SIEX must be notified within the same 30- or 60-day timeframe. After the second two-year period new credit agreements must be drawn up.

Principal and interest payments on two-year credit agreements drawn up with affiliated firms or foreign banks are allowed without prior SIEX approval, provided the payments adhere to the terms of the originally authorized agreement and SIEX is notified within 20 days of the remittance. The maximum effective annual interest rate is determined by SIEX in consultation with the BCV and is generally two per cent above prime or the London inter bank offered rate (LIBOR). Annual rates on intercorporate loans may not be more than three points above the prime rate in the country of origin.

Medium- and long-term credit has been relatively scarce owing to a conservative monetary policy. Such financing can prove difficult unless the borrower is associated with a financial institution. Over a decade ago, the government established three development institutions to channel medium- and long-term funds to the private and public sectors. The most important of these is the Venezuelan Investment Fund (FIV), created to invest some oil profits earned abroad in order to develop the major domestic basic industries in steel, aluminum and petrochemicals.

To encourage expansion of the agricultural and industrial sectors, the government also set up the Agricultural Credit Fund (FCA) and the Industrial Credit Fund (Foncrei). Loans from these funds are actually disbursed by commercial banks, financieras and development institutions. Such loans must be for medium- and small-scale, local industrial projects that generate intermediate and capital goods, are located in depressed regions of the country and are export-oriented. Unfortunately, the banks and financieras face considerable bureaucratic red tape in disbursing these low-cost funds, and the low rates of return make these lending facilities less appealing.

In 1973, the first Capital Markets Law was enacted, providing the basis for adequate supervision of the stock market, protection for the non-institutional investor and tax incentives to encourage companies to go public. A new Capital Markets Law was issued in 1975, but few changes were made. The objective of both laws was to spread share ownership as widely as possible.

The Caracas stock exchange, which merged with the Miranda stock exchange in 1974, is still in infancy since high interest rates and the general economic slowdown in recent years