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Mozambique: Law and Practice

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VdA



MOZAMBIQUE

Law and Practice

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1.1 Key Laws and Regulations

The Credit Institutions and Financial Companies Law (*Lei das Instituições de Crédito e Sociedades Financeiras*), approved by Law No 20/2020, of 31 December 2020, contains the main rules governing Mozambique's banking sector, specifically the activity of credit institutions and financial companies. It contains a regime for the establishment, operation and supervision of credit institutions and financial companies, as well as a regime for the establishment, operation and monitoring of microfinance operators that are not credit institutions. The law also covers the activities abroad of credit institutions and financial companies headquartered in Mozambique, the activities in Mozambique of credit institutions and financial companies headquartered abroad, the corrective intervention and provisional administration applicable to credit institutions in Mozambique, and establishes a sanctions regime. The Credit Institutions and Financial Companies Law is further detailed by Regulation of the Law Applicable to Credit Institutions and Financial Companies (*Regulamento da Lei das Instituições de Crédito e Sociedades Financeiras*), approved by Decree No 50/2024, of 11 July 2024.

Also, given that credit institutions in Mozambique are incorporated as public limited companies (*sociedades anónimas*), the rules established in the Mozambican Commercial Code (*Código Comercial Moçambicano*), approved by Decree-Law No 1/2022, of 25 May 2022, should also be considered.

The provision of investment services by a Mozambican institution is subject to the Securities Market Code (*Código do Mercado de Valores Mobiliários*),

approved by Decree Law No 4/2009, of 24 July 2009, which establishes the fundamental principles and provisions governing the organisation and functioning of securities' markets in Mozambique, as well as the transactions carried out on securities issued by Mozambican entities and the activities performed on those markets by all agents involved in them.

Another important law in banking matters is the Foreign Exchange Law (*Lei Cambial*), approved by Law No 28/2022, of 29 December 2022, which regulates the acts, business, transactions and operations of all kinds that take place between residents and non-residents and that result or may result in payments or receipts abroad or cross-border. Further detailing the implementation of the Foreign Exchange Law, the Foreign Exchange Law Regulation (*Regulamento da Lei Cambial*), approved by Decree 56/2023, establishes the rules and procedures for the exercise of partial foreign exchange trading, including the applicable rates.

Also relevant is the Law on the Prevention and Combating of Money Laundering and Terrorist Financing (*Lei de Prevenção e Combate ao Branqueamento de Capitais e Financiamento do Terrorismo*), approved by Law No 14/2023, 28 August 2023, which establishes the legal framework and measures to prevent and combat the exploitation of the financial system and also sets the duties of non-financial entities for the purposes of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction, applying, among others, to financial institutions and non-financial entities with headquarters in national or foreign territory, as well as their branches, agencies, subsidiaries or any other forms of repre-

sentation. This law is further detailed by the Law on the Prevention and Combating of Money Laundering and Terrorist Financing (*Regulamento da Lei de Prevenção e Combate ao Branqueamento de Capitais e Financiamento do Terrorismo*), approved by Decree No 53/2023, of 31 August 2023.

Supervision Authorities

Under the Organic Law of the Bank of Mozambique (*Lei Orgânica do Banco de Moçambique*), approved by Law No 1/92, of 3 January 1992, the Bank of Mozambique (*Banco de Moçambique*) is the Mozambican central bank and is the entity responsible for the supervision of banking services and which also serves as the regulatory authority in Mozambique (including on matters relating to credit institutions and financial companies' compliance with the anti-money laundering and counter-terrorist financing requirements, prudential regimes and other requirements established in its Notices and Circulars) ensuring both financial stability and consumer protection.

The Ministry of Finance and the Bank of Mozambique are both responsible for supervising and regulating the securities' markets, as well as the transactions carried out on them.

2. Authorisation

2.1 Licences and Application Process

Authorisation and Activities

To initiate banking activities in Mozambique, credit institutions and financing companies, both defined in the Credit Institutions and Financial Companies Law, must be licensed by the Bank of Mozambique. In Mozambique, banks enjoy universal banking licences and are entitled to carry out the following activities: (i) receiving deposits from the public or other repayable funds; (ii) credit operations, including the granting of guarantees and other commitments; (iii) payment operations; (iv) issuing and managing payment instruments, such as bank cards, travellers' cheques and letters of credit; (v) transactions, on their own account or on behalf of others, in money markets, financial and foreign exchange instruments; (vi) participation in issues and placements of securities and provision of related services; (vii) issuance of electronic money;

(viii) advisory, custody, administration and management of securities' portfolios; (ix) transactions involving precious metals, under the terms established by foreign exchange legislation; (x) acquisition of holdings in the capital of companies; (xi) marketing of insurance contracts; (xii) rental of safe deposit boxes and safekeeping of valuables; (xiii) consulting for companies on capital structure, business strategy and related matters; and (xiv) other similar operations not prohibited by law.

Only banks are allowed to carry out the activity of receiving deposits or other repayable funds from the public for use on its own account.

Licensing Process

In Mozambique, the process for obtaining a banking licence involves three key stages: (i) authorisation application (which includes submission of the application along with supporting documentation, evaluation of the application, and the final decision on authorisation by Bank of Mozambique); (ii) completing special registration with the Bank of Mozambique; and (iii) initiating operations.

The authorisation process formally starts with the submission of the respective application, worded either in Portuguese or in English language (in which case it must be accompanied by the respective official translation into Portuguese), to Bank of Mozambique. Applicants must appoint a representative, who may be a natural or legal person, with full powers to represent them in all matters regarding the application and towards the central bank. This person must have at least one address in Mozambique for the purposes of notification and correspondence.

Following receipt of the application, Bank of Mozambique reviews the information submitted to ensure that it is complete and sufficient for a comprehensive evaluation. The purpose of this review is to determine whether the proposed project fulfils all the conditions required by applicable legislation.

A final decision (granting or refusing the authorisation) is issued within 180 days from the Bank of Mozambique receiving a complete application or the additional information that may be requested, or within 180

days from the date on which the Bank of Mozambique requests such additional information as the central bank may deem applicable.

After the authorisation, the relevant financial institution must be incorporated within 90 days and subsequently commence operations within one year, under penalty of authorisation expiry. A licence fee is due and must be paid within 60 days of the date of authorisation of the application.

Financial institutions may only begin operating after being registered in a special register held at the Bank of Mozambique. The special register also covers the opening and closing of branches and subsidiaries, shareholders' agreements, delegation of management powers, identification of members of corporate bodies and any changes made to these elements and to the company's articles of association. In these cases, the registration period is counted from the date on which the facts to be registered occurred. It should be noted that the application for registration of members of corporate bodies must be accompanied by the registration questionnaire established by Circular Letter No 5/DSB/2005 of 31 October.

Banks may only operate after the Bank of Mozambique has inspected the premises where they intend to carry out their activities and concluded that the conditions are suitable for this purpose.

Common Ancillary Activities and Additional Requirements

It is typical for Mozambican credit institutions to carry out investment services and activities, including, among other ancillary services: (i) transactions, on their own account or on behalf of others, in money market, financial and foreign exchange instruments; (ii) participation in issuances and placements of securities and provision of related services; (iii) issuance of electronic money; (iv) advisory, custody, administration and management of securities' portfolios; (v) transactions involving precious metals, under the terms established by foreign exchange legislation; (vi) marketing of insurance contracts; (vii) rental of safe deposit boxes and safekeeping of valuables; (viii) consulting for companies on capital structure, business strategy and related matters; (ix) issuing and manag-

ing payment instruments, such as bank cards, travellers' cheques and letters of credit; and (x) acquisition of holdings in the capital of companies.

Financial institutions may provide financial intermediation services without prejudice to the rules relating to registration with the Stock Exchange (*Bolsa de Valores*), since the banking licence and authorisation also covers participation in the issuance and placement of securities, as well as the provision of related services. However, certain issues require specific authorisation from the Ministry of Finance.

Furthermore, banks may also be authorised to engage in financial leasing and factoring activities in Mozambique.

Cross-Border Banking Services

In certain circumstances, Mozambican law allows Mozambican financial institutions to provide banking services abroad and also allows foreign financial institutions to provide banking services in Mozambique.

Credit institutions and financial companies headquartered in Mozambique that wish to establish a branch abroad must request authorisation from the Bank of Mozambique. Representative offices abroad can also be established by credit institutions and financial companies headquartered in Mozambique, which requires prior registration with the Bank of Mozambique.

The establishment of branches of foreign credit institutions and financial companies in Mozambique is subject to authorisation by the Bank of Mozambique, following the same procedures as for a financial institution established in Mozambique. The following conditions are also required: (i) evidence of the prior authorisation from the supervisory or regulatory authority of the country of origin; (ii) copies of documents issued by foreign entities, authenticated by the competent authorities of the respective countries of origin and legalised by the Ministry of Foreign Affairs and Co-operation; and (iii) the application form in duplicate and, when written in a foreign language, accompanied by the respective official translation into Portuguese.

The establishment and operation in Mozambique of representative offices of credit institutions and financial companies based abroad are subject to prior special registration with the Bank of Mozambique, upon presentation of a certificate issued by the supervisory authorities of the country of origin. The activity must commence within three months of registration and is strictly dependent on the credit institutions and financial companies represented.

3. Changes in Control

3.1 Requirements for Acquiring or Increasing Control Over a Bank Qualifying Holding

The regime governing qualifying holdings in financial institutions in Mozambique requires prior authorisation from the Bank of Mozambique for the disposal, increase or acquisition of qualifying holdings when the thresholds of 5%, 25%, 33%, 50%, 66% or 75% of the share capital or voting rights are reached, exceeded or surpassed.

The authorisation request must be accompanied by documents detailing the planned transaction, and the Bank of Mozambique has up to 90 days to communicate its decision. The assessment considers the suitability, financial capacity and origin of the acquirer's funds, and opposition may be raised if there are risks to management or irregularities.

When it authorises the planned transaction, the Bank of Mozambique may set a reasonable deadline for completion, which shall be one year if no other deadline is set. Financial institutions are also required to report to the Bank of Mozambique within 15 days of the transaction taking place.

In May of each year, credit institutions and financial companies shall notify the Bank of Mozambique of the identity of holders of qualifying holdings and the amount of their holdings.

The credit regime granted to persons holding qualifying holdings in financial institutions in Mozambique sets strict limits to prevent excessive risk concentrations. The amount of credit, including guarantees,

granted to a single qualifying shareholder or related entities may not exceed 10% of the institution's own funds, while total credit to all qualifying shareholders combined is limited to 30%. These transactions require approval by two-thirds of the management body and a favourable opinion from the supervisory body, except for transactions involving entities of the same group included in the scope of consolidated supervision.

4. Governance

4.1 Corporate Governance Requirements Legal Requirements

In Mozambique, the main rules applicable to corporate governance are covered by: (i) the Mozambican Commercial Code; and (ii) the Credit Institutions and Financial Companies Law.

The governance model for financial institutions in Mozambique establishes responsible management systems, focusing on prudent decision-making, separation of duties, and effective oversight by management and supervisory bodies. The board of directors is responsible for the integrity of accounting systems, financial control, risk management and supervision of senior management, and may create specialised committees, such as audit, risk, asset and liability management, appointments, and remuneration committees, to ensure the proper performance of its functions.

In addition, all financial institutions must include at least internal audit, compliance, and risk management in their structure. The appointments committee is responsible for identifying and recommending candidates for management and supervisory bodies, annually evaluating the composition, performance and competencies of these bodies, and proposing adjustments for their improvement. The model seeks to foster a solid governance system, adapted to the size, complexity and nature of the institution's activities, ensuring efficiency and stability.

Soft Law and Industry Initiatives

In Mozambique, there are a few initiatives aimed at ensuring that banking activities are carried out with a

higher degree of professionalism and trust, particularly in customer relations.

The Mozambican Banking Association (AMB) is a non-profit organisation, established in 1999 under Law No 27/91 of 31 December, which aims to promote and implement measures that contribute to the technical, economic and social progress of banking activities.

With the aim of achieving high standards of honesty, diligence, integrity and competence in the relationship between credit institutions affiliated to the Mozambican Banking Association and their customers, in 2006, a Banking Code of Conduct (*Código de Conduta Bancária*) was published, which sought to govern the relationships between AMB credit institutions among themselves, as well as the relationships of those institutions with their customers.

4.2 Registration and Oversight of Senior Management

Potential members of the management and supervisory bodies of credit institutions are subject to a suitability assessment prior to the exercise of their duties and throughout their entire mandate. They must always meet the requirements of suitability, professional qualification, independence and availability. The start of their functions is also subject to prior authorisation from Bank of Mozambique.

The registration of the members of the management and supervisory bodies must be accompanied by a request to be submitted prior to the actual appointment or hiring by the General Assembly or the competent body. This request must indicate the starting date of their functions and, in cases requiring prior authorisation, be accompanied by a copy of the minutes with the resolution appointing them.

The request must be accompanied by a report prepared by the financial institution demonstrating that the suitability requirements necessary for the performance of the respective functions have been verified.

When not refused, the registration made shall be considered provisional until confirmation of the appointment and/or hiring is communicated by the institution or interested party concerned.

4.3 Remuneration Requirements

The remuneration policy in Mozambique regulates compensation practices in financial institutions, covering administrators, senior directors, risk managers and employees with equivalent remuneration, in order to ensure alignment with strategic objectives and prudent management practices. The management body or the Remunerations Committee, if one exists, shall submit the remuneration policy relating to directors to the general meeting for approval on an annual basis, while the management body approves and regularly reviews the policies applicable to other categories.

The Remunerations Committee, composed of members of the management body without executive functions, makes independent assessments of remuneration practices and incentives, considering their impact on risk, capital and liquidity.

5. AML/KYC

5.1 AML and CFT Requirements

In Mozambique, the main AML/CFT framework is set out in Law No 14/2023 of 28 August (as amended by Law No 3/2024 of 22 March), its implementing Regulation approved by Decree No 53/2023 of 31 August, and supervisory instruments, notably Notice No 10/GBM/2024 of 30 August 2024 issued by the Bank of Mozambique.

Under this comprehensive, risk-based framework, banks must implement robust governance, customer due diligence, ongoing monitoring, timely reporting, record keeping and effective internal control systems designed to prevent, detect, and respond to money laundering and terrorist financing risks.

Banks must adopt board-approved AML/CFT policies, and a risk-based programme tailored to their business model, product suite, delivery channels and geographic exposure. Governance requires the appointment of a dedicated AML/CFT compliance officer with sufficient autonomy, resources, and direct access to senior management and the board. Institutions must ensure regular, role-specific training for relevant staff, maintain training records and embed AML/CFT responsibilities within operational and con-

trol functions, including the three lines of defence. Independent internal audit must periodically assess the effectiveness of the AML/CFT framework, issue findings and oversee remediation.

Customer Due Diligence (CDD/KYC) obligations cover identification and verification of customers and beneficial owners, including enhanced procedures for Politically Exposed Persons (PEPs), higher-risk jurisdictions, complex ownership structures, non-face-to-face onboarding, and certain products (eg, correspondent banking, trade finance). Banks must understand the nature and purpose of the business relationship, assess source of funds and, where relevant, source of wealth, and apply a graduated approach: simplified, standard, or enhanced CDD in line with a documented risk assessment. Ongoing due diligence entails maintaining accurate, up-to-date customer information and re-evaluating risk profiles throughout the relationship.

Transaction monitoring must be continuous and risk-sensitive, leveraging scenario-based and typology-informed alerts to detect unusual or suspicious activities. Screening against applicable sanctions lists is required at onboarding and on a rolling basis; banks must implement asset-freezing and prohibitions as legally mandated. The framework also expects controls around wire transfers (including originator and beneficiary information), correspondent relationships, and higher-risk products. Outsourcing of CDD or screening functions is permitted only with equivalent standards and full access to underlying documentation; responsibility remains with the bank.

Reporting duties include prompt submission of suspicious transaction/activity reports to the competent authorities and periodic supervisory returns to the Bank of Mozambique covering AML/CFT indicators, incidents and remedial actions. Banks must retain CDD records and transaction data for legally mandated periods to ensure auditability and support investigations. Institutional risk assessments must be aligned with the national typologies and findings from the National Risk Assessment (*Avaliação Nacional de Risco*), with periodic refreshes following material changes in products, channels or risk environment.

The supervisory regime provides for inspections, thematic reviews and enforcement. Non-compliance may trigger administrative sanctions (fines, corrective measures, restrictions) and, in severe cases, criminal liability. Banks are expected to co-operate fully with supervisory requests, maintain comprehensive documentation, and demonstrate effective remediation of identified gaps. The overall system emphasises proportionality, effectiveness, and continuous improvement, requiring banks to evidence a strong compliance culture and documented risk governance.

6. Depositor Protection

6.1 Deposit Guarantee Scheme (DGS)

In Mozambique, the main rules applicable to depositor protection are covered by: (i) the Regulation of the Deposit Guarantee Fund approved by Decree No 36/2024 of 10 June; (ii) Ministerial Diploma No 86/2024 of 2 October (coverage limit); and (iii) Ministerial Diploma No 85/2024 of 2 October (periodic contributions, coverage rate and target level), complemented by the Bank of Mozambique's account regime regulation (Notice No 6/GBM/2024 of 27 March).

The scheme is administered by the Deposit Guarantee Fund (FGD), a public legal entity with legal personality and administrative and financial autonomy, headquartered in Maputo, which manages the Deposit Guarantee System (SGD). The FGD's primary mandate is to guarantee the reimbursement of covered deposits within statutory limits and timelines and, subject to safeguards, to finance resolution measures proposed by the Bank of Mozambique, provided that: (i) the cost does not exceed what the fund would bear in a straight depositor payout; and (ii) no more than 50% of the fund's assets are used for resolution. The governance model comprises a Directive Committee (deliberative body), a Directorate General (day to day management) and a Fiscal Council (oversight). The Minister of Finance sets key parameters (target level, coverage rate, contribution rules and investment policy) upon proposal by the FGD; the Bank of Mozambique determines deposit unavailability and co-ordinates supervisory triggers.

All credit institutions authorised to take deposits from the public are automatically and mandatorily participants in the FGD. The guarantee covers deposits placed with participating institutions, including interest accrued up to the date used for guarantee calculation, and applies to natural and legal persons, residents and non-residents, with balances in meticais and in foreign currency (the latter converted into meticais at the official reference exchange rate on the date of deposit unavailability). Institutions must maintain operational readiness to produce complete depositor claims data promptly and to execute payouts through a paying agent if appointed. They must also embed clear, standardised references to the FGD in pre-contractual information sheets and deposit agreements and provide ongoing disclosures to customers regarding scope, limits, exclusions and payout timelines.

Covered deposits include eligible balances held by individuals and companies. For joint accounts, each co-holder benefits up to the statutory limit, with equal allocation unless institutional records indicate a different split. Deposits opened in the name of legal representatives belong to the represented person. Deposits held by associations or other unincorporated entities are treated as belonging to a single depositor. Exclusions are expressly set in law and include deposits of: (i) members of the management, administration or supervisory bodies of the participating institution and senior managers involved in external audit services; (ii) their spouses, first degree relatives, or third parties acting on their behalf; (iii) credit institutions; (iv) public administrative entities (national or foreign) and international or supranational organisations; (v) persons finally convicted for money laundering, terrorist financing, financing of proliferation of weapons of mass destruction and related offences; and (vi) persons holding a qualifying shareholding in the participating institution.

The guarantee limit is MZN40,000 per depositor and per participating institution, applied to the aggregate of eligible balances (including interest) on the date deposits become unavailable. Foreign currency balances are converted into meticais at the reference exchange rate on that date. The FGD must reimburse within seven business days from the date of deposit unavailability. The failing institution must provide the FGD, within two business days, with a complete list

of depositor claims and any additional information required for the payout process. The FGD may appoint a paying agent bank to execute reimbursements. Public notices must be posted at all branches of the failing institution, on the FGD's official website and in a national newspaper, indicating the unavailability decision, payout terms, the reimbursement window and the designated paying institution. Upon payment, the FGD is subrogated to the depositor's rights up to the amount reimbursed. Reimbursement may be refused where the depositor, under applicable law, caused or aggravated the institution's financial distress or benefited from it, directly or indirectly.

Ordinary resources of the scheme include: (i) an initial contribution by each participating institution within 30 days of commencing activity (amount set by the FGD's Directive Committee after hearing the Bank of Mozambique); and (ii) periodic contributions, paid quarterly, calculated on the average monthly balances of covered deposits in the preceding quarter, in accordance with ministerial methodology. Current parameters provide for a 0.174% contribution rate, a 10% coverage rate and a minimum 10% target level of covered deposits. The FGD notifies institutions of the quarterly amount due. Late or insufficient payments trigger a 2% fine plus monetary update indexed to the MIMO rate. If the fund's resources remain above the target level for three consecutive years due to continuous contributions, proportional reimbursement of excess contributions may be authorised. Extraordinary resources include special contributions determined by the Minister of Finance (upon FGD proposal) when resources are insufficient, capped per institution at its ordinary annual contribution for that financial year; the Minister may exempt new institutions from special contributions for three years. Additional resources may include state contributions, income from investment of the fund's assets, donations, a defined share of fines applied by the Bank of Mozambique, and borrowings authorised by the Minister of Finance. As a last resort, emergency liquidity assistance may be provided by the Ministry of Finance, capped at 50% of the payout or resolution financing amount and structured as a short-term loan with adequate collateral, with detailed criteria set by ministerial act in co-ordination with the Bank of Mozambique and the FGD. The investment policy requires application

of resources in low-risk, liquid instruments prioritising capital preservation and payout readiness; placing deposits with credit institutions is prohibited except for operational purposes; an investment committee supports decision making and the general terms are approved by the Minister of Finance.

Institutions must provide continuous, clear and standardised information on the FGD, including the identity of the scheme, scope of coverage, exclusions, maximum reimbursement amount and payout timelines in pre-contractual standardised information sheets and in contract documents, and must comply with periodic statements and communication rules under the account regime regulation.

structurally via legal reserves from profits: 30% while reserves are below paid-in capital and 15% when they equal or exceed it, and may also establish special reserves to strengthen equity or cover losses. When there are risks not fully captured by the minima, such as credit concentration or interest rate risk, the supervisor may impose additional buffers and capital levels above the regulatory floor, as well as short deadlines for replenishment in case of deterioration. The minimum capital required for each type of institution is defined by Decree No 50/2024, of 11 July, setting minimum amounts for commercial banks, investment banks, microbanks, microfinance institutions and other financial companies, serving as a basis for authorisation and operation, with periodic updates by the supervisor.

In liquidity, institutions must permanently maintain adequate levels and comply with the domestic ratio set out in Notice No 14/GBM/2017, which establishes the calculation base, eligible assets and respective weightings, maturity mismatch parameters, reporting obligations, stress tests and remediation plans. Additionally, the Bank of Mozambique may impose specific requirements, limit mismatches between assets and liabilities, modulate deposit-taking and lending by product type, strengthen the frequency and granularity of reporting, and require supplementary disclosures. Recovery plans with adverse scenarios and actionable measures to ensure financial and operational resilience are mandatory.

7. Prudential Regime

7.1 Capital, Liquidity and Related Risk Control Requirements

Mozambique has adhered to Basel III standards in a phased manner, through regulations issued by the Bank of Mozambique under Law No 20/2020, of 31 December. This implementation covers the composition and quality of own funds, the possibility of additional prudential buffers, when necessary, prudential limits differentiated by risk and business model, and a national liquidity ratio with its own methodology and reporting, formalised in Notice No 14/GBM/2017, of 28 December. Risk governance is assigned to the management body, which must approve and periodically review policies for risk-taking, control and mitigation, ensure separation of functions and prevention of conflicts of interest, and guarantee the effective operation of internal audit, compliance and risk management, supported by appropriate committees, namely the risk management and asset-liability management committees. The Bank of Mozambique exercises supervision through regular reporting, on-site inspections, and adoption of corrective measures when it identifies weaknesses in liquidity, solvency or internal control.

Regarding capital, eligible own funds are defined by the Notice No 14/GBM/2017 with loss-absorption requirements and prudential deductions to ensure quality and transparency. Institutions build capital

8. Insolvency, Recovery and Resolution

8.1 Legal and Regulatory Framework

Mozambique has a special insolvency, recovery and resolution regime applicable to banks, microbanks and certain financial companies, governed by Credit Institutions and Financial Companies Law. Banking crisis management is organised in three layers: preventive recovery, corrective/administrative intervention, and resolution.

In recovery, each bank must maintain an internally approved plan submitted to the Bank of Mozambique, with adverse scenarios and credible measures to restore viability. The supervisor assesses coherence

and feasibility and may require specific changes and structural measures, including risk reduction, capital strengthening, funding and governance adjustments, corporate changes, and restrictions on disproportionately risky activities. This planning links to corrective intervention, triggered in the face of breaches or a serious risk of prudential non-compliance, or significant deficiencies in the accounting organisation and internal controls. In corrective intervention, the Bank of Mozambique may impose immediate measures, such as reinforced capital and liquidity requirements, increased provisions and reserves, limits on lending and deposit-taking, restrictions on interest and dividend payments, enhanced reporting and disclosure, specific liquidity requirements, and submission of a restructuring plan. If these measures are insufficient to ensure sound and prudent management, the law provides for provisional administration: the supervisor may suspend or remove board members and appoint provisional administrators with strengthened corporate powers under its direct guidance. These administrators may veto resolutions contrary to stabilisation objectives, revoke prior decisions, convene meetings, assess the asset and financial situation, propose recovery solutions including debt conversion, capital reduction or increase, and business transfers, manage strategic business lines and order audits. Remuneration is set by the supervisor and borne by the intervened institution, and liability is limited to intentional misconduct or gross negligence. Functionally, this figure replaces the “insolvency administrator” of the general regime but operates within the special administrative framework of Credit Institutions and Financial Companies Law.

When non-viability or a probable risk of insolvency is verified and recovery is not reasonably foreseeable through the institution’s own measures or corrective intervention, resolution applies for reasons of public interest. The aims are to ensure continuity of essential services, avoid contagion and systemic instability, protect depositors with guaranteed deposits, and reduce recourse to public support. Resolution follows structuring principles a loss hierarchy with shareholders bearing losses first, equitable treatment of creditors, the “no creditor worse off” rule ensuring no shareholder or creditor is worse off than in liquidation,

and explicit protection of guaranteed deposits. The main means of resolving a failing bank are:

- the partial or total sale of business, with rapid transfer of assets, liabilities and, if necessary, equity to an eligible acquirer, maximising value and ensuring operational continuity;
- the bridge bank, a temporary entity created to sustain critical functions and run the business while preparing a sale, merger or wind-down, which may receive capital and support from the Deposit Guarantee Fund within limits consistent with its guarantee function;
- asset segregation, through transfer to an asset management vehicle that isolates problematic portfolios and promotes value recovery and orderly disposal, a measure always combined with another resolution tool; and
- the reduction or conversion of own funds instruments (bail-in), reducing capital and eligible claims and converting them into common equity according to the applicable hierarchy, with differentiated conversion rates by category.

All these measures rely on an independent, prudent and swift valuation of the institution’s balance sheet, including a liquidation counterfactual and the possibility of post-adjustment following a definitive assessment. For effective execution, the law grants resolution powers to the Bank of Mozambique, such as temporary stays of payment and delivery obligations, restrictions on enforcement of collateral, modification of debt terms on interest and maturities, termination or modification of financial and derivative contracts, instructions for the issuance of new instruments, and protection of finality in payment and securities settlement systems. There are mandatory exceptions that shield guaranteed deposits and certain critical market infrastructure obligations. The law also establishes a minimum requirement for own funds and eligible liabilities (MREL), calibrated by the supervisor according to the business model, risk profile, resolvability and potential systemic effects, including the effectiveness of resolution powers on instruments governed by third-country laws.

Regarding the FSB Key Attributes of Effective Resolution Regimes, although Law No 20/2020 does

not expressly mention them, Mozambique's regime materially incorporates their core elements, namely a single resolution authority with broad, urgent powers, a complete toolkit (sale, bridge bank, asset vehicle and bail-in), planning rules with recovery and resolution plans, resolvability assessments and measures to remove impediments, MREL, robust safeguards including the creditor hierarchy, the "no creditor worse off" rule, protection of collateral and market infrastructures, and funding mechanisms through the Deposit Guarantee Fund without direct recapitalisation of the resolved institution. Substantively, the framework is aligned with international best practices delineated by the Key Attributes.

In respect of deposit preference, the law provides reinforced protection for guaranteed deposits, which do not bear losses under resolution measures and are excluded from the scope of certain stays and reductions. Safeguards preserve the creditor hierarchy and require that, in partial transfers of assets and liabilities, remaining creditors receive at least what they would obtain in liquidation; if an independent valuation shows worse treatment than in the liquidation counterfactual, compensation is due from the Deposit Guarantee Fund. The regime also protects collateral, covered obligations, and set-off and novation arrangements, preventing partial transfers that fragment contractually protected positions, and safeguards finality in payment and settlement systems. In practice, this ensures normative and operational preference for guaranteed deposits during resolution, while liquidation observes the applicable legal hierarchy with the principle of not worsening losses relative to the counterfactual.

As a gap-filling rule, whenever there are lacunae not covered by Law No 20/2020, the general corporate insolvency and recovery regime may be applied to the extent compatible, as established in Decree-Law No 1/2013, authorised by Law No 9/2013, integrated into Decree-Law No 44/129 (Code of Civil Procedure), and complemented by Decree No 64/2022 (Statute of the Insolvency Administrator), insofar as consistent with the nature and specialty of the banking sector.

9. ESG

9.1 ESG Requirements

Mozambique does not currently have a single, binding, and detailed legal regime of ESG requirements specifically applicable to the banking sector. Nevertheless, the national regulatory framework has been evolving consistently, gradually incorporating principles of sustainable finance, climate risk management, and the promotion of green inclusion. These initiatives stem mainly from the actions of the Bank of Mozambique and from complementary laws that reinforce governance, corporate ethics, and transparency, with significant progress observed between 2024 and 2025.

In respect of environmental matters, in November 2024, the Bank of Mozambique launched a public consultation on Climate Risk Management Procedures, requiring financial institutions to integrate climate risks into their enterprise risk management frameworks. This integration covers the identification, assessment, mitigation, governance, reporting, and disclosure of risks, aligning with the country's vulnerabilities to natural disasters such as cyclones, floods, and droughts. Accordingly, banks are encouraged to adapt their operations and credit portfolios, mitigating environmental impacts and reducing exposure of investments to high environmental risk sectors, ensuring resilience and financial sustainability. In January 2025, the Bank of Mozambique initiated a new public consultation aimed at creating a decree that will establish the legal regime for sustainable bonds, also known as green bonds, paving the way for the issuance of financial instruments designed to fund environmental, social, and climate mitigation projects, with direct implications for sustainable bank financing.

Under the social pillar, Mozambique highlights the National Financial Inclusion Strategy (ENIF) 2025–2031, a public policy instrument that reinforces the country's commitment to universal access to responsible and inclusive financial services. The objective is to promote sustainable economic growth and population well-being, with a focus on vulnerable populations and rural areas, encouraging banks to create accessible, innovative, and socially responsible financial products, thereby strengthening inclusion and equity.

In the area of governance, noteworthy are Law No 20/2020, of 31 December, and Law No 14/2023, of 28 August, which strengthen prudential supervision, internal control mechanisms, and the management of ethical, reputational, and compliance risks in the financial sector. In parallel, the Bank of Mozambique, in partnership with the Alliance for Financial Inclusion, is developing a Roadmap for Inclusive Green Finance, scheduled for implementation between March and October 2025. The goal is to create a national framework that integrates sustainability into the financial system, providing for institutional capacity building, the development of green taxonomies, the promotion of sustainable financial products, and public-private partnerships for climate finance. Additionally, institutions such as BCI and Standard Bank have adopted voluntary ESG practices, producing sustainability reports, promoting events on green finance, and encouraging corporate responsibility. The Mozambican Banking Association has promoted best practices and dialogue among regulators, operators, and stakeholders. However, the development of the roadmap and the new regulations of the Bank of Mozambique may lead to the creation of binding standards and enforcement mechanisms in cases of non-compliance, including fines, corrective measures, and other administrative actions intended to ensure the effectiveness of ESG policies.

10. DORA

10.1 DORA Requirements

In Mozambique, there is no framework equivalent to DORA that establishes, in a unified and binding manner, cross-cutting requirements for digital operational resilience across the entire financial sector. The regime applicable to matters close to DORA essentially results from two instruments: Law No 3/2017, of 9 January (Electronic Transactions Law) and Notice No 10/GBM/2023 (Regulation of the Electronic Clearing System). Together, these instruments ensure the legal validity of electronic transactions and documents, rules on security and liability for electronic payment instruments, data protection and operational governance of clearing systems, but they do not enshrine a comprehensive and sectoral regime for ICT risk man-

agement, periodic resilience testing or supervision of critical third-party providers, as under DORA.

The Law No 3/2017, of 9 January establishes the principles and legal regime for electronic transactions, commerce and e-government, guaranteeing functional equivalence between electronic means and paper: data messages have legal validity, admissibility and evidential value, with requirements for original, retention and accessibility, and electronic signatures (including advanced signatures) being recognised, with a digital certification system based on public key and accreditation rules for certification providers. It also defines rules on electronic contracts (formation, acknowledgment of receipt, times and place of dispatch/receipt), electronic advertising and marketing, and imposes information duties and consumer rights (including cooling-off periods and transparency requirements). In the protection of electronic personal data, it enshrines obligations of the controller/processor – accuracy, purpose, security, confidentiality, rights of access/rectification and internal governance – imposing security measures and accountability. In the financial sector, the regime on the security of electronic payment instruments is critical: the Bank of Mozambique is mandated to issue rules that establish security guarantees for payments with electronic instruments, authorise issuing entities and define specific data processing rules for credit institutions and financial companies; issuers must adopt measures to allow cancellation and reimbursement in case of fraud, except in cases of gross negligence by the holder. This core assigns the Bank of Mozambique a central regulatory and supervisory role in the operational security of payments, approaching dimensions of operational risk management relevant to digital resilience. The law also assigns to INTIC cross-cutting powers of regulation, supervision and oversight of electronic transactions and e-commerce, management of the.mz domain and certification, strengthening the institutional infrastructure for authenticity, integrity and interoperability.

The Notice No 10/GBM/2023, approved by the Bank of Mozambique, regulates the functioning of the electronic exchange mechanism for payment instruments, calculation of multilateral net balances and submission for settlement in the interbank system. The Bank

of Mozambique is the operator and manager of the system, with powers to authorise participants, define forms of participation (direct/indirect), impose participation requirements (solvency, settlement account, technical and technological capacity, including cheque truncation), and establish operational responsibilities. Participants must have technical competence, documented and tested procedures, and ensure the integrity, security, quality and efficiency of data; they are liable for message errors, internal software/communications failures and poor data quality. The regulation sets deadlines for the availability of funds (D and D+1), the finality/irrevocability of instructions after clearing, return procedures with communicated reasons, and requires the existence of contingency mechanisms for network disruptions or unavailability, ensuring continuity of service.

11. Horizon Scanning

11.1 Regulatory Developments

It is anticipated that, in 2026, credit institutions in Mozambique will face new regulations across several key areas, which are still under discussion and debate. The Bank of Mozambique is analysing rules on the use of AI in the financial system, requiring banks to incorporate AI technologies in a regulated manner, considering risks, opportunities and digital supervision. In parallel, the National Financial Inclusion Strategy 2025–2031 foresees the future implementation of regulations for consumer data protection and cybersecurity, obliging banks to review their privacy policies, strengthen digital infrastructures and protect against cyber threats. Additionally, the development of regulations for fintechs and financial innovation remains under debate, allowing credit institutions to collaborate with innovative solutions to expand access to financial services.

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