

Law No. 50-20 on microfinance

Reference: Dahir No. 1-21-76 of 3 Hija 1442 (14 July 2021) promulgating Law No. 50-20 on microfinance, repealing Law No. 18-97 on micro-credit

Practice areas: Business law, Civil law

Law 50-20 replaces the 1999 micro-credit regime. It broadens the scope of microfinance institutions to micro-credit, micro-insurance and the collection of savings under the conditions set by regulation, allows them to convert into companies and strengthens supervision by Bank Al-Maghrib.

Institutions and activities

- Microfinance institutions may take the form of licensed associations or public limited companies.
- Their purpose covers micro-credit for economically disadvantaged persons, micro-insurance and other local financial services.
- They may only operate once licensed and are subject to supervision by Bank Al-Maghrib.

Protection of beneficiaries

- The contract specifies the amount, term, rate and total cost of the financing.
- Institutions must comply with rules on pricing transparency and complaint handling.
- Breaches are penalised by the supervisory authority.

Points to watch

- Compare the total cost of the financing, not just the advertised rate, before committing.
- Security required from a micro-borrower must remain proportionate to the amount financed.
- An unlicensed institution that grants interest-bearing loans is unlawfully carrying on a banking activity.

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