., so that both are identical except for the currency fields. One of the main advantages of this solution is that the change is very simple and, besides, it allows for a better use of the application, since once the current basket of bills and coins are not of legal tender, namely, when the basket is

demonetized by the Central Bank of Venezuela, it will be enough to discard the screens expressing Bs., and keep only the ones corresponding to the new monetary unit.

If the same screen is used for indistinctively collecting amounts in current bolivares and in bolivares fuertes, it will facilitate the maintenance because there is not duplicity. Likewise, it forces to perform a double programming: the first one: for the temporary period, aiming at allowing the entry of two-expression amounts; and the second one, upon termination of the period, for the corresponding elimination of the figures in current bolivares in both the screens and the data input programs.

DATA OUTPUT

The existing alternatives for presenting information are designed so that the user can choose or not the monetary expression. Some other alternatives may be presented in reports issuing, among which are the following:

- 1) Duplicate the existing reports.
- 2) Add two decimals to the amounts to be expressed in the unit of currency, with the exceptions mentioned in Resolution N° 07-06-02 of the Central Bank of Venezuela, through the “Regulations ruling the new monetary expression and rounding off” stipulated there in.
- 3) Include, in this last case, an interface with the routine of amounts conversion.
- 4) Develop new screens allowing, through a selection parameter, for choosing the currency in which the report is to be based, and for changing the program intended to manage the outgoing information so that the report could be printed for both units of currency.
- 5) Change the program that completes the printing of data so as to separate, according to the type of monetary expression, the records to be sent and included in a specific report.
- 6) Draw up a global report allowing for comparing in the same monetary expression the amounts obtained through previous reports.

COMMUNICATIONS WITH OTHER SYSTEMS

In connection to this matter, it is obvious that, during some periods of time, systems will have to work with both kinds of systems, the one handling amounts in current bolivares and the other in re-expressed bolivares, and make them share the referred information. Consequently, the checking of the interfaces of communication among the different available systems is suggested, so that information on amount exchange is not to be misinterpreted.

- Any monetary amounts to be electronically exchanged shall be made in re-expressed bolivares.

The fields of monetary amounts shall include at least two decimals, except for provisions stipulated in the Resolution of the Central Bank of Venezuela N° 07-06-02, in which the “Regulations Ruling Monetary Expression and Rounding Off” are stipulated.

INFORMATION PROCESSING

If we keep the format of the data related to monetary amounts operating with two decimal figures in the programs, these would be in condition of processing calculations including re-expressed bolivares. Except for provisions stipulated in the Resolution of

the Central Bank of Venezuela N° 07-06-02, in which the “Regulations Ruling Monetary Expression and Rounding Off” are stipulated.

The checking of those systems interconnected to a specific hardware enabling the processing of checks and securities issued before December 31st, 2007, is suggested, so as to guarantee the application of data conversion.

It is also advisable to adjust and set parameters for the constants handled by calculation systems, such as: values, codes, letters, titles, formats, ranges, dates, among others; aiming at avoiding new changes in the programs.

The checking of those applications using functions, *store procedure* with handling of economic data, is recommended, so as to assure that the calling parameters are right and that its internal functioning is adequate. For those solutions operating in object-oriented programming, it is suggested to check the definitions of the numeric figures referring to amounts, so as to assure handling of the required decimals.

OTHER TOOLS USED BY USERS

There are some cases in which important or strategic management information is storage and treated through end-user tools: spreadsheets, data bases, and, sometimes, text documents including relevant economic data.

To support these solutions, the following is suggested:

Data Base

The same recommendations given for checks and other credit instruments are applicable in this case; nonetheless, in order to carry out the conversion, the following suggestions are given:

- Consider conversion routines of amounts to verify the expected results, so that the effected conversions are assured.
- Keep original data stored.
- Consider that some differences in conversion may be identified due to the rounding off effect.
- Consider the need to keep the function of reading the historical data in bolivares if these are not to be re-expressed.
- Reiterate the transitional periods of cash-handling in both monetary expressions.

Spreadsheets

The use of these tools is very common in organizations. The following aspects shall be checked:

- Sometimes, these tools show data with the decimals indicated, but keep the total number in their internal storage system, being the last figure the one to be used for calculations, thereby, the content of cells handling monetary amounts shall comply with the ruling regulation regarding currency redenomination.
- Consider conversion routines of amounts to verify the expected results, so that the effected conversions are assured.
- Keep original data stored.

- Consider that some differences in conversion may be identified due to the rounding off effect.

APPENDIX D. DOCUMENTS FROM OTHER ORGANIZATIONS

D.1. PRONOUNCEMENT ON THE CURRENCY REDENOMINATION PROCESS. FEDERATION OF PUBLIC ACCOUNTANTS ASSOCIATIONS OF VENEZUELA

The Board of Directors of the Federation of Public Accountants Associations of Venezuela informs to the Union, and people in general, about the conclusions reached by the Permanent Committee of Accounting Principles of this Federation, in relation to the impact, over financial information, that may derive from the process of Currency Redenomination contained in the Decree with Force of Law on Currency Redenomination.

- 1) The following terms are used in this pronouncement, the meaning is explained as follows:

Redenomination: consists in changing the unit expression of the Venezuelan monetary symbol, according to provisions passed by the National Government, in exercise of the capacities conferred to the President of the Bolivarian Republic of Venezuela. In the Decree-Law on Currency Redenomination and other Regulations issued by the Central Bank of Venezuela, this process is known as re-expression.

Re-expression: is referred to the substitution of historical values for updated values, in accordance to the Accounting Principles Generally Accepted in Venezuela.

Current Bolivar: monetary unit of legal tender up to December 31st, 2007, which symbol is Bs.

Bolivar Fuerte (Bolivar Fuerte): monetary unit of legal tender in Venezuela as from January 1st, 2008, which symbol is Bs.F.

Nominal Bolivar: monetary units expressed in operations as from the date in which they were effected. This expression applies to both Bs. and Bs.F.

Constant Bolivar: monetary units of similar purchasing power expressed in operations as from a specific date. This expression applies to both Bs. and Bs.F.

- 2) The purpose of these pronouncement is to construe and clarify the impact over financial information and the performance of the Bachelor in Public Accounting, of some concepts and elements included in the Decree with Law on Currency Redenomination (hereinafter Decree-Law) issued by the Presidency of the Republic and the Regulations ruling Monetary Expression and Rounding off issued by the Central Bank of Venezuela.
- 3) The currency redenomination process derived from the Decree-Law consists of eliminating three digits to the current monetary denominations; it is worth pointing out that, generally, the financial statements of companies and other state or private entities, have being expressed in thousands and millions of bolivares. This practice has allowed for attaining a better understanding, use and handling of financial information.

- 4) Given that our discipline has been based on the criterion of “double bookkeeping”, the rounding off effect referred to in the mentioned Decree-Law does not have a determinant effect in the financial statements totaling, not even in the totals corresponding to different items. At any rate, the effects caused by rounding off shall be included in the results of accounting periods in which such procedure is applied.
- 5) The currency redenomination process passed by the National Government does not change any accounting principles, therefore, the financial statements shall be prepared in compliance with the Accounting Principles Generally Accepted (GAAP) applicable to them by each particular entity.
- 6) In compliance with stipulations set forth in the Resolution issued by the Central Bank of Venezuela, the financial statements corresponding to the accounting period dated until December 31st, 2007, shall be prepared in current constant bolivares (Bs.). The presentation in thousands and millions explained before may be still used.
Any comparative figure shall be expressed in the same measuring unit. For future use, the financial statements issued up to December 31st, 2007, shall be converted to constant bolivares fuertes (Bs.F) dividing by 1,000 the figures presented therein.
- 7) Those entities whose accounting period ends up on December 31st, 2007, shall convert to bolivares fuertes (Bs.F), the balances up to December 31st, 2007, corresponding to the real and auxiliary accounting accounts dividing by 1,000, with the aim of being used as initial balances for the new accounting period.
- 8) As of December 31st, 2007, all entities whose closing date is different from the latter, shall convert to bolivares fuertes (Bs.F), the balances of their real and nominal accounts, as well as the auxiliary accounting records, dividing by 1,000. As from January 1st, 2008, the operations within the accounting process shall be collected in terms of bolivares fuertes (Bs.F) and accumulate them with the obtained figures, when applying the procedure explained above in this paragraph.
- 9) The financial statements referring to accounting periods finished as from January 1st, 2008, as well as the financial statements with intermediate dates (other than the closing date), shall be prepared and presented in constant Bs.F., preferably, with no cents included. Any comparative information shall be exposed in the same measuring unit.
- 10) The entities will be able to run their historical data, auxiliary accounting records, and costs and budget controls with the respective needed decimals; however, the information given outwardly shall be expressed preferably in whole numbers or with a maximum of two (2) decimals.
- 11) The consolidation of financial statements, regardless of the closing date of the entities subjected thereto, shall be made in the same measuring unit, applying the criteria set herein.
- 12) The costs in which companies and other state or private entities incurred in order to adjust their accounting, administrative, computing or other systems using monetary values in function of the currency redenomination process, shall be recognized as expenditures of the current accounting period.

13) In the notes of the financial statements, all aspects related to the currency redenomination process affecting financial information shall be revealed, in keeping with the principles of materiality and relative importance.

By the Board of Directors of the Federation of Public Accountants Associations of Venezuela

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President

MR. RAFAEL DUGARTE RIVAS
Secretary of Studies and Research

MR. EDGAR HERRERA CROQUER
Secretary General

Caracas, July 26th, 2007