

# Algeria, Morocco And Tunisia

## Northern African Countries Open Up To The Possibilities Of Securitization

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**A**lgeria, Morocco and Tunisia all have much in common in terms of securitization, beyond their geographical proximity. All have passed legislation to facilitate securitization – in the case of Tunisia and Morocco, based firmly on the French FCC model – and are experiencing rapid economic growth. With ambitious government-backed programs to provide mass housing, conditions are excellent for the development of securitization in the region.

### Algeria

On February 20, 2006 Algeria's new securitization law came into force. It contemplates that an issuer of ABS has to be a Financial Institution (*un établissement financier*), approved by the Council of Money and Credit (*Conseil de la Monnaie et du Crédit*). It must be a joint-stock company with a share capital of at least 500m Algerian Dinars (approximately 5 million Euros).

The stated objective of the legislation is to free up capital to enable banks to fund housing construction, a pressing need, since Algeria is already half way to its target of providing a million new homes by 2009. The legislation has not been used as yet, and some doubts remain as to how it will work in practice, but in principle, true sale is achievable.

Only first priority mortgage loans designed to finance housing can be securitized, and the receivables sold must not be the subject of litigation and should be free of "any risk of non payment". However, the law does expressly contemplate the transfer of "future" receivables. Transfers of receivables must be documented by a written agreement and perfected by the delivery of a detailed transfer deed (*bordereau*). This transfer mechanism is common to all three countries.

A factor likely to delay the development of domestic securitization in Algeria is that, although the necessary legislation has been in place for more than ten years, the Algerian capital markets are still at a very early stage of development. Proceeds of receivables in local currency cannot be transferred abroad without the prior consent of the Central Bank of Algeria (*Banque d'Algérie*), and an offshore issuer would need the prior authorization of the Central Bank of Algeria to purchase mortgage receivables so as not to breach the banking monopoly.

### Morocco

Morocco was the first country in the region to pass securitization legislation, in 1999, although to date only two major

deals have taken place (in 2002 and 2003), both originated by *Crédit Immobilier et Hôtelier*.

The Moroccan legislation establishes a special purpose vehicle called the *Fonds de Placements Collectifs en Titrisation* ("FPCT"). Like the FCC under the French regime, the FPCT is not a separate legal entity and is not deemed to be a civil or commercial partnership or company. It is characterized as a co-ownership of receivables among unit holders.

The current legislation only contemplates the assignment of first-ranking mortgage receivables originated by duly authorized credit institutions and issued in connection with the purchase or construction of lodging units. However, reform is proposed that would also allow for the securitization of a wider range of receivables and would expressly permit the assignment of future receivables.

### Tunisia

Tunisia has just seen its first securitization: a domestic mortgage loans deal by Banque Internationale Arabe de Tunisie. The Tunisian Securitisation Law establishes a special purpose vehicle for securitization transactions, a *fonds communs de créances* ("FCC"). Like the Moroccan FPCT, the FCC does not have a separate legal personality; accordingly the units it issues represent a co-ownership right (*co-propriété*) in a pool of receivables.

Although this legislation has been in place in Tunisia for a while, the market was slow to develop, for a number of different reasons; in particular there are a number of areas of the Securitisation Law that remain unclear. Nevertheless there continues to be a great deal of interest in securitization both domestically and internationally

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