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## **RULES AND PROCEDURES COMPLEMENTARY TO THE SPECIAL FOREIGN EXCHANGE REGIME FOR OIL AND GAS OPERATIONS**

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The Bank of Mozambique Notice no. 7/ GBM/ 2018 ("BoM"), which establishes the rules and procedures complementary to the special foreign exchange regime for oil and gas operations ("Notice"), has recently been published.

The Notice establishes the complementary norms and procedures to be observed in the execution of foreign exchange operations linked to the financing of the activities by concessionaires and special purpose entities, as well as to the financing of non-resident related companies, including through the cash pooling mechanism, and it is applicable to the foreign exchange operations carried out by the concessionaires and special purpose entities.

In terms of the Notice, the contracting of external credit by the concessionaires and special purpose entities, pursuant to article 116(1) of Notice no. 20/ GBM/ 2017, of 27 December ("Foreign Exchange Standards and Procedures"), requires prior authorization from the BoM.

In this respect, the request for authorization must be submitted at the BoM, with the following information: (i) identification of the parties; (ii) currency and amount; (iii) interest rate and the respective margin; and (iv) amortization plan. In addition, the loan agreement must be sent to the BoM for purposes of assignment of references. The registration of the disbursement of funds will be conducted at the intermediary bank.

On the other hand, when the disbursement is made through direct payment to a foreign supplier of equipment, machinery and specialized services, from a foreign bank account, the registration must be made at the BoM, for purposes of which, a certificate by an auditor authorized to operate in Mozambique, will be needed.

Regarding the financing of related non-resident companies, including via the cash pooling mechanism, the Notice states that they assume the characteristic of credit. In this respect, the applicant entity must submit to the BoM, by 30 November, the financing plan for related companies, for the following year, as well as the following documents and information: (i) estimated income and expenditure for the year with regards to which the plan is about; (ii) resolution by the competent body of the

applicant entity approving the annual financing plan; (ii) contracts of the previous year with the terms and conditions under which the funds were made available abroad; (iii) certificate of tax discharge referent to the income of the previous year that confirms compliance with tax obligations, amongst others.

The Notice also provides that the start and use of the cash pooling mechanism by concessionaires and special purpose entities requires that the BoM, approves the contract model, which must be accompanied by the following documentation: (i) contracts of the previous year with the terms and conditions under which the funds were made available abroad; (ii) execution report of the annual financing plan for the non-resident related company, of the previous year; (iii) certificate of tax discharge referent to the income of the previous year that confirms compliance with tax obligations, amongst others.

The registration of the disbursement of funds related to the credit of a non-resident company must also be made at the intermediary bank and the concessionaires and special purpose entities must make payments in accordance with article 111<sup>o</sup> of the Foreign Exchange Standards and Procedures.