

IFN FORUM

MOROCCO

#IFNMorocco17

2017

POST-FORUM ANALYSIS REPORT



9th May 2017

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Participative banking in Morocco: Competitiveness of the model and challenges of the market

Why is Morocco's nascent participative banking industry considered as potentially competitive? Could it be due to the long inception and gestation periods, which took respectively 25 years and five years or could it be due to the so-called exception status of Morocco in every political or religious or social concern, compared to the situation of other Arab and Muslim countries? Or is this because of the strength and stability of the small conventional banking system and its regulatory framework, which succeeded in finding a subtle arrangement between existing financial institutions and the new Shariah compliant ones? DR ABDERRAHMANE LAHLOU analyzes.

All the aforementioned elements are certainly involved in enabling the Moroccan framework to offer many original features as follows, as observed by many in the Islamic finance community:

- A combined legal framework, gathering conventional banking and participative banking in the same law, with common provisions and a few articles devoted to participative banks. This option enables the central bank to treat participative banks within the same background, which doesn't put them in an isolated position.
- A neutral denomination, namely 'participative' rather than Islamic, which avoids any ideological or political positioning regarding Islamist movements and parties. Moroccan authorities emphasized the exclusively economic and developmental character of this new segment of the national banking sector. This denomination also keeps the perception of Islam away from the harmful effects of any deviance or failure of the experience.
- A central Shariah board option, which reports to the High Council of Ulama, a constitutional body headed by the King as Amir Al Muminin, and which reports administratively to the Ministry of Religious Affairs. This option keeps the experience away from contradictory Fatwas among scholars, and prevents from excesses frequently observed when the banks appoint their dedicated Shariah boards without splitting between Fatwa-providing and Shariah-auditing processes.
- A holistic framework embracing participative banks, Takaful insurance companies, the Sukuk-issuing process and a detailed Shariah-advising and auditing process, in order to ensure a complete ecosystem, which prevents any harmful deadlocks.

With these measures, the new licensed banks seem to have a clear and secure roadmap that allows them to meet the expectations of both corporate and retail banking. Two market studies have been conducted by IFAAS and Thomson Reuters on the Moroccan market in 2013 and 2014 respectively. The first study revealed that a significant 79% of individual respondents said they would be 'very interested' in participative banking services once available. The second revealed about 71% of companies answered 'maybe' when asked if there was an interest to consider participative banking, with 22% saying 'yes' and a low 7% saying 'no'. In 2016, ABWAB Consultants conducted a survey of 1,300 SMEs to find out their financial behavior and expectations toward the expected participative banks, and 52.8% of the companies which do not deal with credit say they don't do it for religious reasons.

In January 2017, five fully-fledged Islamic banks and three Islamic windows received their licenses. Four Takaful insurance companies are in the process of getting theirs in the next few months. Concurrently, the Ministry of Finance announced the launch of the first sovereign Sukuk before June 2017, which will ensure both interbank transactions and refinancing with the central bank.

As such, eight new entities were added to the nine existing banks. All of them are subsidiaries of existing banks, and most of them are joint ventures with international Islamic banks, mainly from the Gulf region. We can then consider that the central bank is willing to create the conditions for strong competitiveness in the market, within a fair competition frame with the conventional banking sector. One of the outcomes of this policy is the pricing optimization of Islamic products, as expected by the market. But there are significant challenges ahead, which can be divided into three objective items related to the environment, and two subjective ones related to the banks themselves as follows:

1. The substantial inertia of the Moroccan economic system, particularly in terms of legal framework rigidity and overprotective attitudes of the administration. This phenomenon has been observed with the introduction of many reforms in Morocco, and explains to a certain extent the much-criticized delay in giving the licenses.
2. The dilemma between the affinity character of Islamic banking, which makes customers interact with the bank's offer (or not), and the financial authorities' position, which works to hide the religious identity of these institutions for the aforementioned reasons. Such precautions may cast doubt on the attractiveness of the products, even though guarantees are given from official parties on the compliance with Shariah rules. The participative denomination, rather than Islamic, is a challenge in terms of market attractiveness, besides the semantic overlap with the western meaning of participative, which indicates the absence of intermediation through practices like crowdfunding and crowdlending within identified communities.
3. The capacity to promote public awareness about true Islamic banking (fighting fantasies and misconceptions) and more in general, to promote financial literacy or market education, both through religious channels such as mosque preaches, and non-religious ones such as associations and school programs. For such purposes, banks would not be the most appropriate channel as their actions may be perceived as trying to draw publicity.
4. The capacity of new Islamic banks to widen profit and loss-sharing financing products (Musharakah and Mudarabah) versus debt financing products such as Murabahah, Salam and Ijarah leasing.
5. The ability to cover the needs of increasing microfinancing activity, considering that this activity naturally claims Shariah compliance, according to the culture of the poor population in Islamic countries which is closer to the religious mindset and the way of life.

Hopefully, a strong awareness, which has been cultivated for decades among the community of local professionals, associations, universities and other civil society actors, is able to support banks in overcoming such difficulties and hindrances. In order to make this support effective, both government and regulatory authorities (the central bank and the authorities for insurance and the capital market) must create the conditions for collaborative action that will converge toward achieving the strategic goals of this banking reform, which include banking inclusiveness, domestic investment promotion and foreign capital attractiveness.

Dr Abderrahmane Lahlou is the founding partner at ABWAB Consultants. He can be contacted at lahlou@abwab.ma.

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09:25 – 10:10

Mapping the Moroccan Participative Finance Ecosystem

Industry leaders provide insights on what the Moroccan participative finance landscape will look like in five years and what market players and regulators will need to do to get there. How can sustainable growth be achieved in the Moroccan banking and capital market sectors? What liquidity management instruments are available for the newly established banks? What is Morocco capable of achieving domestically and what is the outlook for cross-border participative finance activities?

Moderator:

Anouar Hassoune — Managing Director, Euris Group

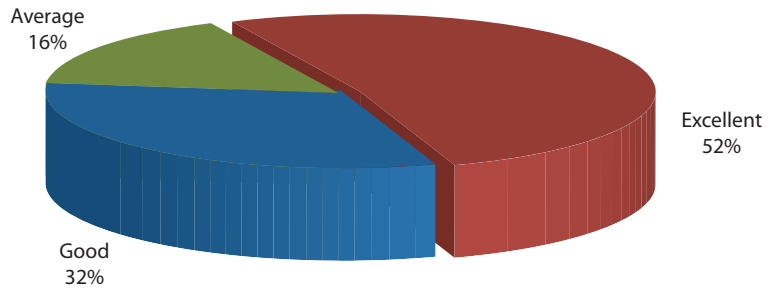
Panelists:

Abdessamad Issami — CEO, Umnia Bank

Gonzalo Rodríguez — General Coordinator, Saudi-Spanish Center For Islamic Economics And Finance (SCIEF), IE Business School, Spain

Said Amaghdir — Chairman, Moroccan Association for Participative Finance Professionals — Shariah Compliant (AMFP)

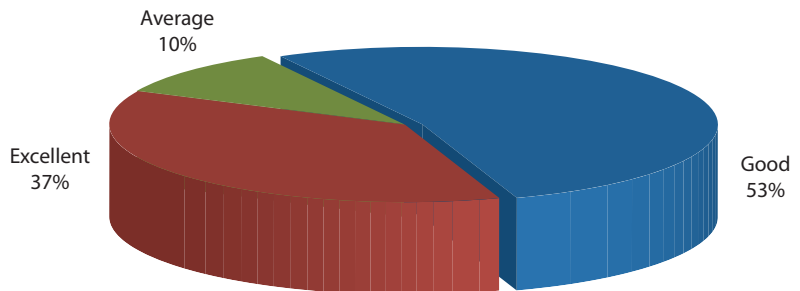
Youssef Baghdadi — CEO, Dar Assafaa



10:10 – 10:25

Morocco as an Islamic Investor's Gateway to Africa

Rachid Boumechraz — Partner, Fidaroc Grant Thornton



POST-FORUM ANALYSIS REPORT



10:55 – 11:50

An Audience with Newly Established Participative Banks

The heads of the newly established participative banks share their experience in acquiring banking licenses, where their institutions stand at the moment and their respective strategies for increasing market share.

Moderator:

Dr Sami Soulaïmani — Director, FINEOPOLIS

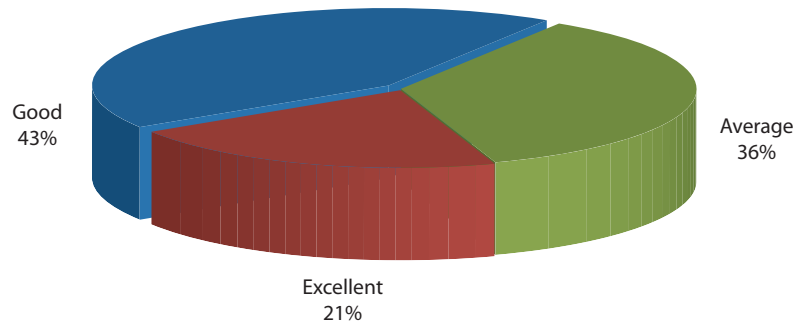
Panelists:

Abdelali Bennouna — Director, Participative Finance Windows, Credit du Maroc

Adnane El Gueddari — Managing Director, Umnia Bank

Mohamed Maarouf — CEO, Bank al Tamweel wa al Inma (BTI)

Mohamed Tahri — Deputy Managing Director, Société Générale Maroc



11:50 – 12:25

How is Participative Finance Going to Help the Revitalization of Capital Markets in Morocco?

Moderator:

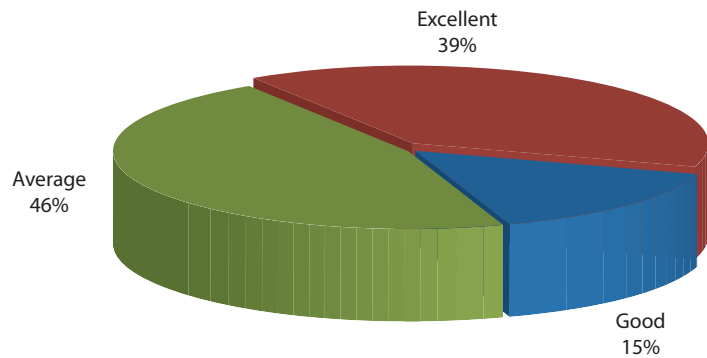
Qudeer Latif — Partner/Head of Islamic Finance, Clifford Chance, the UAE

Panelists:

Fouad El Hajji — Senior Private Banker, Banque Internationale à Luxembourg (BIL)

Houda Chafil — CEO, Maghreb Titrisation

Dr Mohammed Ghiyath Sheikhah — Chief Treasury and Investments, Qatar International Islamic Bank (QIIB)



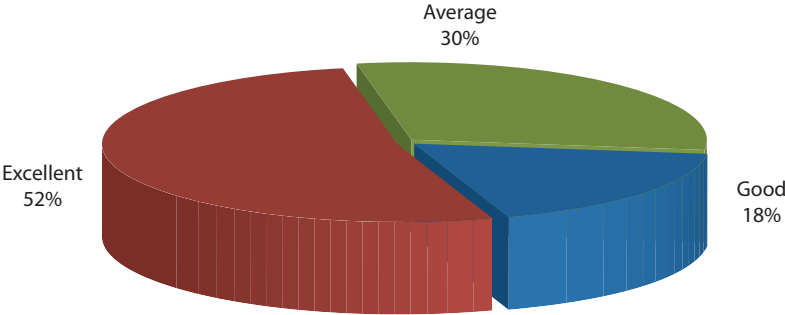
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12:25 – 12:40

NeXt Generation Participative Finance Platform: Built by Muslims, in Morocco, for the World?

Rachid Ouaich — Chairman, ConeXCap



13:40 – 14:15

Global Market Perspective: What is the Way Forward for the Industry in Morocco?

This panel will feature global leaders in the Islamic finance industry offering their views on how the Moroccan market can leverage on the experiences from established participative finance markets of Malaysia, Turkey and the Gulf.

Moderator:

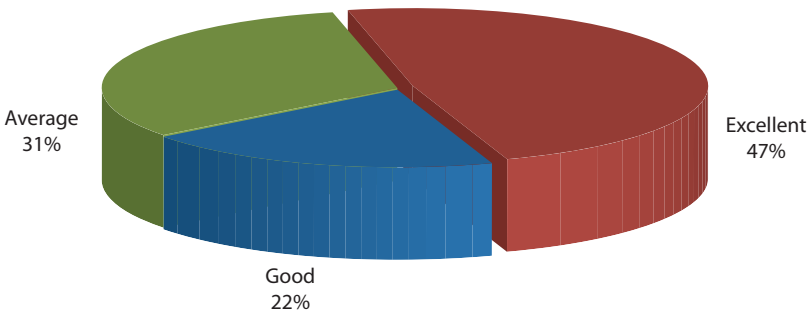
Dr Ahmed Tahiri Jouti — COO, Al Maali Consulting Group

Panelists:

Dr Mohamed Damak — Senior Director, Global Head of Islamic Finance, Standard & Poor's

Paul McViety — Partner, Head of Islamic Finance, DLA Piper, the UAE

Dr Rusen Ahmet Albayrak — Executive Vice-President, Treasury and International Banking, Kuveyt Turk, Turkey



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14:15 – 15:00

Paving the Way for Takaful Industry Segment

Moderator:

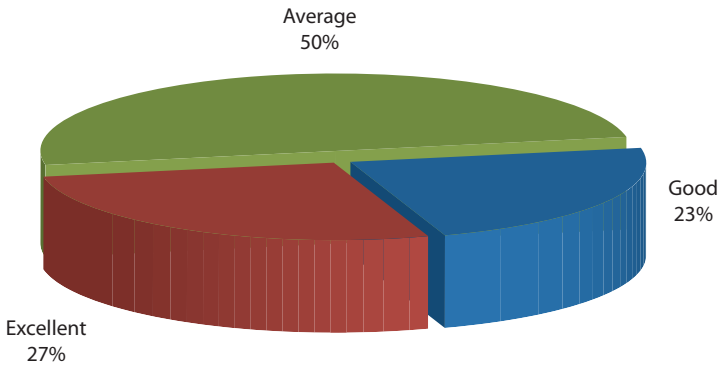
Dr Abderrahmane Lahlou — Founder, ABWAB Consultants

Panelists:

Hakim Bensaid — Takaful Project Manager, Royale Marocaine d'Assurance (RMA)

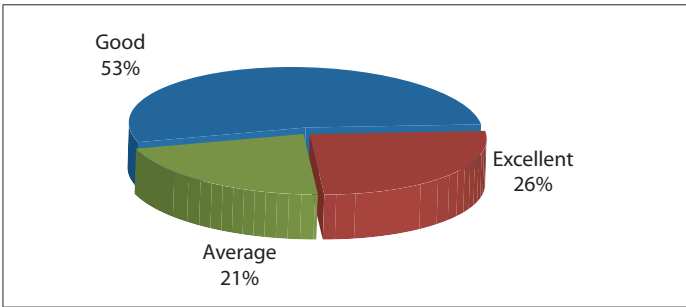
Mohamed Zerrei — Partner, Fidaroc Grant Thornton

Zeroual Koudama — Project Director General of Takaful, Wafa Assurance

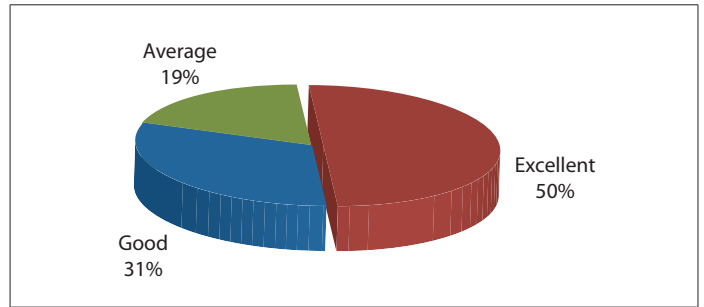


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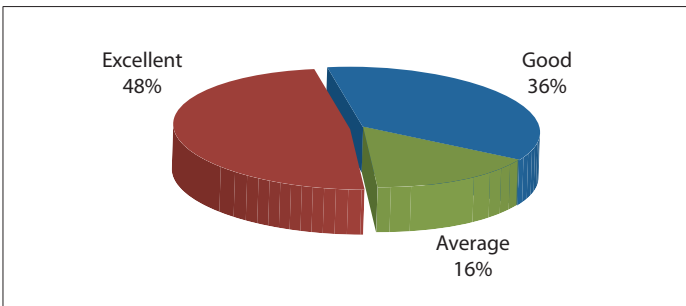
Pre-event Contact



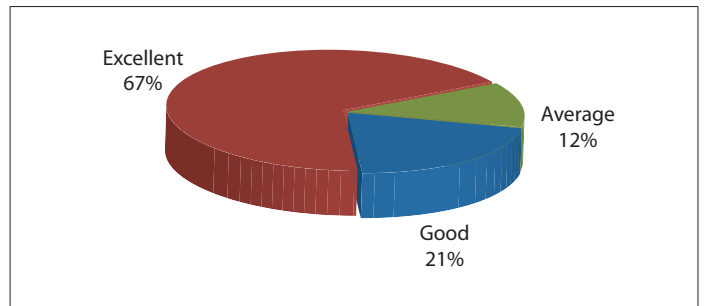
Overall Evaluation of the Event



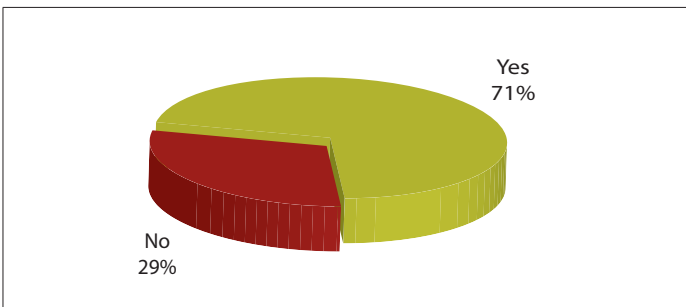
Venue and Facilities



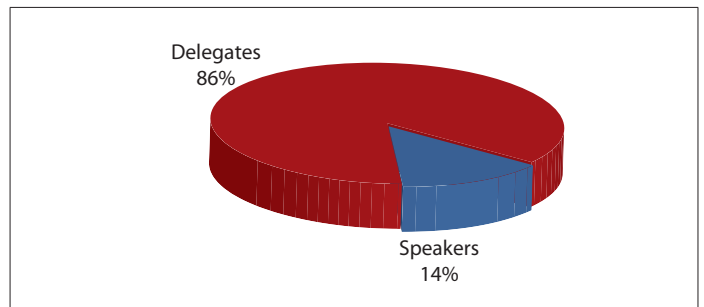
Overall Evaluation of the Speakers



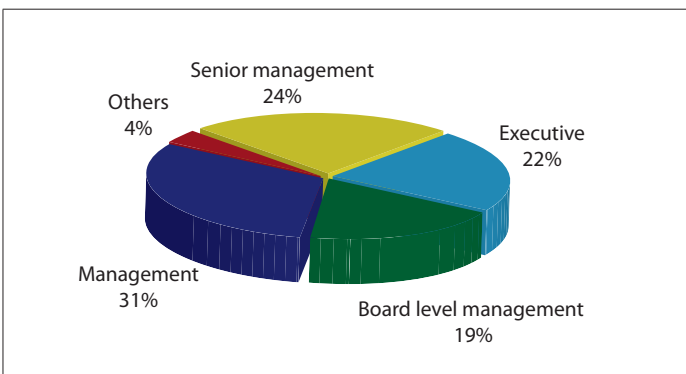
Delegates Who Would Like to attend IFN Morocco Forum 2018



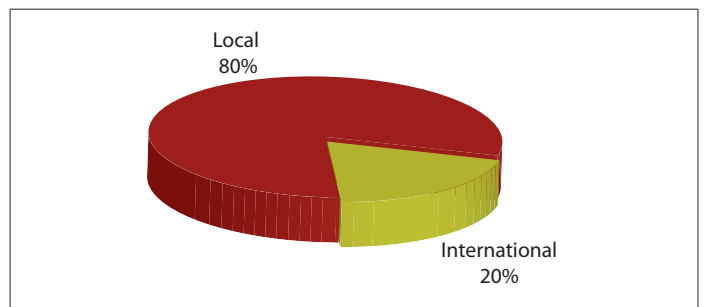
Delegate Breakdown



Delegate Job Title Breakdown



Delegate Breakdown (International and local)



Board Level Management	33
Senior Management	42
Management	54
Executive	38
Others	7
Total	174

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SPEAKERS

COMPANY	NAME	JOB TITLE
ABWAB Consultants	Dr Abderrahmane Lahlou	Founder
Al Maali Consulting Group	Dr Ahmed Tahiri Jouti	COO
Bank al Tamweel wa al Inma (BTI)	Mohamed Maarouf	CEO
Banque Internationale à Luxembourg (BIL)	Fouad El Hajji	Senior Private Banker
Clifford Chance	Qudeer Latif	Partner/Global Head of Islamic Finance
ConeXCap	Rachid Ouaich	Chairman
Credit du Maroc	Abdelali Bennouna	Head of Participative Banking
Dar Assafaa	Youssef Baghdadi	CEO
DLA Piper	Paul McViety	Partner, Head of Islamic Finance
Euris Group	Anouar Hassoune	Managing Director
Fidaroc Grant Thornton	Mohamed Zerrei	Partner
Fidaroc Grant Thornton	Rachid Boumehraz	Partner
FINEOPOLIS	Dr Sami Soulaïmani	Director
IE Business School	Gonzalo Rodríguez	General Coordinator, SCIEF
Kuveyt Turk	Dr Rusen Ahmet Albayrak	Executive Vice-President, Treasury and International Banking
Maghreb Titrisation	Houda Chafil	CEO
Moroccan Association for Participative Finance Professionals (AMFP)	Said Amaghdir	Chairman
Qatar International Islamic Bank (QIIB)	Dr Mohammed Ghiyath Sheikhah	Chief Treasury and Investments
Royale Marocaine d'Assurance (RMA)	Hakim Bensaid	Takaful Project Manager
Société Générale Maroc	Mohamed Tahri	Deputy Managing Director
Standard & Poor's	Dr Mohamed Damak	Senior Director, Global Head of Islamic Finance
Umnia Bank	Abdessamad Issami	CEO
Umnia Bank	Adnane El Gueddari	Managing Director
Wafa Assurance	Zeroual Koudama	Project Director-General of Takaful



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