

Country briefing: Morocco

A Basel AML Index briefing following the decision of the Financial Action Task Force (FATF) to remove Morocco from its list of jurisdictions under increased monitoring (“grey list”) in February 2023

In a nutshell

Jurisdiction: Morocco

On FATF grey list: February 2021 to February 2023

Principal reasons: Low performance in effectiveness, severe gaps in technical compliance

Latest FATF reports: April 2019 (Mutual Evaluation Report) and May 2022 (3rd Follow-Up Report) by MENAFATF

Significance: Being delisted is essential for Morocco to regain access to foreign financial assistance and investments and to decrease reputational risks

1 Key gaps and action plan

The FATF’s decision to add Morocco to the grey list was taken 1.5 years after the initial Mutual Evaluation Report (MER) was published. The MER was published in April 2019 and revealed primarily low and moderate performance in effectiveness (27%) and severe gaps in technical compliance (42%).

Morocco was included on the grey list in February 2021 as the deficiencies in its AML/CFT framework were considered a serious threat to the global financial system. Deficiencies covered many areas: risk-based supervision, beneficial ownership information, suspicious transaction reports, investigation and prosecution of money laundering offences and the capacities of law enforcement authorities.

2 Actions taken and progress made

Morocco made a political commitment to improve its technical compliance with international FATF standards and increase the effectiveness of implementation of those standards. Its Action Plan to achieve this contained eight items:

- Demonstrate effective implementation of the case management system and prioritise MLA requests
- Improve risk based-supervision and application of sanctions for wrongdoing
- Ensure that beneficial ownership information is adequate, accurate and verified (including information regarding foreign legal persons and arrangements)
- Increase the diversity of suspicious transaction reports
- Enhance the functioning of the financial intelligence unit (FIU) by providing human and financial resources
- Prioritise the investigation and prosecution of money laundering offences
- Build the capacity of law enforcement and judicial institutions
- Monitor and supervise the compliance of financial institutions and designated non-financial businesses and professionals (DNFBPs) with targeted financial sanctions

Between February and October 2021, Morocco already managed to achieve three items out of the eight. One year later, at the October 2022 plenary session, the FATF made the “initial determination that Morocco had substantially completed its action plan” and decided that the country warranted an on-site assessment. The on-site mission to Morocco took place in 16–18 January 2023 and ended up with a positive report confirming the country’s progress.

Morocco delivered the Action Plan within the given terms. The grey-listing period lasted for two years, which is rather short compared to other listed countries.

The country successfully delivered in the following areas: strengthened the capacity of its law enforcement agencies and FIUs, improved risk-based supervision, improved the quality of beneficial ownership information and suspicious transaction reports, and improved supervision of the DNFBP sector.

Some media reports [indicated](#) that Spain helped Morocco to improve the compliance of its AML/CFT system with FATF standards and thus obtain an earlier than expected removal from the grey list.

3 Expected results

Before the final decision on removal of the country from the grey list was taken, the Governor of Morocco’s Central Bank, Abdellatif Jouahri, [highlighted](#) the importance of getting off the grey list to start talks with the International Monetary Fund on new lines of financing and regaining higher [investment rates](#).

Morocco’s Prime Minister, Aziz Akhannouch, also [expects](#) that the FATF’s decision will:

- positively impact sovereign and local bank ratings
- improve Morocco's image and its position in negotiations with international financial institutions
- foster trust of foreign investors

Expecting a favourable decision on removal from the grey list, Morocco announced its plans to issue a dollar-denominated bond. According to a [media report](#), it mandated BNP Paribas, Citi, Deutsche Bank and JP Morgan to arrange meetings with investors.

The main stock exchange index reacted positively to the news about the removal from the grey list and gained 1.6% right after the announcement.

The Moroccan economy has been facing severe challenges, including its [worst drought](#) in three decades. High domestic inflation has seen [prices rise](#) at an historic high of 8.2% in January 2023 (inflation in 2021 was at the level of 1.4% average). Removal from the grey list will improve the country's ability to raise debt internationally and address some of these challenges.

Morocco is still on the lists of high-risk third countries published by the European Union and United Kingdom. Morocco is expected to be removed from these lists, too, following the FATF decision.

4 Morocco in the Basel AML Index

Morocco's overall risk score in the Basel AML Index¹ (Public Edition) is 5.16 out of 10. This places it in the medium-risk category compared to other global jurisdictions. In the latest update of the Expert Edition,² which is updated quarterly with the latest data, the risk score is 5.19.

Morocco achieved the following scores in the latest FATF assessments:

- 27% for effectiveness
- 65% for technical compliance

Based on the Basel AML Index methodology and calculations, Morocco's score on the FATF indicator alone is 6.02 – a medium risk compared to the global average.³

¹ The Basel AML Index is an independent country ranking and risk assessment tool for money laundering and terrorist financing (ML/TF), produced by the Basel AML Index since 2012. See: <https://index.baselgovernance.org>.

² Designed for busy professionals, the Basel AML Index Expert and Expert Plus editions offer deep, detailed and up-to-date insights into a jurisdiction's ML/TF risk score and the reasons behind it. Both editions are free for public-sector, international, non-profit and academic organisations. See: <https://index.baselgovernance.org/expert-edition>

³ The Basel AML Index uses a double weight for effectiveness criteria in its methodology. See: <https://index.baselgovernance.org/methodology>.

A note for Basel AML Index users

The Basel AML Index uses FATF data from both MERs and Follow-Up Reports to score a jurisdiction's money laundering and terrorist financing risks. Information on a jurisdiction's categorisation as being "under increased monitoring" ("grey list") or a "high-risk jurisdiction" ("black" list) is included in the Basel AML Index Expert Edition for information or decision-making purposes. This information is included in a separate column to the jurisdiction's risk scores. Being on these lists does not have an impact on the overall score of the jurisdiction in the Basel AML Index. This is because the jurisdiction's performance is already taken into account based on the latest MER and Follow-Up Report data.