

Casablanca Stock Exchange Reforms : Achievements and Challenges

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I. MOROCCAN FRAMEWORK

Without stepping into the issues raised by my colleagues from CDVM and Bank Al Maghrib regarding enforcement laws and practises, I would like to draw very quickly the Moroccan framework of corporate governance in the sidelines of the Casablanca Stock Exchange.

- Law 17-95 relating to the joint stock company
- Law 15-95 formed for commercial code
- Dahir bearing law 1-93-211 amended and completed by laws 34-96, 29/00 and 52-01 relating to the Stock Exchange
- Dahir bearing law n°1-93-212 on September, 21st 1993 amended by the law 23/01 relating to the CDVM.
- Dahir bearing law n°1-93-213 on September, 21st 1993 relating to the mutual funds (OPCVM)
- Law n°35-96 relating to the central custodian, promulgated by Dahir 1-96-246 on January, 1st 1997, modified by the law 43-02
- Law n° 26-03 relating to the Public Offers
- Law n° 35-94 relating to commercial paper (Titres de Créances Négociables)
- Law n° 1-74-447 relating to the commercial arbitration
- Law n° 9-88 relating to the countable obligations of the tradesmen
- Law n° 10-98 relating to mortgage backed securities
- Law n° 15-89 regulating the certified accountants and auditors
- Internal rules of the Stock Market, approved by the decree of the Minister for Finance 499/98 and amended by the decree of the Minister for Finance and privatisation 1994/04
- “Cahier des Charges” of the concession of the Casablanca Stock Exchange

Thus a strong framework as show by the strong FDI in the Kingdom in recent years

II. CASABLANCA STOCK EXCHANGE CORPORATE GOVERNANCE FRAMEWORK

1. ROLE

Casablanca Stock Exchange is a joint stock company regulated by the private sector law and its capital is equally held by member brokers. The company runs a concession from the Ministry of Finances to bearing:

- Run and develop the securities market in Morocco
- Announce new listings and delistings
- Control compliance of member brokers in regards of laws and regulations when trading
- Ensure fluid daily trading
- Inform the securities commission of any infringement.

2. ORGANISATION

In designing its organisation, the Casablanca Stock Exchange aims at being a model company in terms of corporate governance in Morocco and the region. As part of the Moroccan government strategy in attracting foreign investment, CSE endeavours at showing the path to its listed member companies for attracting foreign investors and thus reducing cost of capital.

2.1 The Supervisory Board

CSE is run by a supervisory board and an executive board. The structure guarantees the separation between management and control. The supervisory board is in charge of strategic decisions including :

- Appointing members of the executive board and their remuneration
- Approve the accounts to be presented to the general assembly
- Approve the budget

The supervisory board is formed by 12 members all with capital markets background. All meetings are attended by a government official from the Ministry of Finances.

a. Specialised Committees

Four committees meet on a regular basis to debate issues submitted by the Supervisory Board.

- The Development and Strategy
- The Audit
- The executive board committee (appointment and remuneration)
- The Corporate governance committee

In addition a steering committee formed by the four presidents of the committees in addition to two additional members prepares meetings of the Supervisory Board.

All committees have internal rules that are approved by the Supervisory Board and to which all members have to comply with. These rules specify a minimum number of annual meetings with the presence of the Government auditor. Minutes are mandatory for each meeting.

b. Charter of the Member of the Board

Each member of the Supervisory Board complies with the Charter of the Member which includes:

- The General duties of the member
- The due loyalty : which insists among other things that all members must inform as soon as possible the board of any situation of conflict of interest and not vote in the corresponding decision.
- The due diligence
- The confidentiality
- Awareness
- Privileged information
- Full adherence to the Charter

c. The internal rules of the Supervisory Board

They specify the key terms of the bylaws of the Company regarding the subject in addition to organisation rules for the board meeting and the establishment of the minutes. They define the role of the board as :

- Approve the strategic planning of the Stock Exchange and review it at least once a year
- Debate and decide on all issues raised by its chairman
- Debate and decide on all the reports issued by the committees
- Approve the financial accounts prepared by the executive board and prepare report for the General Assembly
- Call for general assembly and prepare agenda and resolution
- Ensure high quality of information to shareholders and public

2.2 The Executive Board

The internal rules of the executive board define the role of the board. They also determine the procedures regarding its meetings and its minutes.

2.3 Code of Ethics

The code of ethics applies to all parties of the Casablanca Stock Exchange be it board members or employees.

a. Concept

The code of ethics define minimum requirements from all parties such as diligence, loyalty and independence in order to ensure best practices and reputation to the Bourse. To that end, it requires from:

- all parties to be fully knowledgeable of the concept, and
- from the president of executive board to appoint a manager of code of ethics.

b. Securities dealings

All employees of the Stock Exchange cannot hold more than one securities account except for mutual funds. The depositary name must be communicated and details of all transactions must be submitted to the ethics manager witching five days of their execution.

All employees must hold the securities purchased for a minimum period of 60 days except for the case of management mandate which, then, must be submitted to the ethics manager.

Finally, some key personnel that are directly involved in market dealings are prohibited from purchasing and/or selling securities.

All this organisation requires a full time job position occupied by the General Secretary of the Supervisory Board.

III. CHALLENGES

Although we have reached a large degree of excellent good governance, we believe that we still have challenges in front of us such as complying with international standards:

- IFRS
- Improve from affiliation to full membership of the World Federation of Exchanges
- ISSA 2000.