



USAID | MOROCCO

FROM THE AMERICAN PEOPLE



Credit information sharing assessment mission: Technical report

Draft

June 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by the Improving the business climate in Morocco Program, implemented by Development Alternatives, Inc.

IBCM Report 06-03

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Acknowledgements

The publication of this report was made possible through support provided by the US Agency for International Development (USAID) under the terms of Contract No. GEG-I-00-04-00001, Order No. GEG-I-02-04-00001.

The report was prepared by Maria Bahnini, Andrew Iappini and Miguel L. Llenas, based on a mission to Rabat and Casablanca in May 2006. The Chief Financial Adviser of the *Improving the business climate in Morocco* Program participated in the mission.

The program team thanks Nadia Amrani, the Program Officer in the Office of Economic Growth, USAID Mission to Morocco, for her support. We also are grateful for the cooperation and assistance of the Bank Al-Maghrib. The senior staff of many departments of the Bank contributed to the work, including: Directeur Général, M. Fouiz; M. A. Saber, Directeur du Département des Affaires Juridiques; M. A Larache, Adjoint du Responsable de la Direction de la Supervision Bancaire; A. Kettani Idrissi, Responsable du Service des Etudes Juridiques; M. L. Benhalima, Chef du Département, Direction de la Supervision Bancaire; M. A. Dadsy, Responsable de la Direction du Réseau et des Relations avec les Entreprises ; M. A. El Jai, Directeur Adjoint au Responsable de la Direction du Réseau et des Relations avec les Entreprises ; The team would like to thank in particular Mme. Dassouli, Responsable de Département de Centrale d'Information for her excellent leadership of the Bank Al-Maghrib's initiative on credit information sharing.



10, Ave. Mehdi Ben Barka — BP 120
Souissi, Rabat, Morocco
+212.(0)37.63 20 01

Improving the business climate in Morocco

28, Ave. Mehdi Ben Barka
Souissi, Rabat, Morocco
+212.(0)37.65 66 12

Table of contents

Executive summary	i
BACKGROUND	I
OBJECTIVES OF THE TECHNICAL ASSISTANCE MISSION.....	I
APPROACH.....	II
RESULTS.....	II
Legal review	ii
Market assessment.....	ii
Recommendations.....	iii
BACKGROUND	I
MOROCCO'S LEGAL AND REGULATORY FRAMEWORK FOR CREDIT INFORMATION SHARING	2
Introduction.....	2
Analysis of the legal context applicable to the creation of a credit bureau	2
<i>Legal framework.....</i>	2
Reporting requirements to the Bank Al-Maghrib.....	2
<i>Banking law.....</i>	2
<i>Commercial Code.....</i>	2
Requirement to report exclusively to the Bank Al-Maghrib.....	3
Potential requirements for verification of ability to make payments – responsibility of the credit institutions	3
<i>Organization of risk management services.....</i>	4
<i>Organization of communication of information</i>	4
<i>Organizing the dissemination of information</i>	4
<i>Beneficiaries of the Centralization of Risks and the Payment Irregularities Services.....</i>	4
Possibility for the Bank Al-Maghrib to delegate its responsibilities.....	4
Public information available to a credit bureau	5
<i>Information available at the Commercial Register</i>	5
<i>Information available through the OFPPT.....</i>	9
<i>Information specific to companies listed in the stock exchange published in a newspaper of legal notices</i>	9
<i>Information available from the Land Registry.....</i>	10
THE LIKELY DEMAND FOR CREDIT INFORMATION	II
Introduction.....	11
The role of the Bank Al-Maghrib	12
The market assessment framework.....	12
Market dynamics.....	13
<i>Economic factors.....</i>	13
<i>The corporate credit market.....</i>	13
<i>The small business credit market.....</i>	14
<i>The consumer credit market.....</i>	14
Potential credit report demand	16
<i>The estimated level of demand.....</i>	16
<i>The willingness to pay.....</i>	17
Factors affecting participation	18

<i>Forces shaping demand and supply</i>	18
<i>Technology constraints</i>	18
<i>Participation in trade agreements and Basel II standards</i>	19
SME informality and ID issues.....	19
Summary and conclusions	20
STRATEGIC AND OPERATIONAL ASPECTS	21
Introduction.....	21
Credit bureaus—best international practices.....	21
Options for developing a comprehensive credit reporting system in Morocco	23
<i>A choice among options</i>	23
<i>Option 1: Bringing in privately owned credit bureaus affiliated or belonging to a larger worldwide organization</i>	24
<i>Option 2: Establishment of locally owned private credit bureaus</i>	24
<i>Option 3: Establishment of a locally-owned private credit bureau affiliated with or having a management contract with an international credit bureau firm</i>	25
<i>Recommendation</i>	25
Selected issues for implementation	26
<i>The willingness to share information among banks and MFIs</i>	26
<i>Issues related to client identification</i>	26
<i>Issues related to consumer protection and banking secrecy</i>	26
<i>Issues related to the Bank Al-Maghrib's financial data</i>	27
<i>The microfinance sector</i>	27
<i>Technology requirements</i>	27
Protecting consumer rights: A code of conduct.....	27

Executive summary

Background

The Program for improving the business climate in Morocco is focused on improving the capacity for nationwide credit information sharing. Credit reporting is an essential tool in expanding access to credit. By providing low cost and efficient access to the comprehensive type of credit information which is needed, it enables the financial service sector and the commercial enterprises to make an informed credit decision and encourages an expansion of credit. The existence of a strong of credit reporting system, whether in the form of a public registry or private credit bureau, also supports an improved financial service sector and serves as an important tool for economic development.

As a result of a dialogue with the Bank Al-Maghrib and other parties interested in credit information sharing, including the IFC, the program identified as its first activity the provision of support to Bank Al-Maghrib for an assessment of what is needed for a positive legal and regulatory environment for the evolution of these activities. Several factors made this activity a priority:

- (1) The existence of one operating and two planned “*centrales des risques*,” each under the ownership of one of the three financial service sector associations, all of which are “closed”, data base management systems, access to which is limited to their members rather than offering open access to, comprehensive information systems;¹
- (2) The Bank Al-Maghrib is undertaking a large redesign and expansion of its own data and information gathering systems which will be regrouped under a “*Centrale d’Information*,” and which will benefit from improved technology and interfaces among those systems and needs to determine what its role in credit data collection and distribution will be;
- (3) The new “*Loi bancaire*” which came into effect in February 2006, giving explicitly an exclusive authority to the Bank Al-Maghrib to conduct information sharing activities and/or to delegate the conduct of those activities to other institutions.
- (4) Evidence of an already-existing, although undefined, level of demand for credit reporting (as evidenced by the member demand-driven “*centrales des risques*”)

Objectives of the technical assistance mission

To address these issues, the Program designed a short term technical assistance team, with three participating consultants: Mme. Maria Bahnini, a Moroccan expert on financial law and regulations; Mr. Andrew Iappini, DAI, a credit bureau expert; and Mr. Miguel Llenas, an international expert on credit bureaus. Three tasks were to be addressed by the team:

- A review of the existing legal and regulatory environment to identify laws and regulations which could prohibit or impede the development of information sharing activities, including the identification of changes needed to encourage a positive evolution of the sector.
- An evaluation of the market factors having an impact on the need for credit information and an assessment of the level of demand and other factors which would support the development of a financially viable credit reporting industry.
- Suggestions to the Bank Al-Maghrib of global standards for the infrastructure elements necessary to support the expansion and evolution of credit reporting, including supervisory norms, code of conduct for participants, and other elements as needed.

¹ These three systems include: APSF’s SAAR System, operation since 2003; GPBM’s CIC system, reported to be operational by the beginning of 2007; and the FNAM system, which is developed but not yet operational.

Approach

The technical assistance team had multiple meetings with the Bank Al-Maghrib, as well as meetings with the three federations developing their proprietary information systems. Additional meetings were held with the Federation de PME, as well as individual financial institutions. A list of meetings is attached in Annex 1.

The preliminary research of Andrew Iappini to analyze the dynamic factors influence the demand for credit information and estimating the level of demand was guided by the research logic and questionnaire contained in Appendix 2.

The suggestions made to the Bank Al-Maghrib were formed in part by the result of the meetings and interviews and by the results of the demand assessment, as well as by the international models and best practice standards for credit bureau laws, regulations and norms presented by Miguel Llenas, adapted to the Moroccan environment.

Results

In the opening meeting with the Bank Al-Maghrib on April 24, it was apparent that the Bank faces important decisions with respect to the future evolution of credit information activities. Among the issues to be confronted are:

- The definition of the role of the Bank Al-Maghrib in credit information collection and sharing and the integration of this role into their project design for the *Centrale d'Information*;
- The definition of rules and regulations (*cahier des charges*) for those operators to whom it wishes to delegate authority for performing credit information activities and the articulation its norms for supervising those with delegated authority;
- A solution of how to integrate the existing and planned systems of the financial service associations, who are currently operating outside of the new "*Loi bancaire*."

The Bank Al-Maghrib asked that at the end of the mission we make specific recommendations for the type of model to be developed, including a definition of the role of the Bank in the flows of credit information from and to the financial services sector and an appropriate licensing strategy. The request also covered guidance in the definition of rules and regulations and supervisory norms for.

The results of the work of the mission were presented at a meeting on April 28, 2006 to the Bank Al-Maghrib, with each of the departments represented. A summary of the critical findings and recommendations follows.

Legal review

The new banking law creates a favorable environment for the development of credit information sharing activities. It makes it clear that the Bank Al-Maghrib has the authority to conduct and/or to delegate the conduct of credit information sharing activities which could include information from both financial institutions and companies. It also has the sole authority to determine the conditions for granting licenses. Consumer protection laws and data protection laws do not currently provide obstacles but attention needs to be paid to these areas. Current law might restrict the types of information a credit bureau could handle (i.e. unpaid checks can only be reported by the central bank to banks.)

Market assessment

An initial assessment of the market for quality credit reporting indicated a significant level of existing demand. This assessment suggested that the volume of likely requests far exceed the threshold for attracting established commercial credit bureau companies. However, a strong leadership role by the Bank Al-Maghrib would be necessary to ensure the confidence in the credit information sharing system and the quality of information that are critical elements in the finished product for which demand would exist.

(1) A high level of demand exists for quality and comprehensive credit reporting.

The assessment confirmed that Morocco's financial system is already far beyond the point where credit reporting is merely a "good idea"—it is a necessity. The study identified a monthly demand level of 460,000 reports, a conservative estimate based only on the identified needs of the banks, finance companies, and microcredit associations. Inclusion of commercial companies, telephone companies and utilities would raise the level of demand by a sizeable margin.

(2) Credit reporting activities could be sustainable and could attract private credit bureau operators.

The threshold for attracting major international and regional credit bureau groups tends to be around 200,000 requests for quality credit reports per month. The estimated minimum demand volume clearly surpasses that level. The high volume of estimated demand was accompanied by a stated willingness by most of those interviewed to pay for quality credit reports.

(3) The macro and microeconomic factors driving demand also assure its sustainability.

The factors driving the demand include: excess liquidity among the banks; a saturated banking market for large corporations; an increasing focus on the undercapitalized SME market and individual credit markets is frustrated by a number of factors, including the lack of sufficient information on borrowers; growing concerns about the risks of over-indebtedness and emerging levels of cross-indebtedness; and an expanding microfinance sector.



Recommendations

A clear vision, strong leadership, and effective controls from the Bank Al-Maghrib are necessary to define the direction of development of credit reporting, to set global best practice levels for the activity, and to create the climate of confidence necessary to activity.

The assessment examined several options for structuring the credit information sharing system to provide the Bank Al-Maghrib with a clearer understanding of the implications of different approaches. While the study endorsed one of these models as the recommended one, the main emphasis was on illustrating the range of strategic choices.

Prior to setting licensing requirements—the promulgation of a *cahier des charges* for potential licensees—the Bank Al-Maghrib should determine which kind of ownership structures it prefers for the licensed entities and which, if any, of three bureau ownership models it will encourage, if it prefers to initially license only one entrant:

- (1) Ownership by a private, international credit bureau firm;
- (2) local ownership with support or management via a joint venture arrangement from an international credit bureau firm; or
- (3) local ownership with locally developed technology

Licensing requirements (*cahier des charges*), in line with global standards, should cover:

- Operational requirements for licensing need to meet global standards for hardware, software and security;
- Definition of standards for collection and distribution of data
- Organizational structure and staffing

- Code of Conduct

Structure of information flows: The recommended model would require all regulated financial institutions to report their data to the Bank Al-Maghrib or a related entity which would then provide the raw data to the credit bureau(s). Commercial companies would provide their information on a voluntary basis to the credit bureau(s). The credit bureaus would process the data and respond to the users requests.

Identification of challenges: The Bank's leadership will be important in overcoming the reticence among financial institutions to share positive information. In addition, the challenges to the implementation of functioning system include the following:

- The need for a unique client identification system for companies;
- cultural obstacles to overcome on privacy issues;
- further clarification of remaining legal issues;
- Dealing with the three existing/planned systems (APSF's SAAR, GPBM's CIC, and FNAM's system), none of which would meet global standards without significant changes in terms of their equipment and procedures.

Strengthening credit information systems in Morocco: Options and challenges

Background

The US Agency for International Development (USAID) launched the **Improving the Business Climate in Morocco Program** (*Amélioration du Climat des Affaires au Maroc*) in late 2005 to assist the Government of Morocco and the country's private sector in their efforts to remove obstacles to productive investment and job creation. The Program supports initiatives to strengthen the legal and regulatory framework for a modern market economy, and to build the institutions necessary to enhance the competitiveness of the Moroccan economy. One of the elements of the program focuses on reinforcing support systems needed for a competitive financial market architecture.

Access to finance is a crucial precondition for the development of healthy credit markets and for increased investment that translates into sustainable economic growth. Credit markets are characterized by asymmetric information between borrowers and creditors that can lead to suboptimal access to credit: credit rationing, inefficient credit allocation, credit decisions based on incomplete information about the risk associated with the borrower, over-lending, and even distorting credit pricing. Efficient information flows in credit markets are a critical factor in expanding and facilitating access to credit. In Morocco, as in most developing countries, credit markets are thin, information sharing is underdeveloped, and regulations may hamper the development of needed information flows.

The development of a nationwide credit reporting capacity—whether in the form of a credit registry, credit bureaus or some hybrid—is therefore essential to expanding access to credit. Such a capacity promotes financial discipline amongst borrowers, helps to curb over-indebtedness, and provides positive support to a strengthened banking system. By providing low-cost and efficient access to the type of credit information needed by financial service sector institutions and commercial enterprises, a nationwide credit reporting system will facilitate the credit decision making process for those institutions. To address these issues, the Program commissioned an assessment mission by a three-person team of the options and challenges for the country's financial system, and in particular the Bank Al-Maghrib in developing a functioning credit information reporting system.² This consultancy comprised three elements:

- a review of the legal and regulatory environment for developing credit information sharing systems;
- a broad-stroke assessment of the factors that shape the demand for quality credit reports, and an appraisal of the minimum size of the market; and
- the application of best international practices to the Moroccan context, focusing on key decision options for the Bank Al-Maghrib.

To conduct this assessment, the consultant team met with officials of the Bank Al-Maghrib, representatives of the banking sector and other financial institutions, and other stakeholders. It also compiled and analyzed available quantitative data, and used various sources on best international practices as well as options and constraints in Morocco's environment. This report presents the team's findings and recommendations.

² The request for this support had been included by USAID in the overall Scope of Work for the Improving the Business Climate in Morocco Program, and the task was further described in the annual workplans approved by the Oversight Committee for the Program.

Morocco's legal and regulatory framework for credit information sharing

Introduction

The new banking law no. 34-03 promulgated on March 2, 2006 does not amend the jurisdiction of the Bank Al-Maghrib in the creation and the management of centralization of risks services by order of Law no. 1-93-147 of July 6, 1993. However, the law offers a new possibility: that of delegating certain of the Bank's responsibilities according to conditions which it determines. This possibility provided to the Bank Al-Maghrib facilitates the creation of a "Credit Bureau", a public or private entity, which would be under the control of the Central Bank and in compliance with the terms of reference defined by the Bank. In its authorized capacity, the "Credit Bureau" would centralize and disseminate the information collected from credit institutions and affiliated organizations. In processing certain additional information, this "Credit Bureau" could bring an added value to the service thus making it an instrument of prevention and control of insolvency risk.

Analysis of the legal context applicable to the creation of a credit bureau

Legal framework

- Dahir no. 1-05-38 of 20 Chaoual 1426 (23 November 2005) enacting law no. 76-03 determining the status of the Bank Al-Maghrib;
- Dahir no. 1-05-190 of 15 Moharram 1427 (14 February 2006) enacting law no. 34-03 relative to credit institutions and affiliated organizations;
- Dahir no. 1-96-83 of 15 Rabii I 1417 (1 August 1996) enacting law no. 15-95 forming the Commercial Code;
- Dahir no. 1-96-124 of 14 Rabii II 1417 (30 August 1996) enacting law no. 17-95 relative to limited liability companies
- Dahir of 5 Chaoual 1417 (13 February 1997) enacting law no. 5-96 relative to private limited liability companies and other forms of companies, as modified by Dahir no. 1-06-23 of 15 Moharram 1427 (14 February 2006);
- Dahir no. 1-59-413 of 28 Joumada II 1382 (26 November 1962) articulating the penal code, as modified by laws no. 03-03, 07-03, 24-03.
- Consumer protection bill
- Law of 12 August 1913 on the registration of real estate.
- Law of 16 March 2006 relative to the delegation of responsibility for public services.

Reporting requirements to the Bank Al-Maghrib

Banking law

Article 40 of Law 34-03 (Official Bulletin no. 5400 of 2 March 2006) relative to credit institutions and affiliated organizations states in Article 40 that : "Credit institutions are responsible for providing all documents and information to the Bank Al-Maghrib necessary for proper functioning of the public interest services as outlined in Article 120 below."

Centralized risk and irregular payments reporting services are among the services outlined in Article 120 Paragraph 2.

Commercial Code

Article 322 of Law 15-95 of 1 August 1996 of the commercial code, states that: "Banking establishments are responsible for declaring to the Bank Al-Maghrib, under penalty of fines, as outlined in Article 319, all incidents of non-payment, within a period determined by the Bank Al-Maghrib. The

Bank Al-Maghrib ensures the centralization of declarations of incidents of checks not paid due to insufficient funds.”

It is evident from these two articles that all financial institutions and affiliated organizations are required by law to communicate to the Bank Al-Maghrib all payment irregularities of which they are aware, according to the conditions and the terms determined by a circular of the Governor of the Central Bank. This obligation to communicate payment irregularities, a serious responsibility of credit institutions and affiliated organizations, is a legal obligation. The financial institutions cannot refuse to comply with it or try to avoid it.

Requirement to report exclusively to the Bank Al-Maghrib

Payment irregularities should be communicated solely to the Central Bank, which is the only entity that has the jurisdiction to organize and manage the centralized risk and irregular payments reporting services. Additionally, based on the authority granted to the Bank and in consultation with the Committee of Credit Institutions, the Governor determines the conditions and means of access to information held by the public interest services, of which the centralized risk and irregular payments reporting services are a part.. Any communication of incidents of non payment to any persons other than the Bank Al-Maghrib or a legal authority acting within the framework of a penal procedure, constitutes a violation of professional secrets such as defined by Articles 79 and 80 of the aforementioned banking law. **Thus, financial institutions and affiliated organizations can not communicate information relevant to incidents of non payment for insufficient funds with each other or with third parties under penalty of sanctions as outlined in Article 446 of the penal code.**

Article 446 of the Penal Code: All other persons authorized by their professional situation, either permanent or temporary functions, to the secrets that are entrusted to them, who, except in a case where the law obliges them or authorizes them to act as witnesses, reveal these secrets, will be punished by a prison term of one to six months and a fine ranging from one thousand two hundred to twenty thousand dirhams.

Potential requirements for verification of ability to make payments – responsibility of the credit institutions

The consumer protection bill, in the context of protecting the consumer against over-indebtedness, requires the credit institutions in the framework of consumer protection against over indebtedness to ensure that the total amount of reimbursements of loans to be made by the borrower does not exceed the thresholds determined by the law. The bill, which was drafted by the Minister of Commerce and Industry, stipulates in Chapter 2, devoted to consumer debt , and notably in Articles 63, the following:

Article 63: The total sum of loan reimbursements to be made by the borrower per month can, in no case, exceed the threshold of 40% of the borrower’s monthly net revenues in the case of consumer credit and 50% in the case of property loans.

Article 64: The lender must ensure that at the time the loan is granted to the borrower that the provisions of Article 63 are adhered to.

The borrower must provide complete and accurate information as required by the lender.

As this is only a proposed bill, the credit institutions are not currently responsible for such provisions since it does not yet form part of a substantive law. However, this consumer protection against over-indebtedness risk is likely to become part of the Moroccan legislative corpus in the near future and a central database of information on consumer loans granted to private individuals should be implemented, to allow for the establishment of credit histories, and respect the thresholds of debt that will be determined for private individuals.

Organization of risk management services

The organization of centralized risk and payment irregularities reporting services is entrusted by the law to the Bank Al-Maghrib. Article 120 Paragraph 2 states that “the Bank Al-Maghrib organizes and manages the centralization of risks and payment irregularities services.”

Organization of communication of information

Article 40 Paragraph 2 states that communication will take place according to the conditions determined in a circular of the Governor of the Bank Al-Maghrib, after taking into consideration the opinion of the Credit Institutions Committee. “The Governor of the Central Bank determines in the circular, after taking into consideration the opinion of the Credit Institutions Committee, the conditions in which communication between the credit institutions and affiliated organizations and the Central Bank must take place. It is understood that “conditions” is meant to include the format the communication must take, the periodicity, the methods, the thresholds and the information to be included.....”

Organizing the dissemination of information

The Governor of the Central Bank also determines, by way of a circular and after taking into consideration the opinion of the Credit Institutions Committee, the conditions and methods of access to the information. (Article 120 Paragraph 3).

In conclusion, the management and organization of the centralization of risks and payment irregularity reporting services is the exclusive jurisdiction of the Governor of the Bank Al-Maghrib both in the communication and the dissemination of information.

BAM’s jurisdiction is derived from the published circulars, after taking into consideration the opinion of the credit institutions committee.

Beneficiaries of the Centralization of Risks and the Payment Irregularities Services

Article 120 Paragraph 1 of the new banking law states that the services of public interest, of which of the Centralization of Risks and the Payment Irregularities Service are a part, are organized to benefit:

- Organizations subject to the present law, i.e. credit institutions and affiliated organizations;
- Companies;
- Government authorities.

As this list is specific these services are available only to persons/entities mentioned in the law, with all others excluded. These services can not be made available to private individuals or to the general public. The law does not allow it.

Possibility for the Bank Al-Maghrib to delegate its responsibilities

This new provision of Article 120 Paragraph 3, which did not previously exist within the framework of the Banking Law no. 1-93-147 of July 6, 1993, permits the Bank Al-Maghrib to delegate its responsibilities in terms of the creation and management of common interest services, which includes the centralization of risks and payment regularities services. It states that the Bank Al-Maghrib “can delegate management of the aforementioned services according to the conditions it defines.”

As the law does not specify that this delegation of public service must be to a public entity, we can assume that the delegation of the centralization of risks and payment irregularities reporting services can be made to a private legal entity, either Moroccan or foreign. A foreign entity would, however, have to create a legal entity under Moroccan law, as required by Law no. 54-05 of 16 March 2006 relative to the delegated management of public services

This delegation can come from the Bank Al-Maghrib’s own initiative, or in it could come from the proposals of the trade associations of the credit institutions which in accordance with Article 26 of the

above mentioned banking law can "consider" the questions concerning the creation of common services (Paragraph 1) and "may submit proposals".

The delegatee of this service can, by processing and cross-checking public information, including that which is available at the Commercial Register and the Land Register or published in the official newspapers for legal notices, bring an added value to this service and disseminate more complete information, which would make it possible to measure the potential risks. Partnerships with telephone operators or insurance companies for the exchange of information, on a voluntary basis, would also be possible.

In conclusion, there is no legal provision that prohibits the creation of a private credit bureau in Morocco. This decision to create a credit bureau comes under the exclusive jurisdiction of the Bank Al-Maghrib which can, on the basis of the Terms of Reference it designs, delegate this responsibility to an individual entity chosen through a call for tenders, as the aforementioned law relating to the delegated management of the public responsibility imposes.

Public information available to a credit bureau

Enterprises operating in Morocco are responsible for providing information of a legal, accounting, fiscal and social nature relative to their activities to the following principal institutions:

- Local trade registers under the commercial courts or the courts of first instance;
- The National Social Security Fund;
- The Professional Ethics Council of Transferable Securities, if need be;
- Land Registry

Some of this information is public and could be integrated into the framework of a Credit Bureau.

Information available at the Commercial Register

The legal framework of the public nature of the Commercial Register of information having to be submitted by commercial individuals or legal entities is derived from:

- Article 8 of Dahir no. 1-92-138 of 25 December 1992 enacting law no. 9-88 relative to accounting requirements of individual merchants/tradesmen;
- Dahir no. 1-96-83 of 1 August 1996 enacting Law no. 15-95 forming the Commercial Code (hereafter the Commercial Code), notably its articles 13, 14, 16, 28, to 78, 83, 91, 109, 154, 357, 436, 569, 549 and 710 ;
- Articles 32, 37, 68, 158, 386, and 420 of Dahir no. 1-96-124 of 30 August 1996 enacting Law no. 17-95 relative to limited liability companies (hereafter referred to as SA);
- Decree no. 2-96-906 of 18 January 1997 for the application of Chapter II of Title IV of the Commercial Code (Article 27 to 28);
- The Ministry of Justice Order no. 106-97 of 18 January 1997 defining the reporting requirements at the Registry and determining the list of acts and relevant documents before the aforementioned declaration;
- Articles 95 to 99, 108 and 115 of Dahir no. 1-97-49 of 13 February 1997 enacting Law no. 5-96 on partnerships, limited partnerships, limited partnerships by shares, private limited liability companies and joint venture companies hereafter "law on commercial companies");
- Dahir no. 1-00-71 of 9 Kaada 1420 (15 February 2000) enacting Law no. 13-99 creating the Moroccan Office for Industrial and Commercial Property;
- Decree no. 2-99-71 of 16 March 2000 for the application of Law no. 13-99 creating the Moroccan Office for Industrial and Commercial Property.

Reporting requirements for commercial entities

All individual and legal entities, Moroccan or foreign, exercising a commercial activity in Morocco are required to register at the Commercial Registry.

Consequently, any person subject to the registration requirements of the Commercial Registry must mention in all invoices, letters, purchase orders, tariffs, leaflets and other commercial papers intended for third parties, the number and the place of registration to the Commercial Register.

The Commercial Register number is thus public.

The following persons are required to obtain a number in the Commercial Register

- Merchants/tradesman;
- Commercial Businesses: partnerships, private limited liability companies, limited liability companies, limited partnerships,
- Branch offices Moroccan or foreign;
- Commercial representatives or a commercial agency of a foreign State, organization or public establishment of a foreign country;
- Public Moroccan establishments- industrial or commercial, subject by their regulations to registration at the Commercial Register; and
- Economic Interest Groups.

The registration number is unique because no one can be registered in more than one local register (Article 39 of the Commercial Code).

It allows access to:

- Legal information;
- Financial information.

Legal information

For legal entities

All information provided at the time of forming a company must be subsequently amended in the case of changes or the termination of the registered activity.

a) Information relative to partners

- Last name and first names of partners, shareholders and silent partners;
- Date and Place of Birth;
- Nationality of each person as well as the number of the national identity card and for foreign residents, the number of the residency card or the passport number or other identification papers;

b) Information relative to the company;

- Corporate name or designation of the company and the indicated date of the negative certificate issued by the Central Commercial Registry;
- Purpose of the company;
- Activity actually carried out;
- Head office and if need be, the places where the company has branch offices either in Morocco or abroad as well as the registration number and nature of the patents;
- Legal form of the company;
- Amount of social capital;
- Date when the company started and the date that it is expected to finish;
- Date and deposit number of the statutes at the clerk's registry;

- Names of partners and third parties authorized to administer, manage and sign for the company; their date and place of birth, nationality as well as the number of the national identity card and, for foreign residents, the number of the residency card, the passport number or other identification papers;
- Patents and trade marks submitted by the company;
- Collateral, renewal collateral and the cancellation of the registered creditor's preferential claims.

c) Information relative to managers;

This information concerns managers, members of administrative agencies, management or general managers named during the term of the company. The following are required:

- Last name and first names;
- Date and place of birth;
- Nationality of each person as well as the number of the national identity card, and
- for foreign residents, the number of the residency card or the passport number or other identification papers.

d) Information relative to legal decisions

- Decisions dissolving or nullifying the company;
- Decisions pronouncing settlements or judicial liquidation

For individual entities

Information relative to the individual

- Last names and first names and personal addresses of the business person as well as the number of the national identity card and for foreign residents, the number of the residency card or the passport number or other identification papers;
- The name under which the business is registered and any individual's names under which it is registered;
- Date and Place of Birth;
- Special authorization issued to minors running a business;
- Prenuptial agreement of foreign business persons;

Last names and first names, date and place of birth as well as the nationality of the authorized representatives;

Information relative to operations

- Activities actually carried out;
- Company's headquarters or primary establishment as well as any other establishments located in Morocco or abroad;
- Registration number of patents;
- Place of origin of the business assets;
- Trademark if registered and the date of the negative certificate (registers the company name) issued by the Commercial Registry;
- Date when the operations began;

List of any previous businesses that the reporting individual had previously operated under another court's jurisdiction;

- Collateral, renewal collateral and the cancellation of the registered creditor's preferential claims;
- Operating patents and trade marks submitted by the company;

- Termination of collateral.

c) Information relative to legal decisions

- Legal decisions pronouncing the suspension of business as well as those ordered to be withdrawn;
- Legal decisions such as settlements or judicial liquidation;
- Legal decisions and acts affecting prenuptial agreements of foreign business persons

All this information can be obtained at the Moroccan Office of Industrial and Commercial Property (OMPIC) which centralizes and disseminates all information submitted by local commercial registries.

Actually, Article 3 of Dahir no. 1-00-71 of 15 February 2000 enacting Law no. 13-99 creating the Moroccan Office of Industrial and commercial Property, states that: the OMPIC ensures “dissemination of all necessary information for the protection of inventions and the registration of business persons in the Commercial Registry to the public.”

Financial information

Commercial businesses are required to submit a certain number of financial documents to the commercial registry. These documents are subsequently transmitted by the local registries to the central registry managed by the OMPIC.

Individual business people are not required to submit their statement of operation to the Commercial Registry.

Certain legal entities required to register with the Commercial Register are also not subject to this requirement. This includes:

- Economic Interest Groups ;
- Branch Offices- Moroccan or foreign;
- Commercial representatives or agencies of States, or foreign public organizations or establishments; and
- Moroccan public establishments- industrial or commercial.

However, commercial businesses are required to submit their statements of operation to the Commercial Register in which they are registered, within 30 days of the date of their approval.

At this time, because of the absence of regulations facilitating transmission or processing, it is not possible to electronically submit statement of operations. The statement of operations must be submitted in hard copy for the time being.

- Statement of operations for the preceding fiscal year;
- Verbal proceedings of the ordinary general assembly for the approval of accounts;
- Management report from either the board of directors or the General Manager;
- Auditor’s report, if need be.

This is required of:

- Limited Liability Companies ;
- Private Limited Liability Companies;
- Partnerships;
- Limited partnerships

The local Commercial Registry receives the statements of operations but is not able at this time to process them. This would allow a credit bureau to provide added value to the information disseminated, in processing and listing the information:

- Companies in default vis-à-vis their obligations to submit their statements of operation;
- Companies that have suspended payments;

- Companies in a situation of loss of $\frac{3}{4}$ of social capital conforming to Article 357 of the law of limited liability companies or Article 86 of the law on other commercial companies.

Information available through the OFPPT

Dahir no. 1-59-148 of 31 December 1959 instituting a social security system, requires private sector enterprises to declare their members and register their salaried employees with the CNSS. The CNSS centralizes the members and salaried employees of the private sector in industry, business and professional occupations.

Employers are required to mention their registration number on bills, letters and all commercial related documents.

This number is therefore public.

There is no legal obligation for the CNSS to disseminate information that it has on businesses. It is also not prohibited. If accessing the CNSS database is not possible, it is possible to verify which companies are up to date with their declarations and reporting requirements. However, this verification can be done with the database of the Office of Professional Training (OFPPT) which is responsible for implementing the professional development policies of the Government.

The procedures manual for special training contracts for the OFPPT states in Article 6.1. that companies can verify on the CSF portal that they are up to date in reporting to the CNSS at the following address: <http://csf.ofppt.org.ma>. This information thus becomes public. As soon as one has a company's CNSS number, which must appear on all of its business documents, it is easy to verify if it is up to date in its reporting to the CNSS.

Information specific to companies listed in the stock exchange published in a newspaper of legal notices

In principle, apart from the statements of operation, annual reports of the management and auditors, as well as all information available to the commercial register, are published in a newspaper of legal notices and in the Official Bulletin

This information is not re-transcribed in the Commercial Register. It is only available in newspapers/journals for legal notices.

Information relative to issuing securities

Any entity going public, either at the time of issuing shares, in cash or bonds, or at the time of introduction of its shares to the stock exchange is required to publish an informational notice that must be:

- Published in a legal notices newspaper;
- Made available to the public at the entity's offices as well as all establishments able to accept subscriptions;
- In case of introduction on the stock exchange, the information memo is also required to be publicly available at the head offices of the stock exchange.
- Prior to publishing and dissemination, the memo must be certified by the Council on Professional Ethics of Transferable Securities (CDVM).

Financial information

In the twenty days following the regular general assembly, the same companies going public are required to publish the following in a newspaper of legal notices:

- Balance Sheet ;
- Profit and Loss Account ;
- Intermediate Balance Statement ;
- Statement of source and application of funds;

- Elements of the state of complementary information determined by the CDMV as well as a summary report of the auditors from the previous fiscal year

In the three months that follow each quarter of the fiscal year, companies registered in the Stock Exchange must publish the following information in a newspaper of legal notices:

- Total revenue compared to the previous quarter and compared to the same quarter in the previous fiscal year; and
- Provisional balance sheet statement for the previous quarter.

These documents should be accompanied by the attestation of an auditor certifying their authenticity.

Information available from the Land Registry

The Land Registry records the following information about real estate.

This information is organized by Articles 65 and following of the Law of 12 August 1913 on the registration of real estate which states:

All facts and agreements, inter vivos, whether free or subject to payment, all votes and proceedings on seizure of property, all judgements passed in force of res judicata, with the aim of constituting, transmitting, declaring, modifying or extinguishing an effective real estate law, all property leases exceeding three years, any receipt or assignment of a sum equivalent to more than one year of rents or farming rents due, should be made public by registering in the Land Register.

The completion time for complying with the registration requirements contained in Article 65 above is 18 months. This requirement relates only to assets registered with the Land Registry, i.e. identified by a number of a land title.

- Real estate transactions,
- Donations;
- Transfers by inheritance;
- Guarantees granted on real estate, such as mortgages,
- Leases where the period is more than three years.

The likely demand for credit information

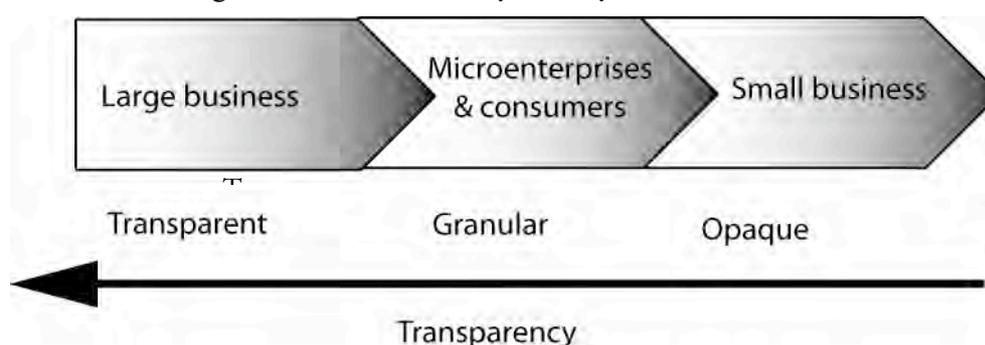
Introduction

Understanding the level and patterns of the demand for quality credit information is basic to assessing strategic choices in response to the mandate established under the new banking law. Policy decisions by the Bank Al-Maghrib will be based, in part, on the prospects for success of a private credit information market in Morocco. The brief analysis of local market conditions assesses various dynamics that influence the likely demand for private credit reports, and explores prospects for the sustainability of a private reporting agency. While the analysis here seeks to provide only an overview, the analytical framework would also apply to any future analysis of market patterns in greater detail. The Bank Al -Maghrib is of course best positioned to analyze market potential in more detail, since it has unparalleled access to economic and financial data.

Financial institutions in emerging economies tend to view domestic lending as riskier than in an OECD economy, for a number of reasons. A major concern is the opaque nature of information on borrowers. With no insight into the outstanding debts of potential clients or their historical repayment performance, lenders typically hold a greater percentage of assets in liquid form, thereby reducing the money multiplier and thereby the effectiveness of monetary policy. These conditions also limit access to capital and restrain economic growth. Over the last decade or two, a number of countries have achieved material progress in the development of credit information to remedy this situation. In the most successful examples, regulators have facilitated the private exchange of credit data, while ensuring a basic level of privacy protection for consumers. A growing number of studies show a correlation between the existence of credit information with better risk management, lower instances of over-indebtedness, improved collateral terms, increased financial market stability, and a higher share of bank financing for small businesses. At the level of monetary policy, credit expansion provides an improved basis for economic management.

Information on creditworthiness and debt carrying capacity is distributed somewhat unevenly across groups of potential borrowers. Figure 1 summarizes this information asymmetry across three major groups of borrowers.

Figure 1: Information asymmetry across credit markets in Morocco



Information on large corporate borrowers is normally easy to acquire because financial disclosure laws are common and the number of borrowers in this market is limited. Systems have emerged to provide some information on microenterprises and individual borrowers, but data tend to be spotty. Finally, least is known about the credit behavior of small and medium enterprises (SME), the engine of economic growth and employment in Morocco. This lack of knowledge is a reflection of limited access for SME to credit and reliance on a form of supplier credit, the system of “effets.” Systematic and reliable credit information will improve knowledge about creditworthiness, and the SME sector would therefore stand to **gain the most**. A good credit report becomes a highly liquid asset, complementing or substituting for

other forms of collateral. The core value of historical credit information is its ability to provide lenders and regulators with a sound basis for assessing the risk of individual and SME borrowers. At this time, lenders in Morocco admit that a culture of sharing information among lenders does not yet exist and that few tools are available to help them effectively assess borrower risk.

The role of the Bank Al-Maghrib

With the recent legal amendments examined above have created a window of opportunity for the Bank Al-Maghrib to strengthen Morocco’s financial markets by facilitating the dissemination of historical credit data. The potential effects of improved credit data exchange include not only better supervision and more effective monetary policy, but also:

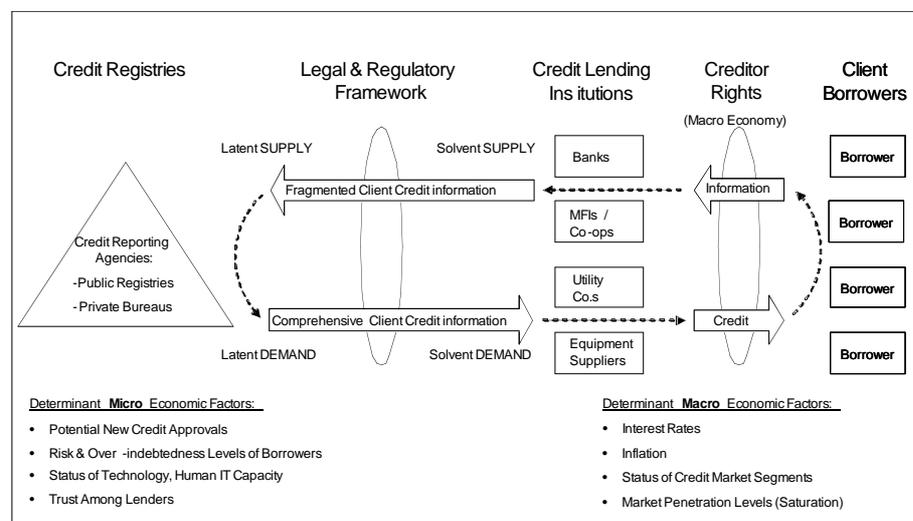
- Greater understanding of credit market risk, over-indebtedness, and financial stability;
- Accordance of local financial institutions with Basel II risk based capital requirements;
- Compliance with US and EU trade regulations of data protection requirements; and
- Increased access to credit by small businesses and microentrepreneurs.

Current private credit information systems do exist in Morocco, but remain largely in an embryonic state. These private efforts to improve private credit data exchange indicate strong *latent* demand for credit information. However, *solvent*—actual—demand for credit information appears to be conditional on the availability of information products that are comprehensive, accurate and reliable. The current fragmentation in available credit information, data security concerns, and technology constraints reduce the solvent demand among lenders for available information products. Above all, lenders appear to lack trust in the existing credit data exchanges. Lack of trust discourages the private flow of credit data as lenders operate on the condition of reciprocity, meaning lenders only share information when they demand information. When lenders trust the private system, the benefits of private credit data exchange are widely recognized to surpass other models of credit data exchange. If the Bank Al-Maghrib chooses to support a private credit data exchange, it can contribute much needed trust in private data exchange by strictly enforcing best practices in licensing and codes of conduct.

The market assessment framework

To assess the market for private credit reporting it is important to understand the factors that influence growth in credit overall, and specifically those factors that influence supply and demand for credit information. Figure 2 demonstrates the flow of information as it occurs under private data exchange models and the framework for analysis that this study will follow.

Figure 2: The market demand for credit information



The key local conditions that will shape the market for private credit data exchange, and that should be the focus of a market assessment are, (i) macro and microeconomic factors affecting the overall supply of credit in the market, (ii) the potential size of credit report demand as measured by the number of new credit decisions from regulated financial intuitions, and (iii) other local conditions such as the status of technology capacity, international trade agreements, Basel II accordance, and culture of business cooperation.

Market dynamics

Economic factors

Macroeconomic factors influence the market for credit reporting just as they affect the market for credit itself. As the number of new loans and credit cards renewals increases, so too does the potential demand for credit reports offering comprehensive information on borrower debts. Thus it is important to understand growth trends in the credit market and influencing factors.

Table 1: Morocco macroeconomic indicators

GDP per capita	GDP per capita (ppp)	Real GDP growth	Population (millions)	Private credit to GDP	Unemployment rate	Life expectancy
14,515 DH	43,291 DH	3.0%	33.2	55%	12.1%	63 years

Source: World Bank Indicators

Inflation in Morocco has been low, 2.39 percent (according to the measures used by the Millennium Challenge Corporation (MCC) for FY 06. Similarly, interest rates offered on national treasury notes, deposits, and the inter-bank lending window have also been low. Low interest rates should in principle encourage lenders to seek higher returns in the local credit market, which would increase the demand for information on local borrowers, individuals and SMEs. But while local lending offers a higher rate of return than treasury notes, banks appear to be rationing credit to the local market because information is limited. Without comprehensive and reliable information, local lending can be too risky. In general, commercial banks can be characterized as highly liquid because increased tourism and remittances are flooding banks with foreign exchange. The privatization of the banking sector has also reduced political pressure for directed credit and allowed bank managers to pursue a more conservative approach to lending.

The credit market in Morocco is multifaceted. The formal credit market in Morocco, valued in the aggregate at \$22 billion, is segmented into three submarkets: (i) the **large corporate credit** market, serviced mainly by commercial banks, (ii) the **individual credit** market, serviced by commercial banks, consumer finance companies, and microfinance institutions (MFIs), and (iii) the **small business credit** market, serviced mainly by commercial banks.

The corporate credit market

Managers from the BMCE—the first bank to be privatized in Morocco—told the assessment team “the commercial credit market in Morocco is highly saturated.” Before privatization, state-owned banks profited from large margins on commercial loans as “large companies comprised the portfolio of all banks.” After privatization, “competition increased, especially from French owned banks, and the margins on commercial lending have decreased, although corporate clients remain low risk.” This

assessment of the corporate market was confirmed during other interviews with commercial banks, CGEM, and the IFC. The number of commercial clients has grown very little but the number of banks and size of credit available to those same few commercial clients has increased.³ Information on corporate clients is widely shared among commercial banks on an informal basis, normally through telephone communications between credit officers.

The small business credit market

In light of the saturated status of the commercial credit market, commercial banks have an incentive to seek higher returns by targeting the individual and SME credit markets. However, lending to small business makes up a very small portion of total lending, and there are indications that lending to this sector has actually declined, at least for medium-term loans.⁴ Few data on current levels of credit to small businesses are available, but commercial banks report their exposure to small business as minimal. Bank managers reported serious interest in increased lending to this sector, but have recently reduced the number of approved SME loans due to concerns over credit quality. Small businesses have the potential for emerging as the engines of economic growth in Morocco, but many are significantly undercapitalized. Managers from the *Groupe Banque Populaire* report that their goal is to increase lending to individuals and small business by 15 percent over the next year, but that credit information will be a limiting factor.⁵ Clearly, better historical credit information is most relevant to this market, and growing interest in lending to SMEs indicates a strong potential demand for credit data.

Where there is little formal lending, businesses resort to informal arrangements. Moroccan SMEs frequently trade goods on credit in the form of “*effets*” or trade bills that allow 30 to 120 day payment. The SME buyers deposits money in an account at some financial institution that makes no guarantee of payment to the seller. Documentation of these *effets* is not standardized, and records of these transactions are in poor condition. Sellers forced to accept *effets* encounter delay and default in attempting to redeem these trade bills. Many SMEs prefer to operate informally to avoid taxes and most supplier commerce requires the use of informal short term credit, therefore small business are forced to accept the risks. Financial institutions are not required to report default activity of “*effets*” and therefore, lenders have little insight into the credit behavior of small businesses or their outstanding credit obligations. Improvements to this system are expected from the Bank Al-Maghrib in the next few years, but despite greater bank-driven interest in to lending to SMEs , risk remains high due to opaque credit information.

The consumer credit market

The consumer/individual credit market is growing, and the incidence of cross-indebtedness and multi-bank borrowing is growing along with it. The number of individuals with access to formal financial products in Morocco is generally estimated at roughly 6 million persons, 18 percent of the population; the Bank Al-Maghrib has estimated a 24 percent bank penetration ratio on the basis of recent studies.⁶ Other emerging economies show higher ratios. While few data are available on the consumer credit loan portfolio of commercial banks, Moroccan MFIs report that *growth in the amount of credit is by now exceeding growth in the number of clients* (see Figure 3). These reports indicate that 25 percent of MFI clients have loans from more than one institution, and that greater numbers of these clients are accessing

³ A recent study confirms the concentration of finance among the largest companies. According to this study by the Direction de la politique économique générale du Ministère des Finances, 11 private groups alone received 16.4 percent of the total of “*crédits d'investissement*” made by banks.

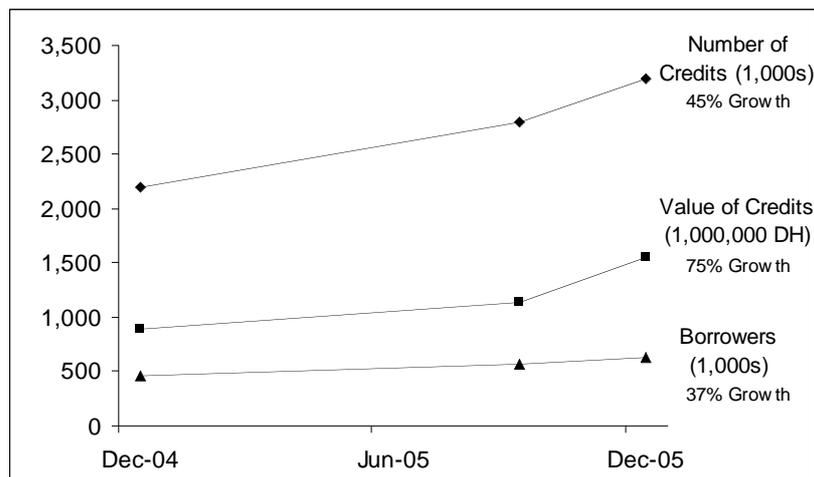
⁴ The same study also concluded that the majority of Moroccan banks have reduced their finance to the SME sector by 50 percent.

⁵ Source: the supervision department of Bank Al-Maghrib

⁶ Local estimates by bankers cite a rate of 18-20 percent. Not included in these estimations are the savings accounts at the post office (Al Barid – which is not supervised by the Bank Al-Maghrib), which represent another 10 percent. However, these measures are generally derived by taking the number of bank accounts and dividing it by the population. There is no means of identifying multiple or cross account holders.

credit from commercial and consumer finance lenders, although the levels of this crossover are still assumed to be relatively low.⁷ The association of consumer finance companies, APSF, confirms that similar conditions are unfolding in their segment of the consumer finance market. Over-indebtedness is considered the main credit risk and the primary reason why the SAAR system was originated. MFIs, consumer finance companies, and even banks report that they are all beginning to lend to the same clients.

Figure 3: The microfinance credit market in Morocco



Source: FNAME

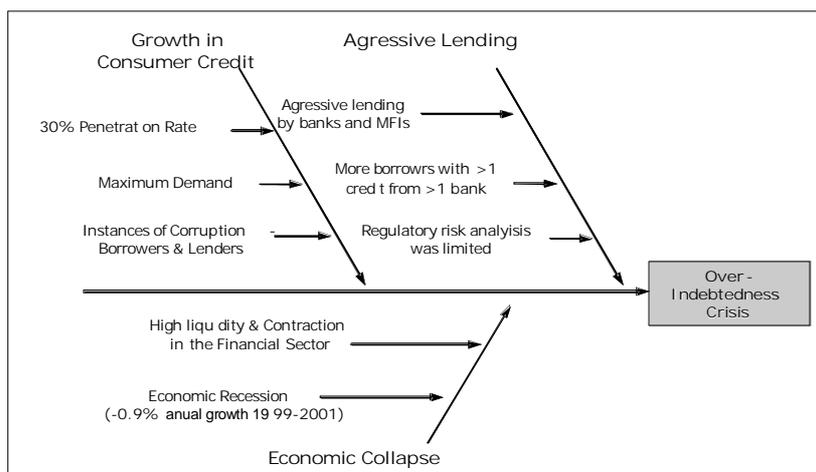
The over-indebtedness crisis of Bolivia

In Bolivia, during the late 1990's, consumer and individual credit grew at a rapid pace while banks and consumer lenders starting competing aggressively with microfinance markets, partly as a response to a deep economic recession. That competition led to borrowers becoming over-indebted, while institutions suffered falling profits and dangerously high delinquency rates. On July 2, 2001, poor fruit vendors, cobblers and farmers occupied Bolivia's Superintendency of Banks and held the staff hostage. Armed with dynamite, hostage takers demanded debt forgiveness and improved terms on future consumer loans. The situation was finally resolved.

The primary conditions that led to the Bolivia crisis were aggressive lending practices in absence of a credit information sharing system among lenders. Borrowing clients took advantage of increased competition, by drawing two or more loans at a time from different institutions. In many cases, borrowers incurred more debt than they could service. Some borrowers let repayments slip, and engaged in loan recycling, incurring one loan to pay off another. Market penetration only reached 30 percent before the bankable market was over-saturated.

⁷ Source: Zakoura Micro-Credit Foundation.

Figure 4: The Over-Indebtedness Crisis of Bolivia



Source: USAID/Bolivia, DAI, CDIE; Rhyne, Elizabeth, “Mainstreaming Microfinance: How Lending to the Poor Began, Grew, and Came of Age in Bolivia,” Kumarian Press, 2001

There are no reliable estimates of the incidence of over-indebtedness, but the growth differential between total outstanding credits and clients, as well as the increase in borrowing from multiple lenders, are strong proxy indicators for at least increasing *cross*-indebtedness. These indicators also suggest that over-indebtedness may be an emerging problem. A strong credit information system represents one of the key tools used by lenders to manage credit risk and over-indebtedness, the current conditions in the individual credit market indicate the increased utility of credit information.

The Moroccan economy is strong and credit market penetration has yet to reach the levels of Bolivia in 2000. Yet, this cautionary comparison indicates that the Moroccan credit market has reached, perhaps even past, the point where a robust credit information system is necessary to stability. Various interviews with managers in the Moroccan financial sector confirm a widespread concern regarding the consequences of over-indebtedness.

Potential credit report demand

Increasing banking competition, continuing SME undercapitalization, and growing individual cross-indebtedness raise the demand for reliable credit information. Providing that information can be financially sustainable, depending on the size of this demand and willingness of lenders to pay. The size of potential demand for credit reports is commonly estimated by calculating the expected number of new credit decisions and credit card renewals, generally estimated on a monthly basis. Credit cards (not debit cards) are rare in Morocco. Interestingly, widespread availability of credit cards only became possible in other countries when private credit bureaus first offered information products that allowed lenders to manage credit card risk, also protecting consumers from over-indebtedness. It is possible that as credit information evolves in Morocco, so too will the market for credit cards as would an expected upsurge in demand for credit reports.

The estimated level of demand

On the basis of a review of annual reports, financial statements, as well as interviews with bank managers and others, we estimate the current potential demand for credit reports in Morocco at about 460,000 per month (as broken down in Table 2). This estimated total is based on relatively conservative assumptions. It does not include the potential demand for credit reports by *businesses* for trade and supplier credit transactions, nor rental property and credit card applications. Few data are available on these types of transactions but it is fair to assume that the maximum potential demand for credit reports in Morocco could well exceed 460,000 per month in the short term. The realization of 460,000 paid

reports per month depends of course on an adequate level of participation by the vast majority of lenders.

Table 2: Expected potential of Moroccan credit report demand

Market segment	Market characteristics	Estimated monthly credit reports demanded
Commercial banks - individual loans	Increased indebtedness	250,000
Commercial banks - small business loans	Undercapitalized	n/a
Consumer finance	Increasing indebtedness	100,000
Microfinance institutions	Increased indebtedness	80,000
Moroccan telecommunications industry	Aggressive ADSL growth	30,000
<i>Total</i>		<i>460,000</i>

Source: Bank Al-Maghrib, FNAM, APSF, various commercial bank interviews, recent telecom quarterly report

Compared to other emerging economies with private credit information markets, 460,000 monthly consultations is a significant market. Credit bureaus in the Dominican Republic, with one of the more developed private credit data markets in the world, process 700,000 to 1,000,000 reports a month. In Ecuador, where multiple private credit bureaus have recently initiated operations, credit report demand is 260,000 per month. In Egypt, the expected demand for credit reports is estimated to be roughly 450,000 per month. The expected demand for credit reports in Morocco appears to fall with in the range that would attract a sustainable private supply response to the credit reporting market.

Table 3: International comparison of demand levels for private credit data

	Population (millions)	Income, GDP per Capita	Percent population financially active	Composition of data	Private credit report demand (volume of consultations per month)
Dominican Rep.	9	19,323 DH	60%	Financial & other	1,000,000
Ecuador	13	20,252 DH	40%	Financial & other	260,000
Egypt	80	12,169 DH	30%	Financial	450,000
Morocco	33	14,514 DH	18%	Financial & other	460,000

Source: 2005 data, USAID/Bolivia, USAID/Ecuador, USAID/Egypt, CDIE, DataCredito (Dom. Rep.)

The willingness to pay

In our interviews, managers of commercial banks, MFIs, and small businesses reported a general willingness to pay for credit reports, depending on the quality of the report and the size of the loan. MFIs indicated a willingness to pay somewhere between 5 – 30 DH for credit reports on any loan applicant requesting more than 5,000 DH. This amount falls within international price comparisons for

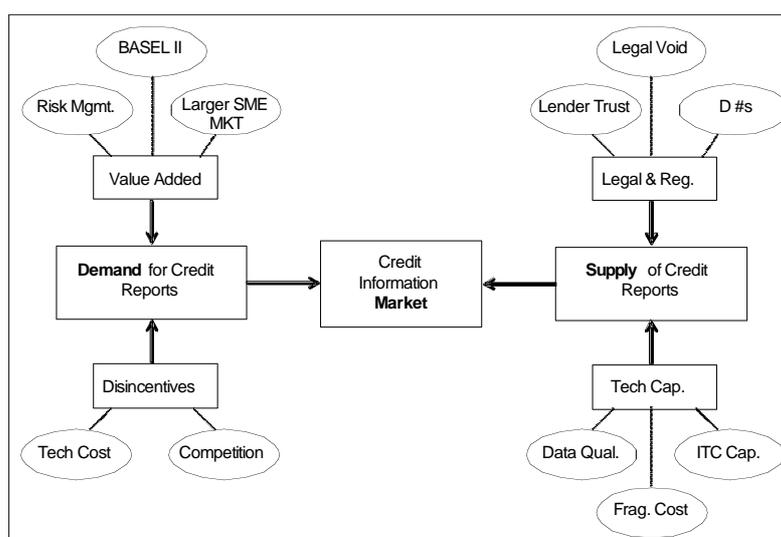
historical credit reports.⁸ Batch reports and term contract agreements could also reduce the cost of providing information and the average price. In countries where demand for credit reports exceeds 200,000 per month private credit bureaus have shown serious interest in investing and offering products at competitive rates.⁹ For Morocco, the estimated level of demand and willingness to pay would therefore be sufficient to support a private credit reporting service.

Factors affecting participation

Forces shaping demand and supply

Clearly, the quality of the reports and therefore the willingness to pay and will greatly depend on the participation of as many lenders in the credit reporting system as possible. A range of factors influence the interest of lenders in sharing information. The common rule of reciprocity requires member institutions first to contribute internal data before they are allowed to access comprehensive data from other lenders, thus demand *and* supply both originate from participants. Credit reports are only valuable when the majority of lenders participate, thereby ensuring that lenders have a universal picture of prospective borrower debt. Unless the majority of lenders from all credit markets participate, the quality of the credit reports will be poor and demand will fall short of expectations. Some of the key conditions are the status of technology capacity, compliance with provisions in bilateral and multilateral (WTO) treaties, and with Basel standards, business attitudes towards informality, and the role of Bank Al-Maghrib. Figure 5 demonstrates the how these conditions are related to supply and demand for credit information.

Figure 5: Local preconditions for private Credit data exchange



Technology constraints

Technology constraints and low human IT capacity can seriously hamper the development of private credit information sharing systems. Regardless of whether the legal environment is supportive, private data exchanges will not flourish unless participants in the system are technologically able to submit, receive and integrate credit data. and Morocco. Most of the key participants, such as banks, consumer finance companies and MFIs, appear to satisfy minimal levels of required technology capacity. Data from these lenders would comprise the core information of any credit reporting system.

⁸ As reported by managers from international divisions of Transunion and DataCredito (private credit bureaus)

⁹ Ibid

Commercial lenders universally use advanced management information systems (MIS) to manage client data and processes. Bankers report that as a result of technology investments, they are poised to contribute immediately exhaustive data on client loan history. Submitting such reports would require little added cost and minimal MIS modifications. In the consumer finance sector, APSF members are also technologically ready to contribute and apply credit data. They already share limited credit data. APSF directly confirms that its members are using sophisticated MIS systems, many of which are the same platforms designed by commercial bank partners.

Technology may potentially limit the ability of certain MFIs to participate. Human IT capacity among MFIs tends to be low. Staff turnover is high which creates a difficult environment to develop and retain technological expertise. The four largest MFIs report, however, that their MIS are advanced enough to participate in any level of credit information sharing. This is encouraging since this group of MFIs accounts for approximately 95 percent of the MFI market. Weak technology capacity appears to affect a minority of the core credit information participants. In general, the technology levels of key participants seem to reach minimal levels of preparedness for private information exchange. Still, the utility of any credit data sharing systems will require on widespread commitment to further technology investment.

Participation in trade agreements and Basel II standards

International trade agreements with the United States and the European Union encourage the adoption of data protection laws of all partner countries. In response to various international incentives, Moroccan lenders will likely place greater value on credit information in the short term.

Credit information is a critical to the implementation of Basel II capital adequacy standards. As regulated Moroccan financial institutions and the Bank Al-Maghrib transition to compliance with Basel II, the utility of credit information will increase. Basel II stipulates modern validated risk measuring tools to accurately estimate the probability of risk. The use of these modern validated risk measurement tools often reward well managed banks by allowing them to reduce capital/asset ratios and make more loans. Accurate and comprehensive credit information will be a key component of any risk weighting tool. In fact, it will be difficult to validate any tool without historical credit data. As reported by the supervision department of the Bank Al-Maghrib, the financial sector will be moving towards compliance with Basel II and will require improvements to the current credit information systems in order to achieve this goal.

SME informality and ID issues

Another condition that may affect the potential of private credit data sharing is the current culture of business informality in Morocco. The World Bank estimates that the informal economy represents 36.4 percent of the Morocco GNP for 2005. Commercial bank lenders also report that small businesses especially prefer to access credit from informal sources in order to avoid taxation and audit requirements, hence the popularity of “effets,” the non-formal check vehicle discussed earlier. If lenders and the Bank Al-Maghrib are to create a robust credit and payment information sharing system, it is feared by some lenders that greater numbers of borrowers will avoid the formal credit sector and increase the size of the informal economy. According to some observers, this undesired effect may deter lender willingness to participate in data sharing and constrain the market for credit reporting.

While it is impossible to disprove this outcome, experience from other emerging economies demonstrate greater informality is unlikely. In fact, since credit information can substitute moral collateral for asset collateral, researchers find that borrowers prefer banks to share information so that borrowers benefit from their repayment behavior.¹⁰ The status of informality, if anything, indicates a greater utility for credit information, not just for lenders, but also for borrowers. Concerns about credit information

¹⁰ Miller, Margaret et al. “Credit Reporting Systems,” World Bank Publications, MIT Press, 2001

exacerbating informality appear unfounded as this study finds no comparative example where such an increase occurred.

Banks also report that regulators are working on agreeing on a common ID number for small businesses. This will be critical as any information system will require accurate common identifiers. This issue clearly has a broader significance for the management of the economy.

Summary and conclusions

Our estimates show that the expected credit report demand would sustain a private credit reporting industry in Morocco. There are strong indicators that the Moroccan economy is ready for private credit information system and, perhaps, even past the point where a robust system is necessary. The Bank Al-Maghrib is best positioned to analyze and address this market potential.

Three underlying trends in the Moroccan economy are likely to drive the potential demand for credit information. First, low interest rates, high liquidity, and the saturated nature of the corporate credit market are forcing commercial banks to search for higher returns in previously underserved segments of the credit market. The competitive environment among commercial banks encourages banks to demand information on underserved SME and consumer credit markets. Second, as the SME sector is characterized as undercapitalized, the future size of SME credit and resulting demand for SME credit reports is likely increase at a high rate. Third, evidence of cross-indebtedness among consumers is aggravating concerns about over-indebtedness among lenders.

Based on readily available data and insights, we estimate that the level of potential demand for credit reports to be sufficient to sustain a private sector supply response. Under the right conditions, the total estimated demand level is probably conservative. Local conditions such as technology capacity can sustain that level of service delivery. Overall, the trends indicate a strong level of preparedness for private credit information in Morocco.

In conclusion, it appears the most significant challenges to private credit data exchange remain lack of trust among participants and misconceptions about the value of advanced private credit reporting. While this study does not heavily focus on the role of Bank Al-Maghrib, the preparedness of the market for private credit exchange will depend on its leadership. The international experience with different credit information models will provide significant guidance for the Bank Al-Maghrib on how to facilitate a sustainable private credit reporting system.

Strategic and operational aspects

Introduction

The development of a nationwide credit reporting capacity—whether in the form of a credit registry, a credit bureau or some hybrid institution—is essential to expanding access to credit. It also generates enhanced financial discipline among borrowers, helps to curb the incidence of over-indebtedness, and is critical to strengthen the banking system. By providing a low-cost and efficient access to the type of credit information needed by financial sector institutions and commercial enterprises, a nationwide credit reporting bureau will facilitate the process for those institutions.

This section touches on key strategic and operational issues, and relates the international experience to the case of Morocco. The presentation reflects the results of discussions with officials of the Bank Al'Maghrib and other participants in the process of developing a strong credit reporting system.

Who are the beneficiaries of a private credit bureau?

- a) The nation itself (it will reinforce the development of a repayment culture),
- b) commercial banks and financial institutions,
- c) small & medium enterprises.
- d) individual entrepreneurs across the nation
- e) individuals and their families.

Effective and reliable information on creditworthiness promote the transparency of credit operations within the financial system. It provides a collateral protection tool for savings deposits and current accounts within the financial system, thereby reducing risks of bank defaults. It also offers a powerful tool in the implementation of the Basel Agreements I and II with respect to “Know Your Clients” policies.

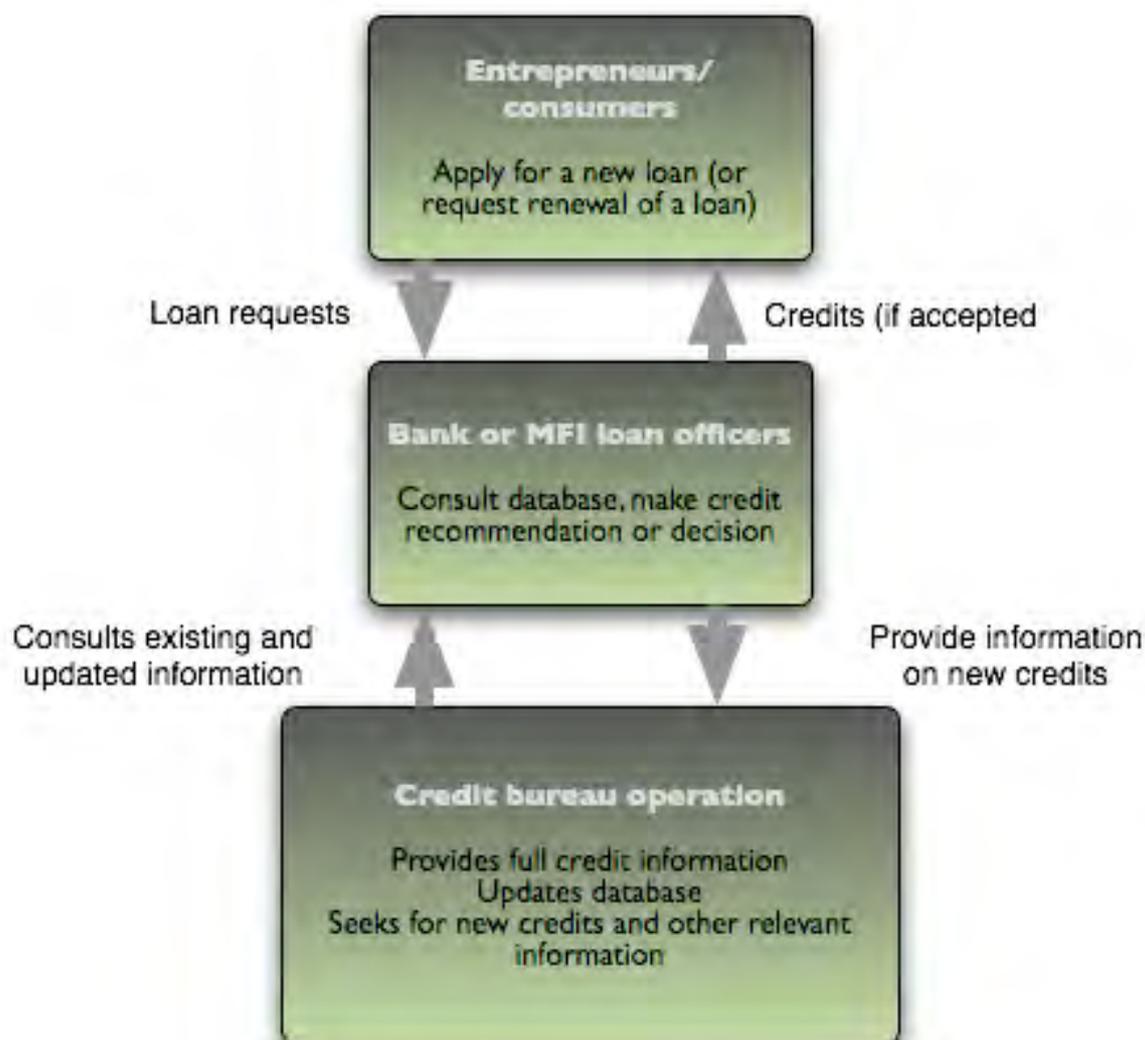
Credit bureaus—best international practices.

By today's standards, a credit bureau is a sophisticated computer system, comprising both hardware and appropriate software. designed for sharing information among participants about the credit behavior of prospective borrowers. The data to be shared include the following:

- (1) general data (age, gender, social status, picture, addresses, phones, etc.);
- (2) debt levels and repayment records; and
- (3) judicial and criminal record,

Together, these data allow current and potential lenders to make informed credit decisions consequently reducing the credit risk associated to a financial transaction.

Figure 6: Flows of information



An effective credit bureau operation should provide the most comprehensive and complete report for clients and users, relying on state-of-the-art technology.

The emerging standards for credit reports emphasize the inclusion of the following bits of information:

- biographical data on the client, including a picture of the (individual) client;
- address and telephone numbers;
- complete credit information, covering both positive and negative aspects, in particular the repayment record for the last 3 to 5 years;
- minimum limits and maturity on loan amounts;
- current debt balances (as appropriate, broken down by maturity—30,60,90,120,150,180 days)
- relevant corporate information;
- motor vehicle information;
- insurance data and claims submitted/settled;
- all judicial information available;
- risk factors variables associated to a consumer based upon repayment record;
- monthly monitoring of accounts or early warning systems;

- graphs and charts related to a person's debt, balances and repayment record; and
- credit scoring services based on statistical and mathematical analysis

Options for developing a comprehensive credit reporting system in Morocco

A choice among options

The new banking law that recently became effective gives the Bank Al-Maghrib the explicit mandate to either provide credit information directly or delegate these functions to another institution. In other words, the mandate is to manage the system of credit information sharing and reporting to ensure full participation and guarantee high quality credit reports.

Our discussions with the Bank Al-Maghrib have indicated a strong preference for bringing a private operator or private operators to handle the expected volume of processing and demand for credit information. The initial licenses need not be limited to one bureau, and the Bank Al-Maghrib may want to encourage the free establishment and licensing of more than one. Whatever form the final contract will take, it will be in essence a form of concession, with the concessionaire(s) responsible for all necessary investments. Overall we can distinguish a number of possible options for structuring this system. We can distinguish among three major options, where each option includes the possibility of having actually more than one bureau operating:

- Bringing in a privately owned credit bureau as a subsidiary of a larger international credit bureau firm;
- encouraging the establishment of a locally owned private credit bureau;
- providing for the establishment of locally-owned private credit bureau affiliated with or operating under a management contract with an international credit bureau firm.

Of course, hybrids may also be possible. Under either option, the selection will be governed by an open, competitive process. One potential issue is the existence, or inception of three credit information services maintained by the APSF, and planned by FNAM and GPBM. If the decision is to go with an international credit bureau firm, these existing operations may need to be dissolved. Alternatively, if the competition is open, allowing for different responses, it may be possible to have these systems compete for an operating license or concession, as long as they can meet the requirements of the RFP, the *cahier des charges*.

Prior to issuing the Request for Proposals (RFP) , a sound market analysis regarding present and potential business (five to ten years) concerning credit development will be critical. This analysis will need to cover different market segments, such as credit cards, personal loans, and commercial business operating on a credit-basis and other related enterprises, both in the regulated and non-regulated banking sector.

The results of this market analysis should be directly presented by the officials of the Bank al Maghrib along with a country micro-macroeconomic data portfolio to the potential investors, owners and high executives of several reputed credit bureaus around the world allowing them to acquire a suitable and sound picture of the implications of investing in Morocco as well as the capacity of assessing the full endorsement of the Government of Morocco to this project.

In addition to the results of this market analysis (which will also guide the due diligence efforts by prospective bidders) the RFP will contain the outlines of the key objectives and of the operating rules, the *cahier des charges*. There are a number of general concerns that need to be reflected in any RFP. For example, in the credit bureau industry there are no hardware and even less software available in the market which could be labeled as standard, or "off the shelf," for administrative and operational purposes. As a result, unless the potential bidder has access to existing (proprietary) software, everything must be developed ad hoc. Much of the RFP (and the ensuing concession or concessions) will focus on the adequacy of information technology standards. Appendix A to this report presents an overview of these minimum technology requirements to be stipulated in the RFP. Generally, the credit information

system industry has been characterized in the last ten years by a major growth and solid standardized procedures and operations.

Independently of the business model the Bank Al-Maghrib decides to adopt for the establishment of the credit Bureau(s), from the very beginning of operations it should be considered as an open credit bureau. In other words, it should be established to allow for the free flow and dissemination of information to the financial system, regulated and non-regulated, as well as to commercial firms that treat credit operations as an essential part of their business.

The ultimate contract or agreement on services would be signed by the Bank al Maghrib, and the representatives of the successful bidder, and another by end-users of the services and the credit bureau officials. Contracts of this nature will protect the Bank al Maghrib against any form of liabilities in front of a customer, protect and define the relationship between an end-user and the credit bureau, protect the credit bureau of unnecessary liabilities and legal demands, and protect also the consumers rights in front of a credit bureau and society in general.

Option 1: Bringing in privately owned credit bureaus affiliated or belonging to a larger worldwide organization

This first option focuses on attracting to Morocco international credit bureaus (foreign investors) that are established operators in this business in different countries. Whether the RFP is for open competition, or only targeted at reputable international operators in this field is a decision to be taken early on. This model has rendered very good results in countries such as South Africa, Ecuador or Mexico among others where in some cases these firms have offered shareholder participation to local investors.

Advantages:

Reputable international operators by definition have the proper business “know how” and the ability to launch operations rapidly. The period for establishing a credit bureau with that meets the demanding standards set in the *cahier des charges*, as well as receiving the country financial system primary data from the Bank Al-Maghrib should not exceed six to eight months. It is highly possible that within this operational model, the data is collected in the country itself but processed in some trans-boundary processing center, particularly in the first operational stages.

Another advantage of this option is the transparency of the credit bureau’s daily operations since they are not directed, influenced, or otherwise respond in any way to the interest of any local financial group.

Disadvantages

Among the possible disadvantages may be relatively high service fees, a biased approach to the business, for example by focusing on banks only, the possibility of data manipulation by a foreign firm or data processing out of the country if this were the case. Similarly, a management is composed of experienced global executives with sound knowledge of the business may need to be complemented by local managers which would have a proper understanding of the market and the culture of the country.

Option 2: Establishment of locally owned private credit bureaus

Under this option, the credit bureau is established within the local context and by local investors without any affiliation to international credit bureau firms. The idea is to develop a credit bureau essentially “from scratch”, assembling locally all its operating technology, both hardware and software, and create the appropriate management structures..

Advantages

This option would involve a local firm developed by local investors, supposedly with a detailed understanding of the local culture and customs, as well as general operating procedures. It is a institution developed with local capital and by local owners, which is vital for the sound image of the credit bureau in the country. It can be taken as a sign of trust by local investors in the development of

the country, in the development of the financial system as well as in the government's willingness and support.

Disadvantages

The investment required in terms of financial and human resources to meet international operating standards, as spelled out in the cahier des charges, will be significant. Moreover, the time required to meet these standards in terms of technology and management will be time consuming.

Moreover, the worldwide experience with such "homegrown" credit bureaus has been less than encouraging. Many of such credit bureaus have failed after the primary stage of operations because of their inability to fully comprehend the magnitude of the task, their early operating systems were inadequate, they lacked speed and sufficient processing capacity, were unable to handle and standardize their affiliates' data and their final reports to the users did not correspond to the reality of the best international practices.

There is also a danger of a lack of credibility and dependability in the credit bureau, its owners and management. Generally, the owners of a credit bureau should not be part of the financial system, particularly banks or financial institutions, as sole or single shareholders. A credit bureau is a business based on *trust*. Trust implies that the data obtained from partner institutions is not used in detrimental actions against the interests of other affiliates. As a result, if the bureau ownership is in the hands of some banks, financial institutions or financial groups recognized in the country, other potential affiliates are reluctant to be part of the bureau because of the generated distrust. In fact, when banks and financial institutions are the holders there is a tendency to deny full participation to other important players.

Option 3: Establishment of a locally-owned private credit bureau affiliated with or having a management contract with an international credit bureau firm

The credit bureau is established within the local context and by local investors, but is either directly affiliated with or delegating its management under contract to an international credit bureau firm.

Advantages

This option in effect combines the advantages of the other two options. It represents a sign that local investors have enough confidence in the development of the financial system. At the same time, the whole process of the new credit bureau formation, design, implementation and execution is much faster and effective as well as less financial and human resources consuming. The management of the credit bureau by a global credit information service firm will ensure the continuous operation based on an updated and most advanced state-of-the-art technology found in the market, which allows for a better final service to its users.

Disadvantages

This option combines some of the disadvantages of the first two, the entirely locally-owned option and the international credit bureau operator. It may be difficult to find local investors who are not affiliated in one form or another with the current structure of the financial system, undermining the trust *all* partners need to have to make the system operational. At the same time, international fee structures may be perceived by some as prohibitive.

Recommendation

Our recommendation is the consideration of the third option, provided local ownership could be structured to avoid suspicions of any inequitable treatment. For example, commercial banks, consumer finance companies and microfinance institutions together could join to develop a credit bureau. Such an option would be a sound option to counteract the lack of trust which could arise from its management and owners.

Selected issues for implementation

The willingness to share information among banks and MFIs

At the earliest stages of any credit bureau project, banks and others financial and non-financial institutions tend to be somewhat reticent with respect to supplying all the information required. They are afraid of “losing” some good clients if their information is widely spread among other financial institution or if the name of any given financial institution providing the information could be displayed in the credit report. In the actual experiences in other countries these feared developments did not materialize. Retaining a client tends to depend not on the restriction of credit information but on such issues as the costs of transactions, new products, as well as excellent services to the client.

The following represent two different approaches to this issue, implemented by credit bureaus in Latin America:¹¹

- (a) In the **Ecuador Model**, all financial data is supplied *on a monthly basis*, from the Bank’s Superintendencia (Government regulator) directly to the credit bureaus. Credit bureaus are responsible to obtain the complementary information from non-regulated financial institutions and commercial enterprises.
- (b) In the **Dominican Republic Model**, all financial data is supplied *on a monthly basis*, from banks, financial institutions, commercial enterprises, telephone and mobile companies, etc, directly to the credit bureaus.

Issues related to client identification

Most—but not all—Moroccans have a national ID card and a unique number. As a result, the issue of client identification for individuals is not as difficult as it can be in some countries. However, because names may not be unique, precise birth dates may be unknown, and because some small percentage of Moroccans do not have a national ID card, the issue demands some attention. Ultimately, providing the credit bureaus with unique identifiers for individuals it is critical to give them, an adequate capacity to implement mechanisms of identification-of users and consumers with 100 percent certainty.

Efforts to agree on a unique system to identify corporate borrowers, especially for SMEs, are currently under way (and are being supported by the *Improving the business climate in Morocco* Program). These efforts will go in parallel to initiatives to draw more of these enterprises into the formal financial sector.

Issues related to consumer protection and banking secrecy

The basic concepts under this rubric include the following:

- (1) Providing adequate protection for the Bank Al-Maghrib with respect to any liabilities or direct responsibilities with the data provided by the financial institutions;
- (2) establishing a reasonable cover for the credit bureaus regarding any premature liability or demands from end-users;
- (3) ensuring the consumers’ rights to have personalized access to their credit report, and to resolve any issues regarding a wrong or an unintentional data not belonging to the consumer; and
- (4) the non-disclosure of information regarding to client’s actives within banks and other information under the umbrella of bank secrecy.

Other systems have developed adequate solutions to these problems. On the basis of these experiences, the RFP and the concession contract or license will have to include safeguards to address these and related issues.

¹¹ The mission’s lead consultant, Miguel Llenas, has played a key role in both of these examples.

Issues related to the Bank Al-Maghrib's financial data

In developing approaches for handling the financial data stored by the Bank Al-Maghrib, and the best ways to transfer them to the credit bureau(s), the principal recommendation is to eschew excessive attention to the technical issues of the data themselves, *but to focus instead on the quality of the information provided*. The data transferred to the credit bureau(s) should conform to international standards, and should be directly related to the information that will be provided in the final credit report to the affiliates.

The technical issues of the data to be supplied to the credit bureaus can be addressed by the use of standardized data, supplied either by the Bank Al-Maghrib, or by the affiliates directly. This operation is called within the credit bureau industry “mapping,” and is a fundamental structural element in the daily operations of any given credit bureau. These issues need to be included in the (concession) contract or license for the credit bureau(s).

The Bank Al-Maghrib's and the credit bureaus' coverage should be expanded to include loans with amounts below 300,000 dirhams. Such expansion is important for the future supervisory role of the Bank over the financial system in general, and especially for the microfinance segment.

Another important issue is the legal contract between the credit bureaus and the Bank Al-Maghrib concerning any kind of liabilities (or legal responsibilities) of the Bank in the data transferring process and the reliability of the data provided. Again, international experience offers sufficient guidance for handling these aspects in the Moroccan context.

The microfinance sector

Credit bureaus have proven themselves to be essential for the further development of the microfinance sector in the countries where they are already considered as an advanced tool for financial development. Data on microfinance lending are not regarded as a specialized and independent credit information system, but as a fundamental structure fully integrated into the national credit bureau system, as a key structural component of the financial system overall.

The microfinance sector clientele in Morocco exceeds 600,000 borrowers. To include this sector in the credit bureau to be established in the country would be absolutely critical.

Technology requirements

One of the major elements of the *cahier des charges* deals with the minimum requirements for the deployment of information technology, in terms of both hardware and software. Much of these requirements are quite specific, and are summarized in Annex A to this report.

Protecting consumer rights: A code of conduct

In the United States of America, the Federal Fair Credit Reporting Act (FCRA) seeks to ensure the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. The major rights under the FCRA, with some additional amendments based on the Moroccan market, constitutes in effect a sound code of ethics regarding consumer's rights.

1. The customers must be told if information in his file has been used against him. Anyone who uses a credit report or another type of consumer report to deny an application for credit, insurance, or employment—or to take another adverse action against you—must tell the affected person, and must give to the consumer the name, address, and phone number of the agency that provided the information.

2. The customer has the right to know what is in his/her file. The customers may request and obtain all the information about himself in the files of a credit reporting agency (your “file disclosure”). The Customer will be required to provide proper identification, which typically includes the unique ID number. In many cases, the disclosure will be free. Customers are entitled to a free file disclosure if:

- a person has taken adverse action against the customer because of information in your credit report;

- the costumer is the victim of identify theft and wishes to place a fraud alert in his or her file;
- the costumer file contains inaccurate information as a result of fraud;
- the costumer is on public assistance;
- the costumer is unemployed but expects to apply for employment within 60 days.

In addition, all consumers should be entitled to one free disclosure every 12 months upon request from each nationwide credit bureau and from nationwide specialty consumer reporting agencies.

3. The customer has the right to ask for a credit score. Credit scores are numerical summaries of one's creditworthiness based on historical information derived from credit bureaus. The costumer may request a credit score from credit reporting agencies that create scores or distribute scores used in residential real property loans as well as in general credit related transactions, but the costumer will have to pay for it. In some mortgage transactions, the costumer will receive credit score information for free from the mortgage lender.

4. The customer has the right to dispute incomplete or inaccurate information. If the costumer identifies information in his/her files that is incomplete or inaccurate, and reports it to the credit reporting agency, the agency must investigate unless the costumer's dispute is frivolous.

5. Credit reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information. Inaccurate, incomplete or unverifiable information must be removed or corrected, usually within 30 days. However, a credit reporting agency may continue to report information it has verified as accurate.

6. Credit reporting agencies may not report outdated negative information. In most cases, a credit reporting agency may not report negative information that is more than seven years old, or bankruptcies that are more than 10 years old.

7. Access to the customer's file is limited. A credit reporting agency may provide information about the costumer only to people with a valid need—usually to consider an application with a creditor, insurer, employer, landlord, or other business. The Moroccan Law regarding credit bureau operations provides a sound background for compliance with these parameters.

8. The customer must give his/her consent for reports to be provided to employers. A credit reporting agency may not give out information about the costumer to his employer, or a potential employer, without your written consent given to the employer.

9. The customer may limit "prescreened" offers of credit and insurance a third party may get based on information in his/her credit report. This is an aspect of credit bureaus business structure that we urged to avoid in developing countries as they may cause more harm than good to the credit bureaus industry. But, in case that the credit bureau officers decide to implement this core of business, unsolicited "prescreened" offers for credit and insurance must include a phone number where the costumer can call if he/her chooses to remove his/her name and address from the lists these offers are based on.

10. The customer may seek damages from violators. If the credit reporting agency, or, in some cases, a user of consumer reports or a furnisher of information to a credit reporting agency violates the rules and regulations under Moroccan law, the costumer may be able to sue.

11. Identity theft victims must have additional rights. Provision under the law and practical guidelines within the credit bureaus operations have to be set for accomplishing this purpose.