



Islamic Finance and Shariah Governance in Turkey

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Islamic Finance in Turkey

As of 2019

- ▶ 6 full-fledged Participation Banks (3 of them are state-owned)
- ▶ 12 Takaful company
- ▶ Total assets are around 48 billion USD with the share of 6,3%

Timeline of Islamic Finance in Turkey

- ▶ Establishment of Special Finance Houses (SFH) (1983)
- ▶ SFHs became subject to the same umbrella of regulations with conventional banks (1999)
- ▶ SFHs were transformed to Participation Banks with Banking Law 5411 (2005)
- ▶ The first Takaful Company (2009)
- ▶ The first Sukuk issuance (2010)
- ▶ Participation Index in BIST (2011)
- ▶ The first sovereign Sukuk issuance by Turkish Treasury (2012)
- ▶ Establishment of two state-owned participation banks (2015 and 2016)
- ▶ Regulation on working principles and procedures of Participation Insurance (2017)
- ▶ Central Shariah Advisory Board (2018)
- ▶ Establishment of another state-owned participation bank (2019)
- ▶ Ethic norm, interest-free auditing and accounting standards by POAASA (2019)
- ▶ Declaration on Compliance with Principles and Standards of Interest-Free Banking by BRSA (2019)
- ▶ Declaration on Principles for Informing Customers Under The Principles and Standards of Interest-Free Banking and The Decisions of Advisory Committee by BRSA (2020*)

Current Structure in Turkey

Banking Regulation and Supervision Agency

- Participation Banks
- Development and Investment Banks

Capital Markets Board

- Corporate Sukuk
- Participation Funds
- Real Estate Certificates

Ministry of Treasury and Finance

- Sovereign Sukuk

Insurance and Private Pension Regulations and Supervision Agency

- Takaful

Central Bank of Turkey

- Liquidity Facilities
- Payment Systems

Participation Banks Association of Turkey (TKBB)

- Central Shariah Advisory Board

Public Oversight Accounting and Auditing Standards Authority

- Auditing and Accounting Standards

Shariah Governance in Turkey

Before
2018

Each bank has their own Shariah Advisory Board or they outsource

Decisions and fatwas may differ

After
2018

Central Shariah Advisory Board within PBAT (TKBB)

Board's decisions are binding

Advisory committees within banks

Declaration on Compliance with Principles and Standards of Interest-Free Banking

- ▶ Independence of the advisory committee
 - ▶ The structure and the working principles of the advisory committee
 - ▶ Committee members
 - ▶ Shariah compliance function
 - ▶ Shariah internal audit function
 - ▶ Responsibilities of the board of directors
 - ▶ Issues regarding bank personnel
 - ▶ Customer notification and disclosure
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- ❖ Declaration on Principles for Informing Customers Under The Principles and Standards of Interest-Free Banking and The Decisions of Advisory Committee



THANK YOU