PRESS RELEASE

Fourth Meeting of the Coordination and Systemic Risk Monitoring Committee (CSRMC)

Rabat, December 21, 2016

The Coordination and Systemic Risk Monitoring Committee held its fourth meeting, on December 21, at the headquarters of Bank Al-Maghrib in Rabat.

Established by law No. 103-12 relating to credit institutions and similar bodies, this committee is chaired by the Governor of Bank Al-Maghrib and is composed of representatives of BAM, the Insurance and Social Security Supervision Authority (ACAPS) and the Moroccan Capital Markets Authority (AMMC), as well as the Department of Treasury and External Finance (DTFE) under theMinistry of Economy and Finance. The CSRMC is responsible for macroprudential oversight of the financial sector, and hence assesses systemic risks to the sector and reviews measures for mitigating their impact with a view to maintaining financial stability.

During this meeting, the Committee examined the financial system risk mapping and the progress made in the inter-authorities roadmap to financial stability for the 2016-2018 period.

By analyzing the situation of the financial system, in light of observed and expected economic and financial trends, the Committee came to the following main conclusions:

- Macro-economic risks broadly remained at the same levels of end-2015, in a context marked mainly by continued fiscal consolidation.

  However, areas of uncertainty still surround the projected external conditions, with regard both to the economic recovery in the main partner countries (the “Brexit” effects) and to the future trade and fiscal policies of the new U.S. Administration.
- Risks stemming from monetary and financial conditions eased owing to the build-up in net foreign exchange reserves, the slight recovery in bank lending and to the further downward trend in debt rates.
- Sluggish nonagricultural activity continued, in 2016, to weigh on nonfinancial units, which posted a new increase in their payment defaults.
- However, the banking sector maintains its good level of yield and capitalization and proves to be resilient to the stress tests simulating macroeconomic shocks. However, its exposure to interest rate risk, in a context of strong competition over loan granting, constitutes an area of focus that requires close monitoring.
- Insurance companies continue to post a margin of solvency covering subscription risk, which is largely higher than the required minimum. Nevertheless, the forthcoming requirements, linked to the structuring project regarding the transition to a risk-based prudential regime, could substantially reduce these margin surpluses.
- Risk indicators of the civil pension scheme administrated by the Moroccan Pension Fund (*Caisse Marocaine des Retraites*) improved, mainly in terms of technical balance, thanks to the recently adopted reform. However, risks weighing on this scheme remain a source of

major concern, as the aforementioned reform only allows for a gain of 5 to 6 years over the viability horizon.

- Liquidity of the stock exchange market improved, though still at low levels. In addition, the higher number of securities accounts, mainly driven by larger number of Moroccan individual investors, points to renewed interest in investment in financial instruments.

Furthermore, the Committee particularly focused on monitoring individual management of financial instrument portfolios. It also reviewed the situation of some major companies experiencing financial difficulties.

Press contact:

Nouaim SQALLI

Tel : 06.66.208.246

E-mail : n.sqalli@bkam.ma