

**Royal decree on law no. 194-66 of 7 Rajab 1386 (22 October 1966)
on Investment Companies and the National Investment Company.
Official Gazette no. 2818 of 02/11/1966 (2 November 1966)**

PRAISE TO GOD ALONE!

We, Amir Al-Mouminine, King of Morocco

(Seal of His Majesty Hassan II)

Having regard to the Royal Decree no. 136-65 of 7 Safar 1385 (7 June 1965) proclaiming a state of emergency,

Hereby decree:

Title One: Investment Companies

Article one: Only companies whose sole purpose is the management of a portfolio of securities issued by public or private legal entities and which are subject to the provisions of this Royal Decree may make a public offering under the name Investment Company.

Article 2: Investment Companies are required to have their name followed by the words Investment Company governed by the royal decree providing law no. 194-66 of 7 Rajab 1386 (22 October 1966).

Article 3: Investment Companies may not engage in operations other than those that directly contribute to the achievement of their corporate purpose.

They are prohibited from carrying out any other financial, industrial or commercial operations.

They may also exercise the subscription rights attached to the securities held by them without restrictions.

They are prohibited from:

- 1° operating or participating in the operation of any private company or enterprise;
- 2° acquiring buildings other than those necessary for their operation;
- 3° purchasing the securities of companies in a state of liquidation or bankruptcy in order to liquidate them for their benefit;

4° purchasing securities of companies whose last three balance sheets have not been approved by their general meetings.

Article 4: Investment Companies must be incorporated as public limited companies.

Their capital cannot be less than 5 million dirhams.

Shares representing the capital may, at the shareholder's discretion, be either registered or bearer shares; they must, in all cases, be fully paid-up within a maximum period of two years from the date of their subscription.

Article 5: Investment Companies may not receive in-kind contributions other than transferable securities.

The shares representing the said contributions are immediately tradable.

Article 6: Investment Companies may only own up to twenty per cent of the securities, valued at their nominal value, issued by a public or private legal entity, with the exception of the State, nor own more than twenty per cent of the number of securities without nominal value issued by the same legal entity.

Investment Companies may not employ, in securities of a company or community other than the State or of another Investment Company, more than fifteen per cent of the cumulative amount of their capital and reserves.

In addition, the portfolio of securities held by them must be constituted at least up to twenty-five per cent, either by State funds or by securities listed on the office for listing transferable securities in Casablanca.

Article 7: Investment Companies may not create founders shares, profit shares or preference shares.

Article 8: Investment Companies are required to solicit the registration of their securities on the office for listing transferable securities in Casablanca, within two years from the date of their incorporation.

However, this listing may only be admitted after the capital has been fully paid-up.

Article 9: Regardless of the legal reserve referred to in the legislation on joint-stock companies, income other than interests, dividends, arrears and other proceeds (with the exception of subscription rights) from the securities making up the portfolio of Investment Companies must be placed in a special reserve.

As long as the reserves have not reached half the amount of the share capital, only interests, dividends, arrears and other proceeds from the securities constituting the portfolio of the company as well as proceeds from any sums momentarily available can be distributed, after deduction of the management fees and excluding subscription rights.

Article 10: Directors' fees must not exceed five per cent of the profits distributed.

Article 11: Investment Companies are required to include in their annual report of the board of directors the full composition of the asset values on the closing date of the financial year with an indication of the acquisition price and, for listed securities, the market price on the date of stocktaking.

They are, also, required:

1° To publish in one of the newspapers authorized to receive administrative, legal and judicial announcements, at the place of their registered office, within thirty days following the end of each calendar quarter, a list of the securities making up their portfolio, while indicating the number of each one of them.

2° To publish in the Official Gazette of the kingdom, within six months following the end of their financial year, their balance sheet, their profit and loss account and the composition of their asset values, as defined in the first paragraph of this article.

Article 12: No person may be a director, manager or representative of an Investment Company if they have been convicted of a common-law crime, theft, breach of trust, fraud, or an offence punishable by penalties of fraud, embezzlements by a public depositary, extortion of funds or securities, issuance in bad faith of uncovered cheques or damage of the reputation of the State, concealment of things obtained by means of these offences, or attempts or complicity in these offences.

The same prohibition applies to undischarged bankrupts.

Article 13: The statutory auditors of Investment Companies must be chosen from among the experts certified by the courts of appeal and the tribunals of Morocco.

The following persons cannot be appointed as an auditor:

1° The directors of the company or their spouses;

2° The relatives or connections up to and including the 4th degree of the directors or managers, or their spouses;

3° Persons receiving in any form whatsoever for functions other than those of auditor a salary or remuneration from the directors of the company or their spouses.

Whoever accepts an auditor's mandate in contravention of the provisions of the preceding paragraphs shall be punished by a fine of no less than 100 dirhams and no more than 500 dirhams.

Article 14: The statutory auditors are required to certify under their responsibility, after verification, the material existence of the portfolio, as it appears on the balance sheet. Any breach of this obligation shall be punished by a fine of 500 to 3,000 dirhams.

The auditors are also required to submit to the general meeting, in addition to their general report on the situation of the company, a special report on the compliance with the provisions of this law, in particular those referred to in articles 5, 6 and 9.

Article 15: Directors who have contravened the provisions of this law shall be liable to a fine of 1,000 to 60,000 dirhams and, in the event of a repeat offence, from 20,000 to 600,000 dirhams.

They shall also be liable to imprisonment for a term of three months to one year and, in the event of a repeat offence, from one to five years if they have contravened the provisions of article 9 or article 12 of this law.

The court shall, in all cases, order that the conviction decision be published in full or in extracts in the Official Gazette of the kingdom, all at the expense of convicts.

Within one month following any final conviction, the shareholders must be convened to an extraordinary general meeting to decide on the changes to be made to the management of the company and the eventual dissolution of the latter.

Any violation of this obligation shall be punished by a fine of 1,500 to 30,000 dirhams.

Article 16: Investment Companies are exempt from the business profits tax provided for by the Dahir of 1 Rajab 1379 (31 December 1959) with regard to income from participations they hold in other companies that are already subject to the business profits tax, the agricultural tax or the urban tax.

In the event of distribution to the shareholders of the special reserve provided for in article 9 above, in cash, the tax shall be applied to the amount of the sums distributed under the conditions provided for in articles 6, paragraph d) and 7 of the aforementioned Dahir of 1st Rajab 1379 (31 December 1959).

Article 17: Shares of Investment Companies may serve for the use and re-investment of funds of incapable persons, married women regardless of their matrimonial regime and, in general, all individuals authorized or obliged to convert their capital into Government annuities or other transferable securities or to purchases of buildings, whether this obligation results from the law, a judgment, a contract or from an inter vivos or testamentary voluntary settlement, unless otherwise provided for.

The benefit of this provision is extended to the associations declared, recognized or not to be of public utility, for the use of their reserve funds and endowment funds.

Article 18: Companies existing on 22 October 1966 that constitute Investment Companies under article 1 above must comply with the provisions of this law within a period of six months. After this time limit, the directors of these companies shall incur the penalties provided for in article 15.

Title II: The National Investment Company

Article 19: An investment company named the National Investment Company incorporated as a public limited company shall be created before 31st December 1966.

Article 20: the National Investment Company shall be subject to the requirements of title one of this law, with the exception of the provisions laid down in paragraph 1 of article 3 and in article 6, and subject to the provisions hereunder:

Article 21: the capital of the National Investment Company shall be no less than 10 million dirhams.

This capital must be fully paid-up as soon as the company is incorporated.

Article 22: The contribution shares delivered to the State and to the other legal entities governed by public law participating in the capital of the company may be offered for public subscription or sold to the office for listing transferable securities in Casablanca, or be the subject of direct transfers as soon as the National Investment Company is definitively constituted.

Article 23: The articles of association of the National Investment Company must be approved by order of the minister of finance.

Article 24: By way of derogation from the legislation on joint-stock companies, the State and the other legal entities governed by public law may have several directors' seats in the board of directors of the National Investment Company.

The shares that the directors must allocate to guarantee their management are deposited by the State and the other legal entities governed by public law for the directors representing them.

Article 25: Contributions of securities made by the State and legal entities governed by public law to the National Investment Company are exempt from the proportional registration fee.

Article 26: The minister of finance is responsible for the implementation of this royal decree providing law, which shall be published in the Official Gazette.

Done in Rabat, on the 7th of Rajab 1386 (22 October 1966).

Decree-Law no. 2-94-504 of 16 Rabii II 1415 (23 September 1994) amending Royal Decree providing law no. 194-66 of 7 Rajab 1386 (22 October 1966) on Investment Companies and the National Investment Company.

Official Gazette no. 4275 of 28 Rabii II 1415 (5 October 1994)

The Prime Minister,

Having regard to the constitution, in particular article 54;

After review by the Council of Ministers convened on 22 Safar 1415 (1 August 1994);

And consent of the parliamentary finance committee, planning and regional development,

Hereby Decrees:

Article One: From the date of publication of this decree-law in the Official Gazette, the provisions of the Royal Decree providing law no. 194-66 of 7 Rajab 1386 (22 October 1966) on Investment Companies and the National Investment Company, in particular title II thereof, are no longer applicable to the SNI, which shall, henceforth, be governed by the legislation applicable to public limited companies and shall, therefore, amend its articles of association within a period of three months from the aforementioned date.

Article 2: This decree-law shall be published in the Official Gazette and submitted for ratification by the House of Representatives.

Done in Rabat, on the 16th of Rabii II 1415 (23 September 1994). Abdellatif Filali.

The text in Arabic has been published in the general edition of the Official Gazette no. 4274 of 21 Rabii II 1415 (28 September 1994).