CLIFFORD CHANCE

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Morocco's ambitions to be the finance hub of north and west Africa

Morocco has an international outlook, enjoys 'advanced status' in the European Union's European Neighbourhood Policy and close bilateral relations with the United States. Following the 'Arab Spring' – the popular uprisings of 2011 – there has been a drive for reform, to open up the market and attract inbound investment. Moroccan political and business leaders are aligned in their ambitions to be a financial hub for north and west Africa.

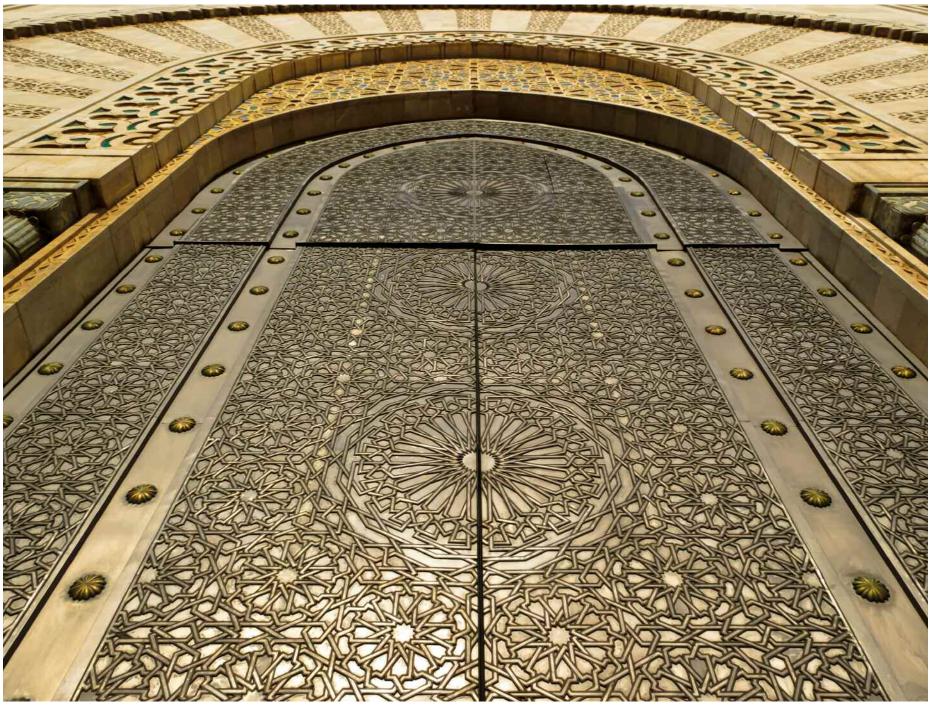
The European Bank for Reconstruction and Development (EBRD) – with its aims to promote market economies where businesses are competitive, innovation is encouraged and environmental and social conditions reflect people's needs – sees Morocco as a strategic area of growth.

The need for a robust and open regulatory framework

The ingredients for Morocco to create a finance hub are all there: the largest financial institutions and insurers in the region are in Morocco and it's the second largest financial market on the continent after South Africa. There is lots of activity and lots of M&A, but the legal framework needs some improvement.

To be successful, Morocco will need financial products supported by a robust and open regulatory framework that is aligned to international standards. But there's a distinct tension between the limits of the existing framework and the strategic intention to become a financial hub. For example, you can't enter into hedging agreements, such as derivatives, foreign currency or commodity prices, because Moroccan laws prohibit gambling, and hedging contravenes those laws.

However, there's real political will to open up the economy, and this isn't just rhetoric. Moroccan officials, alongside advisors from the EBRD, are looking at what this means in practice for the legal and regulatory framework.



Advising on new legislation

When Clifford Chance opened a new office in Casablanca in 2012, we were asked to advise Casablanca Finance City, the planned centre of the financial hub.

The Ministry of Finance then asked us to help it draft new legislation that would take account of both commercial and legal considerations and to draft a new law on securitisation.

We were able to identify the best features from a range of securitisation measures, drawing on experience from across the

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firm, to implement one of the most advanced securitisation frameworks available anywhere. The law also covers sukuk transactions – bonds that comply with Sharia law, giving the Moroccan market access to Middle East investors.

The EBRD then approached us for help to draft new legislation on taking security over assets, which is important for any financing work. This is supported by Morocco's Ministry of Finance. This law will cover all tangible assets, and we're building the structure of the legislation, as well as drafting the content and the principles that back it up.

There is great competition in Africa to build the most modern and efficient legal framework in the financial sector and Tunisia is now following Morocco's lead in developing sukuk regulation.

What's next?

Our latest work is to draft a law for hedges and swaps for the Ministry of Finance to open up the Moroccan market. Large corporates that need hedge cover on commodities must currently go to international banks, as local banks can't provide these products. This raft of new legislation will enable greater access to finance which is good for local banks and businesses, good for growth and good for development.

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