



MOZAMBIQUE STOCK EXCHANGE: MAIN ACHIEVEMENTS OVER THE YEARS

The Mozambique Stock Exchange (BVM) is an entity created by the Government, with the mission of organizing, managing and maintaining the centralized secondary Securities Market. Since the beginning of its activities (1999), there have been several phases that marked the institution's journey, namely, (1) the start-up and installation of BVM in the period from 1998 to 2000; (2) the establishment of the institution in the period from 2001 to 2011; (3) institutional maturity in the period from 2012 to 2016; and (4) from 2017, the expansion and transition phase of the Mozambican stock market began.

The phases experienced in BVM's journey in this quarter century were characterized by continuous challenges, namely, the increase in the number of listed companies, the diversification of the range of financing instruments available on the Capital Market, increasing the market liquidity ratio, as well as the range of investors who channel their savings to stock exchange investment.

Notwithstanding these challenges mentioned above, each phase that includes BVM's 25 years of existence has been marked by some milestones that should be highlighted here.

Start-up and Installation of BVM (1998-2000)

The first phase was marked by three important moments to be highlighted: (1) the creation of the Steering Committee of the Mozambique Stock Exchange, with the mission of promoting the organization of the capital market in Mozambique,



namely in terms of creating the institutional and legal structures necessary for the functioning of the market; (2) The establishment of the Mozambique Stock Exchange, by Decree No. 49/98, dictated by the government's desire for the financial system to have a financing alternative to the banking system, which would also contribute to the promotion of savings and their capture for the productive sector of the economy; (3) The beginning of BVM's activities as a non-bank financial institution in 1999, it should be noted that the institution began to operate in a context of a practically incipient capital market, a credit system characterized by high levels of interest rates (above 30%), and in an environment of almost total absence of stock market culture. In the same year, the first issuance of treasury bonds was held, which inaugurated the issuances on the stock exchange.

Establishment of the Institution (2001-2011)

In the establishment phase of the BVM, three (3) historical milestones stand out that reflect the progress of the institution in this period of time. The first public offer for the sale of shares in BVM, where about 100.000.000,00 of shares of the company *Cervejas de Moçambique (CDM)* were admitted to listing. The creation of the Business and Investor Support Office, created in order to provide all the necessary assistance, so that all potential issuers and/or investors can interact with the BVM and clarify their questions about the market. And the creation of commercial paper, a short-term corporate debt instrument, which has been used by companies to raise financial resources to meet cash expenses.

Still at this phase, in order to boost the capital market and promote the admission of companies to listing on the Stock Exchange, BVM created a Second Market, intended for the transaction of securities issued by small and medium-sized companies. This market, with lighter listing requirements when compared to the



Official Listing Market, arises from the recognition of the existence of a massive layer of small and medium-sized companies in the Mozambican economic landscape, which can use the capital market to seek some necessary financing to strengthen their companies. It should be noted that a few years later, already in the expansion phase, the first company in this market segment was admitted.

Institutional Maturity (2012-2016)

As part of the measures to boost the secondary market, as well as to promote the domestic financing market, the Government established in 2013 the legal regime of Treasury Bonds and approved the Statute of Specialized Operators in Treasury Bonds (OEOT). OEOTs are financial intermediaries committed to the State in the placement of Treasury Bonds, in accordance with the annual issuance program, ensuring investors' access to the issuance of these securities and their liquidity in the secondary market.

Given the importance of this figure, the number of financial institutions with OEOT Status has been increased, which allows the State to perform the effective placement of Treasury Bonds in the primary market more efficiently and effectively, and the promotion of the liquidity of Treasury Bonds in the secondary market, as well as to guarantee access to Treasury Bonds of other entities, which may be natural or legal persons.

Notwithstanding the introduction of this figure, it is important to highlight at this phase the creation of Central Securities Depository (CVM), a BVM service, created to ensure the protection of the various market players through the centralization of securities information, management of income payments resulting from investment in them and the management of the processes of purchase, sale and transfer of securities between investors and entities that guard them



(custodians). It should be noted that since the beginning of the CVM's activities in 2014, a total of 250 listed and unlisted securities and about 25,165 holders have been registered.

Also at this stage and within the scope of the Capital Market dynamization strategy, BVM proceeded with the amendment of the minimum amounts for the admission to listing of shares and bonds in order to promote greater access of companies and other entities to the Capital Market, with emphasis on Small and Medium-Sized Companies and Companies.

Expansion and Transition (2017-Present)

Since 2017, BVM has been experiencing the expansion phase of the stock market, characterized by the introduction of a new approach, more active and focused on getting closer to market players. Here, the strategic guidelines are supported by 6 main pillars of action, namely: (i) the attraction of new companies to the stock and bond market; (ii) the increase in the role of BVM as a State instrument in the implementation of its economic policy (issuance of internal Public Debt, sale of State shareholdings, operationalization of the sale of capital stock of mega projects to Mozambican investors) and the private business sector; (iii) the expansion of financial education and financial literacy initiatives; (iv) the development of new markets, products, services and financial instruments; (v) the technological dimensioning and improvement of the regulatory framework, and; (vi) the strengthening of institutional capacity.

Throughout this phase, the Mozambican economy and its foundations have been shaken by a severe economic crisis that has been aggravated by the advent of the COVID-19 pandemic, the outbreak of the conflict between Russia and Ukraine, and the various internal shocks that have occurred. These events challenged BVM



to adopt a results-focused management approach, which translated into the positive evolution of the main stock market indicators.

In this troubled period of economic crisis, BVM sought to further facilitate companies' access to the stock market, through the launch of the Third Market. This “Third Market” of the stock exchange resulted from a deep reflection between BVM and some partner institutions, which joined efforts to create an incubator market, which gives companies the opportunity to admit the listing and within a certain period reach the requirements for admission to the missing listing, and thus move on to the other stock exchange markets. It was in this market that 3 of the last companies listed on the Stock Exchange were admitted.

Notwithstanding the three companies admitted to the Third Market, 7 more companies were admitted to listing in this period, and two of the most important stock exchange operations were carried out (the OPV of *Hidroelétrica de Cahora Bassa* and the OPS of CDM, in 2019), where both companies resorted to the domestic market and with full success.

In order to recognize and praise the importance and contribution that the different players have in the process of market evolution, BVM launched in 2019 the “BVM AWARDS”, an initiative that aims to recognize, through the award of prizes, the performance of different players in the Mozambican capital market. It should be noted that two editions of the Awards have already been held, the first in 2021 and the second in 2022.

In the exercise of its activities, BVM also sought to boost the market with the introduction of new services, some technology-based (Mobile App, Dashboard, Automation of the Quotation Bulletin), with emphasis on the “Stock Exchange



Index”, an instrument of great use to investors, and which allows them to monitor the behavior and trends of the stock market.

Actions to promote financial education were continued and deepened (implementation of collaboration protocols with economic institutions and Universities, use of digital means to disseminate information on the capital market and the BVM, inauguration of the BVM Library and launch of the Investor Portal).

It is also worth mentioning in this period the introduction of independent stock exchange operators, that is, non-bank institutions that operate in the capital market as financial intermediaries. The introduction of these entities brings a new dynamic to the market, as it has reinforced the range of stock exchange operators, with the advantage of being non-banks.

Ongoing Initiatives and Future Perspectives

BVM is committed to introducing new products and financial instruments to the market, such as Sustainable Bonds, Municipal Bonds, Certificate of Deposits, among others. We want to make the capital market a driving factor of Mozambique's financial system and economic development, making Mozambican entrepreneurs have access to venture capital to invest at a reasonable cost, where the role of investment funds and the mutual guarantee fund are more relevant in the economic system.

Efforts will be redoubled in order to influence companies to have better management practices, to reduce the risk of investing in the equity market, so that the market has lower interest rates, and to breathe new adrenaline into the Mozambican market through technological increase, access to quality information for the market and innovation of financial instruments. We are aware that these



strategic objectives are also within the scope of the various institutions that intervene in the capital market ecosystem in Mozambique, with which we have been maintaining a strong, diversified and long-term partnership.

Maputo, August 2023