

FITCH AFFIRMS BMCE CAPITAL GESTION AT 'HIGHEST STANDARDS(MAR)'

Fitch Ratings-Paris-02 August 2016: Fitch Ratings has affirmed BMCE Capital Gestion's (BKG) National Asset Manager Rating at 'Highest Standards(mar)' with Stable Outlook.

KEY RATING DRIVERS

The rating reflects the robustness of BKG's investment and operational platform, which is supported by advanced integrated technology. It also reflects a well-established, growing franchise, which benefits from the strategic commitment of BMCE Bank (BB+/Stable), the parent of BKG. The asset manager differentiates itself from domestic peers by its technology, client service and capacity to innovate. The rating also reflects the organisation's staffing depth, solid control framework and new, robust outsourced operating model.

A medium-term challenge for BKG is to turn its recent innovative initiatives into commercial success, as the Moroccan marketplace remains traditionally-oriented. Another challenge is the on-going oversight and control of BMCE Capital Solutions, to which middle- and back-office functions was outsourced in 2016. A longer-term challenge is the strategic expansion of BKG in Africa.

BKG's 'Highest Standards(mar)' rating is based on the following category scores:

Company: Highest
Controls: Highest
Investments: Highest
Operations: Highest
Technology: Highest

Asset manager operations in the 'Highest Standards(mar)' category demonstrate an investment platform and operational framework that Fitch considers superior relative to the standard applied by domestic institutional investors.

Company

As the third-largest asset manager in Morocco, BKG has a long track record and well-established domestic market presence, supported by BMCE Bank's banking network. BKG's profitability, strategic vision and operational agility support the company's pan-African and new products development plans. BKG outsources IT and risk management to BMCE Capital, the investment bank of BMCE Group as well as middle- and back-office functions to BMCE Capital Solutions. Staffing is adequate and stable while recruitment is targeted to support the asset manager's new, innovative strategies.

Controls

BKG has an effective risk and governance framework that is deeply embedded in the business but also benefits from independent oversight from risk functions and committees. Documented procedures and controls and formal reporting mechanisms further support the effectiveness of the control environment. Investment and credit risk limits as well as client guidelines are fully set up in the core operating system, Sophis Value. BKG's robust risk control framework allows the company to effectively manage sophisticated products, which are exposed to higher operational and investment risks than the traditional products managed by its peers.

Investments

BKG's investment processes are supported by staffing and IT resources, which fully meet the requirements of the funds managed. Investment decision-making and monitoring are formalised and conducted as a team. In Fitch's view, BKG's investment teams have the skills, tools and capacity to manage innovative products, albeit constrained by the lack of maturity of the Moroccan market.

Operations

Middle- and back-office functions have been outsourced since March 2016 to BMCE Capital Solutions, a newly created entity. BKG provides clear oversight and control of the relationship, which is fully formalised in a service level agreement and operates effectively. Investment operations are scalable and robust, allowing BKG to manage increased volumes, including in other locations, and more sophisticated or customised products. Reporting to investors provides regular and appropriate information for all client segments. Investor and management reporting capabilities differentiate BKG from its peers.

Technology

BKG benefits from an international-standards technological platform built around Sophis Value. Data-warehouse and system interfaces (with accounting system) further support the front-to-back office system integration. Advanced technology provides BKG with a clear competitive advantage. Specifically, BKG is digitalising its client interface, (through a dedicated trading website) and seeking to exploit big data to enhance the sales and client service process.

Created in 1995, BKG is a subsidiary of BMCE Bank, the third-largest bank in Morocco. At end-June 2016, BKG had MAD50.7bn assets under management, on behalf of domestic retail clients, corporates and large institutional investors. In line with the overall local market, most of these assets are concentrated in domestic fixed income and money market assets (94.8 %).

RATING SENSITIVITIES

The rating may be sensitive to material adverse changes to any of the rating drivers, notably through weakened financial conditions, material operational loss, heightened staff turnover or deterioration of processes and policies.

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Applicable Criteria

Asset Manager Rating Criteria (pub. 06 May 2014)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=747701

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