

THE FINANCIAL SYSTEM IN MOZAMBIQUE

A new measure was announced on 14 March 2014 – entering into force in the second half of this year – under which all securities transactions at the Mozambique Stock Exchange (“BVM”) will start to be made electronically.

This measure, alongside others, appears as a reflection of the development of the Mozambican capital market in recent years. The market is organised and implemented through the BVM, which was first set up in 1997 and is currently regulated by the Internal Regulations of the Mozambique Stock Exchange and also by the Securities Market Code, approved by Decree No. 45/07, of 30 October, and Decree-Law No. 4/2009, of 24 July (“Decree-Law No. 4/2009”) respectively.

Pursuant to these laws, the BVM has exclusive competence to **organise, manage and maintain the centralised secondary securities market**, and is also responsible for ensuring, itself or through third parties, the services of registration, clearing and payment of stock exchange transactions.

It is important to note that the legislation and regulations in question establish a series of rules concerning **investor protection**. Indeed, it must be noted that the BVM has actively

developed a series of initiatives on this matter, particularly with regard to private investors, namely regarding the provision of clarifications on market intervention and the exercising of rights.

At the same time, there has been regulation of issues such as (i) the duties of brokers in relation to any transactions and in the provision of other services, (ii) the duty of professional secrecy to which they are bound, (iii) the information obligations of the BVM, (iv) crimes and infringements in the context of the securities market and (v) the supervisory powers of Banco de Moçambique (“BoM”).

On the other hand, the initial significant development of financial activity in Mozambique followed the publication of Law 15/99, of 1 November (“Law 15/99”), which governs **the taking up and pursuit of the business of credit institutions and financial companies** (CIFC) and which was approved in order to accompany the changing dynamic of the financial system, characterised by the emergence of new products and institutions.

The financial system in Mozambique is thus divided into the following categories of institution: (i) **credit institutions** (which include

banks and leasing companies), (ii) **financial companies** (which are companies that are not credit institutions, the main purpose of which consists of pursuing one or more activities of a financial nature, such as credit operations, payment operations, issuing and managing means of payment, transactions in money, financial and foreign exchange market instruments) and, finally, (iii) **supervisory authorities** (in other words, the BoM and the Mozambican Institute of Insurance Supervision).

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To provide a brief explanation of the supervisory regime for credit institutions and financial companies, we would point out that the regulatory functions are essentially concentrated in the BoM. Thus, it falls to the Governor of the BoM to authorise the setting-up of a credit institution or finance company in Mozambique and they are under the Governor's regulatory control thereafter. In the course of its supervisory duties, the BoM must: (i) monitor the activities of credit institutions and financial companies; (ii) oversee compliance with the rules governing the activity of credit institutions and financial companies; (iii) issue recommendations to put an end to any irregularities detected; (iv) take extraordinary reorganisation measures; (v) impose penalties for infractions. It must

also be emphasised that, in addition to the credit institutions and financial companies headquartered in Mozambique, branches and representative offices in Mozambique of credit institutions and financial companies headquartered abroad are also supervised by the BoM. In addition, we note that the supervisory authority for the securities market, on all matters not exceptionally and expressly reserved to the Minister who oversees finance, is the BoM (see Article 4 of Decree 4/2009).

Finally, it should be mentioned that the Mozambican banking, financial and securities market is well structured and organised, based on high standards of integrity, regularity, efficiency and transparency and is generally able to respond to the questions and problems of the sector. Indeed, the new feature of securities transactions at the BVM becoming electronic, from the second half of 2014, shows that regulation of the financial and securities market is increasingly well prepared for the demands of the 21st century.

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Edifício Millenium Park, Torre A, Avenida Vladimir Lenine, n. 179, 6º Dtº, Maputo, Moçambique
T. (+258) 84 3014479 . F. (+258) 21 303723 . E. glm.geral@glm-advogados.com . www.glm-advogados.com