



CAPITAL MARKET REGULATORS FORUM COMCEC

FINAL REPORT ¹

COMCEC 8th CAPITAL MARKET REGULATORS FORUM

September 2019

İstanbul

¹ This report is prepared for information purposes by the COMCEC CMR Forum Secretariat, which is executed by the Capital Markets Board of Turkey.

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(Drafted by the COMCEC CMR Forum Secretariat, Capital Markets Board of Turkey)

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REPORT OF THE 8th COMCEC CAPITAL MARKET REGULATORS FORUM

(İstanbul, September 26, 2019)

COMCEC 8th Capital Market Regulators Forum (COMCEC CMR Forum) convened in İstanbul on September 26th, 2019. Addressing the capital market regulators of the *Organization of Islamic Cooperation (OIC) and the Standing Committee for Economic and Commercial Cooperation (COMCEC)* member countries, “**COMCEC 8th Capital Markets Regulators Forum**” is hosted by the *Capital Markets Board of Turkey (CMB)* as the *Secretariat of the COMCEC CMR Forum*. The delegates from *Albania, Brunei Darussalam, Gambia, Iran, Kuwait, Lebanon, Malaysia, Maldives, Pakistan, Palestine* and *Turkey* as well as representative from the *UASA (Union of Arab Securities Authorities)* and *COMCEC Coordination Office* have joined the meeting.

The delegates from the abovementioned COMCEC member states’ capital market authorities have reviewed the Forum’s Capacity Building, Market Development, Islamic Finance and Financial Literacy Task Forces’ 2019 work. Task Force Chairs (Turkey, Kuwait, Malaysia and Iran capital market regulators) have also discussed their 2020 work plan. Furthermore, the delegates have briefed the participants on the regulatory and financial market developments of their countries at a tour de table session.

2019 Forum meeting has focused on the output of the “**Market Development**”, “**Capacity Building**”, “**Financial Literacy**” and “**Islamic Finance**” Task Forces’ 2019 activities. In 2019, Forum Task Forces have drafted questionnaires to develop their initiatives and determined respective status of capital markets at member countries as well as possible cooperation mechanisms in market infrastructures, Islamic finance, financial literacy and capacity building matters.

The Meeting was attended by the representatives of capital market regulatory authorities from the following COMCEC Member States:

- Albanian Financial Supervisory Authority
- Autoriti Monetari Brunei Darussalam,
- Central Bank of the Gambia
- Securities & Exchange Organization of Iran
- Capital Market Authority of Kuwait,
- Capital Market Authority, Lebanon,
- Securities Commission, Malaysia,
- Capital Market Development Authority, Maldives
- Securities and Exchange Commission of Pakistan
- Capital Market Authority, Palestine,
- Capital Markets Board of Turkey

I. OPENING REMARKS

Mr. Ali ERDURMUS, Executive Head of Strategy Development Department of Capital Markets Board of Turkey has opened the meeting with his greetings and opening speech. Marking the eight *COMCEC Capital Market Regulators Forum* meeting, Mr. ERDURMUS has welcomed all the participants from member authorities and international organizations. On behalf of the CMB Turkey and the Forum Secretariat, he has thanked the Task Force Chairs and Vice Chairs, members of the Forum for the support and efforts they provided within eight years, referencing with the Forum's accomplishments on various fields of capital markets since 2011.

In his speech, Mr. ERDURMUS has underlined the success of Forum's regular gatherings the last nine years. He has also stated the value of Forum's vigorous agendas, producing and sharing knowledge at its Annual meetings. Moreover it is emphasized that in an ever more connected global markets environment, it is helpful for COMCEC capital market regulators to seek for concerted, common solutions for their issues or at least verify their approaches with the international standards under the roof of COMCEC.

Since today's market conditions are shaped with uncertainty, low trade growth, volatile international capital flows, and the increase of geopolitical risks, these make raising long term investment and increasing capital formation particularly challenging. In this background, working on enhancing diversification of financial products, developing platforms for post trade services, payment and settlement systems, adaptation of Fintech, greater adaptation of international standards, Shariah harmonization across jurisdictions, statistics, public awareness and improving our human resources is particularly crucial and they make up potential Forum issues.

Mr. ERDURMUŞ has touched upon the “*Workshop for Sukuk and Collective Investment Schemes, Market & Regulatory Perspectives*” held on 24-25 September 2019 and thanked for the organization and contributors to the initiative and stated that the Workshop Final Report and Policy Recommendations, the delegates have discussed can be instrumental for cooperation and improving market and regulatory conditions for the COMCEC countries Sukuk and CIS

instruments. He has also invited Forum member authorities for further cooperation for working on establishing a trading link initiative among COMCEC regulators and stock exchanges for enhancing liquidity and diversification purposes.

II. OPENING REMARKS BY THE COMCEC COORDINATION OFFICE,

Mr. Selçuk KOÇ, Director of the COMCEC Coordination Office has delivered his opening speech. Mr. KOÇ informed the participants regarding COMCEC's strategy, mission, activities and project cycle management to serve the COMCEC Strategy as well as the activities of the COMCEC Financial Cooperation Working Group.

III. TASK FORCE SESSIONS

As with reporting Task Force activities, Forum General Assembly held sessions for Market Development, Islamic Finance, Financial Literacy and Capacity Building Task Forces.

MARKET DEVELOPMENT TASK FORCE SESSION

- **Small & Medium Enterprises**

Market Development Task Force, chaired by the *Capital Markets Authority, Kuwait* has briefed the Forum participants about the key findings of “*Small & Medium Enterprises*” Survey as the Task Force's 2019 initiative. TF has stated that the topic was chosen due to its increasing crucial role in contributing towards long-term world-wide economic growth, as well as its benefits of attracting a new/young segment of investors.

The Survey was responded by 14 COMCEC Capital Market Regulators Forum member authorities from Albania, Algeria, Bahrain, Bangladesh, Egypt, Iran, Kuwait, Malaysia, Maldives, Pakistan, Palestine, Saudi Arabia, Tunisia and Turkey.

Ms. Dalal BEHBEHANI and Ms. Basma AKBAR from the CMA, Kuwait have made a presentation on the profile of the SMEs Market, access to capital markets for SMEs, IPOs, Registration Process and Related Costs, Regulatory Framework for SMEs, Incentives in SME financing through capital markets, future prospects and key takeaways/ recommendations.

TF states that after having reviewed the topic under abovementioned aspects, key recommendations are listed as follows².

- Taking into account the lack of a well-established SME market in member jurisdictions, SME definition and market structures in Member countries is widely spread and differentiated. With markets more advanced than others, we believe Member countries should collaborate and share their SME market models to develop the best practices and research that can add value and offer liquidity and increase SME investor demand.
- Member countries should consider regulation and development of alternative modes of financing which are more suitable for SMEs. Malaysia's experience in crowdfunding could be closely examined and shared with the other member countries.
- The relaxation of certain regulation requirements would lessen the costs and the long term hurdles for SME issuers.
- Investor protection through balanced regulation is highly crucial to be ensured when drafting the SME regulations.
- Regulators should emphasis on market makers as they play a vital role in providing liquidity to SME securities through market making ensures a reliable price formation process and increase the volume of shares in public hands. In addition market makers smooth out imbalances that might occur in markets and enhance liquidity by increasing demand or supply where needed.
- Regulators and financial institutions (offering advisory services) should take a closer look on the challenges faced by SME's in accessing the capital markets for example overcoming compliance and disclosure challenges.
- SME shares should be closely monitored and investigated when necessary for market manipulation.
- Authorized advisors should be encouraged to assist SMEs to fulfill all the necessary regulatory requirements pre and post IPO.

² The presentation can be accessed at the COMCEC Capital Market Regulators Forum website at the following link.
http://www.comceccmr.org/media/13840/10-00%20comcec_sme_final_15.09.2019.pdf

- Jurisdictions have uneven success at helping SMEs to tap the capital markets therefore the benefits and disadvantages of establishing an SME market as a separate equity exchange or under the main market has to be carefully studied.
- Capital markets offer several alternatives to traditional financing from banks. Despite their variety and availability, SMEs are still not fully utilizing such instruments. Therefore central banks and regulators should consider the impediments that discourage SMEs from seeking funding using capital markets and liberalize the banking sector and their funding requirements in order to meet the needs of the SME issuers.
- Most jurisdictions have realized that SME related initiatives and programs provide a positive impact on the SME market as well as boosting liquidity.

ISLAMIC FINANCE TASK FORCE

- **Alternative Finance in Islamic Capital Market**

Islamic Finance Task Force Chair, *Securities Commission Malaysia* has informed the delegates on their 2019 initiative, “*Alternative Finance in Islamic Capital Market*”.

Mr. Syed Azhan SYED MOHD BAKHOR representing the Securities Commission, Malaysia has emphasized that the aim of the initiative is to conduct a project on broadening the alternative finance avenues in Islamic capital market via financial technology. Since, SMEs and entrepreneurs have seen a shift from traditional brick and mortar businesses to more digitally-led businesses, changing the way they interact with consumers. Furthermore, capital markets have evolved to cater to a wider spectrum of SMEs with alternative avenues of financing are fast gaining acceptance as complements to traditional funding channels; the issue will be examined the TF. Identifying current status of Alternative Finance implementation in the COMCEC Member States and highlighting the country specific needs and issues faced by the regulatory and supervisory authorities, determining fintech’s role in supporting the Alternative Finance will constitute the agenda.

Alternative Finance referring to financial channels, processes, and instruments that have emerged outside of the traditional finance system such as regulated banks and capital market, this usually

include but not limited to digital investment products such as Equity Crowdfunding (ECF), Peer-to-Peer (P2P) Financing or other new source of funding.

The presentation³ introduced Islamic capital market and Alternative Finance concept, global landscape with sustainable, responsible investment and financial technology trends, Survey findings, future prospects and noted following remarks,

- Islamic finance asset across its three main sectors (banking, capital markets and takāful) worth at US\$2.05 trillion in 2018, and projected to grow to US\$3.2 trillion by 2020.

- The Islamic capital market (ICM) sector continues to record improved developments in 2018, accounted for 27% of global Islamic finance asset, worth about US\$592 billion.

- Growing trend in Sustainable and Responsible Investment (SRI) and Financial Technology (Fintech) New Innovative Products: Green Sukuk, SDG financing, Crowdfunding, P2P lending, etc

- Financial Technology, or widely known as Fintech is a technological innovation applied in the provision of financial services, Fintech innovation has become a global trend and continues to go from strength to strength.

- The alternative finance avenues succeed because they enable underserved issuers e.g SMEs and entrepreneurs to connect with traditionally untapped pools of investors, while offering cheaper, faster and more convenient delivery channels.

- Two most common types: Equity crowdfunding and peer-to-peer financing. P2P lending represents the majority at 58%.

- Real estate crowdfunding market is growing rapidly. Currently 5% of the global volume.

^{3 3} The presentation can be accessed at the COMCEC Capital Market Regulators Forum website at the following link. http://www.comceccmr.org/media/13843/islamic%20finance%20taskforce_sc%20malaysia%20-%20final.pdf

-The Asia-Pacific region experienced a 4-year average annual growth rate of 145% which was largely driven by the Chinese market.

-By 2023, the global alternative finance market could reach US\$550 billion of funds, a significant sum, but still a small amount compared to the financing granted by banks

The Survey of the TF was responded by 12 members countries, Albania, Bahrain, Bangladesh, Brunei, Iran, Kuwait, Malaysia, Maldives, Palestine, Turkey, Saudi Arabia and Tunisia.

FINANCIAL LITERACY TASK FORCE SESSION

- **Collective Investment Schemes - A Comparative Study**

Financial Literacy Task Force, chaired by the Securities and Exchanges Organisation, Iran, has presented the “*Collective Investment Schemes- A Comparative Study*” work to the Forum delegates as their 2019 initiative.

TF has planned a two years initiative to assess current status of investment funds and assessment of financial literacy level in respect of investment funds (particularly ETFs) to scrutinize the role of financial literacy in the development of institutional investors and instruments segment of capital markets.

The Survey of the TF was responded by 10 COMCEC Capital Market Regulators (Albania, Bangladesh, Iran, Kuwait, Malaysia, Maldives, Palestine, Saudi Arabia, Tunisia, Turkey and United Arab Emirates) Forum member authorities.

Mr. Meysam HAMEDI, on behalf of the *Securities and Exchange Organization of Iran* has presented⁴ the topic through their Survey examining legal structure, classification, statistics (number of investment funds, ETFs, comparison between number of stock, fixed income and balanced funds in 2018), main types, main organs of investment funds, distinct feature of ETFs.

⁴ The presentation can be accessed at the COMCEC Capital Market Regulators Forum website at the following link.
<http://www.comceccmr.org/media/13846/collective%20investment%20funds.pdf>

TF has also examined financial literacy related initiatives on CIS in COMCEC countries through the strategy to promote CIS, priority or preference (particularly ETFs), availability of educational programs.

It is reported that according to the Survey, Bangladesh and Palestine are countries that have targeted ETFs. Tunisia has targeted seed funds, VCs and Money Market Funds.

Majority of respondents do not have any priority to differentiate funds promotion. Most mentioned financial literacy delivery methods are stated as Website, workshops, and books (or brochures).

CAPACITY BUILDING TASK FORCE SESSION

- **Real Estate Securities Trading Platform/Link**

Capital Markets Board of Turkey, as the Chair of the Capacity Building Task Force has informed the delegates on the TF's 2019 agenda about the "*Real Estate Securities Trading Platform/Link*".

COMCEC Real Estate Securities Trading Link's objective is enhancing investing and financing for real estate securities, as alternative asset class such as Sukuk, Shares of Real Estate Investment Trusts, Real Estate Mutual Funds, Real Estate Certificates by pooling these COMCEC countries instruments in one accessible platform and providing guidance/reliable information to the investors interested in COMCEC countries' assets. The initiative also serves for improving cooperation among COMCEC countries' financial institutions.

Before Ms. Seçil SAYIN KUTLUCA presenting 2019 activities, the CMB Turkey, has informed the delegates on the earlier works, stages of the initiative and made connections with the Workshop for Sukuk and Collective Investment Schemes, Market & Regulatory Perspectives held on 24-25 September 2019.

Since 2015 COMCEC Ministerial Meetings have mandated the Forum to explore the possibilities of tapping OIC real estate markets, real estate securities through a joint COMCEC trading platform initiative and Forum's Capacity Building Task Force in cooperation with member authorities have prepared surveys and feasibility reports to this end.

In 2019, the TF has executed a COMCEC funded project titled “*Assessment of COMCEC Real Estate Securities Markets and Regulatory Landscapes for Strengthening Capital Markets*” in order to set the ground for an academic research for COMCEC countries financial instruments namely Sukuk and collective investments schemes which are regarded as real estate securities. TF has briefly informed the Forum delegates how to benefit COMCEC Project Funding facility and the preparations made by the CMB to develop the project and design the activity.

Within the activities of the project, a dedicated Survey is held for the COMCEC member countries, a Workshop (24-25 September, 2019) is designed for discussion of the Survey, Feasibility Report findings and draft Policy Recommendations.⁵

The Feasibility Report has referred to the following points,

Having been prepared for the Workshop of the *Assessment of COMCEC Real Estate Securities Markets and Regulatory Landscapes* project, the Report is built upon a broad discussion of the findings derived from the gap and SWOT analyses as well as a comprehensive survey conducted in order to gather both qualitative and quantitative data in order to better understand market structures and regulatory features of real estate securities markets, mainly Sukuk and collective investment scheme instruments of COMCEC member countries and to search for the possibility of a real estate securities trading venue among COMCEC member countries.

It is of great importance for the COMCEC member countries to attract foreign retail and institutional investment in their real estate markets. The growing demand is the major common driver for real estate markets against major diversities. It would be a natural step for investors within or outside of the COMCEC member countries to begin deploying capital to real estate securities representing various real estate investment alternatives.

According to survey evaluations, a marketplace with smart policy design can contribute to the deepening and strengthening of capital markets in various means. First, the marketplace would facilitate the free flow of capital in real estate securities. In this regard, it would provide liquidity

⁵ The Report can be accessed at the COMCEC Capital Market Regulators Forum website www.comceccmr.org

and transactional abundance in the markets, which in turn would reduce costs and increase transparency. Second, technological improvements in trading infrastructures would lead to more opportunities for future FinTech solutions and strategies. Third, competition would induce countries to make innovations in their real estate investment products to facilitate investment flow to their national markets. Fourth, the ultimate aim of more integrated markets would be accomplished in the future by designing harmonized frameworks as motivated by the common marketplace experience.

The COMCEC member countries differ significantly in legal and institutional frameworks as well as secondary market potentials for real estate securities. Employing a concept of strict harmonization regarding real estate securities regulations among these countries would be too complicated and too slow to achieve, if not an unrealistic option. An electronic trading platform would be a feasible option based on a mutual recognition approach under which the COMCEC member countries reach an agreement to recognize their regulatory schemes.

While various initiatives take place throughout the world in order to achieve financial integration, electronic trading platforms based on the interconnectivity of stock exchanges via a hub and spoke model, wherein the hub is the platform and spokes are the national exchanges, is gaining traction especially in emerging markets.

Given these recent developments in trading infrastructures alongside legal, institutional and market diversities existing among the COMCEC member countries, a trading link concept is proposed where investors are provided simultaneous and real-time remote access or connectivity to a variety of real estate securities already listed and traded in member country markets. This link, namely the CRESCENT⁶ Link, would be a simple, but more importantly, a legally and economically feasible way to attract local and global investors by providing them easy access to real estate securities in the COMCEC member country secondary markets.

⁶ CRESCENT stands as the abbreviation for the COMCEC Real Estate Securities CENtralized Trading Link.

A broad range of investors has been considering real estate securities as an alternative asset class for the purpose of portfolio diversification. In this regard, taking advantage of moves in different markets can be just as important for traders as it is for long-term investors. International capital flows, enhanced with integrated trading platforms, expand portfolio diversification possibilities and thus enable investors to obtain higher risk-adjusted rates of return.

Changes in the business environment associated with globalization, improvement in ICT and the drive towards more flexible trading systems are increasingly being reflected in changes in capital market infrastructure. Innovation comes from a variety of sources - from technology start-ups with brand new ideas, to major technology companies' R&D programmes – as well as from the market and exchange itself. It is considered as one of the most significant drivers in fuelling new product development, generating new financial markets, transforming industries, and fostering worldwide market competitiveness.

Electronic trading systems in a global economy promote functional integration and interdependence across markets. This has influenced market structures and has allowed new electronic markets to be created.

“ETP” is used to define a simple trading platform where investors are provided simultaneous and real-time remote access or connectivity to a variety of real estate securities already listed and traded in several countries. Thus, such an ETP, the CRESCENT Link, would work on a mutual recognition regime, which requires that each member country recognize the adequacy of the rules and regulations of another country to permit its real estate securities to trade on the platform. The ecosystem of the envisaged “hub and spoke” platform.

After having listened Workshop presentations, the participants have drafted Policy Recommendations for improving real estate securities markets and explored essential requirements of establishing a trading link. The link is regarded as instrumental for easing investor access namely institutional investors ability to access to OIC financial markets and provide liquidity and instrument diversification. Based on the aforementioned Workshop sessions and deliberations, Forum delegates have expressed that the Feasibility report and the policy design discussions have clarified the motives of the real estate trading link initiative as a tool for raising awareness for COMCEC financial markets and instruments via further financial

cooperation and financial technology. The delegates have elaborated their opinions to advance the initiative on technical grounds and bilateral/multilateral cooperation possibilities.

IV. REGULATORY and FINANCIAL MARKET UPDATES of FORUM MEMBER COUNTRIES

BRUNEI DARUSSELAM

The Securities Markets Order was enacted in 2013 to replace the Securities Order and Mutual Funds Order, 2001.

Whereas the Regulations for this Order came into force in 2015.

With the enactment of the Order and regulations, AMBD successfully became a full signatory to the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) in 2016.

AMBD has developed the Syariah Governance Framework in 2018 with the primary objective of enhancing the role of the Board of Directors, the Syariah Advisory Body and the management of the Financial Institution in relation to Syariah financial matters.

Sukuk development:

AMBD also introduced a new sukuk structure namely Sukuk Ijarah Fi Zimmah to fund the construction of the AMBD headquarters. This is a milestone in the domestic sukuk development where sukuk financing was used for the first time in the country to fund a large construction project.

Future development:

At present, work on the establishment of a Brunei stock exchange is ongoing. This project is spearheaded by the Ministry of Finance and Economy (MoFE). AMBD works closely with the

Stock Exchange Project Team to ensure readiness and preparation of all key stakeholders within the capital market ecosystem.

UNION of ARAB SECURITIES AUTHORITIES

In the area of enhancing cooperation among UASA's members, working teams, which were formed in 2018 completed tasks assigned to it. A guideline related to initial offerings and listing was prepared, as well as a guideline for disclosure of insider trading transactions. The working teams also completed the development of a guideline for upgrading the professional level of companies and entities operating in the Arab financial markets. The UASA General Secretariat also completed in cooperation with the Union members a Multilateral Memorandum of Understanding (MMoU) that proposes strengthening cooperation among members of the Union.

In the area of training and knowledge transfer, the UASA had organized during the past year a number of training programs, seminars and forums in cooperation with prestigious Arab, regional and international institutions on various areas of interest to the Arab capital markets. The training programs covered several topics especially in the field of awareness, education, governance, oversight and enforcement actions and collective investment schemes. The training programs also includes Islamic finance, combating financial crimes, and risks in financial services.

Moreover, concerning cooperation related to investors' education and awareness and protection, the UASA's General Secretariat has launched an education and awareness e-portal. This portal will enable all interested parties to follow up on the latest developments in education and awareness along with the UASA's members in addition to the latest international developments in this field.

MALAYSIA

In Malaysia, the significance of the Islamic capital market is very much apparent, as it represents 60.6 percent of Malaysia's overall capital market, with a size of US\$458 billion as at end-2018 in Shariah-compliant equity and sukuk outstanding. Malaysia continued to be the world's largest sukuk market.

The Securities Commission Malaysia ("the SC") is rising awareness on the need for sustainable and responsible investments, as well as environmental, social and governance concerns. The SC introduced an SRI Sukuk Framework in 2014 which focuses on projects that will benefit the environment and society in general. It recognises a wide range of projects pertaining to renewable energy and energy efficiency, natural resources, community and economic development, as well as waqf assets and properties. The release of this framework paved the way for the world's first green SRI sukuk, which was issued in Malaysia in July 2017. As at June 2019, there were six green sukuk issuances with the size of about US\$692 million.

Another transformative force reshaping the industry is digitisation. Its impact is so widespread that it ranges from the emergence of the "digital native" generation of investors, to applications of technology and analytics. The SC has formulated a Digital Markets Strategy to fulfil one or more of four objectives, which includes enhancing access to financing, increasing investor participation, augmenting the institutional market and developing synergistic ecosystems.

To address this, the SC became the first market in ASEAN to introduce a regulatory framework for market-based financing avenues, such as equity crowdfunding (ECF) and peer-to-peer (P2P) financing. These avenues provide an alternative pathway for capital to be directly channelled from investors to issuers. As at end-June 2019, the ECF and P2P markets have deployed more than US\$104 million in financing to nearly 1,200 Micro, Small & Medium Enterprises. In September 2019, Malaysia now has a total of 22 market-based financing platform operators comprised of 10 ECF operators, 11 P2P operators and 1 Property Crowdfunding operator.

The SC continues to engage regularly with the Fintech community via our Alliance of Fintech Community (aFINity) programme. Moving forward, the SC expect more participants entering the

market, especially in micro-investing, financial planning, investment advice, social investing and automated trading.

TURKEY

Between 01.01.2018 and 31.08.2019, with the two amendments that were brought into force in 2018 to Communique on Real Estate Investment Funds, problems related to investments, distribution and sales of fund units, Performance-Based Portfolio Management Fee, usage of the term “participation” in fund names were solved. Net asset value of Real estate investment funds grew 136 % in 2018-2019 period (from 2,1 billion to 5,2 billion TL)

Draft amendment on private equity/venture capital investment funds -which will introduce similar provisions that have been brought to real estate investment funds- is almost completed and we hope to bring it into force soon.

01.01.2018 and 31.09.2018, minor regulatory adjustments in our regulations related to Real Estate Investments Companies, Covered Bonds, Pension Funds and Investment Funds.

Assets under management of our collective investment schemes grew significantly in the same period:

- Total assets of Real Estate Investment Companies increased from 67 billion TL to over 80 billion TL.
- Assets under management of mutual investment funds rose 56 % (from 53 billion TL to 83 billion TL)
- Assets under management of pension funds rose 41% (from 80 billion TL to 112,5 billion TL)

Developments in Turkish Capital Markets

Trade Repository (TR) Regulation: The CMB has published two regulations in September and October 2018 to complete the legal framework on the reporting of derivatives transactions to the TR in line with relevant EU regulations. The authorized TR is MKK (Central Registry Agency), which is also the Central securities depository in Turkey. The resulting infrastructure enables the provision of relevant information to competent authorities in order to ensure that systemic risks are adequately monitored and evaluated. The regulations also mark the completion of Turkey's

commitments toward the G20 with respect to trade reporting. Reporting to the TR has begun as of the November 2018.

New Swap Market: A new foreign exchange swap market was established within Borsa İstanbul in October 2018. The market enables Turkish Lira, US Dollar and Euro swap transactions under the security of an organized market and Takasbank will act as CCP for transactions conducted in the market. Currently 32 banks as well as the CBRT can conduct deals in the market.

Omnibus Accounts: With a regulatory amendment in June 2019, the CMB enabled the use of omnibus accounts of foreign Central securities depositories for custody purposes at MKK (Central Registry Agency). The amendment was made with the purpose of enabling the use of Turkish instruments as collateral in international transactions. Previously all assets had to be monitored on the basis of individual clients.

Turkish Mercantile Exchange: The Turkish Mercantile Exchange has become operational upon the approval of the Ministry of Trade, as of July 2019. Electronic product certificates issued by licensed warehouse operators, based on certain agricultural products will be traded on the market

Securitization: Amendments to two CMB Communiqués on securitization were published in November 2018. The amendments aim to facilitate capital market financing through securitization of assets with low liquidity, providing for more diversification of underlying assets, including covered bonds. In order to encourage financing with asset or mortgage based securities and covered bonds, the CMB will not be charging any fees from offerings made till the end of 2019.

Crowdfunding: Principles relating to the regulation of crowdfunding had previously been introduced in the Capital Markets Law in 2016. The secondary regulation on equity-based crowdfunding has already been approved by the CMB and is expected to be published shortly (It is published in Oct, 3rd 2019) The new regulation includes provisions on crowdfunding platforms, their operation and membership, management of crowdfunding campaigns, use of funds and, start-up companies. The regulation was drafted by considering the results of a Project conducted by the CMB with the EBRD with respect to technical assistance on the regulation of crowdfunding.

Corporate Bonds: With an amendment to the Capital Markets Law in July 2019, documents issued by MKK to corporate bondholders will be considered valid in terms of certifying claims

under the Turkish Enforcement and Bankruptcy Law in cases of default on corporate bonds. The amendment is expected to increase investor confidence as well as investor demand in the corporate bond market.

Corporate Governance: The new CG reporting templates prepared as an output of the Project conducted by the CMB and the EBRD have been adopted by the CMB in January 2019. The reporting formats became applicable starting with corporate governance compliance reports for the year 2018. The change in the reporting formats are intended to enhance the quality of information published by issuers, improve supervision by the CMB and raise investor awareness on the importance of CG in investment decisions.

Information Systems Management and Auditing: With the two new regulations published in January 2018, the CMB has specified minimum conditions that must be fulfilled in the management of IT systems of institutions subject to the Capital Markets Law, as well as the requirements on the independent auditing of IT systems of certain institutions.

IRAN

Lunching Saffron, Cumin and pistachio Depository Receipts and Future Contracts in Iran Mercantile Exchange (IME): as new development, IME introduced three products that can be traded. These are Cumin, Saffron and recently, Pistachio. Both Depository Receipts (as Warehouse receipts) and Future Contracts are designed to be traded in the IME.

SEJAM has been lunched as a comprehensive and integrated software for domestic and foreign investors KYC: the software that is developed by Central Securities Depository of Iran (CSDI) has been lunched for all investors (domestic and foreign) to take their information as a major resource for KYC. SEJAM provides investors information for all brokers and financial institutions in this respect.

The SEO's board has ratified regulations of Fund of Funds and Real Estate Investment Funds: As new initiatives early 2019 and in respect of new financial institutions, Real Estate Investment Funds and Fund of Funds' regulations ratified by the SEO's Board. Those who are interested in contributing to real estate investment fund may have the option to submit their personal real property as initial capital of the fund and conveniently profit from added value of rents or sale of properties in possession of the fund. Moreover, Private Equity Funds have been recently launched in Iranian capital market; these funds are real game changer in the capital market since they are able to appropriate stocks of malfunctioning companies or public companies with low rate of profitability, so that management policies are corrected or incisive alterations are made in method of doing business. Once the appropriated company resumed its proper functioning and got back on the track of profitability, investment fund sells the company and hands over the ownership to new board of directors to take the steering wheel of the business onward. In addition, the first Fund of Funds have been lunched in 2019.

The SEO's initiatives in respect of Capacity Building programs:

The first algorithmic trading competitions in Iran, a firm step towards making algorithmic systems popular with traders, absorbed 20 teams from across the country.

The second Press Festival was held for promoting investment culture and elevating financial literacy as well as expanding the cooperation with and appreciating the efforts of press practitioners.

Iran Exhibition of Bank, Exchange & Insurance Exhibition “FINEX 2019” as one of the major events that bring together all the companies operating in the financial sector under the same roof wrapped up in Tehran setting new records in terms of number of visitors coming to the fair in just four days that the exhibition was on. On average, every day 10,000 people paid FINEX 2019 a visit which was unprecedented in last years’ experience and quite encouraging for upcoming year’s exhibitions to put more efforts to keep up with ever increasing enthusiasm of market activists in Iran FINEX. Raising public awareness on stock market as well as enhancement of financial literacy amongst the youngsters were on the top list of FINEX 2019 agenda this year.

The 11th International Forum on Islamic Capital Markets was held in 2019, which gathered 30 foreign participants from 11 countries.

League of Stars was held by the SEO. It is a competition among different teams from universities that compete investing within a month.

Iran and Iraq Signed MOU to Boost Financial Cooperation

The Iraq Securities Commission and the Securities and Exchange Organization of Iran signed a memorandum of understanding in Tehran, paving the way to boost bilateral cooperation in financial and exchange fields. The signed MOU is primarily focused on development of Islamic Financial instruments, enhancement of technical infrastructures and establishment of common investment funds through shared partnership of both Iranian and Iraqi sides.

Annual Shareholder Meetings Can Go Online

Schemes are being scrutinized to allow annual shareholder meetings of Iranian public companies go online for the convenience of shareholders from across the country. The SEO signaled the green light for holding annual shareholders meeting online but before that happen, public companies had to undergo slight modifications in their articles of association such that online

meetings are clearly added and specified as a legit form of holding annual meetings along with traditional in person gatherings already existing. Finally the first on line GM was held in 2019.

SEO Shariah Board Resolutions:

The SEO shariah Board came to conclusion that the Leasing Agency Sukuk is one type of “Vekalat Sukuk”, in favor of Islamic jurisprudence. In this Sukuk, the leasing company is the originator that may issue the certificates (Sukuk) through the intermediary. Based on the power of attorney, the originator (leasing company) will provide services to its clients through the financing of these Sukuk purchasers. The commission may be either fixed or floating, or a combination of both which is called the “step method”.

The Shariah Board approved mechanism so-called as “Obligatory Sell” which mimics Short Sell mechanism. The structure apply combination of Vakalah and Solh Contracts.

KUWAIT

The Privatization of Boursa Kuwait Securities Exchange

The privatization of Boursa Kuwait Securities Exchange (“Boursa Kuwait”) comes in three phases: (1) between 6% to 24% shall be allocated for public entities, (2) between 26% to 44% shall be allocated to companies listed in the exchange in conjunction with an International Securities Exchange Operator, or an International Operator acting solely, and (3) 50% shall be publicly offered to Kuwaiti citizens.

The privatization was held as a landmark and precedent-setting transaction in Kuwait given the nature and consequence of the deal and involvement of major international operators including some of the world’s leading stock market operators and local financial institutions.

The aim of the privatization is to ultimately strengthen Kuwait’s position as a regional financial hub and provide the private sector with an even stronger role and opportunity to develop the national economy, in line with the national developmental goals set out in Kuwait vision 2035.

MSCI Index Update

On June 25, 2019, MSCI announce the conditional reclassification of the Kuwaiti market to “Emerging Market.” The reclassification is subject to the availability of the omnibus account structures and the National Investor Number (NIN) cross trades being made available for international institutional investors before the end of November 2019. The CMA confirms that the implementation of the proposed changes are on track, and will be put into effect before the deadline of November 2019.

Contractual Collective Investment Schemes

On July 29, 2018, the CMA issued Resolution No. (100) of 2018 which introduced a comprehensive legal framework for the issuance and supervision of “Contractual Collective Investment Schemes”; whereby a Contractual Collective Investment Scheme is incorporated to invest funds owned by two or more Professional Clients, in order to enable such clients to participate in or gain the profits accrued by, acquisition, or ownership, or management or disposition of the assets of the scheme. This product allowed Collective Investment Scheme

Managers who are licensed by the CMA, to offer alternative solutions for the investment requirements of their professional investors. Therefore, several financial services companies approached the CMA to establish such schemes.

Real Estate Investment Trusts (REITs)

On September 19th, 2019 the CMA issued Resolution No. (143) of 2019 regulating the establishment of Real Estate Investment Trusts (REITs) which comprises of of the investment controls for these types of funds.

REITs are closed-ended funds listed on the securities exchange which aim to invest the fund's monies in real estate assets that generate periodic income on the fund's assets. The fund also allows the unit holders to invest in real estate and take advantage of the periodic income of those assets with the possibility of buying or selling units in the stock exchange, in addition it has a high level of disclosure, transparency and relatively low level of risk. Thus, a REIT ideally represents the role of an institutional expert as it is capable of ascertaining the market position and investing in real estate on behalf of groups of individuals who lack expertise and experience in the real estate market.

One of the key characteristics of the Equity REIT under the CMA Law that makes it an advantageous financial vehicle in Kuwait is it enables non-Kuwaiti citizens to indirectly invest in the real estate sector in Kuwait, which is generally not possible. In particular, the CMA Law, its directives and Decree No.8 of 2012 do not impose any restrictions hindering non-Kuwaiti citizens from investing in REITs. The real estate market in Kuwait will most likely prosper as a result of the cash that will flow from both non-Kuwaiti citizens and Kuwaiti investors in REITs.

Professional Qualifications Program

The CMA announced the launch of the first phase of the “Professional Qualifications Program” on October 5th, 2019 through the issuance of Resolution No. (145) of 2019 on September 30th, 2019, thus commencing the Implementation of the Qualification Examinations Project for Registered Employment Positions. This represents a turning point in the level of efficiency requirements of the Registered Employment Positions of the Licensed Persons (i.e. companies licensed by the CMA to provide financial securities services), in addition to achieving maximum

compatibility with the international standards applied within this framework. The resolution also comes as a result of the collaboration with the Chartered Institute for Securities and Investment (CISI). The mechanism of implementing the Professional Qualifications Program extends over two phases: preliminary implementation phase that extends for one year between the beginning October 2019 and end of September 2020, followed by mandatory implementation phase that starts from the beginning of October 2020.

It is worth noting that the Qualification Examinations Project for Registered Employment Positions affiliated with the CMA falls under the framework of its overall vision of the sustainability of the capital markets in Kuwait, and the development of the capital markets industry in its various aspects. Additionally, this program aims at complying with the best international standards, and raising the level of professional and technical competency of the Registered Employment Positions in the capital markets industry.

Capital Adequacy Requirements

The CMA started to implement one of its strategic approaches “Preparation of the Capital Adequacy Rules for Licensed Persons”, as per the mandates of the CMA Law (Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities) which stipulates that “The Authority has the right to impose additional requirements or to make requests for specific reports to ensure that the Licensed Person has the ability to continue their business, particularly holding a sufficiency of capital, in a manner that is commensurate with the nature and volume of the Securities Activities that they carry out.”

These rules represent an important step in this regard, especially as it is one of the effective regulatory tools and mechanisms that enhance the efficiency of the performance of companies licensed to deal in securities and ensure the safety of their financial centers in proportion to the magnitude and nature of the risks they are exposed to, and the creation of a secure investment environment by providing the necessary precautions to secure risks related to the activities and transactions of licensed companies, in particular the risks resulting from the introduction of new products and financial activities within the phases of market development (such as short selling, lending and borrowing of shares, repurchase agreements, etc.), as well as capital requirements that correspond to the activities of the capital market infrastructure institutions.

It is worth mentioning that the CMA has prepared draft capital adequacy rules for licensed persons, as well as all templates of rules in both Arabic and English. It has also assessed their suitability to the business environment through conducting quantitative impact studies. The assessment results also showed that most of the licensed persons participating at this phase have high rates of capital adequacy according to the measurement requirements specified in the draft rules.

These rules are expected to help reduce minimum capital requirements in general, which will enhance capital utilization for companies and the market in general, and to balance the risks to companies and the regulatory capital to be maintained by them.

Electronic filing platform using XBRL

To further its objectives, the CMA has taken the initiative to develop and implement an XBRL based electronic filing platform under the name “iFSAH”. This initiative represents a continuation of CMA’s efforts towards promoting and enhancing the levels of disclosure and transparency in the Kuwaiti financial market to the fullest extent, while strengthening enablers of disclosures and transparency that will help insure information is being published in a timely, comprehensive, credible and reliable manner.

This platform was officially launched on February 10th, 2019 with five gateways as follows:

1. Financials Reporting Domain
2. Anti-Money Laundering Reporting Domain
3. General Assembly Reporting Domain
4. Corporate Governance Reporting Domain
5. Disclosures Reporting Domain

The CMA has set the date for launching the system by preparing a comprehensive plan to ensure the gradual transition of this new electronic system in a flexible and unobstructed manner, according to two main stages: the first is a reintegration stage followed by the mandatory implementation phase.

MALDIVES

Capital Market Development Authority (CMDA) was established under Maldives Securities Act (2/2006) and is responsible for regulating and developing capital market of the Maldives. CMDA is responsible to create a securities market that is fair and take measures to protect investors and ensure market confidence level is maintained.

The current year has been a very successful year for CMDA. The very first “Capital Market Forum” (CMF2019) organised by CMDA was inaugurated by the President of Maldives, His Excellency Mr. Ibrhaim Mohamed Solih. The theme “Capital Market for Social Harmony” resonated well with the stakeholders and is reflective of initiatives taken by CMDA to increase participation by investors, issuers, market intermediaries and other stakeholders.

During 2019, measures have been taken to strengthen the regulatory framework. As such, amendments were proposed to the Maldives Securities Act and regulations thereunder, for the purpose of easing the processes of securities trading. In 2019, Maldives Islamic Bank (MIB) launched its IPO and raised MVR232 million. The IPO was oversubscribed by 46%. Additionally, Housing Development Finance Corporation Plc issued a bond and a sukuk during the year. Furthermore, a framework was developed to enable private companies to issue non-equity financial instruments on a private placement basis and regulation on off-market transfer of securities were also developed. The gateway on private placement market will be an opportunity for private companies to issue instruments such as *sukuk* and other Islamic finance products.

During the year various training programmes were conducted for Board Directors of listed companies and State-Owned Enterprises (SOEs) to enhance governance of listed companies and SOEs. CMDA, in collaboration with Maldives Stock Exchange introduced CG-Efforts Award to encourage best practices in corporate governance amongst the companies operating in the Maldives. This initiative enables public companies and large private companies to improve governance practices and create an enabling environment of transparency and accountability.

CMDA has been taking part in celebrating World Investor Week since 2017 (from its inception). As part of WIW2018, CMDA launched ‘Viyavathi’ a mobile application that is a one-stop-information point about the market. It also provides a stock market game that enables individuals

to become familiar with financial markets. It is hoped that on-line platforms for trading in the secondary market will be developed in future. The joint-efforts by CMDA and Maldives Monetary Authority (MMA) is in progress to make the issue of government securities through capital market. This could bring in more liquidity to the market and improve participation level in the capital market.

V. OTHER ISSUES

Chairman Election

According to the Forum Statute, Chairman is elected every two years and following the circulation of the Draft Agenda announcing Chairman Election, the Forum Secretariat has not received any nomination. At the meeting, no chairman nomination was received and the delegates by unanimity have confirmed the renewal of current Forum Chairman Mr. Ali Fuat TAŐKESENLİOĐLU, Chairman of Capital Market Board of Turkey as the new Forum Chairman for the next two year period ahead.

Future Co-Operation/Work Programme for 2020

Forum Task Forces representatives have stated that they will be following their current initiatives in 2020 in order to realized their objectives.

8th COMCEC Capital Markets Regulators Forum Meeting

26 September 2019

PARTICIPANT LIST

<u>Participant's Name and Surname</u>	<u>Country/Institution</u>	<u>Title</u>
Niko Kotonika	ALBANIA Albanian Financial Supervisory Authority	Head of the Capital Market and Funds Department
Nurul Hazwani Haji Saifulbahri	BRUNEI Autoriti Monetari Brunei Darussalam	Manager Capital Market Regulatory Department
Aida Binti Tuah	BRUNEI Autoriti Monetari Brunei Darussalam	Financial Development
Buah Saidy	GAMBIA Central Bank of Gambia	Adviser to The Governor
Razieh Sabaghian	IRAN Securities and Exchange Organization	Head of Financial Institutions Affairs Department

Meysam Hamedi	IRAN Securities and Exchange Organization	Director of Financial Markets and Instruments
Dalal Behbehani	KUWAIT Capital Markets Authority	Listing Section Manager – Markets Regulation Department
Basma Akbar	KUWAIT Capital Markets Authority	Chief Financial Analyst- Corporate Finance & Governance
Farah Zainal	KUWAIT Capital Markets Authority	Specialist- International Relations Office
Syed Azhan Syed Mohd Bakhor	MALAYSIA Securities Commission Malaysia	Assistant General Manager, Islamic Capital Market Development
Fadi Fakh	LEBANON Capital Markets Authority	Executive Board Member
Aminath Mohamed Didi	MALDIVES Capital Market Development Authority	Director General of CMDA
Wazir Zada Yasir Almas Khan	PAKISTAN The Securities and Exchange Commission of Pakistan	Deputy Director

Amjad Qabaha	PALESTINE Capital Market Authority	Manager of Legal Department
Bora Oruç	TURKEY Capital Markets Board of Turkey	Executive Vice Chairman
Ali Erdurmuş	TURKEY Capital Markets Board of Turkey	Head of Strategy Development Department
Ebru Akbulut	TURKEY Capital Markets Board of Turkey	Deputy Head of Intermediary Activities Department
Erkan Özgüç	TURKEY Capital Markets Board of Turkey	Deputy Head of Institutional Investors
Seçil Sayın Kutluca	TURKEY Capital Markets Board of Turkey	Senior Legal Expert
Hanifi Köroğlu	TURKEY Capital Markets Board of Turkey	Expert
Evrin Hilal Kahya	TURKEY	Expert

	Capital Markets Board of Turkey	
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Jalil Tarif	Union of Arab Securities Regulators	Secretary General