

Opportunities for UK Fintech players in Morocco

Information pack

Last updated: April 2023

Context

This document has been developed by FCDO/DBT in Q1 2023 in the context of a programme aiming to supporting Fintech trade & investment opportunities between the UK and Morocco.

The document aims to provide an overview of:

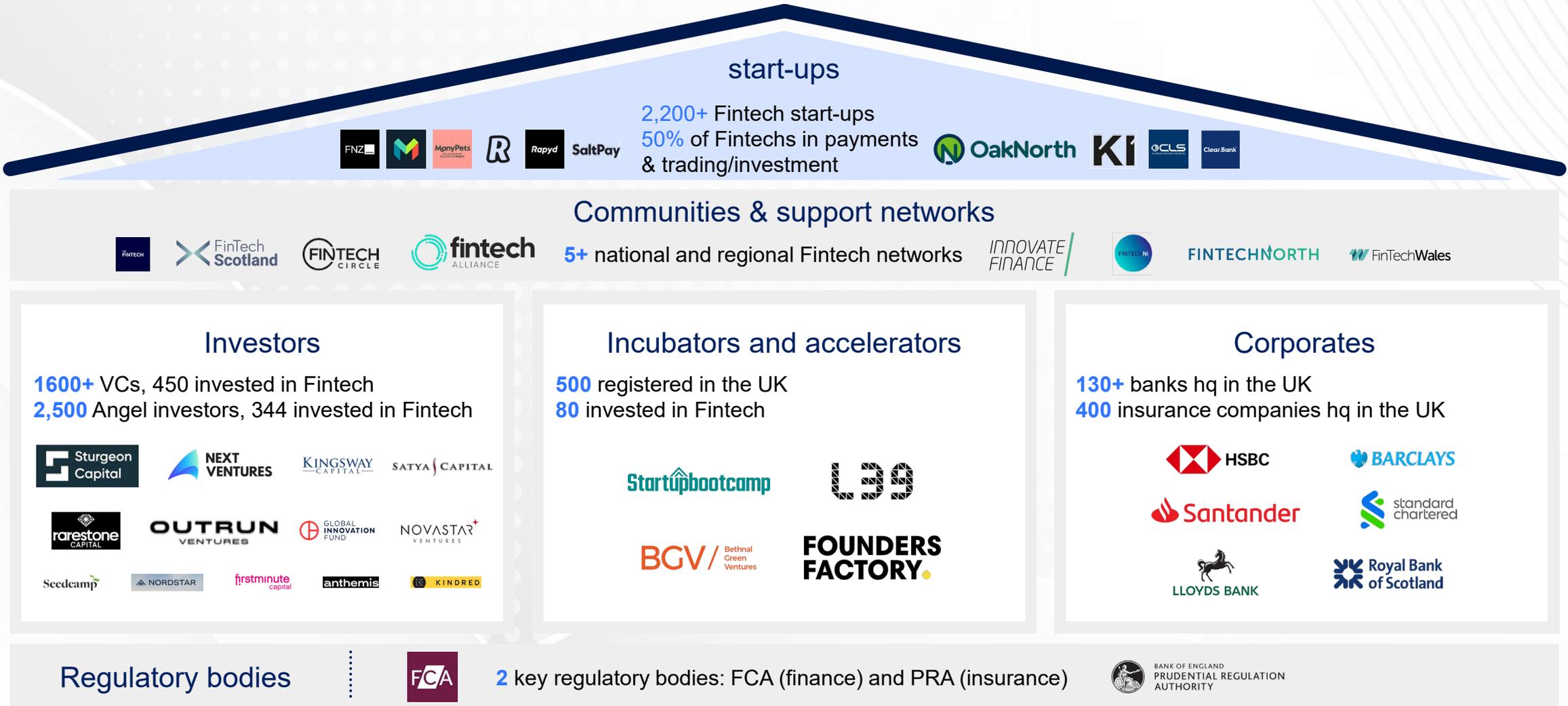
- **The UK Fintech ecosystem**
- **The Moroccan Fintech ecosystem**, key players, and growth trends
- **Type of opportunities** for UK-Morocco deals
- **Resources available and key contacts** for further inquiries

The material included is not exhaustive and is accurate as of April 2023, therefore may not contain the most up-to-date information.

More detailed information is available through the dedicated website and/or upon request (see links and contact information at the end of this document).



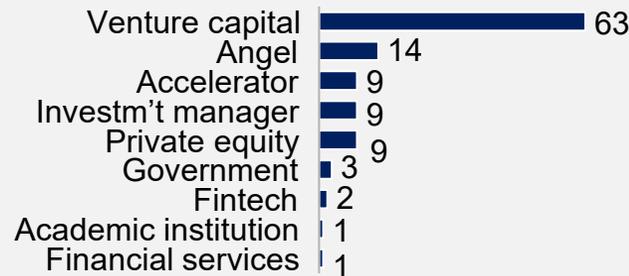
UK Fintech ecosystem | The UK fintech ecosystem is world-leading, exporting knowledge, products and services internationally





The UK Fintech ecosystem is increasingly developing partnerships and finding opportunities in Africa

UK investors invested in African Fintech since 2018, by investor type



111 UK investors have invested in African fintech

UK Gov. initiatives are identifying opportunities

UK Africa Tech-For-Growth initiative	Supporting trade between UK & emerging economies, initially piloted for Fintech in Africa
UK-Africa Fintech Partnership	Supporting African regulators, identifying investment ops, funding Nigerian start-ups
International Fintech Group	Bringing together industry and government to promote UK Fintech internationally

Select examples:

- Multiple partnerships in Morocco
- Serves Moroccan bank CFG
- Partnered with 80%+ Moroccan banks
- Member of Open Banking Nigeria
- Partnership w/Fawry in Egypt

Multiple UK Fintechs have established in MENA

Private and non-profits are building bridges

Select examples:

- Africa-focused arm of UK accelerator
- Not-for-profit trade agency
- Africa-interested membership community
- Uni of Oxford support for Nigerian start-ups

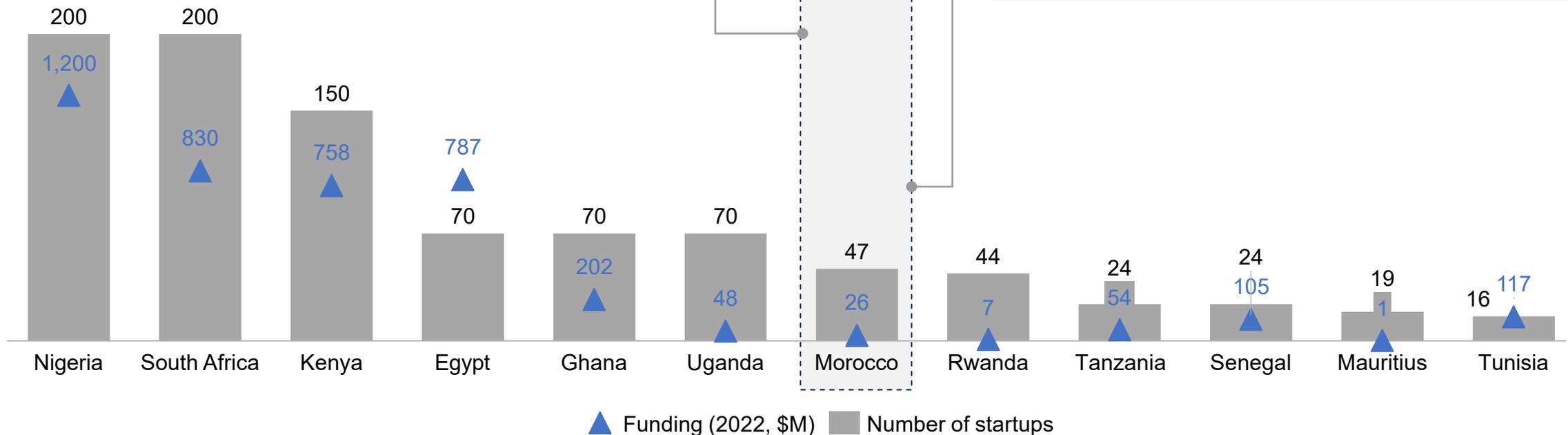
Moroccan Fintech ecosystem | Morocco ranks 7th in Africa in number of Fintech start-ups, with some 'success stories' beginning to emerge



- Moroccan Fintech enabling businesses to more efficiently manage their accounts
- Founded in 2018, raised Series A in 2021
- Investors include 1 UK investor



- Moroccan B2B e-commerce Fintech
- Funded in 2020, valued at \$100M during Series A in 2022
- Investors include 1 UK investor



Source: Industry reports; Desktop research



The growth of Morocco's start-ups has been fueled by an expanding ecosystem, including 80+ investors and strong corporate actors



Note: Logos are illustrative examples and not exhaustive; Date: April 2023

The economic landscape, regulatory context, and trajectory of similar ecosystems suggest interesting growth potential for Morocco's ecosystem

Five factors indicating future growth of MA ecosystem



Strong economic fundamentals

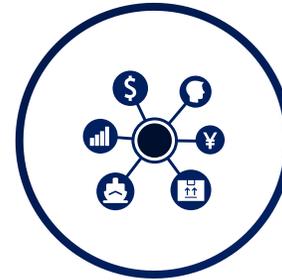
- 30+ banks, inc. 3 major pan-African players
- \$40B mobile money potential
- 93% internet connectivity
- Significant upper/middle class compared to peers

(See overleaf for more detail)



Promising recent growth

- Expansion from ~13 start-ups in 2014 to 47 today (see overleaf for more detail)



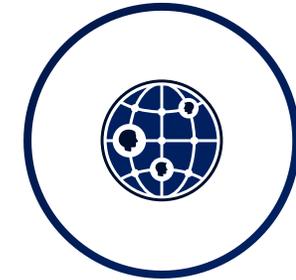
Political attention on Fintech

- Regulators have indicated potential for introduction of enabling regulation e.g., in open banking, cryptocurrency



Recent growth of comparable peers

- Comparable peers (e.g., Egypt, Tunisia) have seen rapid growth of Fintech ecosystem after regulatory evolution



Int. expansion potential

- Similarities in language, culture and regulatory systems enable expansion of Moroccan start-ups to MENA or francophone Africa



Morocco has strong economic fundamentals to support the development of the Fintech sector



High internet
connection
penetration



93%
internet
connection
penetration



Financial
inclusion
challenges



56%
unbanked
population



Growing
upper &
middle class



37M
population,
2.7M with
>\$5K/y* income



Significant
remittance
flows



\$11B
Incoming
remittances*



Growing
digital
economy



\$40B¹
potential of
mobile money
transactions



Large retail
network to
leverage



300K
PoS
network



Significant
talent
pool



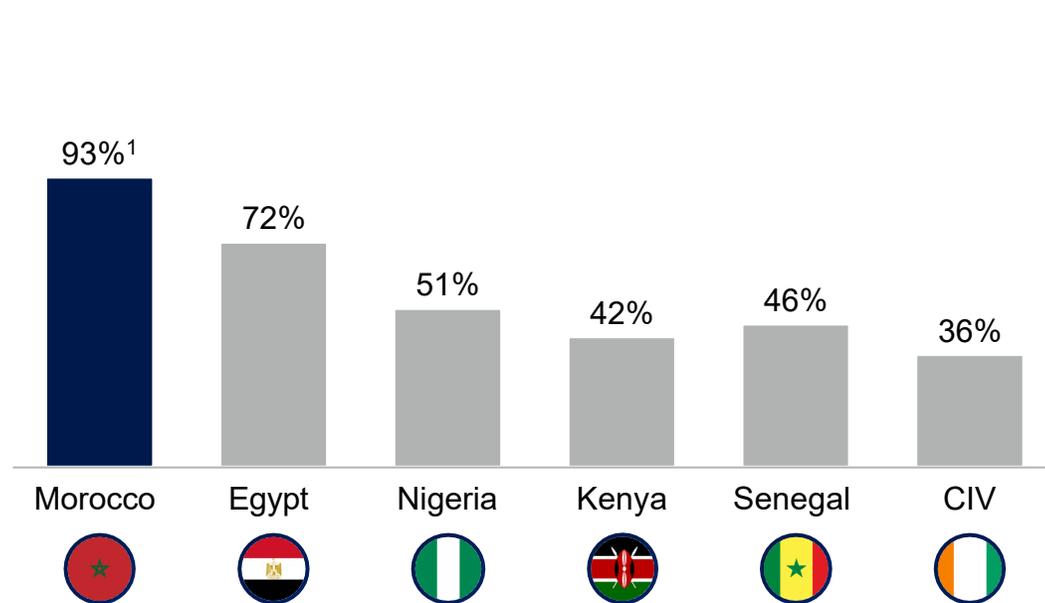
14K
graduates in
ICT sector



Mobile & internet penetration | Morocco has the digital infrastructure to enable Fintech services and products to reach customers effectively

Morocco has one of the highest Internet penetration rates in Africa

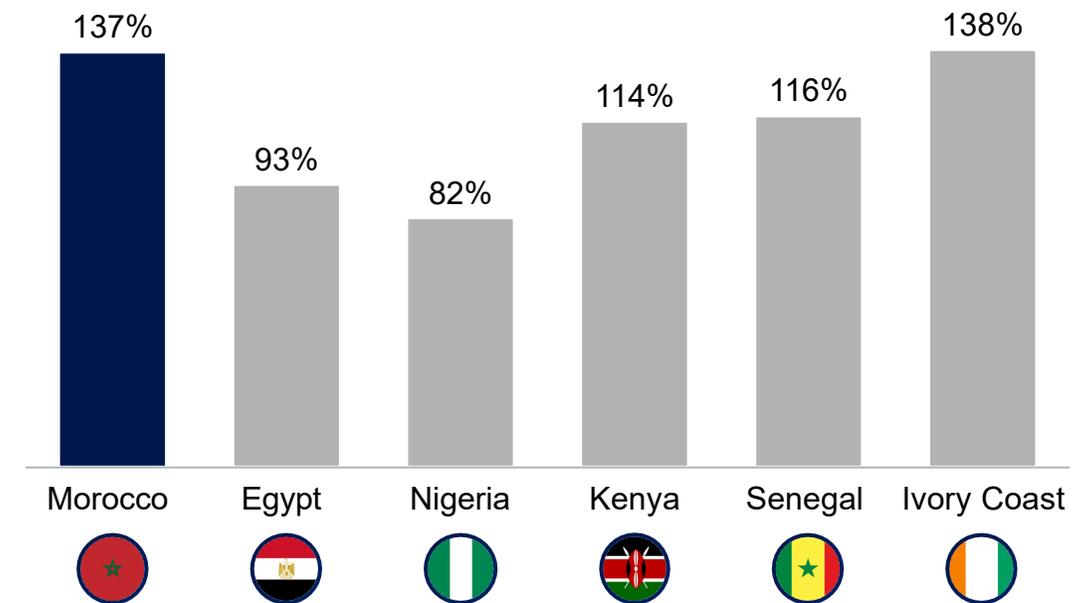
Internet penetration rate (2021)



32M internet users in Morocco at the start of 2022

Morocco has a very high mobile phone connection rate, with Moroccans having two cellphones

Mobile connections rate (2021)²



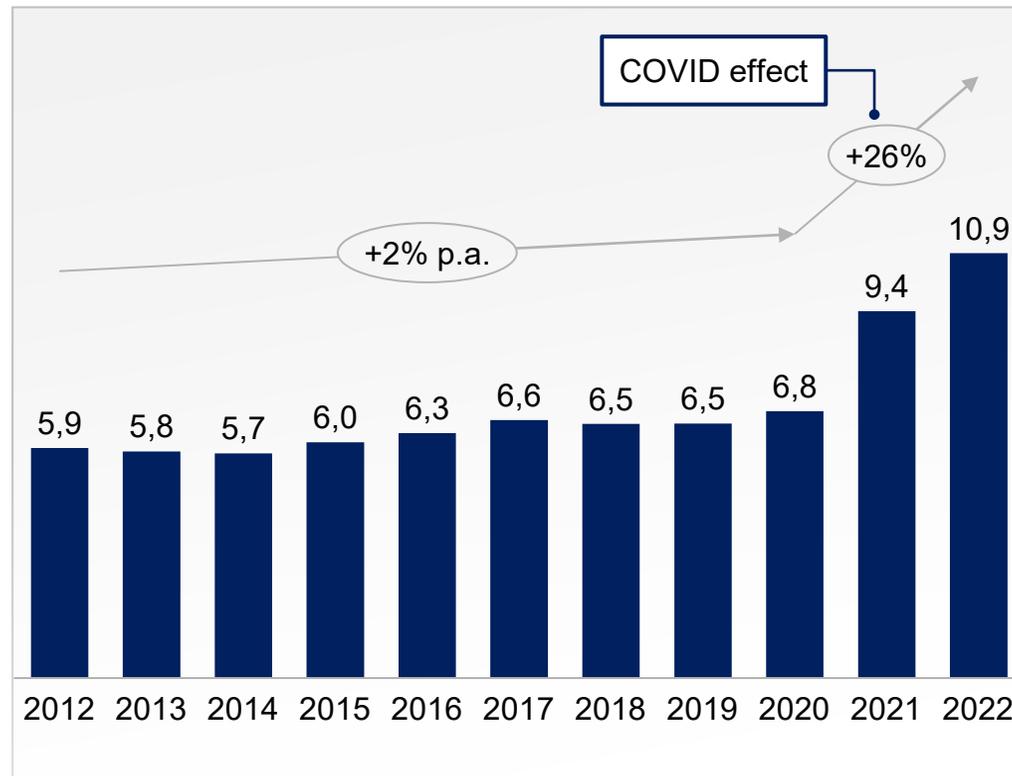
49M cellular mobile connections in Morocco at the start of 2022

1. 2022 figure; 2. Mobile penetration over 100% means that there are more mobile subscriptions than the population in a certain country. This occurs because a single individual can have multiple mobile connections, such as a personal and work line; Sources: ANRT (National Telecom Agency); World Bank; GSMA Intelligence;

Remittances | The large Moroccan diaspora sends significant sums into Morocco, but remains confined to traditional and expensive channels

Migrant remittances to Morocco have steadily increased over the past 5 years

Incoming remittances evolution in value (\$B)



Source: Office des Changes (Foreign Exchange Office)

Digital players currently capture less than 5% market share

Competitive landscape of the remittances market

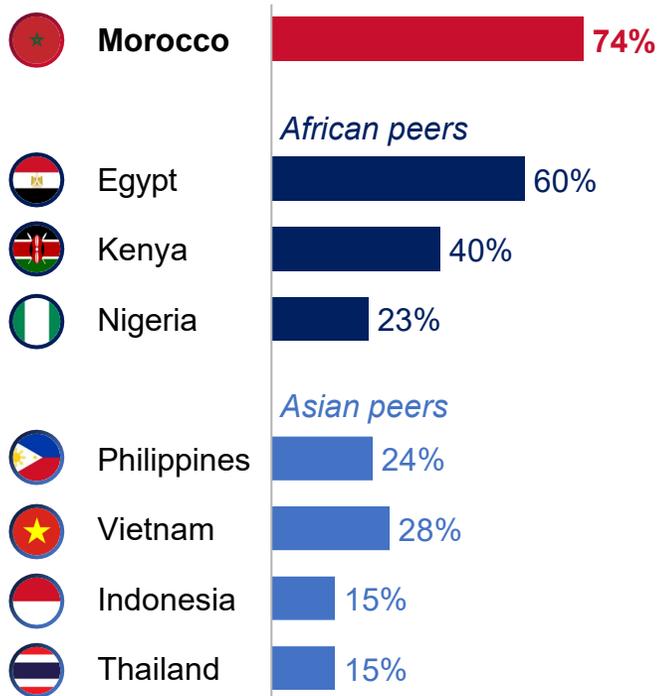
Segment	Market share	Fees	Example of players
Traditional MTOs	~65%	~6%	
Banks	~15%	~10%	
Informal	~10%	-	
Post office	~5%	~9%	
Digital players	< 5%	< 2%	



Digital payments | Morocco has significant potential for growth of card payments and mobile money

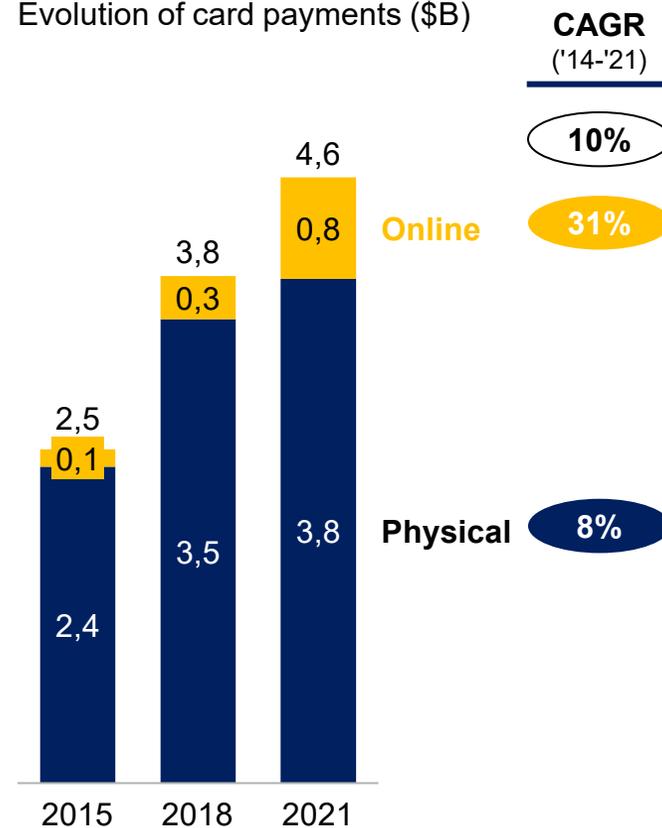
Morocco remains a cash economy...

Share of cash-based payments



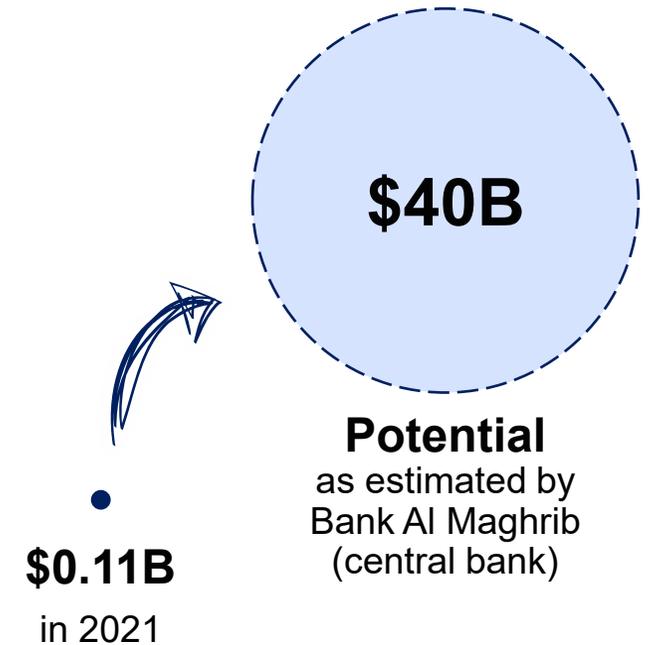
with card transactions growing steadily...

Evolution of card payments (\$B)

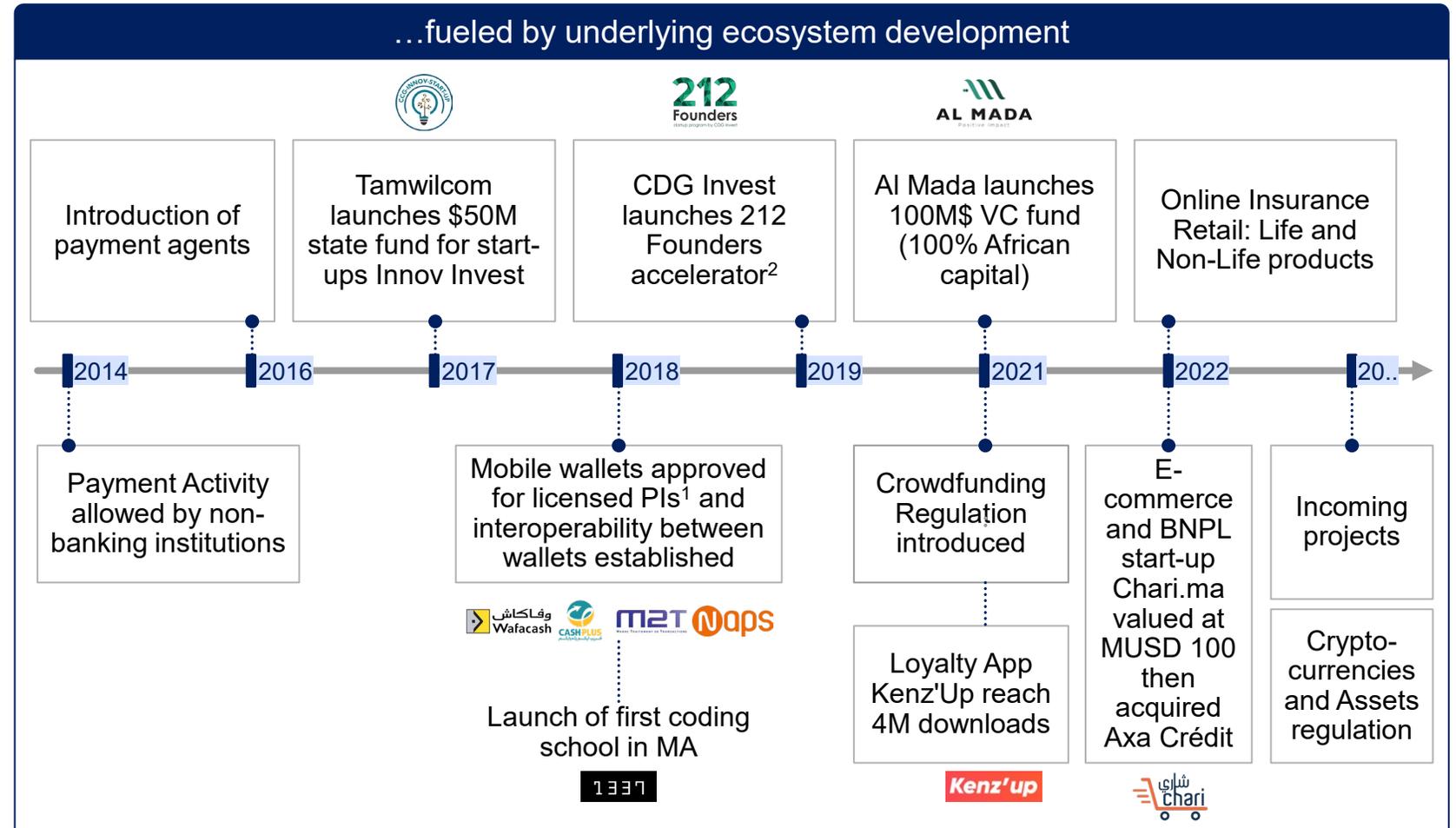
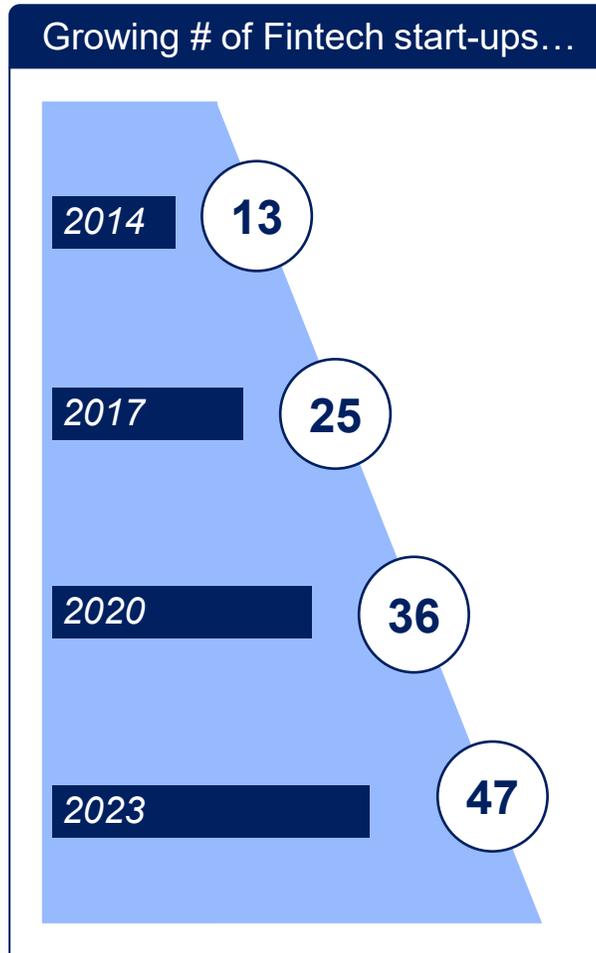


... and untapped potential of mobile money

Mobile money transaction volume



Morocco's Fintech ecosystem has expanded from 13 start-ups in 2014 to 47 today



Several regulatory changes are expected, as per recent announcements from Moroccan authorities



"The preparation of the **legal framework for crypto-assets** is launched. There is a reflection on the **potential issuance of a Central Bank Digital Currency.**"

"A new market dynamic is expected with the **forthcoming introduction of Open Banking**, which constitutes a powerful lever for innovation, research and development in the banking sector."



Nov. 2022

Abdellatif Jouahri, Central Bank Governor



"We have **devoted an important place to Fintech in our 2021-2023 strategic plan**, one of the 4 pillars of which is entitled "promoting regulation adapted to innovation".



Jan. 2023

Nezha HAYAT, AMMC president
(Moroccan Capital Market Authority)

Upcoming regulatory changes are likely to fuel Moroccan Fintech growth



Morocco's Fintech ecosystem is broadly accessible to international entrants



Accessible
No licence needed

Remittances

Not a regulated activity (on the Moroccan side)
MTO licence required on the sender's side

Regtech

Not a regulated activity
License may be required for trust service providers



Accessible
Potential need for a licence

Lending & crowdfunding

- **Credit institution licence** is required to distribute loans
- **Crowdfunding platform operator licence** required to operate

Mobile & digital wallets

Payment institution licence is needed for most use cases (esp. cash-out)

Accounts

Banking licence is required to **collect deposits**
Other uses cases (B/PFM¹ mostly requiring open banking regulation)

Insurtech

Insurance/brokerage company licence required to **create/distribute** products

Payment infrastructure

Payment institution licence & **additional authorisation** are required to operate in **acquiring, issuing & gateway activities**



Not fully authorized

Trading & Investment

- **Currency control** bans investment in foreign currencies & abroad
- **Cryptocurrency** trading is currently **prohibited**

*Remaining activities on local financial markets are either **subject to authorisation** (stock exchange company, advisor, etc.) or authorized without need for licence (e.g. robo-advisors)*

Financial infrastructure

Activities are authorized (core banking system, CRM & operations softwares) without need for licence but **open banking** regulation is needed to **unlock main market potential** via API integration

Please visit moroccanfintech.uk for more information on specific regulation by Fintech vertical



There are four types of opportunity for UK players in Morocco

	1 Investment	2 Corporate deal	3 Go-to-market	4 Expertise sharing
Archetype description	<p>Direct investment from a UK fund into a MA Fintech or a MA Fund.</p>	<p>Partnership between a UK Fintech and a MA Corporate to customer base and service /product catalogue.</p> <p>The deal requires no legal entity in Morocco nor licence.</p>	<p>Acquisition of MA clients (B2C or B2B) by a UK Fintech. Dependent on technology, a legal entity or specific licences may be required.</p>	<p>Bringing together two entities that would share their network, brand or expertise (e.g. Accelerator-VC, University-incubator, Gov-Gov)</p>
Examples of previous UK-MA deals	<p>Two UK investors have invested in Moroccan Fintechs</p> <ul style="list-style-type: none"> • Byld Ventures invested in Chari • LocalGlobe invested in Inyad 	<p>Multiple Fintech partnerships identified, all in remittances space due to:</p> <ul style="list-style-type: none"> • MA being a high-value market for remittances • Remittances requiring players with presence in multiple markets 	<p>Two UK Fintechs market entries identified:</p> <ul style="list-style-type: none"> • Finastra which has been established for 15+ years • Onfido which has established strong presence already across MENA 	<p>For example, Bank of England – Bank Al Maghreb annual dialogues</p>

Note: Examples are not exhaustive



Organisation of dedicated dissemination events

Please reach out to Growth Gateway central team (growthgateway@fcdo.gov.uk) to attend our upcoming virtual event showcasing the opportunities in Morocco on May 17th 2023



Development of an opportunity visualisation tool

See overleaf for detailed overview; find full information on <https://moroccofintech.uk/>



Establishment of links with relevant authorities

Please reach out to Growth Gateway central team (growthgateway@fcdo.gov.uk) if you are interested in establishing in Morocco and need to engage with regulatory authorities



Creation of a network of interested players

Please reach out to Growth Gateway central team (growthgateway@fcdo.gov.uk) to be kept in touch about specific opportunities and events

The UK Government is ready to support UK Fintechs and Fintech investors to discover Fintech opportunities in Morocco

Please visit our website for comprehensive market analysis

moroccofintech.uk

Content includes:

Description of the initiative

Landing page explains the purpose of the tool

- Context
- Users
- Discussion channel to engage with DBT

Access overview of MA ecosystem

- Interactive map with links to zooms on each type of actors

Detailed market assessments

- Regulation overview
- Market size & potential
- Lists of players with links to descriptions
 - Corporate players / potential partners
 - Fintech start-ups

Lists of relevant players

- MA corporates: activity, revenue, footprint, etc.
- MA / UK start-ups: activity (segment), date created, valuation, segment, contact
- MA / UK VCs, incubators, associations, etc.: description

For more information please contact Growth Gateway central team

growthgateway@fcdo.gov.uk



UK-AFRICA TRADE & INVESTMENT SERVICE

 UK Government