

LEGAL BUSINESS



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Finance focus: Lusophone Africa

VdA's Hugo Moredo Santos and Nuno Castelão look at three countries experiencing growth in the banking and finance and capital markets sectors

Capital markets in Portuguese-speaking

African countries have been subject to significant legislative reform over the past two decades. This reform process has now reached a particularly relevant stage, which has seen some African banks stepping up to the challenges faced by these countries by creating opportunities for the development of their markets. A recent McKinsey & Company report identified the African continent's banking market as the second-fastest growing and second-most profitable of any global region, with a special focus on the retail banking sector, which has developed new business models in response to 'low levels of banking penetration, heavy use of cash, sparse credit bureau coverage, and limited branch and ATM networks' ('Roaring to life: Growth and innovation in Africa retail banking', Global Banking, February 2018).

Mozambique, Cape Verde and Angola's recent legislative developments – as diverse as these may be – present vivid examples of the growth of Portuguese-speaking Africa's capital markets and banking sectors.

Mozambique, in light of the events in 2016 and more recently (notably, the Bank of Mozambique's intervention in Moza Banco and the liquidation of Nosso Banco), is still undergoing gradual banking reform, especially regarding the liquidation of credit institutions. 2017 was marked by the issuance of several notices by the central bank, specifically addressing matters related to foreign exchange rules, prudential limits and the increase of the ratios (gradually from 8% to 12%) applicable to credit institutions and own funds requirements. This shows a clear effort towards alignment with international and European standards, namely the Basel II recommendations, the disclosure of information requirements applicable to solvency and liquidity levels, and a general commitment to the simplification and liberalisation of foreign commerce transactions.

From a harmonisation perspective, 2018 has been marked by a re-evaluation and consequent in-depth legislative update of Cape Verde's banking sector, moving towards a modernisation of the country's economy and liberalisation of the transactions and economic exchanges with foreign countries. Noteworthy developments include (1) the unification of foreign exchange rules in one legislative act (namely Decree-Law no. 3/2018, of 22 June 2018), and approval of additional

information duties regarding transactions with foreign countries and foreign exchange transactions (Notice 6/2018, of 27 August 2018), as well as (2) information duties applicable to banking clients, proceedings applicable to the pricing of banking services and, following the establishment in 2013 of a regime of free-of-charge banking services, the definition of specific areas of relevance of these free-of-charge principles, now expressly identified in Notice 2/2018, of 9 March 2018. In terms of capital markets, on 18 August 2017 and in line with international trends, Decree-Law no. 36/2017, of 17 August 2017, was

to issue bonds and equity, and to have them admitted to trading on the regulated market. As such, Standard Bank Angola has become the first commercial bank to have a domestic medium-term note programme approved by the CMC, with a first issuance under such programme expected to occur in the near future, representing a relevant and unprecedented step towards the opening of Angolan capital markets.

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enacted, creating the Legal Framework for Securitization Transactions, which establishes the possibility of assignment of credits for securitisation purposes, as well as the incorporation of credit securitisation funds and companies. This major legislative development is expected to change the role of traditional lending entities of Cape Verde's financial institutions and have a transformative effect on illiquid loans – now becoming tradeable and available to investors – together with the credit risk management requirements applied by banks.

Last but not least, despite the economic and financial crisis that hit Angola in 2015, the effects of which are still being felt, the country continues to expand its banking and capital markets sectors, especially the retail banking landscape. The most relevant legislative initiatives of this year and the last were the BODIVA (Angolan debt securities market) and CMC (securities market commission) regulations on the issuance and trading of debt and private equity. The Angolan stock exchange (BODIVA), founded in and functioning with treasury bonds since 2014, has now been given new relevance. The rules applicable to regulated markets have been reviewed in full, now making it possible

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