

## PRESS RELEASE

### *Third meeting of the Coordination and Systemic Risk Monitoring Committee (CSRMC)*

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**Rabat, June 27, 2016**

The Coordination and Systemic Risk Monitoring Committee held, on June 27, its third meeting at the headquarters of Bank Al-Maghrib in Rabat.

Established by Law No. 103-12 on credit institutions and similar bodies, this Committee is chaired by the Governor of Bank Al-Maghrib (BAM) 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 Ministry of Economy and Finance. It is responsible for macroprudential oversight of the financial sector. As such, it is entrusted with assessing the systemic risks to the sector and reviewing measures for mitigating their effects with a view to preserving financial stability.

During this meeting, the Committee:

- Approved the report on financial stability for the financial year 2015;
- reviewed the risk mapping of the financial system;
- agreed on the inter-authorities roadmap of actions and reforms to strengthen financial stability for the period 2016-2018.

The analysis of the financial system situation in light of economic and financial trends, both observed and expected, enabled the Committee to identify the following key findings:

- Macroeconomic risks were mitigated due to the easing of risks from external origin and fiscal consolidation. However, the sluggish nonagricultural activity may, if it persists further, negatively impact the financial system.
- The contraction in bank lending to companies requires the adoption of stimulus measures likely to support the financing of the economy and thus preserve the earning power of financial institutions.
- Based on a survey of a sample composed of nearly 1,700 private and public nonfinancial companies, the payment deadlines of intercompany receivables have once again been extended, especially for private companies reaching alarming levels for very small, small and medium enterprises and certain economic sectors. This situation weighs heavily on

corporate cash-flows and requires speeding up the reform of payment deadlines and its effective implementation.

- Banks continue to be profitable, well capitalized and resilient to macroeconomic shocks based on stress tests simulation. Their liquidity position has also improved, but their results declined overall due to tighter lending margins and high cost of credit risk. However, this decline was partially offset by the good performance of their international activity. Considering that bank credit growth is largely driven by housing loans with low interest rates, banks' exposure to the risk of interest rate calls for further vigilance.
- The insurance companies sector provides a solvency margin, well above the regulatory minimum, to cover the underwriting risk. Yet, some of these companies need to be recapitalized to ensure the transition to a prudential risk-based solvency regime. The unrealized gains that may be generated by the asset portfolios of these institutions have fallen again due to the underperformance of the stock market.
- The financial situation of the pension sector is still a source of concern considering the technical imbalances of certain regimes. More particularly, the civil pension schemes, whose reform was significantly delayed, recorded a second deficit in 2015 and may therefore lead to exhaustion of its reserves in 2022.
- Capital markets still contribute, though in a limited way, to financing the needs of the economy. Besides, their high level of concentration constitutes a risk propagation factor in the financial system, thus calling, among other things, to a rapid completion of the planned reforms to ensure these markets' development.

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