Expert Workshop

Addressing Priorities for the Development of the Casablanca Stock Exchange

Held in the framework of the Task Force of Middle East and North African Stock Exchanges for Corporate Governance

17 December 2012

Organised by the OECD and Casablanca Stock Exchange
Workshop objectives

Over the past decade, the Casablanca Stock Exchange has experienced a substantial growth in listing and trading. It is also one of the few exchanges in the Middle East and North Africa region that has succeeded in attracting significant institutional capital. In recent years, it has been positioning itself to attract listings from Africa, while at the same time broaden its issuer base to include more SMEs, which are the cornerstone of the Moroccan economy. This has proven a significant challenge considering the varied successes of initiatives undertaken by exchanges worldwide to attract SMEs to list, and the particular difficulty of convincing family-owned companies to do so.

At the same time, the Casablanca Stock Exchange is in the period of transition whereby plans to demutualise the exchange are being seriously considered. With the introduction of the Casablanca Finance City earlier this year and the establishment of the Morocco Financial Board to oversee this process, efforts are being made by the government to further the image of Morocco as an attractive destination for portfolio investment. It is in this context that this workshop will aim to consider future development of the Casablanca Stock Exchange (Bourse de Casablanca), both from the perspective of deepening the market and also reviewing its ownership structure to increase its future competitiveness.

The Taskforce of MENA Stock Exchanges for Corporate Governance

The Casablanca Stock Exchange participates actively in the Taskforce of MENA Stock Exchanges in Corporate Governance. The Taskforce is composed of representatives of stock exchanges, securities regulators, and other experts from 18 MENA economies, as well as their counterparts in OECD member countries. High level representatives of these institutions participate and support the work of this Taskforce.

The Taskforce held its first inaugural meeting on 5 July, 2011 at the OECD Headquarters in Paris. A second meeting of the Taskforce was organised on 22 June 2012 in Istanbul, focusing on attracting listings and institutional investors, as well as on privatisation/demutualisation of stock exchanges. Heads of stock exchanges demonstrated a high level of interest in continuing this work in 2013-2014, with a focus on a number of priorities, such as listing standards, privatisation/demutualisation, the role of stock exchanges in promoting transparency and disclosure.

A number of country-specific projects were also launched by the OECD in 2012, supported by the OECD Advisory Facility for Stock Exchanges, which aims to respond to the interest of exchanges for targeted advice. The collaboration between the OECD and the Casablanca Stock Exchange is an example of the project that this Advisory Facility was created to support. Reports on the progress of this and other bilateral projects between the OECD and individual MENA exchanges will be provided to the next annual meeting of heads of MENA stock exchanges planned for autumn 2013.
International developments in the stock exchange industry

The evolution of the stock exchange industry over the past two decades has been remarkable. Exchanges have restructured, privatized and in some cases self-listed. They have been subject to growing competition from alternative trading platforms in Europe and North America, which has resulted in a migration of trading from regulated exchanges. While the trading activity on regulated exchanges across the world has declined, so have the listings in many major markets, in emerging and developed economies alike. This panel will provide an overview of key developments in the global stock exchange industry with a view to better understand how they might impact Morocco.

Questions for discussion:

- What are the key developments affecting international stock exchanges and more specifically MENA-based exchanges?
- How is the emergence of high frequency trading and increased competition from non regulated trading platform affecting large international exchanges?
- How has the tightening of securities regulations, including corporate governance requirements, affected the development of stock exchanges globally?
- What are the key shifts that can be observed in terms of the listing and trading activity globally?
- How have recent international and regional developments affected the positioning of the Bourse de Casablanca?

The listing challenge: attracting SMEs

In recent years, the focus in the region has been on attracting liquidity and issuers to the market. This has proven to be a considerable challenge, given the ownership structure of the companies in the region. Attracting SMEs to list has also posed certain challenges for the Casablanca Stock Exchange. This session will be dedicated to exploring the listing regime with a view to discuss whether it provides sufficient incentives for SMEs, which are often family owned companies, to list. It will also examine mechanisms and instruments for the CSE to raise awareness among issuers regarding benefits of listing.

Questions for discussion:

- To what extent does exit on the stock market beneficial to Moroccan companies and SMEs in particular as opposed to other sources of financing?
- Is the three tier structure of the stock exchange (main, development and growth markets) conducive to attract Moroccan companies of different size and sectors to list? How might the listing requirements need to be adapted to attract SMEs to list?
What are they key concerns voiced by SMEs in terms of the listing process (e.g. legal complexities, cost, lack of analyst coverage, dilution of control, etc. and how might they be addressed?

• What government support measures may be required in order to stimulate the development and eventual listing of SMEs in Morocco? Are existing measures coherent and effective in stimulating SME listings?

• Looking at the experience of exchanges globally, what are the relevant examples for the Bourse de Casablanca that can inspire specific measures to attract SMEs to list?

12.30-13.30 Lunch

13.30-15.30 Demutualisation: challenges and prospects

Transition to demutualised or private ownership model for stock exchanges began with the demutualization of the Stockholm Stock Exchange in 1993. Following this experience, most large international exchanges have demutualised, and have self-listed. In the MENA region, the interest in demutualization and privatisation options is growing and a number of exchanges are considering this option. Nonetheless, the motives for demutualization/privatisation and the modalities of this process have not been subject to significant debate in the region, a lacuna that the OECD Taskforce has tried is working to address in its regional work. This session will be dedicated to discussing the prospects for demutualising the Bourse de Casablanca with the aim to distill its potential benefits and dangers.

Questions for discussion:

• What are the benefits of demutualising the Bourse the Casablanca? How might the ownership of the stock exchange evolve following this process?

• How might international experience with exchange demutualisation be instructive for the Bourse de Casablanca?

• What timeline might be realistic and what sequencing of reforms might be required?

• How might the regulatory functions of the exchange need to be amended in light of this potential ownership change? What organizational changes might be required to address potential conflicts of interest?

• How will demutualisation affect the strategy and competitiveness of the Bourse?

15.30-17.30 Development of the Bourse: organisational model

Significant debate is ongoing in the stock exchange industry regarding optimal organisational structure for stock exchanges, particularly whether horisonally or vertically organised markets are more effective and better performing. Especially since the Bourse de Casablanca is considering to demutualise, its model of organisation will have an impact on the profile of investors that it might be able to attract. This panel will be dedicated to discussing the future organisation capital markets in Morocco from a holistic perspective in order to determine what organisational structure would allow the Bourse to remain competitive and attractive for future investors.

Questions for discussion:

• Would vertical integration make the Bourse de Casablanca more attractive to potential investors or more competitive in the long term? If so, what services might make sense to integrate (clearing and settlement, data dissemination, etc.)?
• What potential risks would vertical integration of the Bourse pose in terms of monopoly of trading and other services and how can they be potentially addressed in the future?
• How might the initiative to develop the Casablanca Finance City fit in with options to integrate service provision by the stock exchange in a vertical fashion?
• Is horizontal consolidation or better linkages with other exchanges a serious option for development of the stock exchange?

17.30-18.00  Concluding remarks and way forward

This last panel will be structured as an open discussion so as to allow all participants to express their views on going forward and to define next steps.

18.00-19.00  Cocktail and tour of the exchange