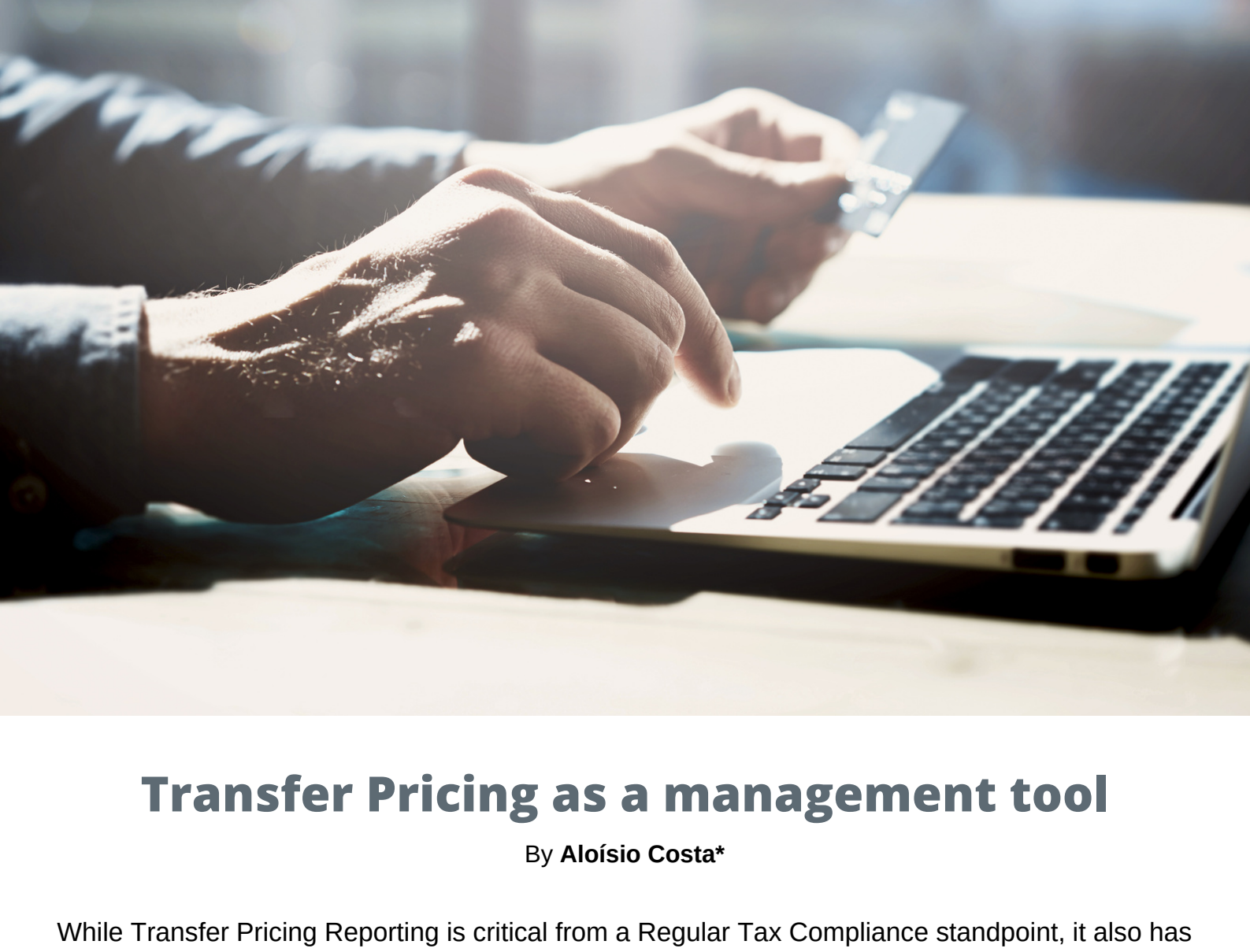


MONTHLY NEWSLETTER

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Transfer Pricing as a management tool

By Aloísio Costa*

While Transfer Pricing Reporting is critical from a Regular Tax Compliance standpoint, it also has a significant impact on the organizations' operations and financial position.

Many multinational companies see the transfer pricing report as a tax compliance component, insofar as it aims to explain as well as serve as a basis for mediating transactions with related entities that have related transactions with each other for a given fiscal year.

Thus, serving as a burden of proof regarding the information presented in the annual financial statements to the Tax Authorities.

As a result, transfer pricing has tended to be treated as an afterthought by top managers, which can have significant consequences in the operationalization of transactions, as well as financial impact, since it is subject to corporate income tax corrections.

It is our understanding that, far beyond ensuring that the transfer pricing report fulfills its tax requirement purpose and highlights the arm's length principle, it should be looked at from a business planning perspective.

Likewise, it is important that companies ensure regular monitoring of transfer pricing procedures and policies so that they can be managed efficiently throughout each period.

It is in this context that, the RSM Mozambique Transfer Pricing team, is dedicated to this topic so that it can be included in the corporate planning effectively.

If you want to know more, please send us an e-mail to rsmmocambique@rsmmz.com

*Tax and Transfer Pricing Consultant

Mozambique Financial Markets

By Banco BiG Mozambique*

The Central Bank's Monetary Policy Committee (CPMO) met on 21 July and decided to maintain the monetary policy rates unaltered, basing on an expected potential decrease on the inflation to 1 digit in medium term, as a result of slowdown in external demand and also international cost of commodities, with the aim is to maintain the currency stability. The Committee shall meet again on 30 September.

REFERENCE RATES

Rate	Current	Previous ⁽¹⁾	Var. Monthly	Var YTB
MIMO	15.25%	15.25%	0.0%	2.0%
FPC	18.25%	18.25%	0.0%	2.0%
FPD	12.25%	12.25%	0.0%	2.0%
Prime Rate	20.60%	20.60%	0.0%	2.0%
RO's (MN)	10.50%	10.50%	0.0%	0.0%
RO's (ME)	11.50%	11.50%	0.0%	0.0%

1 - Data referring to CPMO of May 19, 2022.

Source: Bank of Mozambique, Mozambican Association of Banks (AMB)

PRIMARY MARKET

During August in the long-term bond market, were issued treasury bonds with 4 years maturity (OT 2022 S7) with a fixed rate of 17,75% in both auctions. The first auction registered a demand/supply ratio of 66,98%, with an average yield of 19,09% and on the second auction the demand/ supply ratio was 176,20% with an average yield of 19,63%. The Treasury has managed to raise the amount of MZN 4 billion. As at the end of August, the treasury had managed to raise around 42% (more than MZN 22.2 billion) of the MZN 53.081 billion established in the government budget for 2022.

Title	OT 2022 S7	OT 2022 S7 (R1)
Type	Opening	Reopening
Maturity	4 years	4 years
Coupon Interest Rate	17,75%	17,75%
Amount of the Issue	4.000.000.000,00	2.656.000.000,00
Amount from Demand	2.679.000.000,00	4.680.000.000,00
Amount Issued	1.344.000.000,00	2.656.000.000,00
Nominal Value	100,00	100,00
Minimum Rate	17,75%	18,25%
Maximum Rate	21,63%	21,63%
Average Rate	19,09%	19,63%
Nº of Bonds Issued	13.948.302	12.972.931
Demand/ Supply Ratio	66,98%	176,20%

Source: Mozambique stock market and Banco BiG Mozambique, S.A

SECONDARY MARKET

BVM – Shares

During August, the stock market has been marked by a depreciation for the CDM and CMH shares. The CDM shares registered a depreciation of (-28,57%), with a monthly volume of MZN 714 thousand, and the CMH shares registered a depreciation of (-45,07%), with a monthly volume of MZN 1,4 billion respectively. The HCB shares has registered an appreciation of +38,33% with a transacted volume of MZN 837 thousand.

Share	Price	Volume (MZN)	Δ Weekly	Δ Monthly	Δ YTD
CDM	50.00	714,465.44	-23.08%	-28.57%	0.00%
HCB	2.49	837,586.85	10.18%	38.33%	-17.00%
CMH	1,538.00	1,493,316.00	-43.04%	-45.07%	-48.73%
EMOSE	15.00	3,413.00	-6.25%	0.00%	-25.00%

The table above shows the shares with higher transaction volume over the last (6) six months.

BVM – Bonds

During August on the secondary market, around MZN 1.9 billion were transacted in treasury bonds (-2% lower compared to the corresponding period last year). During the first 8 months, over MZN 11,3 billion have been transacted in treasury bonds on the secondary market, around MZN 43 billion were simultaneously transacted in corporate bonds during August, being the month with the most volume of transactions in corporate bonds in 2022.

Treasury Bonds

Bonds	Current Coupon	Type of Coupon	Next Coupon	Maturity	Yield
OT Suppliers 2019	7.56%	Inflation + 0.5%	29-jan-23	29-jan-29	19.06%
OT 2020 S3	14.94%	BT's + 1.50%	11-sep-22	11-mar-23	16.09%
OT 2020 S10	14.94%	BT's + 1.50%	07-oct-22	07-oct-24	16.96%
OT 2021 S1	16.94%	BT's + 1.50%	10-feb-23	10-feb-25	17.26%
OT 2021 S2	16.69%	BT's + 1.25%	24-feb-23	24-feb-26	17.89%
OT 2021 S4	15.81%	BT's + 1.00%	21-oct-22	21-apr-26	18.16%
OT 2021 S8	14.00%	BT's + 0.75%	22-sep-22	22-sep-25	18.35%
OT 2021 S10	14.50%	Fixed	10-nov-22	10-nov-25	18.81%
OT 2022 S1	14.50%	BT's + 1.00%	09-feb-23	09-feb-27	19.23%
OT 2022 S3	15.25%	BT's + 1.75%	09-sep-22	09-mar-30	18.69%
OT 2022 S5	17.00%	Fixed	11-nov-22	11-may-25	17.10%
OT 2022 S6	17.00%	Fixed	08-dec-22	08-jun-26	18.43%
OT 2022 S7	17.75%	Fixed	10-feb-23	10-aug-26	19.66%
MOZAM (USD)	5.00%	Fixed	15-sep-22	15-sep-31	14.03%

Corporate Bond

Bonds	Current Coupon	Type of Coupon	Next Coupon	Maturity	Yield
Bayport 2019 S1	20.00%	Fixed	12-oct-22	12-apr-24	19.00%
Bayport 2019 S2	19.00%	Fixed	21-oct-22	21-oct-24	19.49%
Bayport 2020 S1	16.00%	Fixed	27-sep-22	27-mar-25	19.90%
Bayport 2020 S2	19.38%	BT's + 6.00%	30-sep-22	30-mar-25	19.91%
Bayport 2021 S1	19.91%	BT's + 4.50%	21-nov-22	21-may-26	20.98%
Bayport 2021 S2	19.93%	BT's + 4.50%	26-jan-23	26-jul-26	21.14%
Bayport 2021 S3	19.93%	BT's + 4.50%	27-jan-23	27-jul-25	20.21%
Bayport 2021 S4	17.88%	BT's + 4.50%	16-sep-22	16-sep-26	21.27%
Visabeira 2020	23.00%	FPC + 4.75%	23-sep-22	23-mar-26	-

Source: Mozambique stock market and Banco BiG Mozambique, S.A

Total Transactions on the Secondary Market

The secondary market continues to show a remarkable growth compared to the previous years, registering, at the end of August, a cumulatively transacted volume around MZN 11.4 billion, +106,0% higher than the volume transacted in the corresponding period. With this growing tendency, September is expected to surpass the total amount transacted in 2021.

*Investment Banking

Upcoming Events

CARLYLE PARTNERS ANNUAL

PENSION FUND TRAINING

21 OCTOBER

Radisson

CONSULTADIN

access

GLOBAL ALLIANCE

Sanlam

Holland

Pernod Ricard Moçambique

Carlyle Partners

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2022

The Carlyle Partners Pension Fund Training was designed for Trustees, HR and other professionals that may already be working with pension funds in their companies or are looking to implement one.



CEO Summit: “The Insurance as a Cultural Matter in the Corporate World”

Source: **Diário Económico***

The topic "Insurance" itself continues to be the subject of debate at Mozambican business level because some companies so far, haven't yet implemented any insurance cover due to several factors related to the internal management.

In an event regarding "The Insurance Role in the National Economy", the CEO of the Mozambican Insurance Company (EMOSE), Joaquim Langa, highlighted the importance of the insurance in the national economy, stating that it is extremely important that healthy companies and their employees to be duly covered, as a way of protection against unforeseen events.

According to the CEO, insurance should be seen as a long-term investment in the future, which serve to provide financial protection to the companies, since entrepreneurs contribute the most for the national economic growth. The topic "Insurance" must be cultural in the Corporate World.

"Insurance serves to provide financial protection to companies which may cover future events, increasing the possibility for the companies to operate in the market for much longer. It's overrated to think that insurers are here to extort money from companies or people. According to Joaquim Langa "Insurance is a cultural matter in the corporate world".

For Joaquim Langa, there are still very few companies implementing insurance covers, whether health, motor or even simpler insurance covers such as workmen's compensation covers, considering that several companies have shut their doors, affected by natural disasters such as the Cyclones Idai and Kenneth for not being covered under any Insurance policy.

"A few days ago, several companies affected by natural disasters such as Idai received an indemnification from the insurance companies. Joaquim Langa noted that "Insurance serve to 'protect' against any risk, it should serve as a basis to embrace financial inclusion opportunities and bigger projects".

From more than 100 companies at the event, less than 10 have turn out to be covered.

*Economic, Financial and Business information portal

Post of the Month

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