

## MOZAMBIQUE

Global Vision, Local Experience.

NOVEMBER 2015

# THE OBLIGATION TO REGISTER AND CARRY OUT SECURITIES TRANSACTIONS IN MOZAMBIQUE BY CVM

*More than eight years after the approval of the legislation that provided for its creation (i.e. Decree 25/2006 of 23 August), the Securities Exchange Commission (Central de Valores Mobiliários (“CVM”)) – an independent Department of the Mozambican Stock Exchange – began operations on 4 November 2014.*

More than eight years after the approval of the legislation that provided for its creation (i.e. Decree 25/2006 of 23 August), the Securities Exchange Commission (Central de Valores Mobiliários (“CVM”)) – an independent Department of the Mozambican Stock Exchange – began operations on **4 November 2014**. Financial intermediaries and issuing entities now have a new institution that brings to Mozambique the phenomenon of computerisation of the ownership and trading of securities issued in Mozambique or held by Mozambican-law entities.

### **I. THE CVM: IMPORTANCE AND ROLE**

The **CVM** is a technological platform aimed to allow paperless handling of ownership and trading of securities. This digital system, which operates various services in electronic format, places Mozambique among the world’s most sophisticated securities markets. This is because it not only allows electronic registration of securities, but it also seeks to combat and prevent phenomena such as fraud, loss and forgery of securities. It also means transactions can be completed much faster.

In fact, the Mozambican Government wants the **CVM** to take on a determining role in the management and centralisation of securities to be issued or, in circulation in Mozambique by Mozambican-law entities. The scope of control and operation of the **CVM** is noteworthy and includes: i) shares (e.g. all types and categories of public limited liability company shares), ii) bonds, iii) public funds, iv) units in investment funds – whether book-entry or bearer – and v) any other securities, whatever their nature or form of representation, legally issued by public or private entities, in homogenous sets that give their owners identical rights or that can be traded on an organised market (the “**Securities**”).

Furthermore, the functions of the **CVM** are not limited to the registration control of the transfer of **Securities** admitted to trading on the stock market, but also, securities that are issued and traded outside that market.

The operations that now have to be carried out through the **CVM** are:

- a) The process and act of registration of the book-entry or bearer **Securities** issued in Mozambique by Mozambique-law entities or those already in circulation, as well as up keeping.

**And, consequently:**

- b) The activity of incorporating **Securities**;
- c) Liquidation and compensation operations in respect of transactions with registered or deposited **Securities** as well as the payment of interest or dividends generated by Commercial Companies;
- d) Changes in the form of representation or nominal value of the **Securities**;
- e) The conversion of **Securities** (e.g., conversion of bonds into shares and mere conversion of shares).

## II. REGISTRATION OF SECURITIES: THE STARTING POINT

Decree 25/2006 of 23 August seeks to make the operations of issue, trading and transfer of **Securities** more transparent and to protect the interests of investors. It also seeks to pursue the objective of making the **CVM** into an important player in the issue and transfer of **Securities**. To achieve these ends, the Decree – which has only been in force since **4 November 2014**, the date the **CVM** was created – provides that the registration of all securities in circulation in Mozambique and issued by Mozambique-law entities with the **CVM is mandatory and must be done up to the 5 November 2015**.

The registration obligation binds all Mozambican-law entities that have issued any securities in Mozambique, including any types or forms of shares in public limited liability commercial companies. All of these are now subject to mandatory registration with the **CVM**.

As a brief explanation of the registration rules, **Securities** are registered directly by the issuing entities or through financial intermediaries or lawyers instructed for this purpose.

When it comes to registration itself, the law establishes what documents must accompany the registration application. It also establishes the costs of registration. Throughout the process, the **CVM** is bound to act in accordance with high standards of integrity, compliance, efficiency, cooperation and transparency. It must also respond to any questions and problems that may arise.

Equally, any failure to comply with the obligation to register with the **CVM** or the failure to carry out any of the remaining operations mentioned above through the same entity, amounts to an infringement as specified by the Securities Market Code. This means it is possible for the Bank of Mozambique to apply fines of between MZN 150,000 and MZN 500,000. It also has the power to apply ancillary sanctions including a temporary ban on carrying on the professional activity in question. The Bank of Mozambique can also ban offenders from acting as administrators, directors, managers or supervisors and, in general, from representing any financial intermediaries in the context of any or all types of activity of securities brokerage.

However, the changes the Mozambican Government wishes to introduce are important and will have a significant impact. For this reason, we expect the **CVM** to take a flexible approach to the registration of **Securities**. We believe part of this flexible approach will be to allow registration after the above-mentioned deadline, although it will still have to be done within a reasonable period. Such an approach will be important to ensuring registration can be carried out on a voluntary basis.

*As a brief explanation of the registration rules, **Securities** are registered directly by the issuing entities or through financial intermediaries or lawyers instructed for this purpose.*

This newsletter was prepared by a multidisciplinary team made up of lawyers from TTA-Sociedade de Advogados and lawyers from PLMJ. This team was brought together under an agreement for international cooperation and membership of PLMJ International Legal Network, in strict compliance with applicable rules of professional ethics. This Newsletter is intended for general distribution to clients and colleagues and the information contained herein is provided as a general and abstract overview. It should not be used as a basis on which to make decisions and professional legal advice should be sought for specific cases. The contents of this Newsletter may not be reproduced, in whole or in part, without the express consent of the author. If you should require further information on this topic, please send an email to [tta.geral@tta-advogados.com](mailto:tta.geral@tta-advogados.com).

Edifício Millennium Park, Torre A, Avenida Vladimir Lenine, n. 174, 6º Dtº, Maputo, Moçambique  
T. (+258) 84 3014479 . F. (+258) 21 303723 . E. [tta.geral@tta-advogados.com](mailto:tta.geral@tta-advogados.com) . [www.tta-advogados.com](http://www.tta-advogados.com)