Cross-Border Listings Guide - Caracas Stock Exchange

| Contents |
| --- |
| To generate table of contents, right-click here and select **Update Field.** |

# Quick Summary

## Initial financial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

There are no restrictions regarding the jurisdiction of the issuer of the securities to be listed.

In order to qualify to list their securities on the BVC, with a primary listing, entities must have a share capital of 250,000 tax units to 500,000 tax units (T.U.) (with one T.U. currently valued at VEB 9.00 (approximately US$0.25). Depending on the type on exchange being performed, the T.U. is a referential value created by the Organic Tax Code in 1994 to update tax bases, fees, fines and similar tax concepts according to the annual inflation rates.

Additionally, entities wishing to list their securities must comply with the relevant internal regulations issued by the SUNAVAL and keep books, financial statements and any other records relevant to demonstrate the liquidity of the company. For a listed entity to be duly incorporated, it must have a minimum of 20 members, regardless of whether they are shareholders or not. After its incorporation, the entity can reduce its members down to 15, but no less. The secondary listing is comprised by the Stock Exchange of Agricultural Supplies and Products. In contrast with the primary listing, it requires that the minimum share capital has to be an amount equivalent to 30,000 T.U.

In order to maintain a listing, the following requirements must be met at all times:

Compliance with the internal rules, as well as observance of the uses and customs in force in the respective stock exchange.

Allow inspection of company books by SUNAVAL officials or the board of directors of the respective stock exchange.

Semi-annual submission to the SUNAVAL and to the boards of directors of the respective stock exchanges of the company's balance sheet, statement of income and statement of changes in its financial situation, audited by a public accounting firm, duly registered in the National Securities Registry.

Provide the SUNAVAL or the board of directors of the stock exchange with the information required.

**Additional requirements**

Once listed, companies must comply with the following continuing obligations:

*Periodic Information*: companies must provide the Board of Directors of the BVC, within 30 days following the holding of the respective Shareholders' Meeting, the following information: Annual Report and Accounts; Financial Statements audited by Certified Public Accountants in the Independent Practice of the Profession, and a copy of the minutes of the Meeting that reviewed and approved said Financial Statements.

In the case of companies whose shares are listed on the BVC, they must submit, in addition to the previous provisions, within 30 calendar days following the close of each quarter of their annual fiscal year, their respective consolidated Balance Sheets, presented in comparative form with those of the same quarter of the previous fiscal year.

Occasional Information: companies that have their securities registered in the BVC must submit notifications of the following: Decrees and Payments of Dividends, within two business days after the Dividend Decree or Subscription Right Decree takes place; Capital Increases or Reductions; Increase or Reduction of the Nominal Value of the shares; Issuance of Debt, whatever its term or currency; Calling of Ordinary and Extraordinary Meetings; Any change in accounting policy that could materially affect the financial results; Changes in the Method of Valuation of Investments in Securities; Revaluation of Assets; Redistribution of Shares; Issuance of Shares, and Debt or Subscription Rights.

*Accounting standards*. Submit Annual Report and Accounts, Financial Statements audited by Certified Public Accountants in the Independent Practice of the Profession, as well as a copy of the minutes of the Meeting that reviewed and approved said Financial Statements.

 In the case of companies whose shares are listed on the BVC, they must submit, in addition to the previous provisions, within 30 continuous days following the close of each quarter of their annual fiscal year, their respective consolidated Balance Sheets, presented in comparative form with those of the same quarter of the previous fiscal year.

## Listing process

[Last updated: 1 January 2024, unless otherwise noted]

Required Documentation:

Articles of Incorporation/Bylaws.

Copy of the issuer's General Balance Sheets duly audited in accordance with legal standards, accompanied by the reports of the Statutory Auditors and the Board of Directors for the last three years, or since its incorporation, if the period is shorter.

Certified copy of the minutes of the Shareholders' Meeting in which the issuance of the securities whose registration is requested was agreed upon.

Indication of whether the securities are dematerialized and the securities deposit box where they are deposited, and if not, include a facsimile of the certificates and a description of the process of transfer of ownership of the same.

A copy of the corresponding prospectus, approved by the SUNAVAL, if applicable.

Proof of registration of the securities in the National Securities Registry.

List of the company's share capital increases.

List of dividends accrued during the five years prior to the filing date of the application, when applicable.

A table showing the distribution of shares and a list of shareholders of the company who own more than the equivalent of 5% of the total shares representing the share capital.

Copy of the issuer's General Balance Sheets duly audited in accordance with legal standards, accompanied by the reports of the Statutory Auditors and the Board of Directors for the last three years, or since its incorporation, if the period is shorter (only applicable to bonds, commercial papers, participation titles and others).

Indication of whether the securities are dematerialized and the securities deposit box where they are deposited, and if not, include a facsimile of the securities issued and the corresponding coupons, as well as a description of the process of transfer of the ownership thereof (only applicable to bonds, CP, participation titles and others).

Name of the provisional or definitive representative of the bondholders (only applicable to bonds, CP, participation titles and others).

Description of the warranties of the listing, if any (only applicable to bonds, commercial papers, participation titles and others).

Exact description of the interest payment procedure, with indication of the respective date and place; as well as description of the amortization and drawing process (only applicable to bonds, commercial papers, participation titles and others).

Detailed description of the conversion procedure, in the case of convertible bonds (only applicable to bonds, commercial papers, participation titles and others).

## Corporate governance and reporting

[Last updated: 1 January 2024, unless otherwise noted]

Companies that are listed on the BVC are required to comply with the rules on corporate governance contained in Administrative Order No. 001 of 13 January 2021 regarding the Standards of Good Corporate Governance of the Securities Market (Administrative Order No. 001), published in the Official Gazette No. 42.171 of 19 July 2021. Administrative Order No. 001 contains a series of definitions and guidelines for all regulated entities to adopt regarding the following:

*Shareholders and Board of Director Meetings.* Minimum of one meeting per year to discuss all pertinent activities relating to the company. Duty to establish controls to prevent money laundering activities, terrorism financing and other illicit activities, such as statutory auditors, commissions, representatives.

All pertinent rules governing the calling of meetings and procedures are governed by the Commercial Code unless explicitly stated otherwise by the law.

*Compliance.* Must establish a strict compliance environment for their workers to follow and must inform them of all respective policies using training programs, awareness campaigns and mandatory courses, among others. Listed companies must comply with the provisions of the Money Laundering Rules.

*Reports.* Regulated companies must present an annual report to the SUNAVAL which evaluates the mechanisms implemented inside the corporate structure of the entity. In addition, it must inform on the application of decisions taken by the Board of Directors and the Shareholders Meeting.

*Sanctions*. If Administrative Order No. 001 is not abided by, companies can be sanctioned with the temporary or definitive suspension of execution of activities in the securities market of Venezuela. Additionally, they can be sanctioned according to other laws which require corporate compliance.

*Compliance Officer:* All companies must appoint a compliance officer with decision-making capabilities to enforce policies against Organized Crime and Financing of Terrorism.

## Fees

[Last updated: 1 January 2024, unless otherwise noted]

The only information available about fees is related to payment forms to be used by issuers of securities, whose activity is supervised by the SUNAVAL.

# Overview of exchange

## Overview of exchange

[Last updated: 1 January 2024, unless otherwise noted]

The Caracas Stock Exchange (Bolsa de Valores de Caracas or BVC), is a company incorporated in Venezuela, registered before the First Commercial Registry of the Judicial Circumscription of the Capital District, on 21 January 1947, under No. 74, Volume 6-A. The BVC operates by means of an authorization granted by the National Superintendency of Securities (SUNAVAL), in accordance with the Decree with Rank, Value and Force of Law on Securities Market (SML) (Official Gazette No. 6.211 Ext., published on 30 December 2015).

Currently, the BVC is the only stock exchange in Venezuela. The BVC has three main sectors that operate under two subdivisions: equities and bonds. The three sectors are: (i) industrial sector; (ii) service sector, and (iii) financial sector. Listed securities are settled through the current clearing house (Caja Venezolana de Valores or CVV), with the respective brokers previously authorized to act in such capacity. They must place the orders under the principles of "best execution", which considers price, volume and the probability of execution.

The BVC classifies listed companies pursuant to their industry, as stated above. As of 1 January 2024, there were 33 listed companies on the BVC. These companies include the following sectors: agriculture, manufacture, energy, banking, hotel industry and financial companies. Foreign securities can also be listed on the BVC if authorized by the SUNAVAL - with the previous binding opinion from the Ministry of the People's Power of Economy, Finance and Foreign Trade (Ministry of Finance).

All operations in the BVC are made through the Integrated Electronic Trading System (SIBE), which allows the placement of purchase and sale orders, the evaluation of their conditions and their dissemination to the market, through operations by brokers in brokerage houses in real time. The corresponding market capitalization is expressed in the Caracas Bursatile Index (CBI), which is calculated based on all major securities exchanged in the BVC. Currently, 15 listed securities are used to calculate said index, using these parameters: (a) share price; (b) index-weighting stocks, and (c) market capitalization.

# Principal listing and maintenance requirements and procedures

## Principal listing and maintenance requirements and procedures

[Last updated: 1 January 2024, unless otherwise noted]

There are no restrictions regarding the jurisdiction of the issuer of the securities to be listed.

In order to qualify to list their securities on the BVC, with a primary listing, entities must have a share capital of 250,000 tax units to 500,000 tax units (T.U.) (with one T.U. currently valued at VEB 9.00 (approximately US$0.25)). Depending on the type of exchange being performed, the T.U. is a referential value created by the Organic Tax Code in 1994 to update tax bases, fees, fines and similar tax concepts according to the annual inflation rates.

Additionally, entities wishing to list their securities must comply with the relevant internal regulations issued by the SUNAVAL and keep books, financial statements and any other records relevant to demonstrate the liquidity of the company. For a listed entity to be duly incorporated, it must have a minimum of 20 members, regardless of whether they are shareholders or not. After its incorporation, the entity can reduce its members down to 15, but no less. The secondary listing is comprised by the Stock Exchange of Agricultural Supplies and Products. In contrast with the primary listing, it requires that the minimum share capital has to be an amount equal to 30,000 T.U.

In order to maintain a listing, the following requirements must be met at all times:

Compliance with the internal rules, as well as observance of the uses and customs in force on the respective stock exchange.

Allow inspection of company books by SUNAVAL officials or the board of directors of the respective stock exchange.

Semi-annual submission to the SUNAVAL and to the boards of directors of the respective stock exchanges of the company's balance sheet, statement of income and statement of changes in its financial situation, audited by a public accounting firm, duly registered in the National Securities Registry (National Securities Registry).

Provide the SUNAVAL or the board of directors of the stock exchange with the information required.

# Listing documentation and process

## Listing documentation and process

[Last updated: 1 January 2024, unless otherwise noted]

Below is an overview of the documentation and information to be supplied to the BVC by an issuer looking to list its securities, according to the Regulations for Registration, Negotiation and Settlement of Securities in the Caracas Stock Exchange contained in Resolution No. 062-2008 published in Official Gazette No. 38.947 of 6 June 2008 (Resolution No. 062-2208):

Certified copy of the issuer's current Articles of Incorporation/Bylaws.

Copy of the issuer's General Balance Sheets duly audited in accordance with legal standards, accompanied by the reports of the Statutory Auditors and the Board of Directors for the last three years, or since its incorporation, if the period is shorter.

Certified copy of the minutes of the Shareholders' Meeting in which the issuance of the securities whose registration is requested was agreed upon.

Indication of whether they are dematerialized securities and the securities deposit box where they are deposited, and if not, a facsimile of the certificates and a description of the process of transfer of ownership of the same.

A copy of the corresponding prospectus, approved by the SUNAVAL, if applicable.

Proof of registration of the securities in the National Securities Registry.

List of the company's share capital increases.

List of dividends accrued during the five years prior to the filing date of the application, when applicable.

A table showing the distribution of shares and a list of shareholders of the company who own more than the equivalent of 5% of the total shares representing the share capital.

As for bonds, commercial papers, participation titles and others, the following documentation and information must be supplied to the BVC in compliance with Resolution No. 062-2008:

Certified copy of the issuer's current Articles of Incorporation/Bylaws.

Copy of the issuer's General Balance Sheets duly audited in accordance with legal standards, accompanied by the reports of the Statutory Auditors and the Board of Directors for the last three years, or since its incorporation, if the period is shorter.

Certified copy of the minutes of the Shareholders' Meeting in which the issuance of the securities whose registration is requested was agreed upon.

Indication of whether they are dematerialized securities and the securities deposit box where they are deposited, and if not, a facsimile of the securities issued and the corresponding coupons, as well as a description of the process of transfer of the ownership thereof.

A copy of the corresponding prospectus, approved by the SUNAVAL, if applicable.

Proof of registration of the securities in the National Securities Registry.

Name of the provisional or definitive representative of the bondholders.

List of the interest accrued during the five years prior to the date of the request, when applicable.

Description of the warranties of the listing, if any.

Exact description of the interest payment procedure, with an indication of the respective dates and places; as well as a description of the amortization and drawing process.

Detailed description of the conversion procedure, in the case of convertible bonds.

Additional information and documentation may be requested by the BVC and must be complied with. Companies may be eligible for additional requirements according to special norms dictated by the SUNAVAL or any other authorized government institution.

# Continuing obligations/periodic reporting

## Continuing obligations/periodic reporting

[Last updated: 1 January 2024, unless otherwise noted]

Once listed, companies must comply with the following continuing obligations:

*Periodic Information:* companies must provide the Board of Directors of the BVC, within 30 days following the holding of the respective Shareholders' Meeting, the following information:

Annual Report and Accounts.

Financial Statements audited by Certified Public Accountants in the Independent Practice of the Profession.

A copy of the minutes of the Meeting that reviewed and approved said Financial Statements.

In the case of companies whose shares are listed on the BVC, they must submit, in addition to the previous provisions, within 30 calendar days following the close of each quarter of their annual fiscal year, their respective consolidated Balance Sheets, presented in comparative form with those of the same quarter of the previous fiscal year.

*Occasional Information:* companies that have their securities registered in the BVC must submit notifications of the following:

Decrees and Payments of Dividends, within two business days after the Dividend Decree or Subscription Right Decree takes place.

Capital Increases or Reductions.

Increase or Reduction of the Nominal Value of the shares.

Issuance of Debt, whatever its term or currency.

Calling of Ordinary and Extraordinary Meetings.

Any change in accounting policy that could materially affect the financial results.

Changes in the Method of Valuation of Investments in Securities.

Revaluation of Assets.

Redistribution of Shares.

Issuance of Shares.

Debt or Subscription Rights.

*Additional Information:* Companies must submit any information that the BVC may require them to provide to the investing public and immediately report any fact or event that may influence the listing of securities issued by them that have been registered on the Stock Exchange.

In addition, a listed issuer must comply with the SUNAVAL requirement for them to be registered in the National Securities Registry.

The requirements for foreign issuers are essentially the same as the ones listed above, subject to certain formalities pursuant to the local law of the foreign issuer. All information provided to the BVC by foreign issuers must be filed in Spanish.

# Corporate governance

## Corporate governance

[Last updated: 1 January 2024, unless otherwise noted]

Companies that are listed on the BVC are required to comply with the rules on corporate governance contained in Administrative Order No. 001 of 13 January 2021 regarding the Standards of Good Corporate Governance of the Securities Market (Administrative Order No. 001), published in the Official Gazette No. 42.171 of 19 July 2021. Administrative Order No. 001 contains a series of definitions and guidelines for all regulated entities to adopt regarding the following:

*Shareholders and Board of Director Meetings.* Administrative Order No. 001 establishes a minimum of one meeting per year to discuss all pertinent activities relating to the company. These bodies must establish controls to prevent money laundering activities, terrorism financing and other illicit activities, such as statutory auditors, commissions, representatives.

All pertinent rules governing the calling of meetings and procedures are governed by the Commercial Code unless explicitly stated otherwise by the law.

*Compliance.* The company must establish a strict compliance environment for their workers to follow and must inform them of all respective policies using training programs, awareness campaigns and mandatory courses, among others.In addition, listed companies must comply with the provisions of the Rules relating to the administration and audit of the risks related to the crimes of money laundering, financing of terrorism, financing of the proliferation of weapons of mass destruction and other crimes, applicable to the subjects regulated by the SUNAVAL, published in Official Gazette No. 42.115 of 29 April 2021 (Money Laundering Rules). The Money Laundering Rules unify the policies, mechanisms and procedures that the individuals and legal entities that participate in the Venezuelan securities market must adopt and implement to prevent, among others, money laundering.

*Reports.* Regulated companies must present an annual report to the SUNAVAL, which evaluates the mechanisms implemented inside the corporate structure of the entity. In addition, it must inform on the application of decisions taken by the Board of Directors and the Shareholders' Meeting.

*Sanctions*. If Administrative Order No. 001 is not abided by, companies can be sanctioned with the temporary or definitive suspension of execution of activities in the securities market of Venezuela. Additionally, they can be sanctioned according to other laws that require corporate compliance.

*Compliance Officer:* All companies must appoint a compliance officer with decision-making capabilities to enforce policies against Organized Crime and Financing of Terrorism.

# Specific situations

## Specific situations

[Last updated: 1 January 2024, unless otherwise noted]

There is no difference in the requirements for domestic vs. foreign companies.

# Presence in the jurisdiction

## Presence in the jurisdiction

[Last updated: 1 January 2024, unless otherwise noted]

There are no requirements for a listed foreign issuer to maintain a presence in Venezuela (such as through an agent for service of process, resident directors or corporate offices). Foreign entities wishing to carry out the activities of a stock brokerage firm or brokerage house must request authorization from the SUNAVAL.

The SUNAVAL may dictate the norms related to the requirements to be complied with by foreign legal entities to be authorized.

# Fees

## Fees

[Last updated: 1 January 2024, unless otherwise noted]

There is no public information available.

# Additional Information

## Additional Information

[Last updated: 1 January 2024, unless otherwise noted]

The BVC is pursuing an academic involvement with professionals.

 The BVC allows for operations of American Depositary Receipts (ADRs) and Global Depositary Shares (GDSs), alongside shares, warrants, bonds and commercial papers.

# Contacts

## Contacts within Baker McKenzie

Jesús Dávila and Adriana Goncalves in the Caracas office are the most appropriate contacts within Baker McKenzie for inquiries about prospective listings on Caracas Stock Exchange.

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