SPECIAL SESSION ON"ESSENTIALS OF ISLAMIC FINANCE"

Brief Note	Islamic finance is based on core principles of Islam regarding property rights, social and economic justice, wealth distribution, and governance. The logic behind Islamic finance is to prevent undeserved gain, unfair distribution of income, fragility of the economy and thus to ensure a balanced and sustainable economic environment. Therefore, riba (interest) and gharar (ambiguous contracts or deals) are strictly forbidden in Islam. Islamic finance is essentially constructed on prohibition of riba and gharar. Furthermore, risk sharing, asset-based transactions and prohibition of speculative behaviors are also basic characters of Islamic finance. In line with this understanding, money in itself is not regarded as a good to be a subject to transaction. Money is regarded as a "potential" capital which means that it can only be a capital once it combines with other resources to undertake a productive activity. The return to capital is determined after the investment period is terminated (ex post) and should be based on the return to economic activity in which the capital was provided. Savings and investment should be determined by this ex post rate of return on capital. Indeed, Islamic system can be based entirely on equity capital, without debt, and is therefore often more stable than the conventional system based on debt. In this perspective, Islamic finance fundamentally differs from conventional finance. One example is that Islamic finance is based on risk sharing whereas conventional finance is based on risk transfer. Even though fundamental differences clearly differentiate financial products in Islamic finance and conventional finance, current practice in Islamic finance highly relies on conventional finance products and tends to adapt these products into Islamic finance. This practice causes at least two main problems. One is that perception on these new Islamic finance products being truly Islamic weakens. Second, innovation capability within Islamic finance mainly depends on that of conventional finance, which has different fundamentals.
Objective of the Panel	The main objective of this panel is to discuss current practice in Islamic finance and dwell on principles of a possible Islamic financial architecture that encourages innovation in Islamic finance based on Islamic finance fundamentals rather than adapting products from conventional finance.

Issues and Topics	Possible points of discussion include but not limited to the following questions: • What are the main components/essentials of Islamic Finance? • What distinguishes Islamic Finance from mainstream finance? Are Islamic banks, different or not? Why is Islamic Finance preferable to classical financial system which involve risk sharing and risk transfer respectively? • How can financial instruments within Islamic finance be developed independently from the conventional financial system? • What are the reasons behind the perception that current practice in Islamic finance highly relies on conventional finance products and tends to adapt these products into Islamic finance? • What are the challenges facing Islamic finance?
Participation	All delegations of the OIC Member States attending the 32nd COMCEC Ministerial Session are invited to participate in the special session. The representatives of the OIC Institutions, various International Organizations, civil society, businessmen, academicians and other relevant stakeholders will also be invited to attend this Session.
Venue & Date	Istanbul Congress Center, İstanbul, Turkey, November 24th, 2016 For more information, please contact: Mehmet Akif ALANBAY, Expert, COMCEC Coordination Office, Necatibey cd. No:110 CANKAYA- ANKARA Ph: +90 312 294 57 18 E-mail: malanbay@comcec.org