



ISLAMIC FINANCE DEVELOPMENTS IN TURKEY

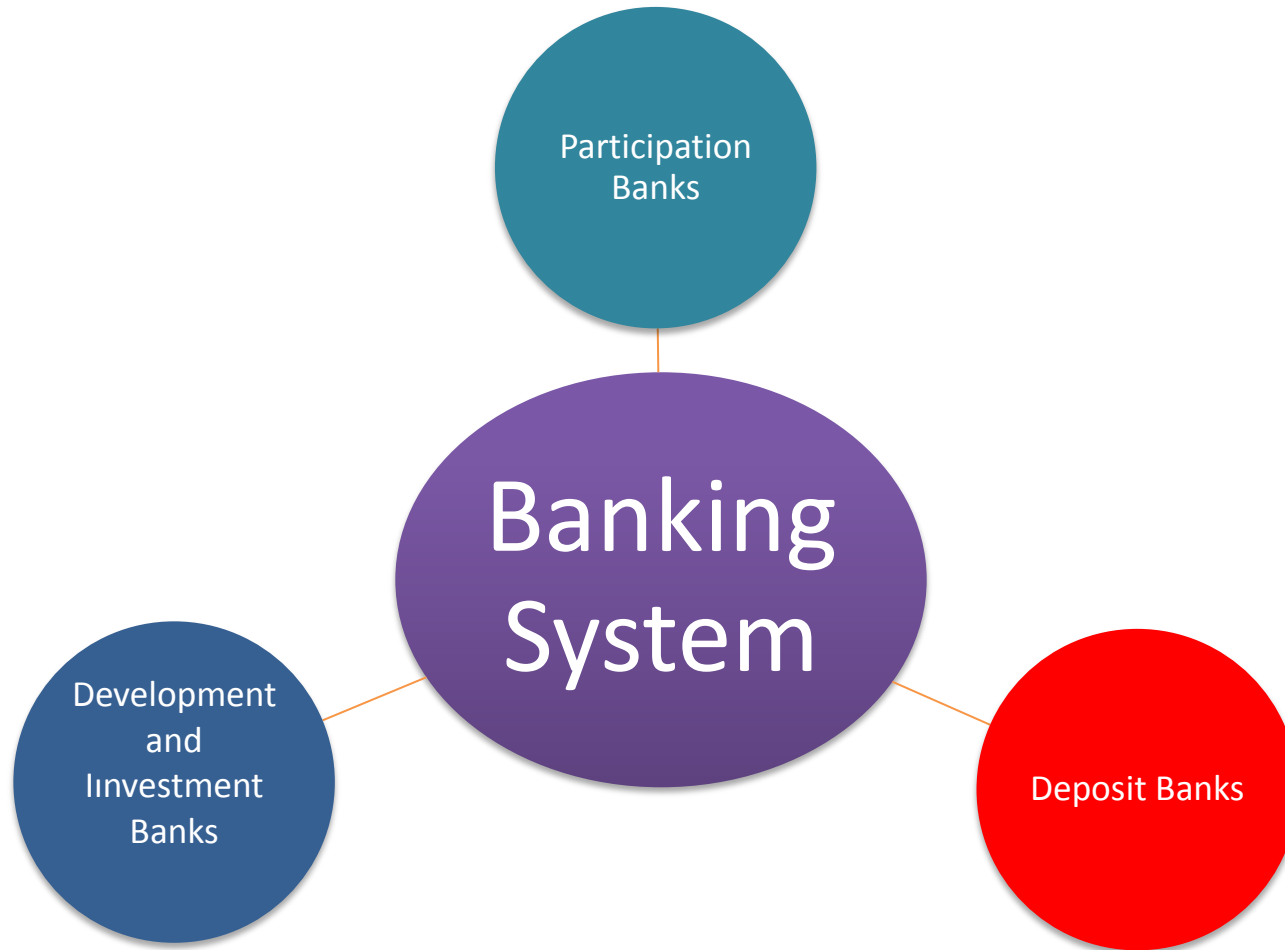
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SVP, Albaraka TÜRK

7TH MEETING OF THE COMCEC
FINANCIAL COOPERATION WORKING GROUP
ANKARA, October 20, 2016

AGENDA

- Definition and Historical Background
- Facts and Figures
- Strategic Plan
- Conclusion

Strategic Roadmap

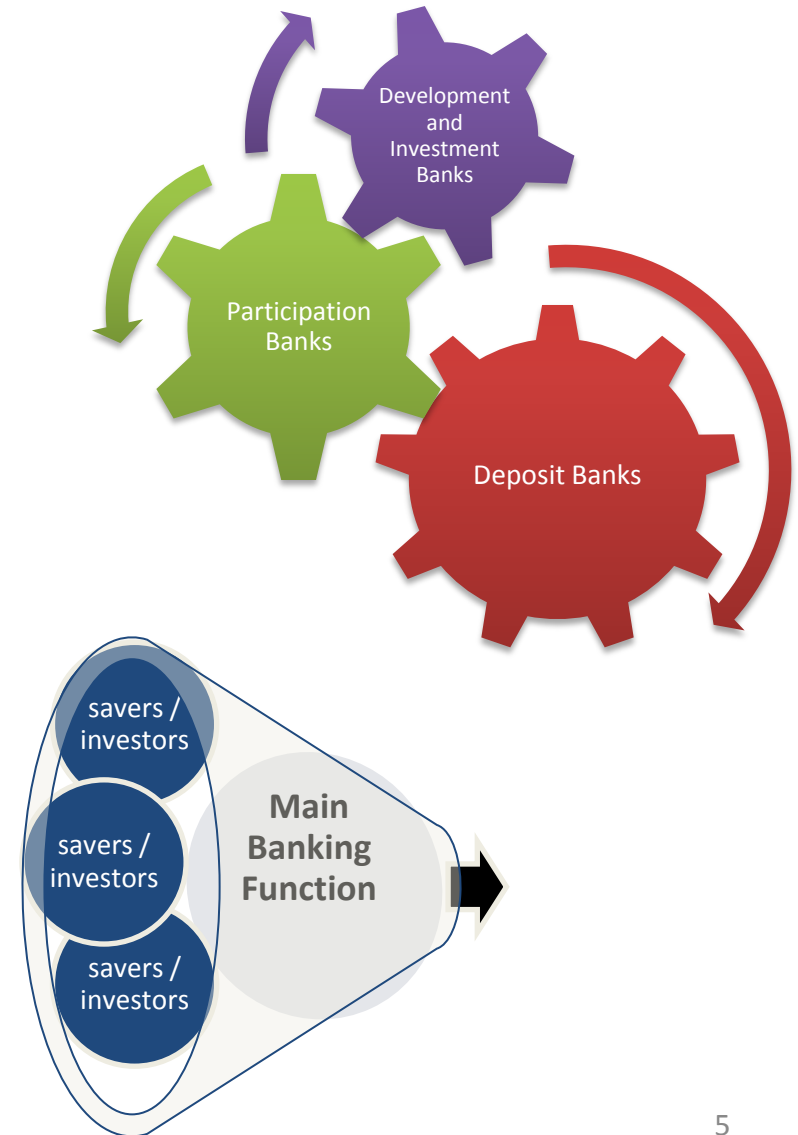


Strategic Roadmap

BANKS	Nr. of Inst.	IN ASSETS VOLUME		IN DEPOSITS VOLUME		IN LOANS VOLUME	
		Mio TRY	SHARE (%)	Mio TRY	SHARE (%)	Mio TRY	SHARE (%)
Participation Banks (Islamic Banks)	5	119.720	5,2	74.366	6,3	78.147	5,2
Deposit Banks (Conventional Banks)	32	2.122.513	90,4	1.168.923	93,7	1.358.242	89,9
Development and Investment Banks	13	105.482	4,4	0	0	74.611	4,9
Total	50	2.347.715	100	1.243.289	100	1.511.000	100

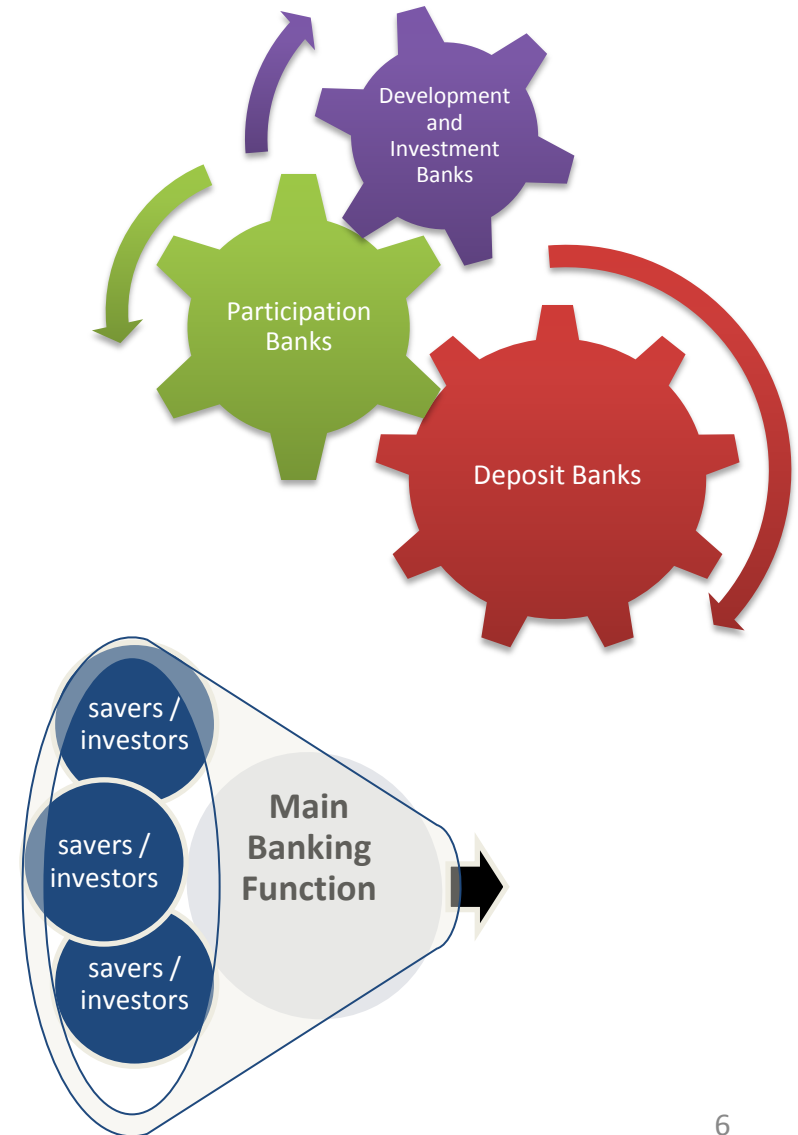
Participation Banks

- Not an alternative, but an integral component
- A third type of banking, together with others
- Collecting and lending methods of funds are different

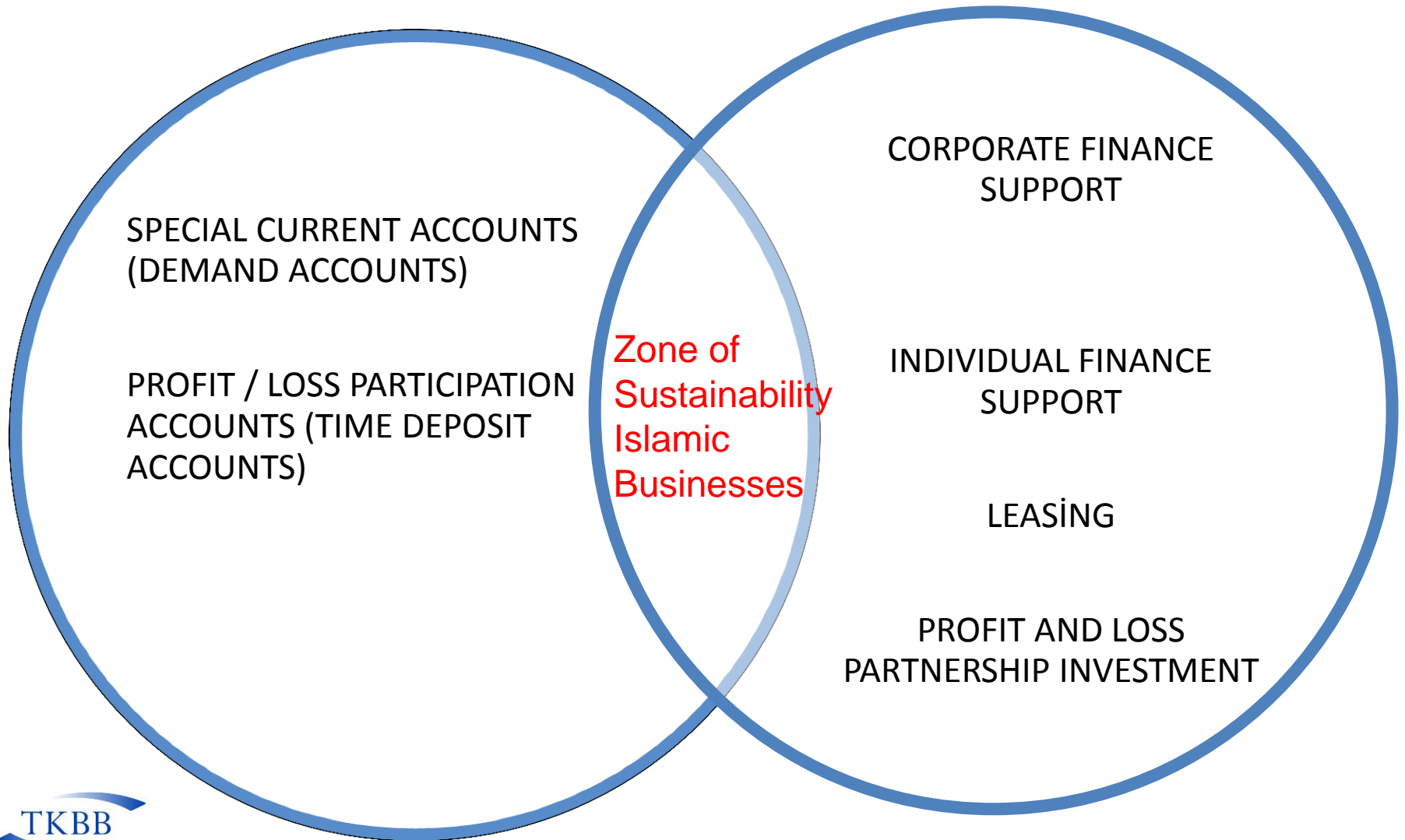


Participation Banks

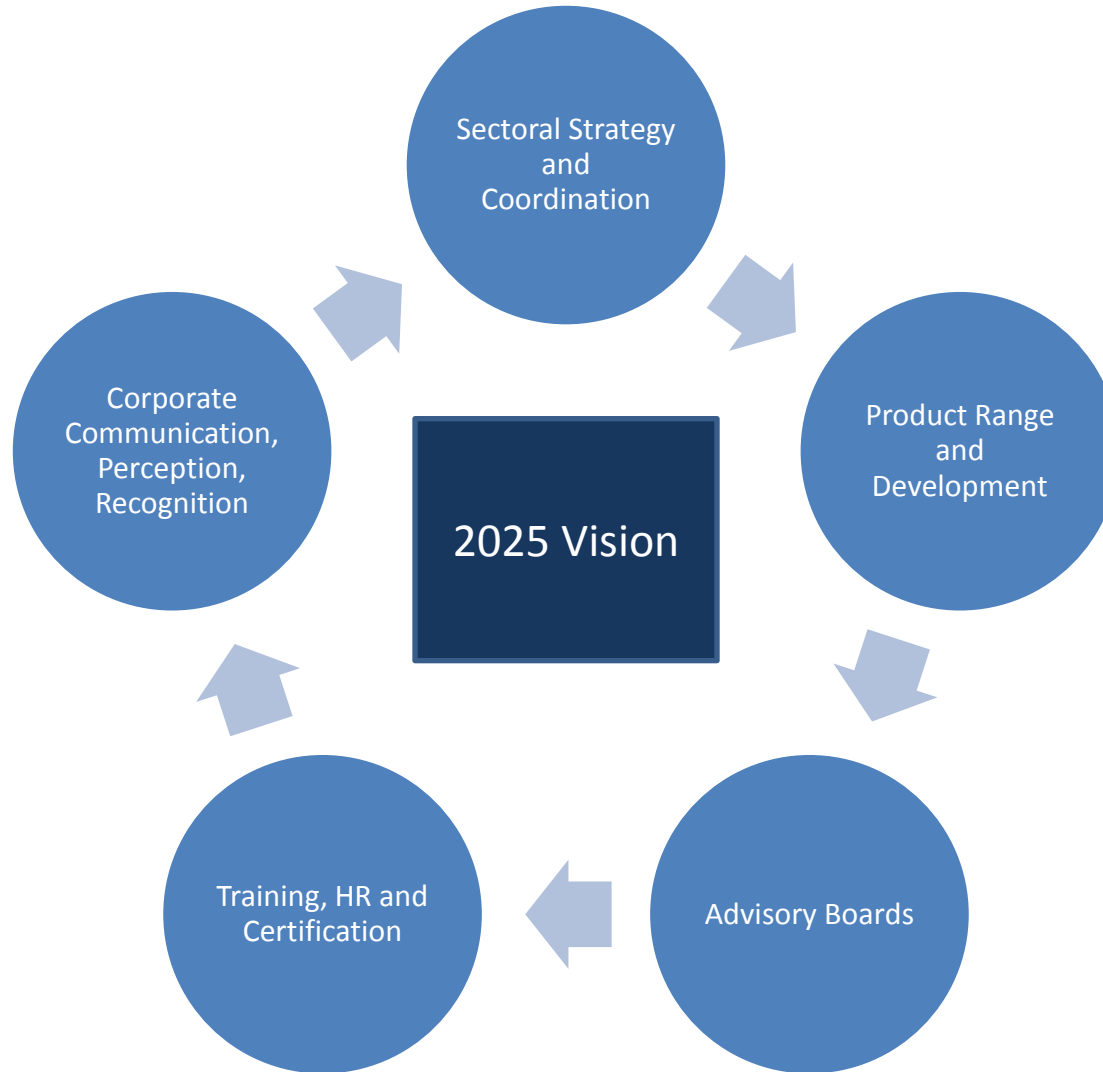
- There is no separate regulation
- Regulations governing fund collection and fund utilization are different
- Minor differences in accounting methods
- Slightly different calculation method for Capital Adequacy Ratio for participation banks.



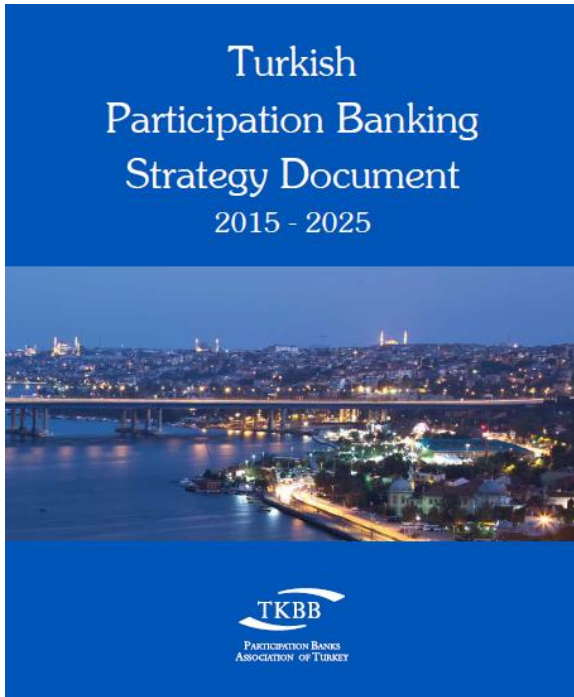
Participation Banks



Strategic Roadmap

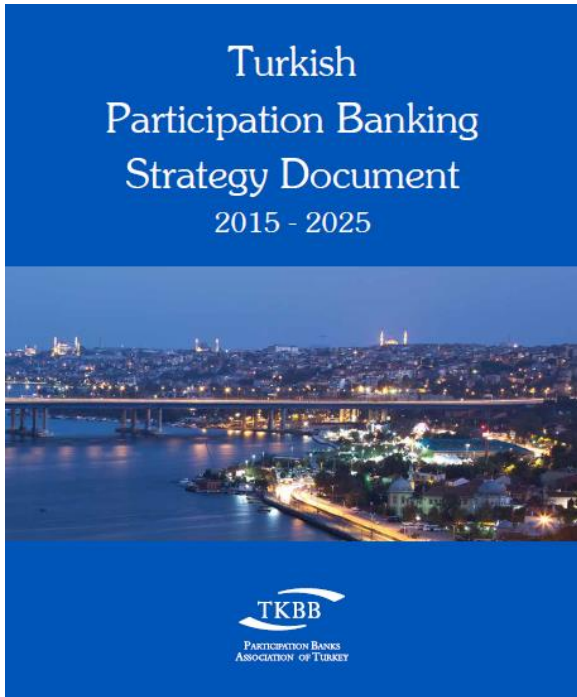


Strategic Roadmap



- “Introduction-Perception-Credibility Roadmap” of the Participation Banking sector is sent to BRSA as an “Information Not
- Establishing a Transparency Index is decided.
- Transparency areas shall be determined for the subject index.
- Corporate Social Responsibility Project shall be developed.
- Determining distinctive terms of Participation Banking, and extending use of concepts which are perception corrective and in harmony with the principles of the Islamic Finance for uniformity of terms and applications are aimed.

Regulations



- Participation Banks has prepared a booklet and submitted to BRSA
 - Draft arrangements lending methods.
 - Product based Communiqués
 - Arrangements requiring amendment in Banking Law
- Establishment of communication channel with the supreme council of religious affairs
- Establishing General Advisory Board
- Restoring Advisory Boards of the Bank to a legal structure

Regulations

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Participation Banking
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- Turkey Specific Standards for accounting, auditing and governance
- Preparing Certificate of Ethical Principles
- Corporate Management Principles

Product Based Developments

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Participation Banking
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2015 - 2025



- Product Development Committee has prepared a Product Report and it shall be submitted by our Chairman to the Interest-free Finance Coordination Board.
- A workshop is performed with Istanbul Technical University Arı Teknokent about Funding Angel Investor projects by Mudaraba and Musharaka We had meetings with the Treasury, CMB (Capital Market Board and Stock Market.
- A Product Report is prepared on the new product and putting the unused products into practice.
- Required information and approval is sent to the Treasury upon WPI-CPI index Sukuk issuance.

Product Based Developments

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- Increasing private sector sukuk, Diversifying publicly traded sukuks at Istanbul Stock Exchange
- Developing liquidity oriented secondary market.
- A study suggested is attached to the Product Report as the Commodity Murabaha is sukuk based.
- A meeting is held about a Commodity Usury Platform with Istanbul Stock Exchange. The suggestion is attached to the Product Report as there is commodity in the background of the Platform.

Education and HR Developments

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- Preparing Academic Publication Database.
- Within the association; establishing an infrastructure for reaching academic works published throughout the world.
- IZU (Istanbul Zaim University) has founded the Research Center with the support of Albaraka Türk and Kuveyt Türk.
- Karatay University is establishing a Research Center with the support of KTO (Konya Chamber of Commerce) within the framework of the Islamic Commercial Law.

Education Developments

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- Including elective/ compulsory lessons to curriculum
- Pilot faculties are determined at some universities and decision on opening departments is issued by YÖK (Council of Higher Education)
- Participation Banks Association is supporting at least 25 undergraduate and postgraduate students is projected. Besides, for scientific publications, reward program shall be continuous
- Determination of licensed staff need
- Our participation banks are studying on a certification project on this subject.

Conclusion

A number of factors need to be engaged to bring success

- **Dedicated people**

Greatest intangible to enable Islamic finance and build its future
Human capital development: bankers and Shariah scholars

- **Committed sponsorship**

Academic input to formulate visionary framework and development
Capital sponsorship to bring plans to life

- **Change in mindset**

From Shariah-compliant to Shariah-driven products and services

- **Education of all key stakeholders**

To build understanding and awareness

- **Proactive engagement**

Regulators, practitioners and Shariah scholars to set a common agenda

We must preserve what is distinctive about
Islamic finance

Thank You



PARTICIPATION BANKS
ASSOCIATION OF TURKEY