



**The 1st IADI Inter-Regional Conference (Europe, Eurasia, Mena)
Session II: Information Sharing: Prevention Before Cure**

**The experience of Bank Al-Maghrib
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Outline

- Introduction: Overview of Moroccan Banking system
- Overview of Moroccan Deposit Insurance System
- Summary of international practices in information sharing
- The Moroccan case : internal and external information sharing channels
- Perspective

- Introduction: Overview of Moroccan Banking system

◆ The structure of the Moroccan banking system consists of :

- 16 commercial banks (5 of which are dominated by foreign ownership),
- 6 offshore banks
- 12 microcredit Associations
- and 36 financing companies.

◆ Morocco's banking sector is fairly concentrated. The three largest banks account for over 64 percent of banking assets, 67 percent of deposits and cover 56 percent of loans.

Introduction : Overview of Moroccan Banking system



- ◆ The text of the new statutes concerning Bank Al-Maghrib has established its independence and defined its responsibility for devising and conducting monetary policy and for the regulation and supervision of the activities of credit institutions.
- ◆ Therefore, Bank Al-Maghrib has been given the responsibility of granting licences to credit institutions, drawing up the regulations for such institutions and supervising them, and putting in place a system for crisis prevention and for managing the process of financial recovery for institutions in difficulty.

The Central Bank is the key player of financial safety net system :

(i)

Prudential regulation and supervision
- Function of the Central Bank

(ii)

Resolution mechanism for banks in distress
- Primarily by the Central Bank
-In the case of systemic crisis, Bank Al-Maghrib statutes do not define its role. But, at present, there are discussions with the Ministry of Finance to establish a Financial Stability Committees, which will have a role to play in the systemic crisis process.

(iii)

Deposit Insurance
- by the Central Bank

-Overview of Moroccan Deposit Insurance System

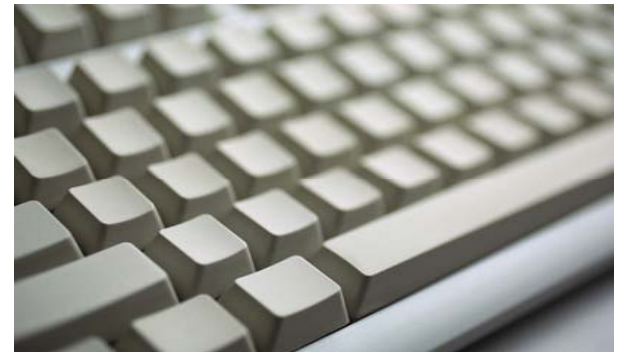
1 . Legal aspect

- ◆ The Moroccan Deposit Insurance System (Fonds Collectif de Garantie des Dépôts, -FCGD-) came into operation in 1996.
- ◆ The FCGD is not a legally separate organization, it is a banking account within the Central Bank.

1 . Legal aspect

- ◆ According to the Banking Law, all credit institutions, which take deposits from the public, are required to participate in the FCGD.
- ◆ The objectives of FCGD as set out by the Banking law are:
 - ✓ To reimburse depositors of failed insured credit institutions,
 - ✓ And to provide financial assistance in the form of loans on exceptional basis to banks, which are facing financial difficulties.

◆ Therefore, and following the classification made by IADI Papers, the FCGD will be classified as a “Pay Box” insurance system with a certain responsibility in early stage in bank resolution process.



2. Funding of the FCGD

- ◆ The FCGD is based on ex-ante funding mechanism, which involves the accumulation of contributions of all members.
- ◆ The FCGD does not receive any public sector fund (in the form of contributions or loans from government or central bank).
- ◆ The premiums are collected annually and calculated based on a flat rate of 0.20 % of the average amount of insured deposits collected by credit institutions during the previous year.

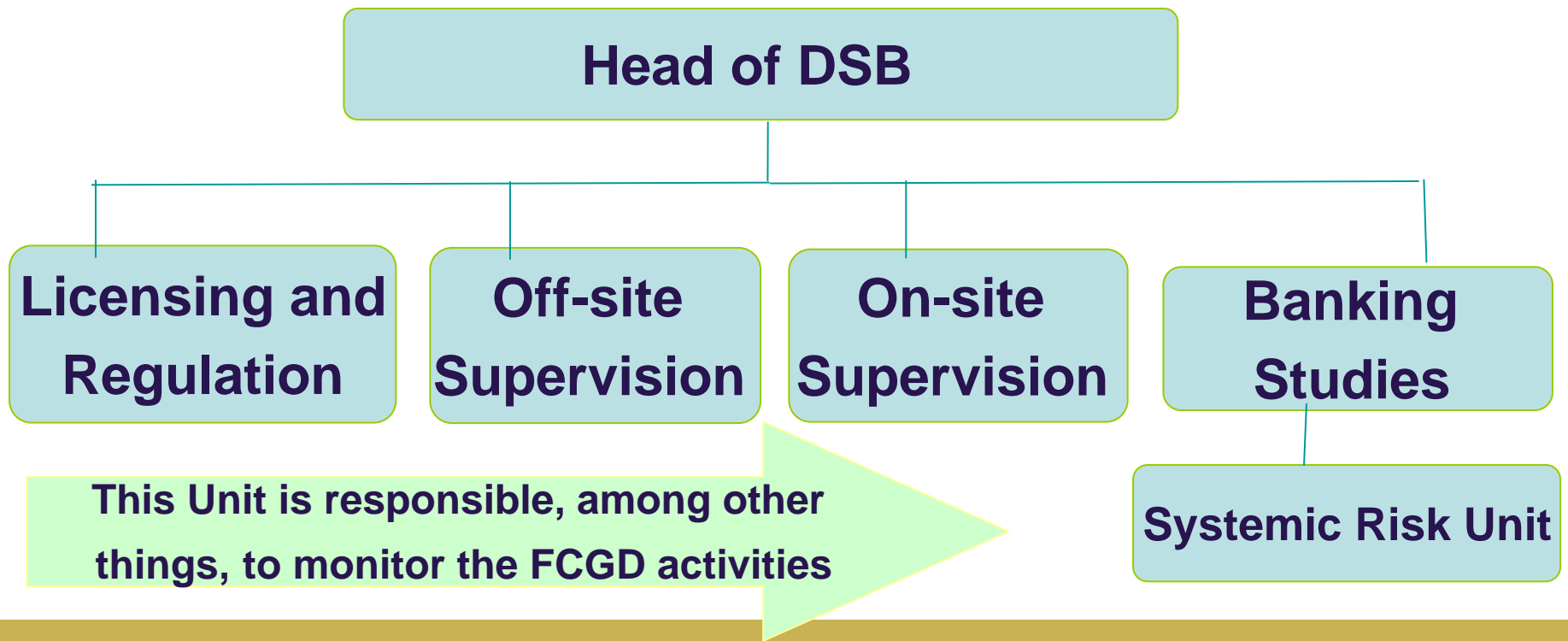
3. Management of the FCGD's funds

- ◆ The FCGD's funds are invested primarily in Treasury Bills.
- ◆ With the new framework established according the 2006 Banking Law, it is possible to invest a maximum amount of 20% of FCGD's funds in private bills.

◆ Until now, the FCGD has not paid off any depositor as Morocco has not experienced any serious bank failure cases, requiring the intervention of the FCGD.

Overview of Moroccan Deposit Insurance System

◆ Organizational chart of Banking Supervision Department (DSB), which is charged by the Governor to manage FCGD, is as follows:



-Summary of international practices in information sharing

Summary of international practices in information sharing



◆ Based on practices in a great number of jurisdictions, The IADI paper “**General Guidance to Promote Effective Interrelationships among Financial Safety Net Participants**” defines the key factors to consider when sharing information.

◆ Recognizing that the information sharing is one of the vital areas in the relationship of the deposit insurer and other safety net players, the paper strongly recommends :

1) Close co-ordination and co-operation among safety nets participants (central bank, supervisory authority, deposit insurance, mainly),

2) In establishing the co-ordination framework, a high degree of transparency and agreement as to respective mandates prior to the occurrence of a banking crisis,

Summary of international practices in information sharing



3) That the powers of the various safety nets participants should be explicitly defined in law,

4) Apart from or in addition to legislation, consideration should also be given to the formalization of the following co-ordination and information sharing techniques:

- * membership on other safety nets participants' board of directors,**
- * use of Memoranda of Understanding,**
- * specially designated committees,**
- * or a combination of these techniques.**

-The Moroccan case : internal and external information sharing channels

❖ Organizational arrangement

- ◆ As showed previously, the FCGD is integrated in the Central Bank (DSB).
- ◆ This structural arrangement may be advantageous to the FCGD as it is cost effective (central bank offers all administrative facilities) and results in a better access to supervisory data on member credit institutions through internal channels.

The Moroccan case : internal and external information sharing channels



❖ internal information sharing channel

◆ It is vital to note that besides prudential information, the head of the DSB has access, on a regular basis, to all banking liquidity information by taking part in an important monthly committee: the Financial and Monetary Committee, which is chaired by the Governor and consists of the heads of Banking Supervision, Monetary Policy and Studies Departments. This committee is in charge of preparing the appropriate framework of monetary policy for Bank Al-Maghrib's Board members.

◆ It is worth saying that inside the central bank, there is a smooth information sharing mechanism from which the FCGD, through the DSB, can derive benefits.

❖ External information sharing channel

- ◆ Also, the head of the DSB participates in monthly meetings with senior officials of the Ministry of Finance.
- ◆ These meetings enable the DSB to have access in particular to macroeconomic data and information regarding potential banking systemic risks.
- ◆ Furthermore, there is some information exchange with auditors about financial conditions of credit institutions.

❖ external information sharing channel

◆ Recently, a joint Commission consisting of Bank Al-Maghrib, Insurance Supervisory Authority and Securities Regulatory Authority, has been created with the purpose of sharing information on supervisory aspects and coordinating their actions in order to carry out their missions in a prudential way.

The Moroccan case : internal and external information sharing channels



◆ Actually, the issue of information sharing is not a real challenge for our deposit insurance system for the reasons explained before. But, we are planning to establish a legally separate organization for deposit insurance in Morocco and to take into consideration this major issue.

- Perspective

◆ Also, and as mentioned before, we are examining a project to set up a Financial Stability Committee, which will consist of all financial safety net players, in order to monitor, in an effective way, the financial stability issues and to share information about them.

Thank you for your attention!