

This NL is based on the legislative framework in force as at 2 April 2020. However, the competent bodies of the State are expected to approve and publish the regulations that put into effect the measures to contain the spread of the new Coronavirus that is responsible for the COVID-19 pandemic (see article 4 of Law 1/2020 which ratified the Declaration of the State of Emergency, appearing in Presidential Decree 11/2020 of 30 March). Therefore, TTA will update this NL as and when necessary.

## MOZAMBIQUE

Global Vision, Local Experience.

13 APRIL 2020

# CORONAVIRUS: THE DUTY TO INFORM THE MARKETS

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The public health crisis that Mozambique is facing has led to the declaration of a state of emergency by the President of the Republic and this has already been ratified by the Mozambican parliament. However, we expect further extraordinary emergency measures from the regulatory authorities in the context of fears of a global recession.

The supervisory authorities, such as Central Bank of Mozambique and, when applicable, the Central Securities Depository, will play a crucial role at the regulatory level. In particular, they will need to create exceptional measures concerning **duties to inform the market** in respect of privileged information and regular financial reporting, among others. The current circumstances require the supervisory authorities to closely monitor the spread of the COVID-19 pandemic and to make an announcement as soon as possible on these matters.

Furthermore, even in the absence of an announcement on the above topics, the legislation currently in force in the country (in particular, the Securities Market Code, approved by Decree-Law 4/2009 of 24 July), already offers some provisions which serve to guide the actions of issuers of securities.

In general terms, Mozambican and foreign companies are bound by the duty to provide information. This duty also binds other public or private entities that issue shares, bonds or securities that they place on the Official Quotation Market, through which they confer the right to buy or sell these securities, or the right to a cash settlement determined by reference to these securities (i.e., entities with securities admitted to the official quotation market).

Articles 75 and 76 of the Securities Market Code apply to companies with listed shares and entities with listed bonds. Under these articles, they are obliged to publish announcements in the Official Stock Market Bulletin, *as soon as possible, to set out (i) in the case of companies with listed shares: new facts that have arisen in their sphere of activity which are not of public knowledge and which may, because of the effect on the asset or financial situation of the company or on the general course of its business, lead to a significant variation in the price of their shares; and (ii) in the case of entities issuing bonds: new facts that have arisen in their sphere of activity which are not of public knowledge and which are capable of significantly affecting their ability to fulfil their commitments.*

This means that market participants should disclose any privileged information that concerns them and that could: (i) cause a significant variation in the price of their shares; or (ii) adversely affect their ability to meet their commitments. To decide what information should be shared, it is necessary to carry out a specific analysis of the information in the possession of companies with quoted shares or of entities with quoted bonds. However, it has been understood that the criteria to be observed are:

- First, that the information is precise in nature, to the point it is possible to draw a conclusion about its potential effect on the price of the financial instruments;

- Second, it is non-public information, and the companies and issuers are subject to a special duty of care and avoid any press conferences or other parallel forms of disclosure;
- Third, the information must be capable of influencing the price of the financial instruments. The disclosure must also be immediate and issuers must identify, with urgency, the need to make the communication to the market and the specific circumstances to be disclosed.

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As Mozambique is currently subject to a state of emergency, in accordance with their information duties, issuers must, as soon as possible, publish all relevant and significant information about the impacts of the COVID-19 pandemic on their businesses/strategies, prospects or financial situations. As a result, there may be a duty to disclose, for example, the direct effects of COVID-19 on the operations of companies, and the indirect effects relating, among others, to falls in demand for goods and services in affected areas, and to breaks or delays in the supply chain.

With regard to financial reporting obligations to the stock exchange and the market, and in compliance with articles 73 and 74 of the Securities Market Code, issuers of quoted securities, regardless of their nature, must provide information on the current and potential impact of the COVID-19 pandemic. As much information as possible must be provided through a qualitative and quantitative evaluation of the issuer's activity, financial situation and economic performance, in its report for the period ended 31-12-2019. Alternatively, if this information has not yet been finalised, the issuer should publish interim reports or interim financial information to explain any significant variations caused by the COVID-19 pandemic.

The effects of the COVID-19 pandemic on business activity include an impact on their periodic financial reporting obligations. Therefore, we recommend that issuers should proactively assess the impact of the pandemic on their reporting obligations to report, either continuously or periodically, to the market. Ultimately, it will be for the regulator to issue additional rules on information and disclosure, and the scope of the duty to disclose information will depend on a specific analysis of the effect of the rules as and when they are issued.