

THE STOCK EXCHANGE AND THE SECURITIES MARKET IN MOROCCO

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1. Introduction (1)

Morocco was the first country in French-speaking Africa to set up a stock exchange, at the end of 1967. Its history has much in common with the Tunisia stock exchange, but, in addition to its institutional seniority, the Casablanca market always operated on a larger scale and on a more continuous basis.

It is of some interest to trace what differences there may have been in the organization and working of the securities market in the two countries in colonial times, and to find out whether and how these differences later affected the activities of their respective stock exchanges. To this end it will be useful, to look in some detail at the period preceding the establishment of the stock exchange as such. This period may conveniently be divided into two parts, the first comprising the years 1929-1947, and the second running from 1948 to 1967.

2. The Office de Compensation des Valeurs Mobilières (1929-1947)

Before independence, the people of Morocco, like those of other African Protectorates, had no part in major economic and financial activities, which were almost wholly in the hands of foreigners. This applies also to stocks and shares of Moroccan companies; these were issued and placed predominantly on the French market, where, save for rare exceptions, they were also traded.

The first change can be dated to 1929. Without any significant departure from the system described, that year did see the emergence of a rudimentary secondary market in securities in Morocco, in the shape of the *Office de Compensation des Valeurs Mobilières* set up by the leading banks of Casablanca (1).

Unlike the *Chambres de Compensation* in Tunisia which were attached to issuing companies and, by each dealing only in its own securities, divided the market into separate compartments (2) — the *Office de Compensation* concer-

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1 See Bourse des Valeurs Mobilières de Casablanca, *Bourse des Valeurs de Casablanca 1967-1977*, p. 3.

2 See A. Calamanti, « The Tunis Stock Exchange », *Savings and Development*, No. 3, 1979.

ned itself with all issues of Moroccan companies not quoted on any stock exchange abroad. It therefore imparted a more unitary aspect to the market.

Still, it was a very small market, hardly more than an appendix to a foreign one. Dealings took place in the form of clearing once a week; in the absence of any sort of official status, prices were fixed arbitrarily by stockholders.

As in Tunisia, however, so in Morocco the market catered exclusively to the interests of foreigners, who were of course all but alone in owing securities and hence in trading them.

Although the Moroccan *Office de Compensation* was older than the Tunisian *Chambres de Compensation*, and although it was organized on more rational and unitary lines, neither did anything of note to create and develop a local bourse tradition, because indigenous business men simply took no part in the market. The *Office* must, rather, be seen as a colonial legacy needing to be reshaped so as to meet new and different requirements.

This being said, it remains to take a look at the specific development of the Casablanca *Office* without dwelling at length on the Tunisian experience³, much of which is common to Morocco as well.

The Casablanca *Office de Compensation* steadily enlarged its volume of business, and most so during the second world war. At that time there was a sizeable inflow of European capital in search of a haven in a country where the local economy was in transition from a pre-capitalistic to a capitalistic pattern. In consequence, the amount of stocks and shares in circulation increased greatly and so did the volume of trading in them⁴.

Soon the scale of transactions became large enough to attract the attention of the central authorities, who felt that official regulations were called for. The first step was to confer official status upon the *Office de Compensation*⁵ by means of three decrees by the *Directeur des Finances*, the first dated August 1942, followed by two more in April 1943. These measures not only stimulated further growth in the activities of the *Office*, but marked the beginning of a series of

3 A. Calamanti, *op. cit.*

4 In the absence of full statistics, one significant figure may be cited by way of illustration. Turnover rose from 10,000 stock units traded in 1939 to 2 million in 1948. (Bourse des Valeurs de Casablanca, *Bulletin Mensuel d'information*, No. 1, p. 3).

5 Paul Decroux, *Les Sociétés en droit marocain*, Rabat, La Porte, 1978, p. 313.

reforms in its organization and working, all intend to make it more closely resemble what is commonly understood to be a bourse.

3. The Office de Cotation des Valeurs Mobilières (1947-1964)

The first of the reforms so set in motion concerned the structure of the market and led eventually to the transformation of the *Office de Compensation des Valeurs Mobilières* into the *Office de Cotation des Valeurs Mobilières* (OCVM) with its own legal personality (Decrees of 13 June and 8 September 1948).

From the outset, the Casablanca OCVM worked like a stock exchange. Sessions took place initially three times a week, and from 1951 on every day in response to the growing volume of business. In addition, an auction market (*marché à la criée*) was set up in 1949 for stocks and shares traded regularly, and an unofficial market (*marché hors cote*) for the rest; both had the purpose of replacing the direct deals customary until then.

The OCVM at once assumed considerable importance, not least thanks to its close links with the Paris bourse via arbitraging⁶. The volume of transactions rose steadily, as can be seen from such partial figures as are available (Table 1), and the number of bargains increased even more.

Table 1

ANNUAL VOLUME OF SECURITY TRANSACTIONS OF THE OCVM, 1941 TO 1958
(thousand old francs)

Year	Amount
1941	29,506
1942	124,456
1943	452,792
1944	755,000
1946	3,416,000
1955	5,800,000
1956	4,200,000
1957	2,400,000
1958	1,500,000

Source: Bourse des Valeurs de Casablanca, *Bulletin mensuel d'information*, No. 1, p. 4 and 5.

6 *Bourse des Valeurs de Casablanca 1967-1977*, op. cit., p. 3.

However, nothing much changed in the underlying conditions of trading. The market was run by the banks, and the overwhelming bulk of deals was still done by foreigners, with the local business community taking part to a no more than derisory extent.

In these circumstances it was natural enough that the fortunes of the Casablanca OCVM depended largely upon foreign interests. This became blatantly clear in 1956, when Morocco gained its independence and many of the French left, taking their capital with them. The effect on the stock market was immediate and catastrophic; the activities of the OCVM collapsed all but totally and the country was left with the empty shell of an institution quite incapable of coping with the serious new financial problems or, for that matter, with any other requirements of the economy.

Given that the OCVM was managed by the banks, it was largely outside the control of government and barely susceptible to its influence; it did nothing to mobilize local savings, partly because it was exclusively a secondary market, and partly because the people of Morocco knew so little about it that it offered no attraction to the bulk of local savers.

4. The creation of the Casablanca stock exchange

The problem for the government, then, was so to reorganize the OCVM that it could be useful in the new conditions. In practice this meant establishing a stock exchange in the true and full sense of the word. But there was the prior and by no means easy question whether the Moroccan context was such as to make an institution of this kind at all viable and whether the foreseeable results warranted the necessary expenditure.

Since the local business community showed no interest whatever in the matter, decisions, had to be taken on other grounds. Saving appeared to be growing throughout the economy, with confidence in the new nation re-established; foreign capital was coming back as soon as economic recovery set in, and the country badly needed a capital market to meet the high financial requirement of new investment projects. One of the determinate factors, finally, was the then fairly deep-rooted conviction that Morocco, set as it was on the road to economic planning, had to have some of the institutions possessed by those countries whose development strategies and practices it was proposed to emulate.

Table 2

GROSS SECURITY ISSUES, 1971 to 1977
(Million dirhams)

	1971	1972	1973	1974	1975	1976	1977
Government stock up to 5 years	44	84	24	68	40	46	69
Medium-term government stock and bonds	84	123	153	97	227	1,222	405
of which: 15-year bonds	(45)	(90)	(107)	(35)	(150)	1,125	(271)
Government-guaranteed semi-public issues	55	30	135	218	230	185	270
(1) Total fixed-interest security issues	187	237	312	383	497	1,453	744
(2) Total corporate issues (*)	277	356	481	974	1,050	773	1,493
of which:							
(Capital increase) (A)	(188)	(277)	(332)	(725)	(802)	(575)	(886)
(Foundation of companies) (B)	(89)	(79)	(149)	(249)	(248)	(198)	(607)
(Gross capital increase) (A + B)	(277)	(356)	(481)	(974)	(1,050)	(773)	(1,493)
(Capital reductions) (C)	(- 45)	(- 59)	(- 64)	(- 86)	(- 45)	(- 85)	(- 71)
(Net capital increase) (A + B + C)	(232)	(297)	(417)	(888)	(1,005)	(688)	(1,422)
(1) + (2) = Total issues	464	593	793	1,357	1,547	2,226	2,237
Annual rate of increase (per cent)	- 30.5	+ 27.8	+ 33.7	+ 71.1	+ 14.0	+ 43.9	+ 0.5

(*) Including foundation of new companies and capital increases without new security issues.

Source: Banque du Maroc, *Rapport pour l'exercice 1975*, p. 125-126, *Rapport pour l'exercice 1976*, p. 117 and 119.

This was the background of a decision which found expression in a law dated 14 October 1967, which abrogated the statute of the *Office de Cotation des Valeurs Mobilières* and established the Casablanca Stock Exchange⁷. Legal and administrative details were filled in by another Royal Decree setting out rules for the organization and working of the stock exchange⁸, and by the finance Ministry's approval of the stock exchange regulations⁹.

Formally, the new institution was charged only with the implicit task of making arrangements for efficient and regular trading in securities¹⁰. Most realistically,

7 *Décret royal n. 494-67 du 14 novembre 1967 portant loi relatif à la Bourse des Valeurs.*

8 *Décret royal n. 495-67 du 15 novembre 1967 relatif à l'organisation et au fonctionnement de la Bourse des Valeurs.*

9 *Arrêté du Ministre des Finances n. 555-68 du 19 septembre 1968 portant approbation du règlement intérieur de la Bourse des Valeurs.*

10 There are many statements on record which attribute much wider purposes to the stock exchange (see, for example, *Bourse des Valeurs de Casablanca, Note sur l'évolution de la bourse, 1973-1977*, p. 1), but none of these is anchored in law or in any administrative regulation.

the legislator refrained from assigning to the stock exchange functions which normally do not belong to such an institution and which it would have found difficult to discharge. This approach contrasts with what was done in Tunisia ¹¹ and, in a more co-ordinated manner, to some extent in the Ivory Coast ¹², where the stock exchange has wide-ranging responsibilities with regard to the whole capital market.

In practice, the chief role of the stock exchange in Morocco, too, is to help companies to raise funds. This is of course typically the function of a primary market, but also one in which the stock exchange can be of signal use in so far as it admits new security issues and facilitates their circulation.

As regards the primary market itself, it must be pointed out that the law fails to deal effectively with either its legal statute or its organizational structure. There is, as we shall see presently, no mechanism for placing new issues among the public. Moreover, the regulations governing the new issue market are fragmentary and partial, and go back to colonial times. Bond issues, it is true, have to be notified in advance to the Ministry of Finance, which thereby gains some influence both on their timing and on the rate of interest payable to subscribers ¹³, but equity issues carry no obligation other than publication in the *bulletin officiel* of a notice in specified form ¹⁴. The new issue market, therefore, largely escapes unitary control and co-ordination, and gives the monetary authorities little scope to exercise any influence. In Morocco, as in the Tunisia and the Ivory Coast ¹⁵, the new issue market appears to be somewhat neglected in comparison with the secondary market. It would be well to make good this shortcoming as soon as possible.

One interesting difference from the Ivory Coast is that when the stock exchange was set up in Morocco, the law laid no duty of Moroccanization upon it. In practice, when a new company is listed, share subscription is normally reserved for

11 A. Calamanti, *op. cit.*

12 See A. Calamanti, « The Abidjan Stock Exchange », *Savings and Development*, No. 2, 1980.

13 *Dahir du 30 août 1946*. Bond issues by banks need the Ministry's prior approval, and notice of all bond issues has to be published in the *Bulletin officiel* (*Dahir du 11 août 1933*).

14 *Dahir du 11 août 1932*.

15 See A. Calamanti, « The Tunis Stock Exchange », *op. cit.* and « The Abidjan Stock Exchange », *op. cit.*

persons of Moroccan nationality. But this has reasons which have nothing to do with the stock exchange as such. There is other legislation concerned specifically with strengthening the native element in the conduct of economic affairs; this dates back to 1973, and fixes a deadline of 31 May 1974 for certain activities, and of 31 May 1975 for others¹⁶. It is probably this 1973 legislation which is having indirect effects on the stock exchange, rather than the stock exchange itself being used as an instrument of Moroccanization.

5. The status and organization of the Stock Exchange

The transformation of the *Office de Cotation des Valeurs Mobilières* into a stock exchange involved a reorganization under public law with its own legal personality and financial autonomy.

As such, the stock exchange is subject to the supervision and control of the Minister of Finance, who appoints a Government Commissioner responsible for making sure that transactions are according to rule and that the decisions of the competent authorities are carried out. In addition he has advisory functions, has a veto power on decisions as to what securities are to be admitted to quotation (or struck off), and takes part in the meeting of the bourse's governing bodies¹⁷. All this gives him effective powers of supervision and control.

For the rest, the conduct of bourse's affairs is in the hands of

- (1) the Board of Directors (*Conseil d'Administration*)
- (2) the Technical Committee (*Comité Technique*)
- (3) the Managing Director (*Directeur*).

The *Board of Directors* has ten members¹⁸ meeting under the chairmanship of a

16 *Dahir portant loi n. 1-73-210 du 2 mars 1973 relatif à l'exercice de certaines activités; Dahir portant loi n. 1-73-339 du 7 mai 1973 modifiant le Dahir portant loi n. 1-73-210 du 2 mars 1973 and Décret n. 2-73-220 du 8 mai 1973 pris pour l'application du Dahir portant loi n. 1-73-210 du 2 mars 1973.*

17 On the Government Commissioner's powers and duties see *Décret royal n. 494-67, cit., art. 11; Décret royal n. 495-67, cit., art. 5, and Arrêté du Ministre des Finances n. 555-67, cit., art. 3 and 5.*

18 Board members represent, respectively, the Central Bank, the *Caisse de Dépôt et de Gestion*, the *Banque Nationale pour le Développement Économique*, the *Société Nationale d'Investissement*, the Bankers' Association, the Federation of Insurance Companies, the stockbrokers, and the Federation of Chambers of Commerce.

representative of the Finance Minister. It is responsible for the administration of the stock exchange, including approval of the balance sheet, personnel matters, and the purchase or sale of real property as well as of major items of equipment.

The *Technical Committee* has wide-ranging powers pertaining to the organization and working of the stock exchange. It controls and supervises the activities of stockbrokers, and is responsible for making sure that transactions are according to rule and that the apposite laws and regulations are strictly applied. It also has limited advisory functions vis-a-vis the Finance Ministry, and decides what securities are to be admitted to official quotation, or struck off.

The composition of the Technical Committee is open to the critical comment that it does not fully represent all the parties to which the stock exchange may be of interest. There is one representative each of the Central Bank, the *Société Nationale d'Investissement*, the Stockbrokers' Association, the Moroccan Federation of Insurance Companies and the Bankers' Association, but none to speak for the interests of issuing companies or of investors, who surely ought to have a voice on the Committee.

The *Managing Director*, finally, takes care of day-to-day management of the stock exchange, examines requests for admission to quotation, and may, by delegated authority, exercise some of the functions normally incumbent upon the Board or Directors.

Stockbrokers on the Casablanca stock exchange have the exclusive right of transactions in listed securities and in others traded on the stock exchange, as well as of the (now compulsory) registration of direct deals. Brokers are appointed by decree of the Finance Minister acting upon advice from the Technical Committee, and have a monopoly position. They are directly responsible for the legality of their transactions and may not buy or sell on their own account. In addition to keeping regular account, they have to lodge with the Treasury deposit in cash or securities as coverage for all their commitments.

All stockbrokers must belong to the Stockbrokers' Association and must contribute to a joint guarantee fund, which backs up individual surety deposits.

In Morocco, stockbrokers may be individuals or companies. If they are individuals, they must be over 30 years of age, have Moroccan nationality and be in full enjoyment of their civic rights. Corporate brokers are either banks or brokerage companies. The latter must have the status of either a limited liability com-

pany or a limited partnership, their capital must not be less than a specified amount ¹⁹, and they may act as intermediaries only on the official market ²⁰.

At present, fourteen brokers are authorized members of the Casablanca stock exchange — all of them banks ²¹, except for the *Société de Courtage en Valeurs Mobilières* (SOMACOVAM) which is a brokerage firm set up, as we shall see, by the *Société Nationale d'Investissement* for the specific purpose of invigorating the market.

There is not a single individual among authorized stockbrokers, for the same reasons as in Tunisia ²². In Morocco, however, the bourse authorities did try to secure the participation of individual brokers, but without any success.

6. Trading arrangements

Following the tradition of the *Office de Cotation des Valeurs Mobilières*, the Casablanca stock exchange holds daily sessions, except Saturdays, Sundays and holidays. All transactions are in cash and this tends to discourage speculators; but the law of 1967 does not actually rule out later settlement, contrary to the previous prohibition of time bargains.

Further obstacles are put in the way of speculation by the rule that prices must not vary by more than 5 per cent from one session to the next ²³. As in Tunisia, this retraction may adversely affect the negotiability of securities and may make stock exchange prices less representative. The system is unduly rigid and there is a case for abolishing the fixed margin of price fluctuation; instead, the bourse authorities might be given powers of intervention to be exercised, at their discretion, whenever warranted by the trading conditions of any particular security or the state of the market as a whole ²⁴.

19 At present, the minimum capital is 50,000 dirhams.

20 For the other rights and duties of stockbrokers see *Décret royal n. 494-67, cit.*, art. 14-27.

21 Banks previously acting as intermediaries on the OCVM were admitted as stockbrokers upon their simple request. (*Décret royal n. 494-67, cit.* art. 28).

22 A. Calamanti, « The Tunis Stock Exchange », *op. cit.*

23 *Arrêté du Ministre des Finances, n. 555-68, cit.*, art. 18.

24 In effect, the Managing Director already has powers to intervene in any case of excessive price movements. He can suspend cash dealings and insist on buying and selling orders being matched on the *marché à l'opposition* (see below). (*Arrêté du Ministre des Finances n. 555-68, cit.*, art. 12).

As regards the nature of the transactions by which securities change hands, direct deals remain permissible as they were before the establishment of the stock exchange. Knowing that these cannot be effectively controlled anyway the authorities wisely refrained from prohibiting them and merely require their registration via a stockbroker.

Stock exchange regulations, then, are in several respects more realistic in Morocco than they are in Tunisia. This is reflected, too, in the more sophisticated structure of the secondary market, designed to respond flexibly to the need and wishes of those who do business on the stock exchange. Dealing may take place in any of five separate market compartments:

- (1) *marché à la criée*
- (2) *marché à l'opposition*
- (3) *marché hors cote*
- (4) *marché hours tout*
- (5) *marché des cessions directes.*

The *marché à la criée* is for all officially listed ²⁵ variable-yield securities, which to all intents and purposes means shares and option rights. Deals are by auction on the basis of the previous session's closing price, subject to the permissible margin of daily fluctuations.

The *marché à l'opposition* is available for bargains in all fixed-interest securities and in those variable-interest ones not traded by auction. It works as follows: Every broker notes the orders he receives on a loose card, in duplicate, and places one copy of it in a box ²⁶. Once all the cards are assembled, bourse personnel cross, or match, the bids and offers, sorting them out in specified order: first those given « at best », then those for which a fixed price limit ²⁷ is stipula-

25 Newly listed shares are dealt with only on the *marché à l'opposition* during the first two sessions following their listing (*Arrêté n. 555-68, cit., art. 9*).

26 The second copy goes to the Managing Director.

27 The meaning of « at best » and fixed price orders is explained as follows: « L'ordre au mieux est celui par lequel le donneur l'ordre ne fixe aucun cours pour l'exécution, achat ou vente; il est exécuté au premier cours qui suit sa réception.

L'ordre à cours limité est celui pour lequel le donneur l'ordre fixe le cours au dessus duquel il n'est pas acheteur et au dessous duquel il n'est pas vendeur; lorsque le cours fixé est simplement atteint, l'exécution ne peut être exigée ». (Paul Decroux, *op. cit.*, p. 320).

ted, in decreasing order for purchases and in increasing order for sales. Prices are made by bourse officials, with the Managing Director ultimately responsible. Taking the last session's closing price as a basis, the quotation is adjusted in accordance with the orders at hand. Once the price is established, securities on offer are distributed among brokers in proportion to their buying and selling orders ²⁸.

The *marché hors cote* is an unofficial market for securities which are not listed but traded fairly frequently, and its purpose is to mature them with a view to subsequent admission to quotation.

The *marché hors tout* takes care of the rest, that is, dealings in any security neither listed nor traded on any of the above markets. Transactions here are subject to the special rule that broker must submit to the Managing Director such documentation as enables him to assess the real asset value of the securities concerned. While this rule helps in supervising transactions and in checking the genuineness of prices, it is rather onerous and as such may obstruct the growth of the market.

That the secondary market of the Casablanca stock exchange also has a section for *direct deals* goes almost without saying. Sales by private treaty are permissible and most often involve the block transfer of majority stakes by prior agreement between the buyers and sellers, and, so far as is known, account for a large volume of total business, both in relative and in absolute terms ²⁹. Although these deals do not go through the stock exchange, they are known to it thanks to their compulsory registration by a broker.

So much for actual trading arrangements on the Casablanca stock exchange. There is one more detail to be mentioned here, namely, the rules governing the official listing of securities. Government and government-guaranteed stocks and mortgage bonds are admitted to quotation as of right. Other securities, notably corporate bonds and shares, are admitted to quotation by decision of the Bourse Committee, after the Managing Director has examined the documentation which must accompany any request for listing. The document required are:

- a) a copy of the applicant company's articles of association as well as balance sheets and company reports for the last three financial years;

28 Paul Decroux, *op. cit.*, p. 319.

29 See below, section 3.2.

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- b) a memorandum supplying information on the company, its past performance and its plans for the future;
 - c) a list of directors and shareholders, and details of actual shareholdings;
 - d) a number of other documents.

The applicant company must, moreover, undertake to make available to the public shares corresponding to at least 20 per cent of its authorized capital³⁰ and to establish the initial offer price in agreement with the bourse authorities. Subscriptions are, of course, reserved for individuals of Moroccan nationality, subject to a maximum limit per person. At the first two bourse sessions following their listing, shares are dealt with by matching bargains.

All in all, these rules are much the same as in most other countries. The one special feature in that, since the price at which shares are offered to the public must be agreed with the bourse authorities, this placing price tends to be fixed slightly below the shares' real value. The intention of this practice is to help new shares to be placed widely among the public, but it also has undesirable side effects and creates a number of problems, which will be discussed later.

7. The securities market in Morocco since the establishment of the Casablanca stock exchange

Having described the origins and the institutional aspects of the Casablanca stock exchange, it remains to discuss its fortunes in the ten years since its inception.

In order to see the bourse's activities in their broader context, we shall first consider the structure and development of the primary, or new issue, market, and then the secondary market and the results achieved by the establishment of the stock exchange. The discussion will have to be mainly in qualitative terms, since there is not enough statistical information for satisfactory empirical verification. But this is no serious handicap, for the matters to be discussed are sufficiently well defined not to require detailed quantitative proof.

³⁰ A lower percentage may be established by agreement with the Bourse Committee.

8. The new issue market

Compared with such bourses as exist in other French-speaking countries of Africa, the Casablanca stock exchange is structurally more diversified, in so far as the bond section, while a good deal smaller than the equity section, is definitely more developed than elsewhere (Table 2).

But the difference is on the whole only a formal one and has to do almost entirely with the primary market, in so far as both demand and supply in the new issue market for fixed-interest securities are largely institutional and as such constitute a sort of privileged financial circuit of their own.

Apart from its larger size, the bond market in Morocco differs little from those in Tunisia and in Ivory Coast. Bonds are placed with institutional investors and issued either by the state or, to a lesser extent, by a few semi-public financial institutions; barring two exceptions, there are no non-financial corporate bonds at all.

On the side of the demand for funds, the state regularly issues medium-and long-term bonds³¹; in addition, loans are floated sporadically by (1) the *Crédit Immobilier et Hôtelier* (which finances real estate and tourism), (2) the *Compagnie Générale Immobilière* (a public corporation concerned with real estate and building); (3) the *Banque Nationale pour le Développement Economique* (the National Development bank, which finances, among others, the foundation of small businesses); (4) the *Caisse Nationale de Crédit Agricole* (a semi-public credit institute for agriculture); (5) the *Office Nationale d'Electricité* (the public Electricity Generating Board), and by three companies, namely (6) *Céllulose du Maroc*, (7) *Société Minière et Métallurgique*, and (8) *Société Marocaine de Distribution d'Eau, de Gaz et d'Electricité*. The last-named few come to the market quite infrequently, and in some cases their last issues date several years back³².

31 Short-term government paper is not considered here; it is entirely taken up by banks.

32 It is worth mentioning that index-linked bonds were issued in the past, but actually only in three cases: (1) an issue of *parts de production de l'Energie Electrique du Maroc*, with both capital value and interest rate linked to the average price of one kwh of energy; (2) a 1952 loan issue by *Auto-Marocaine*, index-linked to changes in the wholesale price of certain products; (3) a public loan issued in 1952 with a 4½% coupon, its capital index-linked to the price quoted on the open market in Paris for 20-franc gold coins. But these bonds were taken up entirely by a few institutional investors and very few people were involved. (P. Decroux, *op. cit.*, p. 208).

In Morocco, as in Tunisia, companies do not raise loan funds on the capital market, but prefer to borrow from banks and other financial institutions. This has two partly interacting reasons. First, companies lack expertise in the techniques of financial management, in part for internal reasons, and in part because of external or institutional factors. Secondly, the market itself lacks adequate official regulation and, in the absence to indirect credit is easier.

Moroccan company law, indeed, is silent on several important points. It deals less than tully with the conditions of access to the capital market, and not at all with some categories of securities, such as convertible bonds. Reputedly, however, the Finance Ministry are preparing a decree-law allowing, and indeed encouraging, companies to issue convertible and other bonds.

As for arrangements for placing bonds, it has already been mentioned that the country lacks specialist intermediaries in this field, while the banks make little effort to fill the gap, and indeed have little incentive to do so. Issuing syndicates for corporate bonds are quite unknow; government stock is taken care of by the central bank, and other issuers — the semi-public corporations mentioned above — make use of the *Caisse de Dépôt et de Gestion*³³. The only exceptions are the loan of the *Banque de Développement Economique*, in 1972, and that of the *Crédit Immobilier et Hôtelier*, in 1974, where the issuers made their own arrangements.

This state of affairs, which is largely due to the passive acceptance of the institutional character of the demand for bonds, explains both why companies make so little use of the new issue market and why the public at large takes so little part in loan subscriptions. This last point is confirmed, from the opposite viewpoint, by the striking success of the Sahara Loan, floated in 1976 to finance the development of the Sahara regions³⁴. For the first time, on this occasion, the loan issue received wide publicity and arrangements were made for subscriptions to be accepted not only by the Teasury, but also by banks and other financial institutions. The results exceeded all expectations, no doubt to some extent also thanks to the spirit of national solidarity aroused by the purpose of the loan. The

33 For a description of the *Caisse de Dépôt et de Gestion* see below.

34 On the terms and conditions of this loan see Bourse des Valeurs de Casablanca, *Note sur la cotation éventuelle de l'Emprunt National du Sahara au marché boursier* (typescript).

issue was greatly oversubscribed, and initial sales were widely distributed among individual investors and small savers.

But apart from that one case, nothing has changed in the structure and working of the least because of the high rate of inflation and of the low yield of fixed-interest securities³⁵, prefer to keep their money in bank deposits, to buy property, or to acquire equities for speculative purposes³⁶.

Demand for bonds remains limited to institutional investors. What is worse, there are few of them, their demand is in no way diversified and claims upon them are pressing to all intents and purposes institutional investors are insurance companies plus in a residual manner, the *Caisse de dépôts et de gestion*.

Insurance companies invest a high proportion of their technical reserves³⁷ in securities — sometimes because they choose to, but a large extent compulsorily.

There are statistics only on portfolio holdings (Table 3-3 bis), but even these make it clear how strongly and in a sense continuously insurance companies support the market in fixed-interest securities³⁸. The direct portfolio investments of individual insurance companies do not, of course, tell the whole story; to them must be added the holdings of the *Société Centrale de Réassurance* (SCR) against reinsurance premium³⁹.

35 The differential between average bond yields (about 6 1/2%) and the rate paid on time deposits is virtually nil for maturities between 6 and 12 months, and for those over 12 months is actually negative. The present range of compulsory borrowing rates for banks, introduced by the monetary authorities in 1978 with the intent of encouraging saving, is as follows: 3% for deposits tied for one to three months; 4 1/2% for three to six months; 6% for six to twelve months; 7% for twelve to eighteen months; and 8% for eighteen to twentyfour months. For deposits tied for more than two years the rate of interest is free.

36 See below, p. 16.

37 Rules for the use of the technical reserves are laid down in *Arrêté du Directeur des Finances du 3 décembre 1941*, subsequently amended by orders dated 28 October 1949, 14 August 1951, 30 December 1954, 18 April 1958, 3 March 1959, 16 June 1961, 29 July 1964 and 24 March 1965.

38 For more detail on the insurance companies' operations on the securities market see Ministère des Finances, *Compte-rendu de l'activité des entreprises d'assurances et de réassurances*, Rabat, various years after 1970.

39 These correspond roughly to 6 per cent of the amounts shown in Table 3 as credits to the Central Reinsurance Company.

Table 3

INVESTMENT OF INSURANCE COMPANIES' TECHNICAL RESERVES AND ITS COMPOSITION, 1967 to 1976

(Amounts in million dirhams)

Types of assets	1967	%	1968	%	1969	%	1970	%	1971	%
A. Assets subject to no limitation										
Long-term government stock							295	28.75	294	25.00
Bons d'équipement and medium-term stock							142	13.84	119	10.12
Treasury Bills							49	4.77	32	2.72
Securities of public corporations and concessionary companies							80	7.80	78	6.63
Bonds of <i>Crédit Immobilier et Hôtelier</i>							21	2.05	27	2.30
Government-guaranteed bonds							21	2.05	25	2.12
Miscellaneous securities							(0.02)	—	—	—
Credits to <i>Société Centrale de Réassurance</i>							54	5.26	63	5.36
Others							9	0.88	4	0.34
Companies in liquidation							—	—	(a) 96	8.16
Total A	481	57	537	63	559	58	671	65.40	738	62.75
B. Assets subject to limitation										
Buildings	(76)		(72)		(68)		82	7.99	76	6.47
Listed securities	...		...		...
Cash	...		...		...
Others	...		...		...		273	26.61	362	30.78
Companies in liquidation	...		...		...
Total B	365	43	316	37	398	42	355	34.60	438	37.25
Grand total A + B	846	100	853	100	957	100	1,026	100	1,176	100

(a) Including corresponding assets in category B

... = Not known

Source: Ministère des Finances, *Compte-rendu de l'activité des entreprises d'assurance et de réassurances*, various years (for the period 1970-1975), and direct information from the Finance Ministry (for 1967, 1968, 1969 and 1976).

More important still, and indeed essential, is the part played by the *Caisse de Dépôt et de Gestion* (CDG). This is a public financial institution in charge of the administration and management of the funds accruing to the *Caisse Nationale d'Epargne*, of a number of surety deposits, and of the security holdings and liquid assets of several local authorities ⁴⁰.

40 For the functions of the CDG and for rules governing its activities as an intermediary especially for local authorities, see *Dahir n. 1-59-074 du 10 février 1959* and *Dahir n. 1-59-420 du 6 février 1960*.

The CDG often acts as residual subscriber of an issue and invests at least half its deposits on the stock market, where it subscribes anything between 20 and 47 per cent of gross new issues (Table 4), and on the secondary market, where it tries to smooth out the pressures of demand and supply ⁴¹.

Table 3 bis

Type of assets	1972	%	1973	%	1974	%	1975	%	1976	%
A. Assets subject to no limitation										
Long-term government stock	349	28.01	337	23.90	312	21.32	352	20.69	451	
Bons d'équipement and medium-term stock	107	8.59	105	7.48	64	4.37	45	2.67	17	
Treasury Bills	43	3.45	15	1.08	39	2.66	24	1.46	20	
Securities of public corporations and concessionary companies	67	5.38	44	3.15	53	3.64	40	2.35	39	
Bonds of <i>Crédit Immobilier et Hôtelier</i>	19	1.52	33	2.36	62	4.30	129	7.58	121	
Government-guaranteed bonds	27	2.17	66	4.69	131	8.95	131	7.69	161	
Miscellaneous securities	—	—	—	—	(0.55)	(0.04)	—	—	—	
Credits to <i>Société Centrale de Réassurance</i>	74	5.94	89	6.32	107	7.29	169	9.94	145	
Others	18	1.44	3	0.18	8	0.54	10	0.60	...	
Companies in liquidation	(a) 117	9.39	59	4.19	47	3.22	34	1.99	67	
Total A	821	65.89	751	53.36	823	56.28	934	54.97	...	
B. Assets subject to limitation										
Buildings	91	7.30	104	7.36	128	8.72	144	8.44	...	
Listed securities			167	11.88	127	8.69	160	9.42	...	
Cash	334	26.81	161	11.44	190	12.98	241	14.21	...	
Others			180	12.81	160	10.91	175	10.26	...	
Companies in liquidation			44	3.16	35	2.42	46	2.70	...	
Total B	425	34.11	656	46.64	640	43.72	766	45.03	...	
Grand total A + B	1,246	100	1,407	100	1,463	100	1,700	100	...	

(a) Including corresponding assets in category B

... = Not known

Sources: Ministère des Finances, *Compte-rendu de l'activité des entreprises d'assurances et de réassurances*, various years (for the period 1970-1975), and direct information from the Finance Ministry (for 1967, 1968, 1969 and 1976).

A complete list of bond investors must include also the banks and the *Société Nationale d'Investissement*, but the amounts involved are very small. The banks use their money predominantly for commercial credit, and the SNI, as we shall see, invests mostly in equities and only occasionally in bonds.

Something should be said, finally, about the overall volume of bond issues.

⁴¹ On the purposes and methods of CDG intervention on the stock market, see Caisse de Dépôt et de Gestion, *Exercice 1973*, p. 41, *Exercice 1974*, p. 33-37, *Exercice 1976*, p. 40-48.

But available data refer only to gross issues (Table 2) and, without knowledge of the flow of repayments, it is impossible to come to any meaningful conclusions or, even less, to quantify the net amount of financial resources raised annually on the bond market. It can be pointed out, however, that in the period 1971-1977 new bond issues in nominal terms rose considerably, if discontinuously; overall, they increased fourfold within six years and in 1976, when the Sahara Loan was floated, reached hitherto unknown heights. But the figures look a good deal less impressive if account is taken of inflation, which indeed almost halves them ⁴². The final verdict remains: the market is small and undiversified, and its growth prospects are limited.

Turning now to the equity section of the market, let us first look at the demand for funds and its composition. Overall, the amounts raised by share issues have been increasing quite considerably, with a setback only in 1976 (see Table 2), when the Sahara Loan mopped up the bulk of investable funds ⁴³.

Roughly one third of share issues is connected with the foundation of new companies, the rest represents capital increases, in part — and sometimes in large part — by listed companies ⁴⁴. There is good reason to think that the establishment of the stock exchange did a good deal to stimulate the supply of new share issues, especially from 1973 on ⁴⁵. Even so, it is widely felt that there are still not enough equities to satisfy the market's absorptive capacity and to enlarge it ⁴⁶. It must be remembered that shares issued when new companies are constituted are usually taken up by the founders and that the greater part of capital increases come from unlisted companies or from family enterprises reluctant to admit new shareholders. In these circumstances only a small proportion of total new share issues is offered to the public.

42 According to International Monetary Fund Statistics, the Moroccan currency lost roughly 60 per cent of its purchasing power during the period under consideration.

43 In real terms, the volume of share issues, like that of bond issues, is much smaller.

44 Société Nationale d'Investissement, *Exercice 1974*, p. 4, *Exercice 1975*, p. 10, *Exercice 1976*, p. 11, *Exercice 1977*, p. 14.

45 As a result mainly of the implementation of the five-year plan 1973-1977 and of the activities of the SNI (see Bourse des Valeurs de Casablanca, *Evolution du marché financier durant les années 1973-1977*, typescript, p. 5-6).

46 See Bourse des Valeurs de Casablanca, *op. cit.*, p. 19.

This state of affairs has its origin in the very structure of the Moroccan economy, with its prevalence of small and medium-sized enterprises. The situation is hard to improve, therefore; the only thing that can be done is to encourage such companies as have the required qualifications to accept new shareholders and to seek a stock exchange listing.

Table 4

SECURITY TRANSACTIONS BY THE CAISSE DE DEPOT ET DE GESTION, 1972 TO 1977
(Million dirhams)

Transactions	1972	1973	1974	1975	1976	1977
1. Fixed-income securities						
Subscriptions:						
Government stock up to 15 years and Treasury Bills up to 5 years	48.72	55.24	12.00	79.17	149.00	165.61
Semi-public sector bonds and bonds of <i>Crédit Immobilier et Hôtelier</i> and <i>Compagnie Générale Immobilière</i> up to 5 years	13.85	40.91	97.28	100.50	140.17	181.72
Total subscriptions	62.57	96.15	109.28	179.67	289.17	347.33
(per cent of gross issues)	(25.6)	(30.8)	(28.5)	(36.2)	(19.9)	(46.7)
Purchases: Government stock	0.03	0.38	0.10	0.02	—	...
Semi-public sector bonds	0.01	0.01	3.73	—	0.31	...
Total purchases	0.04	0.39	3.83	0.02	0.31	...
Sales: Government stock	—	—	—	—	—	...
Semi-public sector bonds	-0.08	-0.28	-0.04	-0.31	—	...
Net acquisitions	62.53	96.26	113.07	179.38	289.48	...
2. Shares						
Subscriptions	0.51	0.01	0.39	2.71	0.27	0.64
(per cent of total issues)	(0.2)	(0.002)	(0.04)	(0.3)	(0.04)	(0.04)
Purchases	0.58	0.66	1.58	2.60	0.01	...
Sales	-0.10	-0.03	-0.80	0.65	—	...
Net acquisition	0.99	0.64	1.17	4.66	0.28	...
Total investment in medium- and long-term securities	63.52	96.90	114.24	184.04	289.76	...

... = Not known.

Source: Caisse de Dépôt et de Gestion, *Exercice 1976*, p. 48 (for the years 1972 to 1976), and direct information from the CGD (for 1977).

But no adequate measures seem to have been taken to this effect. The only noteworthy response comes from the *Société Nationale d'Investissement* (SNI), a holding company in mixed public and private ownership set up in 1966 to manage state shareholdings and to transfer some of them to private hand, as well as

to invigorate and regularize the stock market⁴⁷. The SNI is doing much to widen the circulation of shares and to lengthen the official list. It not only sells back shares to private investors, but takes steps to get the companies in which it holds a stake listed on the stock exchange, as and when they fulfil the required conditions⁴⁸. This cannot be done, of course, for all the companies in the SNI's stable, especially when there are foreign shareholders who may not wish to sell any of their shares on the local stock exchange because there are restrictions on transferring the proceeds. Other difficulties arise when the sale of shares to private investors would cause the SNI to lose its controlling majority, to the detriment of the small investors whose interests it indirectly safeguards.

Both the above difficulties can be overcome by means of capital increases which existing shareholders agree not to take up; but this naturally depends upon the prospects and the rate of growth of the companies concerned, and results can be expected only in the medium or long run.

This is a problem which affects virtually the whole of industry, since there are very few companies large enough to make room for a lot of new shareholders, or indeed to fulfil the conditions for admission to quotation. And even among those few, hardly any apply for stock exchange listing on their own initiative, barring

47 The reason why it was felt necessary to set up this company was that in the years immediately following independence the government had to intervene on a large scale in industry to make good the fall in private investment. The state in this way acquired so many participations that some of them had to be returned to private hands in order to create a sound base for an economic system of liberal type. In addition, the collapse of the OCVM left an institutional vacuum which had to be filled so as to give new life and sustenance to the stock market and to promote the mobilization of savings and their investment in stocks and shares.

This is how the SNI came to be set up in 1966, by a special law which also governs investment trusts. Its initial capital was provided entirely by the state and a few public corporations, but subsequently insurance companies, banks and private investors also acquired shareholdings, which now amount to about 20 per cent of the capital. The SNI's activities have proved rather fruitful, especially in the following fields: (a) the creation and nursing along of medium-sized enterprises; (b) the acquisition, management and, in some cases, resale of equity holdings; (c) the public sale of stocks and shares, portfolio management and operations on the secondary market; (d) stock exchange intermediation via SOMACOVAM; (e) obtaining stock exchange listing for the companies in which the SNI holds a stake.

48 As of the end of October 1977 the SNI had obtained a listing for seven companies, and had request it for another three.

those prompted by the SNI to do so⁴⁹. The reason seems to be, as was mentioned before, that companies do not like losing their family character and that they prefer to raise such funds as they need from other sources.

The conditions for stock exchange listing are by no means exacting, but companies may be deterred from applying by the requirement that at least 20 per cent of their shares must be in circulation, for that may mean they must either increase their capital or sell to the public part of their outstanding equity at a price agreed with the bourse authorities and usually lower than the shares' real value. This means an at least potential loss for existing shareholders, who are not always willing to incur it⁵⁰.

The purpose of this system, it will be recalled⁵¹, is to spread share ownership among Moroccan private investors, who alone are entitled to subscribe up to a certain maximum per head. But it does not always seem to work out that way.

What happens in practice is that a public offer of shares usually generates strong demand and is successful. But within three or four months, when the share price rises as expected, many of the subscribers sell their shares for purely speculative reasons (which in fact are encouraged); these shares then end up in the portfolio of institutional investors where they remain. Stocks in circulation diminish and the initial results are wiped out.

In the light of these experiences it would perhaps be well to discard this particular incentive and adopt others, such as tax relief for some categories of investors subject to their holding the shares for a specified minimum period.

Similar concessions might be made also to issuing companies, which now usually have to bear the cost of implementing a government policy which in any case yields scant results.

In addition to such measures steps should be taken to improve placing tech-

49 For the sake of the record, it should be mentioned that the stock exchange has, in very rare cases, received requests for listing from companies which do not fulfil the required conditions.

50 This view was confirmed, among others, by a bank executive, on the basis of what was said to him by several businessmen among his clients, who might have been involved in such an operation. There are known cases of companies asking for a listing and then withdrawing their request because they found the stipulated offer price to the public unacceptable.

51 See p. 10 above.

niques⁵² and to overhaul company law, especially as regard the rules governing the issue of various types of shares.

So much for the demand for venture capital. It remains to say something about its supply, a subject on which there are neither statistics nor indeed statistical estimates. The information that follows is based entirely on talks with bourse officials and with representatives of other interested bodies. They speak from past experience and all take broadly the same view of the changes of placing share issues, but the information must be taken with due reservations.

It would appear that the bulk of shares is in the hands of the issuing companies' owners and of a few institutional investors. The volume of equities in circulation and effectively disposable for stock exchange transactions is very small. My informants estimate that at least 40 per cent of existing shares are held by company partners, about 30 to 35 per cent by institutional investors and the rest by private and other corporate investors.

With the Moroccanization of economic activities individual investors⁵³ now hold a bigger proportion of the total than they used to, but still probably not more than 10 per cent. This category of shareholders is made up of very many individuals, mostly small middle-class savers⁵⁴ living in the largest towns (Rabat and Casablanca).

Outstanding among institutional investors are insurance companies and the *Caisse de Dépôt et Gestion*, which is of far from negligible importance, even though it is less active in the equity than in the bond market. The market's growth is sustained, too, by the SNI and by the private investment trusts which sprang up in the early seventies⁵⁵. Some of these have already obtained a bourse listing and are fairly active in their respective fields of investment⁵⁶.

52 At present, subscriptions are handled by the issuing company's bank, which sometimes also takes care of the request for stock exchange listing.

53 That is, persons holding shares for purposes of portfolio investment.

54 The wealthier classes are distinguished by their absence. The rich on the whole seem to think the local stock exchange offers too little choice and prefer to put their money into real estate or other types of assets.

55 To wit, *Société Epargne Croissance*, *Société d'Epargne Mobilière* and *Société Epargne Rendement* set up in 1973 on the initiative of the SNI in association with some banks and insurance companies, as well as *Maroc Investissement*, established in 1974 by the *Banque Marocaine pour le Commerce et l'Industrie*.

56 Details of the holdings of the *Société Epargne Croissance* and the *Société d'Epargne Mobilière SEM Magreb* can be found in P. Decroux, *op. cit.*, p. 306-309.

Altogether, then, the primary market in equities is smaller than it potentially could be. Its growth is hampered by a number of bottlenecks, the worst of which occur in the supply of new shares. There simply are not enough new issues to feed into the secondary market.

Distortions on the side of the supply of funds are less of a hindrance at present, but are bound to become glaringly obvious just as the volume of new issues increases. There is every reason to think that so long as the supply of funds remains as undiversified as it is now and the number of individual investors so small, there will remain also a strict limit to the growth of the primary market, to any intensification of trading, and to the expansion of stock exchange business as a whole. A case in point is the setback suffered by the equity section of the market following the launching of the Sahara loan.

Possible remedial measures will be suggested later, but it can be stated right away that some of them will be difficult to apply and cannot be expected to yield quick results.

9. The secondary market

Transactions on the stock exchange may be discussed in terms either of the category of securities traded, or of the manner in which deals are struck. As regards the first aspect, the secondary market in Morocco is concerned almost exclusively with equities, which account on average, for 97 to 99 per cent of annual turnover. In the bond market, demand is so highly institutionalized that stock hardly ever changes hand, and indeed in the last few years the value of bond deals has been down to between 0.2 and 0.4 per cent. of the total (Table 5).

These figures confirm the validity of what was said earlier about the bond market. It is in fact not a genuine market at all, but a closed and, in part, compulsory financial circuit. For this reason the discussion which follows deals only with the equity section of the secondary market; there is only a negligible margin of error in referring to it such aggregate figures as are available. These figures (Table 6) concern the separate market compartments in which dealings take place, to wit, the *marché hors tout*, the *marché hors cote*, the *marché des cessions directes* and the *marché à la criée*⁵⁷.

57 On the structure of the secondary market see par. 5 above.

Beginning with the *marché hors tout*, the annual number of deals is very small and the total amounts involved altogether derisory. This market provides facilities for trading in shares with neither an official nor an unofficial listing; the reason why it is so small is that there are very few companies whose shares are regularly traded otherwise than by direct deals. This circumstance is bound to have restrictive effects until the industrial system is sufficiently mature to make room for larger companies more open to outside capital.

Table 5

VOLUME AND COMPOSITION OF TRANSACTIONS IN FIXED-INCOME
AND VARIABLE-INCOME SECURITIES, 1967 to 1976
(Value in million dirhams)

Year	Income		Fixed-income securities		Total securities traded	
	Number	Value (per cent)	Number	Value (per cent)	Number	Value (per cent)
1967	...	20.2 (96.6%)	...	0.7 (3.4%)	...	20.9 (100%)
1968	...	29.2 (97.0%)	...	0.9 (3.0%)	...	30.1 (100%)
1969	...	50.1 (96.7%)	...	1.7 (3.3%)	...	51.8 (100%)
1970	...	42.2 (86.3%)	...	6.7 (3.7%)	...	48.9 (100%)
1971	192.840	(97.2%) 45.5 (72.7%)	5.470 (2.8%)	17.1 (7.3%)	198.310	62.6 (100%)
1972	645.033	(98.7%) 105.5 (99.5%)	8.327 (1.3%)	0.5 (0.5%)	653.360	106.0 (100%)
1973	700.979	(99.6%) 115.5 (99.6%)	2.743 (0.4%)	0.5 (0.4%)	703.722	116.0 (100%)
1974	915.406	(99.5%) 180.5 (97.0%)	4.720 (0.5%)	5.6 (0.3%)	920.126	186.1 (100%)
1975	961.210	(97.1%) 209.6 (99.8%)	28.315 (2.9%)	0.5 (0.2%)	989.525	210.1 (100%)
1976	672.416	(99.8%) 179.3 (99.6%)	984 (0.2%)	0.7 (0.4%)	673.400	180.0 (100%)

... = Not known.

Source: As for Table 6.

In a relatively young stock exchange, like the Casablanca bourse, the exiguity of this market should not cause undue concern at present, given its residual function⁵⁸. The same cannot be said of the *marché hors cote*, which has the impor-

⁵⁸ Residual in the sense that the *marché hors tout* is meant to help the circulation of shares in companies neither on the official nor the unofficial list.

tant function of nursing along less mature shares pending their subsequent full official listing, or in other words, to foster the expansion of the official list. To judge by this market's performance so far, it cannot be expected to fulfil these purposes. It has been working in a discontinuous way, on a very small scale and certainly not in a lively fashion. Few companies are on the unofficial list, and as a rule more than three quarters of annual business is accounted for by only one single company's equity ⁵⁹.

Table 6

SECURITY TRANSACTIONS BY MARKET COMPARTMENTS, 1967 TO 1977
(Values in million dirhams)

Year	Marché hors-tout		Marché hors-cote		Direct deals	
	No. of sec.	Value	No. of sec.	Value	No. of sec.	Value
1967						
1968						
1969					75,370	16,816,000
1970					64,259	14,048,600
1971					244,210	14,311,489
1972			958	50,000	272,364	35,435,398
1973			2,888	520,000	212,440	36,525,111
1974	69,413	6,288,000	9,115	245,000	234,565	50,160,000
1975	117	2,000	6,142	905,000	241,952	55,856,000
1976	506	55,000	11,407	4,560,000	187,111	55,817,349
1977	...	...	...	...	...	62,641,000

(*) Of which 70,023 option rights.

... = Not known.

Source: Authors' compilation from *Statistiques internes de la Bourse des Valeurs* (for the years 1967 to 1972 and

For reasons similar to those discussed in connection with the *marché hors tout*, these features of the *marché hors cote* have indeed worsened in recent years and it seems most unlikely that this trend may be reversed. It seems fair to conclude

59 See *Clef de la bourse des valeurs de Casablanca*, année 1974, p. 9, année 1975, p. 8, and année 1976, p. 9.

that even in the less than immediate future the *marché hot cote* will do nothing much to help the bourse develop.

The growth of stock exchange business is hampered, in addition, by the *marché des cessions directes*, where controlling blocks of shares are bought and sold. Such direct deals amount on the average to some 50 per cent of bourse business, and actually compete with the latter in so far as many of the direct deals occur in shares included in the official list. In an effort to discourage this prac-

Official market							
Fixed-inc. securities		Shares		Total transactions		Total transactions	
No. of sec.	Value	No. of sec.	Value	No. of sec.	Value	No. of sec.	Value
						(*) 279,414	20,911,404
						243,804	30,194,147
				225,405	34,981,450	300,775	51,797,450
				190,850	34,877,814	255,109	48,926,414
192,480	28,207,114	5,470	6,670,700	197,950	48,252,410	442,160	62,653,899
	31,196,148		17,056,262	465,484	70,498,252	738,949	105,983,650
	70,000,000		498,252	481,225	76,000,000	696,553	113,045,111
				676,442	136,550,000	989,535	193,243,000
				735,462	151,216,000	983,673	207,979,000
				474,379	119,444,000	673,403	179,876,349
				323,128	111,453,000		

1977), and *Clef de la Bourse des Valeurs de Casablanca*, various years (for the years 1973 to 1976).

tice and direct more business to the bourse as such, the authorities in 1975 doubled the commissions on direct deals⁶⁰. Nevertheless these continued to increase, and to do so at a time when stock exchange business as a whole was slac-

60 *Clef de la bourse des valeurs de Casablanca, année 1975*, p. 8, and *Arrêté du ministre des finances n. 31-75 du 17 janvier 1975*.

kenning. This goes to show how important an element in share transactions it is to gain control of companies. Certainly, no improvement can be expected from a further increase in registration commissions. Such a move has been suggested again recently ⁶¹, but unless it is accompanied by other provisions, such as a new set of rules for public offers and subscriptions, the result may simply be to impoverish the direct deals market without significant benefit to the official one. Nor does there seem to be any point in prohibiting direct deals in listed shares, as in Tunisia, for such a ban would be impossible to enforce and its effects would be nugatory. In any event, none of these measures would remove the fundamental obstructions which, as was pointed out more than once, are of structural origin.

After these brief remarks on the various compartments of the market, it remains to deal with the *marché à la criée*, the official market. I propose to do so at greater length. In discussing the trend of its development, it will be convenient to divide the decade since the creation of the stock exchange into three sub-periods, namely, 1967-1972, 1973-1975 and 1976-1978.

During the first of these bourse business in all its aspects expanded to such good purpose that it quickly came to exceed both the quite considerable volume and the degree of liveliness of the OCVM at its peak.

The expansionary trends of these years (1967-1972) became even stronger from 1973, on following a series of measures designed to enlarge and invigorate the capital market. Outstanding among these were (a) reorganization of the functions and structure of the stock exchange ⁶²; (b) reinforcement of its institutional efficiency and powers; (c) intervention by the SNI either directly or via the brokerage company SOMACOVAM and the investment trusts set up by the SNI; (d) Moroccanization of the economic system; and (e) some other provisions embodied in the five-year plan 1973-1977. Overall, these measures were fairly successful and certainly did much to stimulate the development of the securities market.

61 Bourse des Valeurs de Casablanca, *Evolution du marché financier durant les années 1973-1977*, op. cit., p. 9.

62 Among others, steps were taken to publicize bourse activities, to strengthen contacts with bourses abroad and with some international financial institutions, to increase and improve information on listed companies and on stock exchange transactions, and to up-grade the quality of listed securities. See Bourse Valeurs de Casablanca, *Evolution du marché financier durant les années 1973-1977* op. cit. p. 1-6.

But these gratifying effects did not last long. For reasons which will be discussed presently, there was a sharp setback in 1976. This indeed was the beginning of a severe and lasting crisis.

In discussing the main aspects of bourse activity with reference to the three successive periods, we begin with the composition of the official stock exchange list. As regards bonds, the list includes 47 loans⁶³, of which 27 floated by the government and 20 by companies and public corporations⁶⁴. However, the comparatively large number of fixed-income securities quoted is really meaningless, since, as was explained above, there exists no genuine secondary market for them, barring a few transactions among institutional investors.

Things are quite different in the equity section of the market. Within ten years the number of companies quoted, which was already high when the bourse opened, increased from 55 to as much as 85⁶⁵. Allowing for cancellations, the largest increase occurred in the years 1973-1976, when, thanks to the SNI's encouraging companies in which it has a stake to seek a listing, 19 new quotations were added to the list, compared with 11 during the preceding period 1967-1972.

From this point of view the stock market is definitely larger in Morocco than it is in other French-speaking African countries. It is also more representative and more diversified, in so far as listed companies are distributed more evenly throughout different economic sectors.

However, it must be added that the impetus soon spent itself. For the first time in 1977 no new entry was added to the official list⁶⁶, and, except for a few companies either with state participation⁶⁷ or amenable to the SNI's persuasion, it seems unlikely at present that any spontaneous new applications for listing will be submitted to the bourse, given the reluctance to do so even on the part of the few companies which have the necessary qualifications. This state of affairs accentuates the existing imbalance between demand and supply in the equity market, and makes it impossible to offset the progressive dearth of shares in circulation and its restrictive effect on the volume of official dealings.

63 As of 5 August 1978.

64 See section 3.1 above.

65 As of December 1978.

66 Société Nationale d'Investissement, *Exercice 1977*, p. 16.

67 Société Nationale d'Investissement, *La S.N.I.*, 27 October 1977 (typescript), p. 11.

To judge by the uninterrupted growth of capitalization values (Table 7), one might be tempted to think that the market is still healthy enough. But a closer look at the reasons for this continuing increase leads to exactly the opposite conclusion. It has lately been due, first, to capital increases by listed companies, though not in sufficient quantity to enlarge the circulation of shares to the extent needed, and secondly, to a steady and strong rise in share prices ⁶⁸ (Table 8).

Table 7

VALUE OF BOURSE CAPITALIZATION,
NUMBER OF LISTED COMPANIES AND SECURITIES, 1966 TO 1977

Year	Bourse capitalization (million dirhams) (1)	Number of listed companies	Number of listed securities
1966	361,807,730	55	9,504,228
1967	434,039,220		
1968	521,819,449		
1969	592,833,000		
1970	653,328,000		
1971	663,886,000		
1972	854,733,000		
1973	879,092,000		
1974	1,037,791,300		
1975	1,618,356,930		
1976	1,806,304,973	85	16,627,573
1977	2,060,000,000		

(1) Calculated on annual average prices of listed securities.

Sources: *Statistiques internes de la Bourse des Valeurs* (for the years 1966 to 1973); *Clef de la Bourse des Valeurs de Casablanca*, various years (for the years 1974 to 1976); SNI, *Exercice 1977*, p. 17 (for 1977); *Bourse des Valeurs de Casablanca, 1967-1977*, p. 13 (for the number of listed companies and securities).

This price rise is largely a reflection of the chronic excess of demand for shares over their supply and actually causes some concern, because it not only makes market prices less meaningful, but may become a disincentive to equity invest-

⁶⁸ A third reason, of course, is the admission to quotation of new companies, but during the last two years this has had little or no effect.

ment by lowering average yields, which indeed have dropped slightly in recent years for this very reason ⁶⁹ (Table 8).

Table 8

PRICE INDICES OF LISTED SECURITIES AND AVERAGE ANNUAL YIELD
OF LISTED SHARES, 1966 TO 1976

Year	Annual average yield	Partial annual average yield (1)	Price index (1967 = 100)
1966	10.00%	12.00%	
1967	8.23%	9.59%	100.00
1968	6.13%	6.79%	(*) 133.48
1969	6.15%	6.65%	(*) 165.75
1970	6.14%	6.61%	202.56
1971	6.88%	7.10%	211.77
1972	5.53%	5.51%	231.53
1973	6.28%	6.60%	234.55
1974	6.87%	6.69%	314.49
1975	6.21%	6.49%	350.97
1976	6.51%	6.57%	414.00

(*) Author's estimate.

(1) Referring only to companies which distributed a dividend.

Sources: *Statistiques internes de la Bourse des Valeurs* (for the years 1966 to 1973); *Clef de la Bourse des Valeurs de Casablanca*, various years (for the years 1974 to 1976).

With a view to keeping down the rise in share prices, the bourse authorities have been thinking of narrowing the permissible margin of price fluctuation between one session and the next from 5 to 3 per cent ⁷⁰. But this margin is of doubtful value in any case ⁷¹, and to tighten it would almost certainly fail to produce the desired results. Since such a move would not act upon the underlying causes of the price rise, it could at best slow it down, or rather spread it over a slightly

69 An interesting point is that the total amount of dividends distributed by all the listed companies together remains high and has been growing virtually without interruption. (*Bourse des Valeurs de Casablanca, 1967-1977, op. cit.*, p. 16).

70 *Bourse des Valeurs de Casablanca, Evolution du marché financier durant les années 1973-1977, op. cit.*, p. 16.

71 See Section 2.2 above.

longer period. What is more, there is always, whenever the offer price exceed the permissible margin.

Turning now to the volume of business on the stock exchange, it will be seen ⁷² that in the years immediately following the establishment of the *marché à la crie*, the value of its turnover rose steadily, though, because of the systematic shortage of offers for sale, not as much as it might have done.

After this shortage was eased to some extent by the measures taken in 1973 to invigorate the stock market, the volume of business no less than doubled within a year, from 1973 to 1974. This upward trend continued until early in 1976, thanks to new companies being admitted to quotation and also to capital increases by those already listed, which gave a fillip to share circulation.

From 1976 on, however, things changed radically. The volume of business fell steadily to pre-1974 levels, and was still falling in 1977-78. The decline of the secondary market thus appears to be structural and would seem to be due to the interaction of the following factors.

First of all, the enormous gains that could be reaped from property speculation kept away from the stock exchange many savers who habitually used to invest part of their wealth in securities. Similar disincentive effects followed from the rise in short-term interest rates, which the authorities brought about early in 1978 with a view to encouraging saving and offsetting the attractions of real estate investment in competition with financial assets. As a result there was a negative differential compared with the average yield of quoted shares ⁷³ and people found they could get better returns by putting their money in bank and non-bank deposits.

Share investment suffered, too, from the absorption of liquidity in consequence of the Sahara loan and of a restrictive credit policy designed to combat soaring inflation. At the same time the volume of shares in circulation dropped, because, once equities have been acquired by some insurance company they hardly ever find their way back onto the market. This particular situation worsened a good deal during the last two years, in so far as no new shares have been admitted to quotation since the end of 1976 ⁷⁴.

⁷² Table 6, col. 12.

⁷³ Average share yields were 6 1/2 per cent, compared with 7 1/2 per cent on time deposits.

⁷⁴ On this point see Banque du Maroc, *Exercice 1977, Rapport présenté à Sa Majesté le Roi*, p. 117-120.

Finally, there were the far from negligible effects of a change in the tax provisions regarding equity investment. The new regulations were meant to get rid of the high incidence of tax evasion, and, although the withholding tax was actually reduced ⁷⁵, investors regarded the new régime with the utmost displeasure, because it closed the ways of tax evasion.

The combination of all these factors, and of others mentioned earlier, virtually paralysed the stock exchange. Official transactions suffered most of all, given the continuous growth of direct dealings ⁷⁶.

9. Conclusions

We have seen that Morocco was well ahead of all other French-speaking African coutires ⁷⁷ in having a stock market organized in one form or another. But the long experience of the colonial period was of little help in developing a bourse in the years following independence, since at that time business was done almost exclusively by foreigners to the all but complete exclusion of the indigenous population. At best, past experience can be regarded as an inducement to the Moroccan government to reorganize the existing institutions to fit the new economic and social context, especially in view of covering the enormous capital needs of the nascent nation.

From this point of view it is probably right to think that, apart from some formal or organizational differences, Morocco's stock market experiences were not really dissimilar from those of Tunisia ⁷⁸. The same applies to some extent also to the structural aspects of the two markets and to their development. At first sight, the Moroccan market looks very much larger than the Tunisian one: in the bond

75 A single rate of withholding tax was introduced for all taxpayers, to replace the three previous rates of 25 per cent for individuals, 48 per cent for corporations and 25 per cent for non-residents. Instead of this flat rate withholding tax, every taxpayer has the option of declaring his dividends and other income for personal, progressive taxation. In that case the tax deducted at source is regarded as a payment on account; the taxpayer may receive a refund or else be required to pay more, depending on his income tax returns.

76 See Table 6, col. 6.

77 Actually, this means Tunisia and the Ivory Coast, the only countries in French-speaking Africa to have a stock exchange at all.

78 See A. Calamanti, « The Tunis Stock Exchange », *op. cit.*

section, the amount of new issues was higher from the outset and kept growing fairly steadily; the number of listed companies and securities is higher; the value of stock exchange capitalizations has been growing uninterruptedly and so did, until 1976, the volume of transactions. But on closer look even these differences, while certainly present, are less than might appear.

So far as the bond market is concerned, we had occasion to point out that it must really be regarded as a closed and compulsory financial circuit. Bonds are issued by the state and by a few public corporations, and held institutional investors who, in most cases, subscribe either in compliance with the rules which govern the use of their assets (insurance companies) or because it is one of their functions to act as residual investors (*Caisse de Dépôt et de Gestion*). Private companies and individual savers hardly make an appearance on the bond market at all, nor is anything done to encourage them to do so⁷⁹. In this respect Casablanca differs in no way from the other capital markets in French-speaking Africa, including the Ivory Coast which alone had initially fostered bond investment at the time when preparations were made to set up a stock exchange.

Just how little interest the Moroccan authorities take in the bond market is only too obvious. Bonds are simply placed with institutional investors; nothing is done to promote wider bond ownership; rates of return are too low and other technical and economic characteristics of fixed-interest securities generally are inadequate; no steps are taken to persuade companies to issue bonds, or indeed to make it easier for them to do so; official regulations are lacking; and so on and so forth. It would be well to improve the situation in all these respects, with a view to creating a genuine bond market. This would help to make security investment more popular even among those who either do not know enough about it or are for other reasons disinclined to become partners in a company and assume the risks of venture capital, and it would at the same time lead savers to take progressively more interest in the equity section of the market as well, much to the latter's advantage.

With reference to the equity market itself, we have seen that in the ten years following the establishment of the stock exchange (1967-1976) it expanded vigorously, though less so than it might have done because of a chronic shortage both of new share issues and of offers for sale. Only a part of new share issues is

⁷⁹ With the exception of the Sahara Loan (see Section 3.1 above).

offered to the public, given that companies are most often family enterprises and as such reluctant to take in new shareholders. There simply are not enough new share issues to feed into the secondary market.

To make matters worse, the volume of shares in circulations keeps shrinking as the public rush to sell their shares (to institutional investors, for permanent holding) just as soon as prices rise enough to produce a capital gain. This happens regularly when people buy shares issued or offered for public sale by companies seeking a stock exchange listing, because in these cases it is usual to attract subscriptions by setting the placing price at a lower level than would correspond to the shares' real asset value.

Although, therefore, the volume of new share issues is on a rising trend, the market remains small, the structure of demand for funds and of their supply is scarcely diversified, and what matters most to investors is to gain control of the companies in which they invest their money. Private savers take little part in the market and even then often for speculative reasons, in the sense that they regard equity investment as a temporary employment of their funds in the hope of reaping capital gains as and when share prices go up.

All these circumstances naturally affect business in the secondary market. This did indeed expand considerably until the beginning of 1976, thanks to the bourse authorities' determined effort to add to the list of quoted companies. But overall official dealing never reached levels which can be regarded as really high in comparison with the value of bourse capitalizations. They certainly are not lively, and turnover in listed shares is low, and in addition official transactions suffer strong competition from direct deals which are continuously on the increase — proof once more of how important the purposes of control are in share dealings.

The tenuous state of the secondary market became only too obvious in 1976, when, owing to special circumstances described above, it entered into a severe and lasting crisis. In the last analysis, it is a crisis of structural origin; behind it are an underdeveloped industrial system, concentration of economic activity in a small number of firms, these firms' reluctance to raise funds by admitting new partners, the extremely low level of domestic saving, the uneven distribution of wealth, the low degree of monetization in the economy, and so on and so forth.

The constraints deriving from all these factors are so severe that one cannot but take a pessimistic view of the prospects of overcoming the present crisis. It is

only when these obstacles are removed that Morocco can hope to have a more diversified and more efficient stock market.

This being so, a whole series of measures will have to be taken to improve the present situation.

First and foremost the government, which so far has taken interest in the stock market, will need to pay more attention to it and to take active steps to support it. Among other things, the banks will have to be persuaded not to obstruct security investment, as they often seem to be doing now, but on the contrary, to encourage it and to help in placing stock among the public. If necessary, the Central Bank may have to apply preasure on the banks to obtain from them the same sort of collaboration as in the Ivory Coast ⁸⁰—

Secondly, there are fiscal measures that could usefully be applied in order to induce companies to issue securities and take in more shareholders ⁸¹. At the same time it would be well to abandon the practice, now common whenever a company is granted a stock exchange listing, of setting the placing price of shares below their real asset value. Instead, there should be a system of tax incentives conditional upon subscribers holding their share for a specified minimum period and so devised as to make sure that share ownership is in effect widely distributed among the public. As regards the actual tax treatment of security holdings, the 1978 tax reform probably made conditions much more stringent than they used to be, because tax evasion has now become quite impossible. It would have been better to introduce the reform gradually and more cautiously. It might be well to take a new look at this matter, and possibly to revise the tax rules on some points.

Then, there needs to be more informations and tighter control on the market and on listed companies, and the bourse itself needs more powers and more efficient institutional arrangements. Suggestions towards this end have long been put forward by the bourse authorities themselves ⁸².

80 See A. Calamanti, « The Abidjan Stock Exchange », *op. cit.*

81 Detailed proposals of this kind have been put forward by the SNI (see SNI, *op. cit.*, p. 12-13).

82 Bourse des Valeurs Mobilières de Casablanca, *Evolution du marché financier durant les années 1973-1977*, *op. cit.*, p. 22 f.

In a broader context, the public at large needs to be educated towards better understanding of economic affairs generally and of security investment in particular.

In addition to all the above measures, others will be needed as mentioned earlier with reference to specific problems. But it must be repeated that, just as in the case of Tunisia, the future of the stock market in Morocco depends essentially upon the removal of the constraints imposed upon it by structural obstacles. This means in effect the achievement of a higher level of economic development, bringing with it an enlargement of the size of firms and an increase in household saving.

LA BOURSE ET LE MARCHÉ MOBILIER AU MAROC

RESUME

L'article concerne le marché mobilier du Maroc et la première partie comprend une analyse de la période précédant la création de la Bourse des valeurs et notamment des institutions — l'office de compensation des valeurs mobilières et l'Office de Cotation des valeurs mobilières — dont la tâche était de faciliter la négociation des valeurs mobilières à l'époque coloniale. Après avoir tracé l'histoire de ces institutions, l'auteur fait quelques considérations au sujet de leur contribution à l'enracinement d'une tradition boursière au Maroc et son jugement là-dessus est négatif.

Dans la deuxième partie, l'auteur examine les raisons pour lesquelles le gouvernement Marocain a créé en 1967 un Bourse des valeurs et illustre brièvement la situation économique du pays en ce temps-là. Ensuite il essaie d'évaluer l'existence des conditions nécessaires au fonctionnement efficace de la Bourse en voie de création. La structure et le fonctionnement de la Bourse marocaine font l'objet de l'analyse suivante et l'on note à cet égard qu'il faudrait introduire quelques modifications susceptibles d'améliorer les aspects opérationnels de la Bourse.

Dans l'analyse de l'évolution du marché mobilier primaire et secondaire, outre les caractéristiques structurelles, on présente les séries historiques des émis-

sions et du classement des titres et des négociations. Après avoir mis en lumière les goulots d'étranglement et les faiblesses du marché en question, l'auteur évalue sa contribution à la mobilisation de l'épargne, au financement des investissements et à la circulations des titres. L'article se termine par un examen des perspectives futures du marché mobilier marocain et des limites qui entravent son développement.