



Making Cooperation Work

# COMCEC STRATEGY

For Building an Interdependent Islamic World

## *RESPONSES OF THE MEMBER COUNTRIES TO THE POLICY QUESTIONS ON Improving Islamic Financial Architecture in the OIC Member Countries*



COMCEC

**Okan POLAT**  
**COMCEC Coordination Office**  
**October 20th, 2016**

# OUTLINE

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**1. Policy Dimension Ladder**

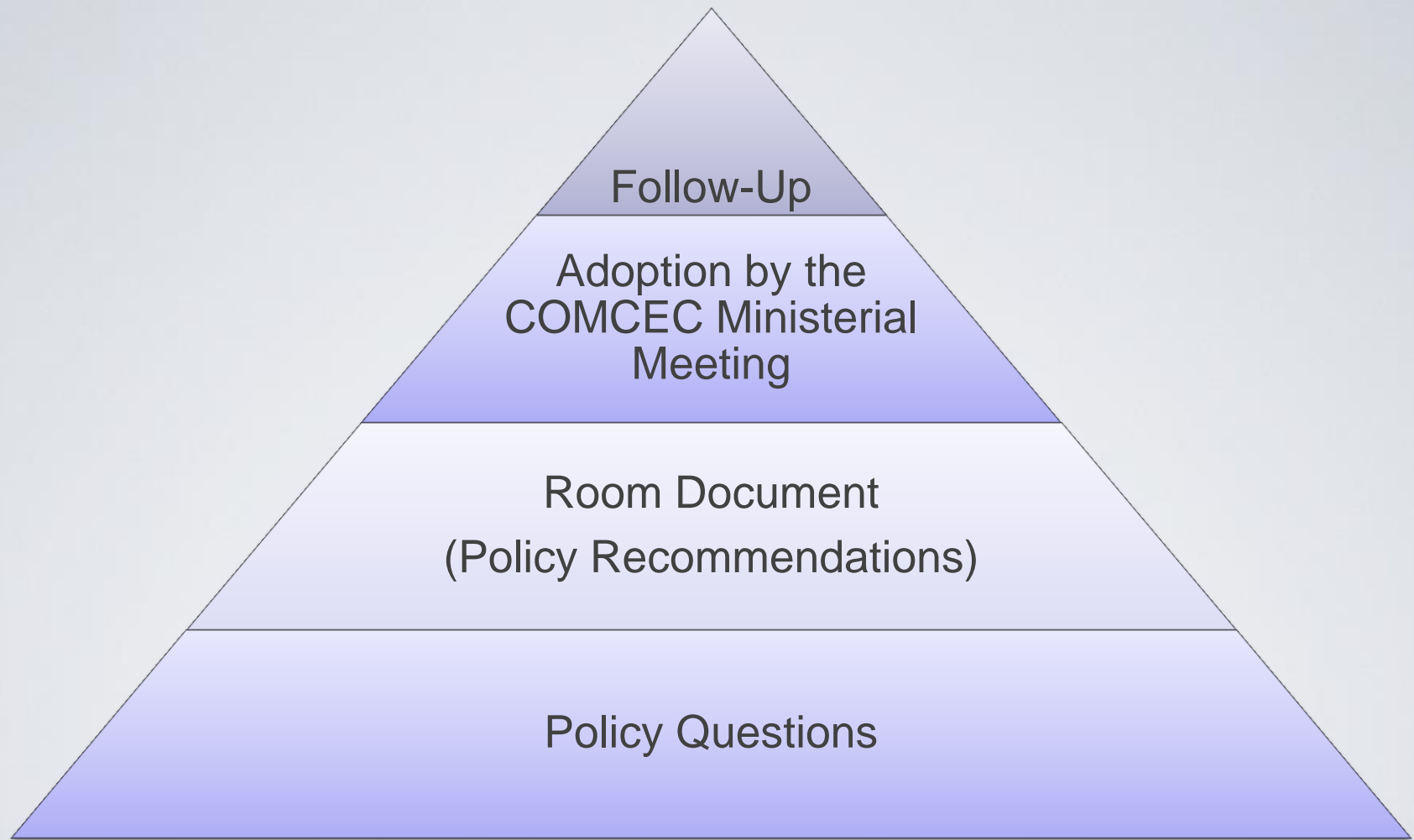
**2. Policy Questions**

**3. Responses of the Member Countries**

**4. Room Document**

**5. Evaluation Form**

# 1. Policy Dimension Ladder



## 2- POLICY QUESTIONS

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1. Legal Infrastructure
  2. Financial System Regulation and Supervision Framework
  3. Sharia Governance
  4. Liquidity Infrastructure
  5. Information Infrastructure and Transparency
  6. Consumer Protection Architecture
  7. Human Capital and Knowledge Development Framework
- *Received responses from 7 countries: Afghanistan, Algeria, Azerbaijan, Cote D'ivore Gabon, Indonesia and Turkey.*

# 3.1- RESPONSES OF THE MEMBER COUNTRIES

## Q1: Legal Infrastructure:

a. Is there any Islamic finance law(s) that regulates Islamic finance companies?

- *Afghanistan and Indonesia have Islamic Finance law*

b. Is there any tax arrangement(s) that help Islamic finance products to be taxed in parallel to their conventional finance counterparts?

- *Afghanistan and Indonesia have tax arrangements .*
- *In Turkey all regulated Sukuk have tax neutrality.*

c. How are disputes in Islamic finance solved? Is there any specific law?

- *Indonesia: Disputes in Islamic finance is referred to Islamic courts laws*

d. How is bankruptcy of Islamic finance resolved? Is there any specific law/arrangement applicable to Islamic banks?

- *No specific law/arrangement applicable to Islamic banks*

## 3.2- RESPONSES OF THE MEMBER COUNTRIES

### Q2: Financial system regulation and supervision framework:

Is there any institution/department authorized only for Islamic finance companies?

- *Afghanistan: a department in Afghanistan Central Bank*

## 3.3- RESPONSES OF THE MEMBER COUNTRIES

### Q3: Sharia governance:

Is there any law/arrangement that allows/enforces sharia governance?

- *Afghanistan: Shariah Compliant Banking- National Shariah Governance Framework*
- *Indonesia :Sharia Oversight Board In Every Companies*
- *Turkey: Shariah Consultancy/Advisory Boards in Participation Banks and Unregulated Shariah Governance In Capital Markets*



## 3.4- RESPONSES OF THE MEMBER COUNTRIES

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### Q4: Liquidity infrastructure:

Is there any arrangement or Central Bank facility that helps Islamic finance institutions to meet their liquidity needs?

- *Afghanistan: Islamic Banking Liquidity Risk Management*
- *Indonesia: Central Bank Instruments*
- *Turkey: Amendments in Central Bank's operational framework, contracts and tools*



## 3.5- RESPONSES OF THE MEMBER COUNTRIES

### Q5: Information infrastructure and transparency:

a. What are the rules to prepare financial statements of Islamic finance companies? Do they differ from those of conventional finance companies?

- *Indonesia: Islamic Accounting Standard*

b. Is there any arrangement/company that enables Islamic finance rating?

- *Indonesia: Islamic finance rating companies.*

## 3.6- RESPONSES OF THE MEMBER COUNTRIES

### Q6: Consumer protection architecture:

a. Is there any arrangement on Islamic finance consumer protection and Islamic finance literacy?

- *Afghanistan: Afghanistan Central Bank*
- *Indonesia: Financial Service Authority*
- *Turkey: Regulation on Deposits and Participation Funds, Capital Market Law*

b. How are deposits in Islamic banks insured? Is there guarantee scheme for deposits in Islamic banks?

- *All respondent member countries have guarantee scheme for deposits in banks*

## 3.7- RESPONSES OF THE MEMBER COUNTRIES

### Q7: Human capital and knowledge development framework:

Is there any institution/university/strategy that helps to improve human capital in Islamic finance?

- *Afghanistan: a course in the Economic Faculty of Kabul University*
- *Indonesia: Several institutions and universities help to improve human capital in Islamic finance*
- *Turkey: Three universities have master's and doctor's degree. One university has bachelor's degree. A certification project conducted by BRSA collaborating with the Istanbul and Marmara Universities and Participation Banks Association of Turkey.*

## 4- ROOM DOCUMENT

### Policy Advice 1

- **Developing/ Supporting Legal Framework for Islamic Finance by Reviewing Islamic financial laws, tax regimes, dispute settlement framework and bankruptcy law**

### Policy Advice 2

- **Developing Necessary Regulatory and Supervisory Institutional Framework for the Islamic Financial Services Industries (IFSI) through Adopting Standards Developed by Islamic Financial Architecture Institutions and Improving the National Framework**

### Policy Advice 3

- **Establishing a Sound Governance Framework by Introducing the Requirement of Shariah Governance at the Financial Institution Level in Islamic Financial Laws and in Regulations**

# 4- ROOM DOCUMENT

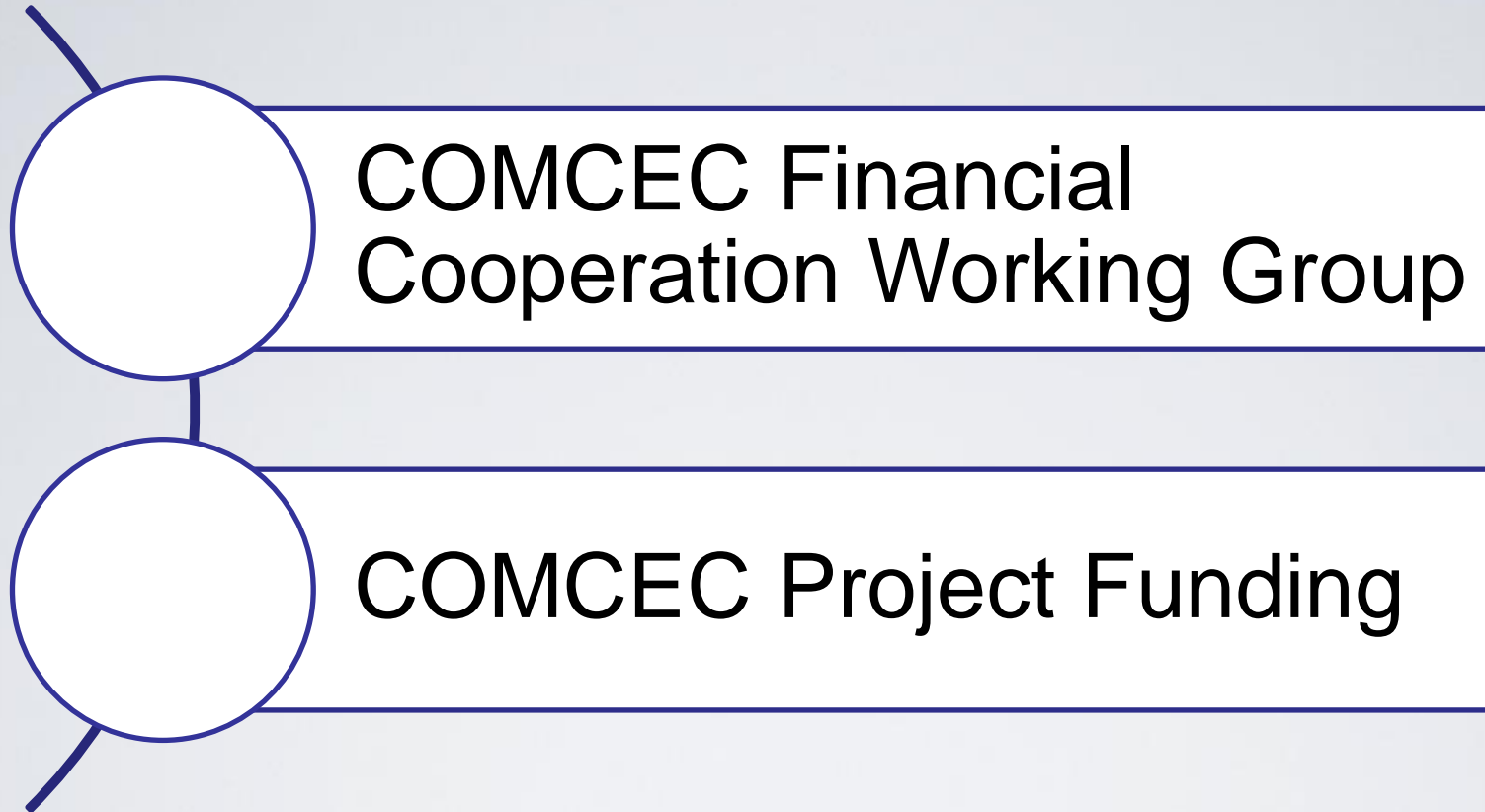
## Policy Advice 4

- **Enhancing Consumer Protection and Financial Education through Ensuring Full Disclosure in Islamic Finance Contracts and Having Financial Education Programs to Increase Awareness and the Level of Understanding of Islamic Financial Transactions**

## Policy Advice 5

- **Developing Liquidity Infrastructure for Islamic Financial Sector by Issuing Shariah Compliant Liquidity Instruments, Developing an Active Islamic Money Market and Ensuring Lender of the Last Resort to Offer Shariah Compliant Facilities**

# INSTRUMENTS



## 5. EVALUATION FORM

- To follow-up the implementation of the Financial Cooperation WG policy recommendations
- To elaborate on the what have been done by the Member Countries
- Will be filled-out by the COMCEC Financial Cooperation WG Focal Points
- Deadline: 31 August 2016

# EVALUATION FORM

Policy Recommendations adopted by the 31 <sup>st</sup> Session of the COMCEC	Has your country prepared/planned new law(s) or secondary legislation(s) on these policy recommendations?	Has your country prepared/planned strategy/action plan/road map on these policy recommendations?	Has your country implemented or is preparing to implement any administrative measures on these policy recommendation s?	Has your country organized or is planning to organize any activities (meeting(s), workshop(s), capacity building programme(s)) on these policy recommendations?	Has your country submitted or is planning to submit a project proposal to the COMCEC Project Funding related to these policy recommendation s?	Please specify if there is any challenge for the implementation of each policy recommendation.
<p><b>5<sup>th</sup> Meeting of the COMCEC Financial Cooperation Working Group: "Retail Payment Systems in the OIC Member Countries"</b></p> <p>I. Increasing awareness of the benefits of modern retail payment systems through providing education on basic financial controls and prudence as well as increasing transparency in order to protect consumer rights.</p>						





# THANK YOU

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***October 20th 2016***