






The Moroccan Approach to Implementing a Legal and Regulatory Framework for Covered Bonds

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1 Overview of the Moroccan banking sector

The Moroccan financial market :

- The Moroccan financial market is relatively well developed, with a dynamic stock market and a solid banking sector, However, short-term bank financing continues to dominate the market structure.
- Morocco has developed financial system, but it remains heavily reliant on traditional bank financing. Capital markets and long-term financing instruments remain limited.
- Financial players are increasingly seeking instruments to finance fund long-term projects - particularly in sectors such as real estate, infrastructure and renewable energy.
- In this context, covered bonds serve as a key tool for transforming and structuring the market. In this regard the Kingdom has explored introducing a regulatory framework for covered bonds.
- This reform is part of an overall vision aimed at diversifying sources of financing, strengthening the stability of the financial system and bringing the Moroccan framework into line with European standards.

1 Overview of the Moroccan banking sector

Structure of the Moroccan banking system :

As of 2024, The number of credit institutions and similar entities under the supervision of Bank Al-Maghrib stands at 93, distributed as follows :

19 Conventional banks

5 Participative banks

29 Finance companies

6 Offshore banks

18 Payment institutions

**11 Microfinance
institutions**

**3 crowdfunding
institutions**

CDG
(Public institution for the
management of national savings)

SNGFE
(National Guarantee and Company
Financing)

Key Features of the Moroccan Banking System :

- **High Concentration** : The sector is dominated by a few large banks, which hold a significant share of total banking assets.
- **Regional Influence** : Many Moroccan banks have expanded into Sub-Saharan Africa, fostering economic ties and cross-border investments.
- **Overseas subsidiaries** : On a cross-border level, Moroccan banking groups have 51 subsidiaries and 22 branches across 36 countries, including 27 in Africa, 7 in Europe, and 2 in Asia.
- **Banking network** : Continuing its downward trend, albeit at a slower rate, due to the growing digitalisation of banking services. As of now, the number of bank branches stand at 5.802.
- **Number of bank accounts opened on the books of banks** : Recorded an annual increase of 7.2 percent, reaching approximately 36.3 million.
- **Staff of credit institutions and similar entities** : Stand at more than 55,000 employees, 74 percent working in banks.

Key Features of the Moroccan Banking System :




- **Loans** : As of the end of 2024, loans totaled 1,162.7 billion dirhams (+4.7% after a +4.8% in December 2023).
- **Non-performing loans** : Rose by 2.3% as of the end of December 2024, following a 6.7% increase the previous year, reaching nearly 97.034 billion dirhams.
- **Default rate** : Stood at 8.3%.
- **Coverage rate of non-performing loans by provisions** : Reached 68.8% as of the end of December 2024 (versus 67.5% at the same period in 2023).
- **Deposits** : Increased by 9.2% year-on-year as of the end of December 2024, compared to 3.3% the previous year, reaching 1,271.6 billion dirhams.
- **Liquidity coverage ratio** : Stood at 182% as of the end of December 2024. It remains above the regulatory threshold of 100%.
- **Solvency ratios** : On an individual basis, the average solvency ratio reached 16% as of the end of June 2024. The Tier 1 capital ratio improved to 13.4% as of the end of June 2024. On a consolidated basis, these ratios stood at 13.8% and 11.9%, respectively.

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The introduction of the covered bond framework meets several challenges :

- **Regulatory:** aligning national legislation with European best practice, Directive 2019/2162 and Regulation 2019/2160.
- **Economic:** providing credit institutions with a new long-term financing instrument that is more cost-effective and more attractive to institutional investors.
- **Strategic:** Enhance market confidence, attract foreign investors. Capital markets and long-term financing instruments remain limited. Financial players are now seeking solutions fund long-term projects - particularly in sectors such as real estate, infrastructure and renewable energy.

The transposition process was rigorously managed, drawing on European best practice while taking into account the specificities of the Moroccan market. It was based on a legal analysis, comparative benchmarks and extensive consultations with all relevant market players.

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Banking Law : The Moroccan Banking Law (**Law No. 103-12**) establishes the general legal framework governing credit institutions and setting out key prudential and operational norms.

Law on Covered Bonds (Law No. 94-21) : A dedicated law was enacted to frame the issuance of covered bonds, inspired by EU models. It defines the scope of assets eligible for the cover pool, sets strict rules for asset segregation, establishes mechanisms for investor protection, and ensures bankruptcy remoteness. This law is central to market credibility and is aligned with ECBC standards.

Implementing Texts : The regulatory framework has been completed by a series of implementing decrees and circulars that specify the operational modalities, supervisory arrangements, valuation methods, reporting standards and eligibility criteria for covered asset. These texts were developed with input from market participants and international consultants to ensure both technical rigor and market readiness.

Implementing Texts : Drafting of 7 BAM circulars provided for by Law 94-21:

- List of documents and information to be provided to BAM as part of the request for authorisation of the SO issuance programmes (article 4)
- Conditions and limits relating to the ratios set out in article 11 of the law being exceeded (article 11)
- Level of the nominal value of substitute claims (article 17)
- Form of the cash flow plan and procedures for its preparation and transmission to BAM (article 19)
- Form, content and procedures for maintaining the hedging register (article 24)
- Form, content and procedures for transmitting the risk management report (article 25)
- Control of the hedging portfolio (article 27)



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