

IFC Mobile Money Scoping Country Report: Morocco

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May, 2012



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Federal Department of Economic Affairs,
Education and Research EAER
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Morocco Summary - page 1

Overall Readiness Ranking	3 (moderate)
Mobile Money Implementations	The largest mobile operator has launched a mobile money implementation that remains at early stage. Market perception is universally skeptical of value proposition. The second largest mobile operator has been struggling to launch during the same period. Two banks are launching mobile/agent channels targeting the mass market.
Population	31,968,361 (July 2011 est.); 72.2% Adult; 52% urban
Mobile Penetration	110% (high)
Bank Savings Accounts	Estimates range from 48-51%, including Al Barid Bank accounts transferred from Poste Maroc
Remittance (% of GDP)	Inflows: \$6.4 billion (7%) ; Outflows: \$62 million (0.7%)
Adult Literacy	52%
Mobile Network Operators	Maroc Telecom: 17.1 million subscribers (47% market share) Meditel: 12 million subscribers (33% market share) Inwi: 7.4 million subscribers (20% market share)
Additional Comments:	Despite fluctuations in GDP between 2005-2009, long term macro economic indicators suggest steady growth (~ 6%) through 2013 despite continued elevated unemployment (~10%). Morocco's GDP/capita has more closely followed the trajectory of robust emerging market economies such as Brazil, growing at a rate of ~9% between 2000-2010 to reach a GDP/capita ~2,733 USD, which exceeds that of the Philippines and is 2x greater than Kenya's (~1,367 USD). Despite recent reform efforts, driven both by the Moroccan government and multi-lateral organizations (UN, EU), corruption in both the regulatory and legal spheres remains a concern

- Macro-economic Overview
- Regulations
- Financial Sector
- Telecom Sector
- Mobile Financial Services Landscape

Mobile Banking Market Potential

Key Country Statistics

- Population: 31,968,361 (July 2011 est.); 72.2% Adult; 52% urban
- Age distribution: 72.2% over 14 years
- GDP (current billion USD): 90.804
- GDP annual growth: 3.68%
- Real GDP per capita (USD) \$2,796
- Literacy (% of population): 52%
- Remittances (% of GDP): 7% (inflows)
- Adult population with a deposit account: 46-51%
- Adult population with a microfinance loan: 3.5%
- Mobile penetration rate: 113% of population

Insights

- Despite fluctuations in GDP growth (4.8% in 2009, 3.7% in 2010), long-term macroeconomic indicators suggest steady growth averaging 6% through 2013, despite continued elevated unemployment (9.1% in 2010, 9.2% in 2011).
- Steady growth in GDP/Capita since 2000 (est. at 9%)
- The combination of high mobile penetration and a significant portion of the population not using formal financial service channels means there is an opportunity for mobile money.

Source: CIA Factbook 2010

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Regulatory Bodies Involved in Mobile Banking

Roles & Responsibilities

Banque Centrale de Tunisie (BCT)

- Defines prudential regulation, exerts control on banks and financial establishments
- Supervises lending institutions, grants licenses for foreign currency operations
- Banker to the government and Tunisia's banks
- Considered the primary regulator for mobile money and e-payments
- Partnered with the Societe Monetique Tunisie (SMT) to provide switching and clearing

Ministry of Communication Technologies (MCT)

- Organizes the telecom sector, oversees planning, control, and supervision of activities
- Finances activities of the Tunisian Post Office, the Office National de Télédiffusion, and other ICT related activities

Societe Monetique Tunisie (SMT)

- Develops technology related to payments
- Manages switching and clearing on behalf of BCT
- Partners with BCT, present at meetings

Implications

- Clear lines of regulatory authority in country
- In Jan 2011, just before the revolution, BCT released new regulations that limits ability of both banks and non-banks to deliver services
- A steering committee to address mobile money issues was organized by the MCT, but BCT has not been involved.
- Conversations with BCT and SMT, which started with a great deal of resistance, became more accommodating over time.
- A new Governor, formerly from the World Bank, joined the BCT after the revolution
- Changes since the revolution provide hope that things could change in regulatory framework, including alterations to laws
- SMT should be considered in regulatory mix as it appears to have a lot of sway with BCT
- Instance Nacional Technology is MNO regulator, but does not appear to have role

Regulatory Bodies

Roles & Responsibilities

**Bank Al-Maghrib
(BAM)
(Central Bank)**

Prudential regulator and supervisor of financial institutions whose responsibilities include monitoring and ensuring the security of payment systems and related standards. Also advises the government on financial issues.

**L'Agence
Nationale de
Réglementation
des
Télécommunications (ANRT)
(Telecom
Authority)**

Regulator and supervisor of the Post Office and Telecom sector whose responsibilities include promoting fair and healthy competition, and manage, on behalf of the State, public goods related to the sector.

Implications

- BAM has clear authority over payment systems and related mechanisms such as e-money. ANRT recognizes such authority and expressed no interest in getting involved in regulating mobile financial services.
- Within BAM, the Banking Supervision Department claims authority over drafting and guiding draft legislation though it coordinates with the Monetary Operations Department (which houses the Payments Division). It is unclear whether there are jurisdictional tensions between the two Departments.
- The Banking Supervision Department has drafted amendments to Loi N° 34-03 Relative aux Etablissements de Credit et Organisme Assimiles. These amendments define e-money and will create a category of Payment Service Providers open to non banks expressly engaged in e-money issuance.

Regulatory Framework & Requirements

Current Regulations

Mobile Money Issuers

Current regulations permit only bank-based e-money issuers. Loi N° 34-03 Relative aux Etablissements de Credit et Organisme Assimiles.
Draft amendments to the Law will create a category of Payment Service Providers open to non banks expressly engaged in e-money.

Deposit Taking

Draft amendments expressly exclude funds received in exchange for electronic value from the definition of deposits.

Retail Agents 1

MNOs currently function as agents of the bank issuer (IOB: Intermediare en operation de banque).

Retail Agents 2

IOBs may only be legal entities established as SAs or SARLs, limiting the pool of eligible IOBs to larger retail establishments.

Implications

MNOs must currently partner with a bank who is authorized and supervised by the BAM. Amendments are not expected to be issued in the near future. MNOs may partner with multiple banks, a strategy which mitigates the leverage of any single bank.

When issued, amendments will allow nonbanks licensed as payment service providers to collect funds from the public in exchange for electronic value.

Legally, an argument can be made that customer databases are the property of the bank and must have access. In practice, MNOs own the e-money platform and although banks have access to the information, there is no indication that banks are preventing MNOs from using the database for their own purposes, such as cross-selling.

Some MNOs report that IOB restrictions are not onerous since the MNOs are engaging IOBs with multiple points of sale. This may be workable in early stages of roll-out but may hinder roll-out of agent network in more isolated areas where sole proprietorships are more common.

Regulatory Framework & Requirements

Current Regulations

Retail Agents 3

IOBs may not subcontract IOBs – all IOBs must have a direct legal relationship with the bank (though a legal entity with multiple points of sale, such as a grocery store, requires only a single contract).

Retail Agents 4

Draft amendments do not expressly allow payment service providers to use IOBs, although the BAM is considering creating a category of PSP agents. It is unclear whether BAM will allow entities other than SAs or SARLs to be such PSP agents if created.

KYC/AML Requirements 1

Current regulation requires (i) national ID (which is widely available) and (ii) verification of customer address through secondary documentation. Although address verification can be an obstacle, it is not always required in practice and not all stakeholders believed it was necessary.

KYC/AML Requirements 2

BAM allegedly requires full KYC of payment recipients, not just senders

Implications

In practice, MNOs identify IOBs for contract signing with the bank. This causes delays in the roll-out of the agent network. One MNO reports that the IOB contract is a 3-way contract between the MNO, the bank, and the IOB – laying out IOB status of the IOB while setting forth the MNO's managerial rights.¹

A failure to allow PSPs to use agents, and to use a broader definition of agents, will not alleviate the current obstacles to agent roll-out listed in Retail Agents 2 & 3 above.

BAM expressed a willingness to eliminate the address verification requirements in the draft amendments related to PSPs and e-money. A failure to do so could hinder customer enrolment.

MNOs report that off network transactions (P2P transfer to non account holder, known in Morocco as P2Cash) are prohibited in part because of difficulty in verifying recipient identity. However Barid Bank reports it will verify P2Cash recipients at time of funds retrieval.

Additional Regulatory Considerations

Current Regulations

Licensing requirements

Currently, any institution meeting the licensing requirements of a credit institution may engage in mobile money.

Customer Protection

The draft Amendments contain no provisions on PSP protection of customer funds in e-money schemes.

Deposit Insurance

A pooled account (compte pivot) benefits from deposit insurance but deposits therein typically exceed deposit insurance caps.

Implications

Draft Amendments will require PSPs to demonstrate, inter alia, (i) adequate financial, human and technical resources and (ii) adequate experience and honesty of management and funders. BAM is considering whether to require that PSPs only engage in payment services – thereby necessitating in many cases the creation of a dedicated subsidiaries.

BAM is still considering provisions to (i) safeguard customer funds (via liquidity requirements such as placing funds in bank account or in govt bonds and (ii) isolate such funds from issuer misuse and creditors such as through a trust account (compte fiduciaire).

BAM wants e-money accounts to benefit from deposit insurance and recognizes a mechanism is needed to allow individual account holders to each benefit from the full deposit guarantees even if deposits are pooled.

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Financial System Overview

- Total bank deposit account values have increased 18% over the last 3 years, from 4.9 mln EUR in 2007 to 6.8 mln EUR in 2009;
- In 2009, 74% of bank deposit accounts sat with 3 financial institutions (BP, BMCE, AWB);
- Conventional access to financial services remains restricted (6,300 people/bank branch nationally), with a significant gap between urban and rural zones (5,800 people/branch v. 112,000 people/branch, x20 less accessible)
- Bank card penetration has more than doubled between 2004 and 2008 from 7.5% to 16%;

Banks

- Morocco has 19 banks: xx public, yy private, zz foreign
- Combined the banking sector has a total of 4,565 branches:

Microfinance Institutions

- There are an estimated million active MFI clients
- X MFIs represent% of the market, there aresmaller organizations

Payment Infrastructure

- ATM
- 30,000POS terminals

Switching, Clearing & Settlement

- Centre Monétique Interbancaire (CMI) is the sole acquirer in the market and functions as the central retail payments switch for ATM and POS

Key Financial Sector Indicators: Banks

Key Country Statistics

2010 Statistics unless specified

- Banks: 19
- Branches: 4787
- Branches per 100,000 adults: 12.1
- ATMs: 4565
- EFTPOS terminals: 30,000
- Adult population with a deposit account: 46-51%
- Deposit accounts per 1000 adults: 480
- Deposits as % of GDP: 79%
- Avg account value (% of GNI per capital): 281%

(source: Financial Access 2010; BAM statistical reports; interviews)

Insights

- Mass market bank penetration rates are substantially lower than the national average of 46-51%:
 - Rural Population: 25%
 - Women: 26%
 - < \$350/month in revenue: 17%
- A large part of the population prefers to use cash, and makes little use of bank accounts:
 - 73% of Moroccans save money at home
 - Of 7 million deposit accounts with a debit card, only 13% are used in a year and average only 1 txn per month, mostly for ATM withdrawals.
- Banks have developed low income banking (LIB) accounts, but only a few banks have initiated development of delivery channels to reach the mass market beyond the existing service point structure:
 - Attijariwafa Bank is commercializing its Wafacash product through a subsidiary that has 1200 service points;
 - BCP is promoting its Hisab Chaibi account
 - through a 400 sales point network of microcredit organization (MCO) branches;
 - Mini branches installed in stores and available once a week in peri-urban areas; and
 - Mobile branches serving 30 souks in 6 regions.
 - Al Barid Bank uses 1000 branches and 800 postal offices to service 5 million accounts, 4 million of which were inherited from Poste Maroc.
- Most banks have or are developing mobile phone banking applications, but these mobile channels are designed as a value added service to existing customers.

Bank Snapshot (leaders and those interested in mobile money)

Attijariwafa Bank

- 2 million accounts
- 1,000 ATMs
- Created subsidiary Wafacash to commercialize low income bank (LIB) products through 1200 sales outlets.
- Has mobile banking channel under development but only for consultation
- See this as value added service for existing customers; not a channel for new customer acquisition
- Provides pooled account for Mobicash platform but unaware of # of Mobicash accounts (cannot see txns and are not receiving reports). However, report almost no Mobicash txns

Banque Centrale Populaire

- 3.2 million accounts
- 1,000 Branches
- 1,200 ATMs
- 50% of bank market with mission to reach mass market
- Hisab Chaibi (LIB) account (debit card, internet access, mobile banking, free services)
 - Currently 90,000 clients
- Uses microcredit organizations (MCOs) as agents (IOBs) for 400 cashpoints, and plans on expanding network
- 9 mobile units servicing 30 souks in 6 regions (La Souk Banque)
- Provides Mobicash with pivot account, but unimpressed with product due to high fees and limited cashpoint network.
- Minibanks installed in periurban stores open 1 day/week
- Report that 80% of bank txns are conducted at ATMs
- Only 7% of debit card txns are purchases
- Do not believe that lower economic sectors will generate significant demand for payment services.

BMCE

- 2.2 million accounts
- 720 Branches
- 1,000 ATMs
- Provide pooled account for Meditel mobile money product and report close relationship with cross-selling of products to MM customers.
- (However, Meditel reported that relationship not yet active)
- All BMCE customers have debit cards
- Cash withdrawals are majority of txns
- Very little bill pay
- And almost no EFTPOS purchases

Al Barid Bank

- Banking subsidiary of Poste Maroc
- 5 million accounts
- 1,800 Branches
- 600 ATMs
- Absorbed financial services from Poste Maroc at mid of 2010.
- Has partnership with World Savings Bank Institute (IMCE) and Gates Foundation funding since 2009. Funding will support mobile banking roll out.
- Currently developing IT platform.
- Mobile Money platform will be a virtual account that mirrors a bank account and will be operator agnostic.
- Branch network consists of 1000 branches and 800 postal agents for marketing the bank's services via an agreement with Poste Maroc.

Key Financial Sector Indicators: MFIs and Finance Companies

Key Country Statistics

- Number of MFIs: 12 (10 reporting to the Mixmarket)
- Deposits: 0
- MFI active borrowers: 807,000
- MFI loan portfolio: USD 570 million
- MFI offices: 1516
- Finance companies: 36
- Finance company loan portfolio: USD 10.02 billion

Insights

- The Moroccan microfinance sector is just emerging from a widespread non-performing loan crisis that followed a period of sustain expansion of credit portfolios. Moroccan MFIs are non-profit organizations that provide credit only, with wholesale funding from local banks and international funders. While some of the leading MFIs have initiated development of mobile phone-based payment channels, these initiatives have been slowed or suspended pending recovery from the portfolio crisis
- Finance companies include consumer finance companies, leasing companies, and factoring companies

MFI Snapshot (leaders and those interested in mobile money)

Al Amana

- 340,000 Customers (2010)
- 445 Branches + 50 mobile branches
- USD 295 million Loan portfolio (2010)
- Launched ambitious MAD16 million project with HPS to develop a mobile money account with link to a bank funded by the Millenium Challenge Corporation (MCC)
- Project put on hold due to priority given to stabilization after NPL crisis.
- Looking for a technical partner with a scalable model.
- Agreements with MoneyGram and Mastercard to act as a transfer intermediary

FONDEP

- 140,000 Customers
- 170 Branches
- USD 80 million Loan portfolio (2010)
- Developing a prepaid card for loan disbursement and repayment, which the client will be able to recharge so that FONDEP can pull money from the card for loan payments.
- Recharge will be made at BMCE branche and will be linked to a virtual bank accounts.
- Card will be interoperable and will function as a pre-paid card/txn account.
- Other services can be added to this platform like bill payment.
- Planning on launching pilot for card soon for a period of 6 months to 1 year.

FBPMC

- 194,000 Customers
- 308 Branches
- USD 154 million Loan portfolio (2010)
- The Fondation Banque Populaire Pour le Micro-crédit was created in 2000 by the Banque Populaire Group as a specialized microcredit organization.

Key Financial Sector Indicators: Payment Service Providers

HPS

- Provides multichannel payment solutions to operators
- Sales to 300 companies in 70 countries
- Built acquiring platform for CMI (central switch)
- Built cardless ATM transaction and mobile banking solution for BMCE
- Also developed solutions for mobile top up through ATMs for all 3 operators
- Developed a solution for Al Amana Microfinance funded by Millenium Challenge Corporation (MCC)

Maroc Traitement de Transactions (M2t) Est. 2001

- Functions with Money Transfer Operator (MTO) license from Central Bank
- 900 “proximity stores” with PC and mobile phone apps that allow top up, bill pay and money transfers (only 30 owned by M2T, rest franchised)
- 1.3 million users/month; 35k subscribed clients; USD450 million volume a year (mainly bill pay and top up).
- Also developed GETI, a mobile solution for banks
 - A chip set between SIM and phone that converts phone to a secure terminal/front end server for a core banking system.
- Also developed a NFC reader
- Have real time interface with mobicash
- Agents provide cash-in services only, no cash-out.

Money Transfer Operators

- 8 licensed by BAM, of which Mobicash, Coinstar, Ria, MoneyTrans, Moneygram, Western Union, La Poste (via Western Union)
- No data encountered on volumes
- No interviews
- The main channel for money transfer from abroad is money transfer agencies followed by bank transfers and postal transfers

Payment, Clearing and Settlement

Centre Monétique Interbancaire (CMI)

- Centre Monétique Interbancaire (CMI) is the sole acquirer in the market and functions as the central retail payments switch for ATM and POS transactions at the national level.
- CMI is owned by 13 banks.
- 9 regional offices.
- 30,000 POS (27,000 merchant contracts)
- Establishes fully interoperable national card system.
- Working with HPS on an interoperable mobile payment solution to be operational by end of 2012 (linked to a card or a pre-paid account)
- Other licenses have been issued (and companies will enter once CMI monopoly ends)
 - M2M
 - SZM
 - Paypal (partnering with bank)

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Key Mobile Telecom Market Indicators

2011 Statistics (source: GSMA market intelligence)

- Number of mobile phone connections: 36.5 million
- Market penetration: 113%; 90% prepaid
- ARPU: USD 10.61
- Price per minute: USD: 0.11

Meditel

Ownership:

- FinanceCom (BMC) (30%)
- CDG (30%)
- France Telecom (40%)

- 12 million subscribers
- 33% market share
- Total turnover Dhs5-6b

- 60 retail outlets
- 10-14 distributors with 800 shops
- 2000 franchise sales points
- 96% prepaid

Maroc Telecom

- Groupe Vivendi 51%
- GOM 30% to 35%
- Remainder floated in stock market in Paris and Casablanca.

- 17.1 million
- 47% market share
- Total Turnover Dhs 30b

- Launched Mobicash in 2010
- 100,000 Mobicash subscribers
- 420 own retail outlets; 500 distributors

inwi

Al Ajjal Fund (kuwaiti investors) 30%

- 7.4 million
- 20% market share
- Total Turnover Dhs 3b

- 400 retail outlets

Current Teleco-led MFS Offerings

Brand		<p><u>Meditel</u></p>	<p><u>inwi</u></p>
MNO			
Banks / Partners	 	 	
Distr.	<ul style="list-style-type: none"> ➤ Mobicash affiliated outlets (Canal Market, Sicotel, GAM) 	<ul style="list-style-type: none"> ➤ TBD 	<ul style="list-style-type: none"> ➤ Inwi outlets & M2t kiosks
Services	<ul style="list-style-type: none"> ➤ Cash-in (deposit) / Cash-out (withdrawal) ➤ P2P transfer ➤ Purchase of goods and services ➤ Airtime Bill Pay ➤ OTA (over the air top-up) ➤ Micro-loan (planned) 	<ul style="list-style-type: none"> ➤ Roll-out planned for start of 2010 ➤ Platform provider M2t enables: <ul style="list-style-type: none"> • Cash-in / Cash-out • P2P transfer • Merchant purchase • Airtime Bill Pay • OTA • Micro-loan payment 	<ul style="list-style-type: none"> ➤ Mobile solution an specific use cases still in development ➤ Platform provider M2t enables: <ul style="list-style-type: none"> • Cash-in / Cash-out • P2P transfer • Merchant purchase • Airtime Bill Pay • OTA • Micro-loan payment
Status	<ul style="list-style-type: none"> ➤ Launched 	<ul style="list-style-type: none"> ➤ Imminent 	<ul style="list-style-type: none"> ➤ In development

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Mobile Financial Service Implementations

Mobicash (2010)

- Mobicash is a mobile money account on an IT platform that enables account holders to conduct transactions through their mobile handsets on a USSD menu (cash in/out, P2P transfers, P2Cash transfers, bill pay and airtime top up). International transfers in partnership with Ping Ping in Belgium; reception only
- Maroc Telecom owns and operates the MC platform, however, the funds are stored in a “pivot account” in one of two banks, who are legally responsible for the funds. The banks have no direct interaction with the MC customers, however.
- MC reports 100,000 clients. Txn volume has been very low.
- MC customers can cash in and out at 420 Maroc Telecom stores.
- MC charges 0.5% for withdrawals and MAD1-15 for P2P and P2Cash txns
- USSD driven menu with Cash in/out, P2P transfers, Bill pay, Airtime top up
- Limited Staffing:
 - Only 2 dedicated people in marketing and sales; others are part time.
 - No marketing material in main agency

Meditel

- Meditel (MNO) has launched a similar product to Mobicash using the Fundamo platform and linking to a pivot account in BMCE. There is an MOU between Meditel and BMCE, but not yet a formal IOB contract.
- Initial product offering includes: P2P, transfers, top up, cash in/out. Payments and use at ATMs through a card-based solution. Transfers between regular accounts and e-wallet not yet offered.
- The Meditel roll out has been postponed by high level management turnover and hampered by lack of dedicated staff to the implementation.
- Meditel has piloted the service with employees but has not yet signed up users.