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SUMMARY



- A. CONSTRAINTS RELATED TO THE IMPLEMENTATION OF ISLAMIC FINANCE
- B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE
- C. THE MONITORING SYSTEM FOR THE IMPLEMENTATION OF ISLAMIC FINANCE
- D. CONCLUSION



A. CONSTRAINTS RELATED TO THE IMPLEMENTATION OF ISLAMIC FINANCE



- ✧ **Regulatory constraints:** the implementation of Islamic Finance in is conditioned by texts adjustments, both in terms of regulation and Taxation. Obstacles or constraints linked to the effective integration of Islamic finance concerns the following reglementations :
 - ✧ The banking reglementation ;
 - ✧ The reglemantation of Decentralized Financial Systems;
 - ✧ The reglementation of the Financial Market ;
 - ✧ The reglementation of the Insurance Market

- ✧ **Fiscal Constraints:** the majority of Islamic products are the result of one, two or more contracts connecting different legal provisions (exemple of Sukuk in Ivory Coats). These hybrid operations beyond their legal complexity in terms of contract law, cause additional charges, especially on taxation. The double transfer of property gives birth to a double tax transfer that increases charges. The development of Islamic banks is subordinate to reform in order to make islamic products more competitve on the market.

- ✧ **Accounting constraints:** Islamic banking, as conventional banks, must fulfill criterion of solvency and liquidity. Caching is to be done on two levels: the "Accounting and Auditing Organization International Islamic Financial (AAOIFI) "for accounting purposes; the "Islamic Financial Services Board (IFSB)" for risk management. The IFSB offers to national regulators a regulatory and a prudential framework allowing them to identify, measure and evaluate risks behind an Islamic product offered by banking institutions and to set up a methodology of determination of a solvency ratio. .



B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE



- ❧ A set of proposals and plannings can facilitate the emergence of an Islamic Financial Industry without upsetting the existing financial system. These proposals address aspects of regulatory and tax for an efficient integration of Islamic finance.
- ❧ It is necessary to set up a High Council of Sharia Conformity (HCCS) for the deliverance of certificates of conformity for Islamic banking products developers, before the submission of request files to the regulator. The HCCS will also validate any new reform or institutional text on Islamic financial products.



B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE

I. Regulatory Aspects



BANKS

REGULATION

ISSUES INVOLVED IN THE PROPOSALS AND FACILITIES

Banking regulations of the WAEMU

Regulatory Authority

- **Ministry to the Prime Minister in charge of Economy and Finance (MPMEF)**
- **BCEAO (Central Bank of West Africa)**

- Law Framework on banking rules of the West African Economic and Monetary Union
- Decision n 397/12/2012 related to the regulation, instruments and procedures for the implementation on money and credit policy by the Central Bank of West Africa (BCEAO)
- Act for the definition and punishment of usury
- Circular n 033-2011/CB/C related to the organization of the system of internal control of credit institution in the WAMU
- Circular n 005-2011 /CB/C/CB on governance of credit institution
- Local prudential framework

Source: Rapport 2011-2012 IFAAS Chap1, p 14 à 28



B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE



I. Regulatory Aspects

DECENTRALIZED FINANCIAL SYSTEMS (SFD)

REGULATION	ISSUES INVOLVED IN THE PROPOSALS AND FACILITIES
<p>Regulation of decentralized financial systems (SFD) of the WAEMU</p> <p><u>Regulatory Authority:</u></p> <ul style="list-style-type: none">- Ministry to the Prime Minister in charge of Economy and Finance (MPMEF)- BCEAO (Central Bank of West Africa)- The Direction of the Microfinance	<ul style="list-style-type: none">• Act 2008-47 of September 03, 2008 for the regulation of SFD• Prudential Provisions for SFD• Reporting (GAAP)



B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE



I. Regulatory Aspects

FINANCIAL MARKET

REGULATION

Regulation of the Financial Market of the WAEMU

Regulatory Authority:
Regional Council for Public Savings and Financial Markets (CREPMEF)

ISSUES INVOLVED IN THE PROPOSALS AND FACILITIES

- General Regulation related to the organization, operation and control of the financial market of WAEMU
- Mutual Funds Securitization and Covered Bonds
- Islamic securities of the type of investment SUKUK
- Definition of a regulatory framework governing the issuance of Islamic government securities in the WAEMU
- Islamic Monetary Market



B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE



I. Regulatory Aspects

INSURANCE

REGULATION

Regulation of the Insurance Market of the WAEMU

Regulatory Authority:
Regional Insurance Commission (CRCA)

ISSUES INVOLVED IN THE PROPOSALS AND FACILITIES

Insurance solution consistent with precepts of Islamic law and the concepts of conventional and mutual insurance



B. PROVISIONS RELATED TO THE INTEGRATION OF ISLAMIC FINANCE



II. Tax aspects

FISCALITY	ISSUES INVOLVED IN THE PROPOSALS AND FACILITIES
Tax treatment of products used essentially through a commercial transaction <i>(Mourabaha, istina, salam et Tawaruq p.165 Rapport IFAAS)</i>	<ul style="list-style-type: none">• Income Tax• indirect tax• Fonciary contribution of built property• Special taxes on personal cars and legal persons• Acquitted rights in the acquisition of assets
Tax treatment of products of Islamic finance used through the enjoyment of property with or without a promise of ownership <i>(Ijara, Mousharaka dégressive p.190 Rapport IFAAS)</i>	
Tax treatment of products used through an investment and risk sharing <i>(Mousharaka, Moudaraba, Wakala, Sukuk p.194 Rapport IFAAS)</i>	

Source: Rapport 2011-2012 IFAAS Chap6 p162



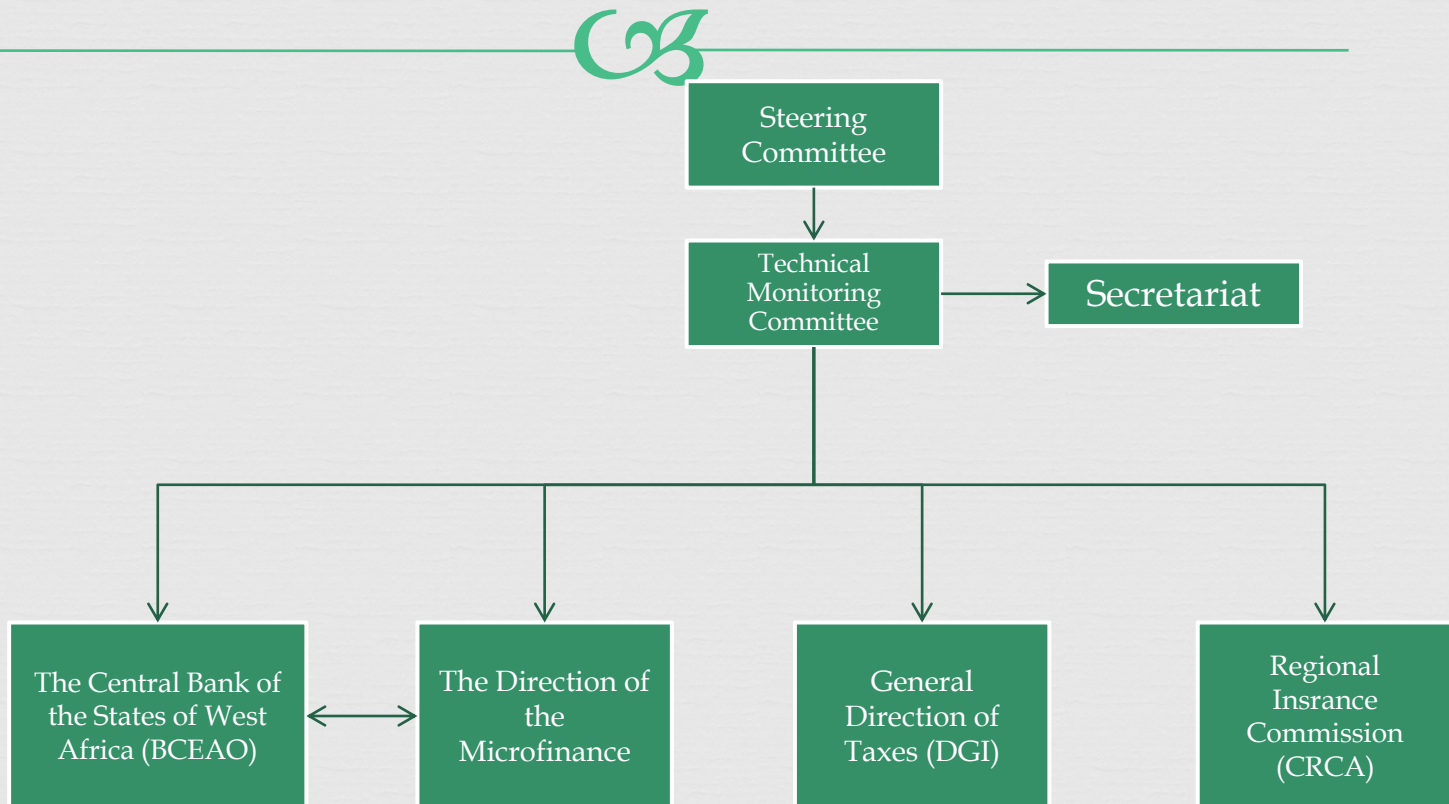
C. THE MONITORING SYSTEM FOR THE IMPLEMENTATION OF ISLAMIC FINANCE



- ❧ The internal monitoring system of the integration of Islamic Finance will involve the following actors:
 - ❧ The Ministry to the Prime Minister in charge of Economy and Finance
 - ❧ The Direction of the Microfinance ;
 - ❧ The Ministry to the Prime Minister in charge of the Budget and the State's Portofolio ;
 - ❧ The General Direction of Taxes ;
 - ❧ The Central Bank of the States of West Africa (BCEAO)
 - ❧ The Regional Council for Public Savings and Financial Markets (CREPMEF)
 - ❧ The Regional Insurance Commission (CRCA)
- ❧ Each of these institutions will be responsible for :
 - ❧ the validation of proposals or recommendations ;
 - ❧ the integration on proposals in selected texts.
- ❧ A technical monitoring committee, comprising representatives of the institutions mentioned above, will be established. This committee will designate its secretariat and will report to the Steering Committee bringing together the relevant ministers and the Prime Minister.



C. THE MONITORING SYSTEM FOR THE IMPLEMENTATION OF ISLAMIC FINANCE





D. CONCLUSION



- ❧ In his way to implement Islamic Finance, Côte d'Ivoire issued a **sukuk of 150 billion Francs CFA** on the Financial Market in order to finance its National Development Plan.
- ❧ In this operation a Mutual Funds Securitization has been created. This funds issued shares which are the sukuk, in the form of investment certificates available fo investors.
- ❧ In exchange of payment, Interested investors receive shares from the mutual funds that serve as investment certificates. When the desired level of funding in the operation is achieved, the Mutual funds so constituted will purchase and acquire assets fom the state of Côte d'Ivoire. Then the operation of these assets, ie their renting out to the state of Côte d'Ivoire gives rise to the collection of rents to be used for periodic sukuk compensation. At maturity of investment's certificates, the asset is sold to the state of Côte d'Ivoire and the revenue from this sale is for the final remuneration of holders of sukuk
- ❧ Islamic Finance is one of the most appropriate responses to the needs of SMEs in particularly in Côte d'Ivoire.
- ❧ The Islamic financial instrument most appropriate to the needs of the country is certainly **the "Ijara" or the equivalent of the lease**. This type of instrument is needed for development of SMEs to acquire equipement. This form of financing is less restrictive in terms of contribution to guarantee funding applicants.
- ❧ Efforts have been undertaken to develop and to adopt a law on leasing in Ivory Coast. These efforts aim to popularize the instrument among banks and financial institutions. This instrument should grow considerably in the next 5 years to come.
- ❧ The challenges of integration of Islamic Finance in the area require a greater involvement of national regulations of agencies and institutions.



THANK YOU FOR
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