

LEGAL ALERT

NEW LAW OF CREDIT INSTITUTIONS AND FINANCIAL COMPANIES

A new legal framework governing credit institutions and financial companies has been recently approved through Law no. 20/2020, of December 31, revoking Law no. 15/99, of November 1, which was amended by Law no. 8/2004, of July 21.

- With a broader object this law regulates not only the establishment and the exercise of activities of credit institutions and financial companies, as well as its supervision and resolution regime and the monitoring regime for microfinance operators which are not credit institutions.
- Only banks, microbanks and credit cooperatives are classified as credit institutions; with the spectrum of financial companies now including factoring companies, investment companies, payment service providers – in the categories of electronic money institutions, money transfer institutions and payment aggregators – and mutual guarantee companies.
- The board of directors, must, necessarily, be composed by executive and non-executive members, who are not allowed to accumulate more than one executive position with two non-executive or four non-executive positions (with the exception of positions held in entities whose main object is the pursuit of activities of a non-commercial nature). This same prohibition applies to members of the supervisory body.
- Non-executive members of the board of directors shall integrate the appointments and remuneration committees.
- The executive board, executive committee, board of directors, managing director administrator, executive manager or equivalent and any other collective or individual social

entrusted with the day-to-day management of credit institutions and financial companies must be provided for in the articles of association, with express indication of the respective competences.

- Credit institutions and financial companies must identify the positions whose holders not belonging to the directors or the supervisory bodies, exercise functions with significant influence over the management, such as compliance, internal audit, control and risk management (and others that may be defined by Notice of the Bank of Mozambique).
- The application for authorization for the establishment of credit institutions and financial companies must now include, the following elements: *(i)* information on the architecture of the technology infrastructure; *(ii)* provisional accounts for the first years (five years for credit institutions and three years for financial companies); *(iii)* identification of the effective beneficiaries of the participation; *(iv)* proof of the source of funds to be allocated and mobilized in the institution; *(v)* proof of prior deposit in favour of the Bank of Mozambique, corresponding to 5% of the respective entity share capital; *(vi)* plan for performing foreign exchange operations, as applicable in compliance with the proponent's activities program; *(vii)* when the applicant is a credit institution or financial company registered in a foreign country, prior authorization from the supervisory or regulatory authority of the country of origin; and *(viii)* information on the corporate governance system.
- Credit institutions and financial companies that maintain a web page, must provide therein information showing compliance with the rules on corporate governance, policies regarding the requirements of good standing, professional qualification, availability and independence of the members of the directors and supervisory bodies.

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