



CAPITAL MARKET REGULATORS FORUM COMCEC

FINAL REPORT ¹ COMCEC 6th CAPITAL MARKET REGULATORS FORUM

October 2017

Istanbul

¹ This report is prepared for information purposes by the COMCEC CMR Forum Secretariat, which is executed by the Capital Markets Board of Turkey.

FINAL REPORT

COMCEC 6th CAPITAL MARKET REGULATORS FORUM

(Drafted by the COMCEC CMR Forum Secretariat, Capital Markets Board of Turkey)

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COMCEC 6th CAPITAL MARKETS REGULATORS FORUM

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REPORT OF THE 6th COMCEC CAPITAL MARKET REGULATORS FORUM

(Istanbul, October 31)

COMCEC 6th Capital Market Regulators Forum (COMCEC CMR Forum) convened in Istanbul on October 31st, 2017. Addressing the capital market regulators of the *Organization of Islamic Cooperation (OIC)* and the *Standing Committee for Economic and Commercial Cooperation (COMCEC)* member countries, “**COMCEC 6th Capital Markets Regulators Forum**” is hosted by the *Capital Markets Board of Turkey* as the *Secretariat of the COMCEC CMR Forum*. The delegates representing the capital market regulators from Albania, Iran, Jordan, Kuwait, Turkey and United Arab Emirates as well as representatives from the SESRIC, COMCEC’s, Economic and Statistics Research Institution and COMCEC Coordination Office have joined the meeting.

2017 Forum meeting has focused on the output of the “**Market Development**”, “**Capacity Building**” and “**Financial Literacy**” Task Forces’ 2017 activities. In 2017, Forum Task Forces have drafted questionnaires, technical notes and reports on their respective mandates to determine the current state of status at member countries as well as possible cooperation mechanisms and proposed structures in terms of market infrastructures, financial literacy and capacity building. The Meeting was attended by the representatives of capital market regulatory authorities from the following COMCEC Member States:

- Financial Supervisory Authority of Albania
- Securities & Exchange Organization of Iran
- Capital Market Authority of Kuwait,
- Securities Commission, Jordan,
- Securities and Commodities Authority, United Arab Emirates,
- Capital Markets Board of Turkey

I. OPENING REMARKS

Mr. Bora ORUÇ, Executive Vice Chairman of Capital Markets Board of Turkey has opened the meeting with his greetings and opening speech. On the occasion of the sixth *COMCEC Capital Market Regulators Forum* meeting, Mr. ORUÇ has welcomed all the participants from member authorities and international organizations. Referencing the Forum's past accomplishments since 2011, he has touched upon the Task Forces' outputs as several questionnaires and reports on issues such as Islamic Finance, financial literacy and financial disclosure. On behalf of the CMB Turkey and the Forum Secretariat, he has thanked the Task Force Chairs and Vice Chairs, members of those Task Forces for the support and efforts they provided within six years. Mr. ORUÇ has extended his thoughts on recent economic and financial developments with a global outlook, by mentioning growth rates of emerging markets, developing economies and OIC countries. He has underlined the role of financial institutions with significant effects for whole economic systems contributing to economic growth by easing access to finance, increasing financial literacy, and allocating resources efficiently. He also stated the rates for stock market capitalization to GDP indicator, the world average and the OIC average. Finally, Mr. BORUÇ has briefed the participants about the growth of the global Islamic finance sector over the last decade and has informed about the total size as USD 1.893 trillion by the end of 2016 (IFSB report 2017).

Furthermore, Vice Chairman has drawn attention to current issues such as diversification of financial products, developing platforms for post trade services, payment and settlement systems, adaptation of Fintech, greater adaptation of international standards, Shariah harmonization across jurisdictions, statistics, information gathering, public awareness and improving our human resources.

With respect to the General Assembly Agenda, he has briefly addressed the Task Forces 2017 activities and concluded his opening remarks by blessing a productive 6th COMCEC Capital Markets Regulators Forum General Assembly.

II. OPENING REMARKS BY THE COMCEC COORDINATION OFFICE,

Mr. Selçuk KOÇ, Director of COMCEC Coordination Office has delivered his opening speech. Mr. KOÇ informed the participants regarding COMCEC's strategy, mission, activities and project cycle management procedure instrument to serve the COMCEC Strategy as well as the activities of the COMCEC Financial Cooperation Working Group.

Following the opening remarks, Mr. ORUÇ has invited delegates to accept the Draft Agenda.

III. TASK FORCE SESSIONS

As with Task Force activities Forum General Assembly held sessions for Market Development and Financial Literacy Task Forces.

MARKET DEVELOPMENT TASK FORCE SESSION

Market Infrastructure Development Survey & Report

Kuwait Capital Markets Authority (CMA), as the Chair of the Market Development Task Force has launched an initiative on “*Market Infrastructure Development*” in 2017. Mr. Fawaz BORESLLI representing the CMA, has presented the Forum delegates about their Survey and report work. His presentation has focused on the surveyed jurisdictions data, market structure, Kuwait's relevant experience, recent progress and key findings. He has emphasized the importance of the development in Financial Market Infrastructures (FMIs) of the OIC member countries. He has referred to the Principles for Financial Markets Infrastructure (PFMIs) issued by CPSS and the International Organization of Securities Commissions (IOSCO) which are designed to ensure the robustness of the entities supporting financial markets.

Mr. BORESLLI has clarified the objective of the Survey as to understand the level of capital market development in OIC member countries. He stated that CMA, Kuwait has conducted the survey and drafted the Survey Report in line with the COMCEC's main objectives for producing, disseminating knowledge and sharing best-practices among the Member States.

As with his explanations, primarily, key financial market intermediary areas of focus were capital market structure, composition of the post-trade model elements and role of securities' exchanges, investment products and services, rules and regulations pertaining to products and services rendered, risk management framework and tools employed in this regard, role of authorities in mitigating systemic risk and adherence to international best practice like the principles of FMIs, the efforts made and challenges faced by the authorities.

The importance of adhering to the best practices and international standards set by international bodies such as IOSCO, FTSE and MSCI, and the role of authorities reaching such standards and the major obstacles faced during this process, data for the impact of number of financial instruments to the market capitalization and correlation of availability of derivatives to equity market value is discussed by the Forum delegates.

In conclusion, Mr. BORESILI has argued that many factors are involved in the capital markets and the level of financial market infrastructure development such as quality of the risk management framework, availability of central clearing, however rather than the effect of one factor alone on the size and liquidity, collective level of development of all financial market infrastructure is important for efficiency of the market.

The delegates have discussed about the findings of the survey and also on the recent Kuwait experience for market infrastructure progress like privatization of Boursa Kuwait, introduction of DvP, T+3 settlement cycle.

FINANCIAL LITERACY TASK FORCE SESSION

Financial Literacy Task Force Questionnaire - Financial Literacy Initiatives Review

Mr. Mir Meisam Seied Hoseini, on behalf of the *Securities and Exchange Organization of Iran*, Task Force's Chair, has informed the participants regarding the initiative. In 2017, Financial Literacy Task Force has worked on preparing a magazine named "Financial Literacy Review." The initiative summarizes the latest financial literacy initiatives globally and by the COMCEC Forum member countries. The Task Force has gathered information, visuals via a Questionnaire regarding initiatives conducted in different aspects of financial literacy during

2016 and 2017. By the initiative/review TF aimed to promote particular innovations in COMCEC member states which can be discussed or patterned for other jurisdictions.

In his presentation, Mr. Hoseini has mentioned about the international initiatives from around the world, namely by the *OECD, Global Financial Literacy Excellence Center* in 2016-2017. Among these initiatives, *G20/OECD INFE report on adult financial literacy in G20 countries (2017)*, *Ensuring Financial Education and Consumer Protection for all in the Digital Age (2017)*, *OECD/INFE International Survey of Adult Financial Literacy Competencies (2016)* and *Global Financial Literacy Excellence Center (GFLEC): S&P Global FinLit Survey* is presented in terms of their methodology and main findings.

Following prominent international institutions' work in this field, OIC member state countries' financial literacy related achievements in 2016-2017 are reported. Albania, Iran, Kuwait, Malaysia, Oman, Turkey and United Arab Emirates capital market regulatory authorities have responded the Survey and provided necessary documentation.

Forum Secretariat and delegates have stated their views regarding the work as helpful for regulators for developing new ideas for projects, co-operation and for visibility. Delegates have also exchanged their views on specific initiatives such as women and students financial literacy

IV. RECENT DEVELOPMENTS ON ISLAMIC FINANCE

In this session, Mr. ORUÇ has expressed that the last couple of years, Islamic Finance has been a very dynamic field of finance and capital market regulators have been working on catching up with the developments and pave the way forward for new modes, financing techniques and incentives. In order to effectively address market needs and monitor the progress, he emphasized that all the market players, industry professionals, regulators should take into consideration market experiences respectively, therefore, the session dedicated for the recent developments in Islamic Finance will be interesting and beneficial.

Mr. Melikşah UTKU, CEO and General Manager of *Albaraka Turk Participation Bank* has briefed the participants concerning Islamic Finance, innovative spirit, recent situation, the road ahead by the impact of advanced technology. Mr. UTKU has underlined that the product

structure has to strike a balance between Regulatory requirements, Sharia compliance and Commercial viability, however this challenge hinders potential risks and making the sector healthier.

As for next Agenda item, *SESRIC, COMCEC's, Economic and Statistics Research Institution*, General Director, Mr. Musa KULAKLIKAYA briefed the participants about their initiative on collecting data for Islamic Finance. Mr. ORUÇ stated that accessing sound data is crucial for producing knowledge and also for decision making. Islamic Finance data is always in demand by the Regulators and also for all market participants. Mr. KULAKLIKAYA has informed the Forum for the *Islamic Finance Industry Database Project*. The objective of the Initiative was reported as gathering, Contact Information of Data Providers of Islamic Finance in OIC Countries, Islamic Banking Database, Islamic Capital Markets, Sukuk & Syndicated Lending Database, Islamic Insurance (Takaful) Sector Database, Non-Bank Islamic Finance Institutions (NBFIs) Database.

REGULATORY and FINANCIAL MARKET UPDATES of FORUM MEMBER COUNTRIES (tour de table)

Forum Delegates are invited for a table tour, to speak for 5-10 minutes to inform the participants about the regulatory, supervisory, financial improvements, news of their countries.

Albania, Financial Supervisory Authority delegate, Ms. Arsola Dalipi and Ms. Flora Musta have stated that they have been carrying out a World Bank Project in the last 1,5 years for improving internal human resource capacities, supervision of investment funds. It was also underlined that Tirana Stock Exchange which was a government institution is privatised in 2017 and now owned by two banks.

Iran, Securities and Exchange Organization delegate Mr. Mir Meisam Seied Hoseini has reported that amendment work for the Securities Market Act dated 2005 is ongoing. Also, credit rating agencies regulation is finalised, licencing of these institutions have started and they will act in 6 months time.

Kuwait, Capital Markets Authority delegate, Dr. Faisal Al Fahad has informed the Forum that market making and capital adequacy amendments, reform is ongoing. Financial market infrastructure licencing requirements are going on with the collaboration of market participants. It was also stated that central counter party framework is not in place yet however relevant work is in progress.

Turkey, Capital Markets Board, Ms. Tuba ALTUN and Seçil SAYIN KUTLUCA have briefed the participants that the CMB has concluded a European Union Project (2015-2017) titled “*Strengthening the Capital Markets Board*”, covering EU legislation harmonisation and building capacity regarding Capital market directives and regulations. Also, in 2016-2017, cooperation a project is being executed in cooperation with the *European Bank for Reconstruction and Development* on corporate governance implementation by listed companies and monitoring by the Capital Markets Board. Establishment of new commodity exchange and new types of collective investment undertakings investing in interest free instruments or real estate instruments were mentioned As a new financial instrument, gold backed bond, sukuk issuance in early October 2017 was reported.

United Arab Emirates, Securities and Commodities Authority (SCA), Dr. Obaid Al Zaabi has stated that SCA has launched its strategy to develop Islamic Capital market for stimulating Islamic financial markets, introduce Shari’ah board governance systems. Moreover he mentioned that SCA has issued rules on mutual funds, acquisition and merger of public shareholding companies and corporate governance.

OTHER ISSUES

- **Future Co-Operation/Work Programme for 2018**

The participants of the Forum General Assembly have deliberated on the possible next steps of the general work plan with respect to the Task Forces.

Capacity Building Task Force, Before 2018 work Plan, TF has briefed the Forum in the context of the COMCEC Capital Market Regulators Forum, *Capacity Building Task Force, Real Estate*

Exchange Initiative, which was launched in 2015. COMCEC CMR Forum Secretariat informed the delegates on the 32th COMCEC Ministerial Session (21-24 November 2016) resolution stated below and the follow-up work carried out by the Forum's Capacity Building Task Force Chair, Capital Market Board of Turkey in 2017.

32th COMCEC Ministerial Session Resolution

ii) Cooperation among Capital Markets' Regulatory Bodies 119- Recalling the relevant resolutions of the 30th and 31st Sessions of the COMCEC, takes note of the Report of the Fifth Meeting of the COMCEC Capital Market Regulators Forum hosted by the Capital Markets Board of the Republic of Turkey on October 27th, 2016 in İstanbul and takes note of the Forum's proposal to establish COMCEC Real Estate electronic platform among the interested OIC Member States participating in the Forum. The Session also requests the Forum/ the Forum's Secretariat to conduct comprehensive studies to identify necessary stages towards establishing the suggested platform, with the support of the relevant national authorities and securities exchanges from volunteering Member States.

You may reach the relevant 32th COMCEC resolution link at the COMCEC website.

<http://www.comcec.org/en/wp-content/uploads/2016/11/32-IS-RES-SON.pdf>

In accordance with the 32th COMCEC Resolution stated above, TF Chair, CMB, Turkey has conducted further studies to evaluate necessary structures and trading principles, membership and eligible assets for the suggested platform/Exchange. The Forum Secretariat has elaborated on the follow-up work.

-In line with the findings of the 2015 and 2016 Real Estate Questionnaire and Reports prepared by the COMCEC CMR Forum, Real Estate Working Group under Capacity Building TF, with the objective of enhancing the value of real estate sector for COMCEC economies, TF has evaluated possibilities of establishment of an Exchange/Platform for COMCEC members

-With the help of technology and its facilities, trading website will provide real estate assets of COMCEC countries more visibility and access.

-Setting up a Real Estate Exchange/an electronic platform for these assets at COMCEC level has the potential to alleviate issues such as standardization and liquidity by an organized platform. This new Exchange may minimize agency costs and information asymmetries among investors

and maximize the benefit of economies of scale, the international accessibility to any property to be sold.

-The Exchange aims to be a reference information hub in relation to investing on real estate both in terms of serving as a gateway for real estate and real estate securities portfolios and also for essential information regarding legal framework, restrictions, and prerequisites.

- With respect to establishment issues, such as membership, trading principles and assets to be traded for the suggested platform/Exchange; the support of the relevant national authorities and securities exchanges from volunteering Member States is essential. With volunteering COMCEC Capital market authorities, following proposed mechanism can be discussed or developed.

- Relevant public or private institutions of the COMCEC member countries will be eligible to be the founders of the proposed Exchange.
- Licensed intermediary institutions of member countries and also qualified buyers and sellers to be assigned for trading will be the members of the Exchange.
- In accordance with the “Appraisal report” for the real estate, and “prospectus for the relevant real estate securities” listing shall be done by the Exchange.
- “Guaranty for Membership” and “Guarantee for Trade” will be allocated by the members.
- Markets for trading Real Estate, Real Estate Projects and Real Estate Securities (sukuk, real estate certificates, shares of real estate companies) will be established.,
- Trading will occur on “single price” and “continuous auction” basis.
- Settlement will be made through Takasbank, and Tapu Takas facilities.

In line with the 32th COMCEC Resolution, TF Chair has invited Forum member authorities for working together and receive contact points by institution and in person from the relevant national authorities and securities exchanges from volunteering Member States in terms of developing and accomplishing the COMCEC Real Estate Exchange/platform initiative in 2018.

Islamic Finance Task Force, Islamic Finance Task Force Chair, *Securities Commission Malaysia*, has informed the Forum Secretariat that they will not be able to participate the meeting but they have submitted their proposed work programme for 2018. On behalf of the Islamic Task Force, the Secretariat has announced their plan as follows.

“Realising the important of the sukuk market, SC Malaysia plans to organize a Workshop on Sukuk with the Forum Members. The workshop on sukuk is intended to provide theoretical and practical understanding on the sukuk market through capacity building programme and recommendation report. The programme is targeted to the regulatory and supervisory authorities particularly for middle to senior level management who are responsible for the development of Islamic capital market (ICM) in their jurisdictions.

The sukuk workshop is a continuous capacity development programme on ICM, designed as a follow-up programme of the previous workshops on Islamic Capital Market Capacity Building Programme, funded by the COMCEC Project Funding that was held in Dubai in 2015.

The sukuk workshop will be a two and half day programme, designed to deliver discussions on key dimensions of Sukuk, covering various topics, among others,

- General Framework for Sukuk Issuance
- Sukuk Structures;
- Rating of Sukuk; and
- Sukuk Default and Restructuring

Similar to the previous programme, outcome of discussions and proposals from the workshop would be compiled in a report for policy recommendations and/or serve as reference for Member Countries in developing their ICM.

In this regard, SC Malaysia would like to invite Forum Members to partner with SC Malaysia in developing and preparing the workshop programme. The partner may also include multilateral development institutions. Furthermore, SC Malaysia is also exploring to obtain funding through the on-going COMCEC Project Funding.”

Market Development and **Financial Literacy Task Force** have stated that they will be reporting their 2018 COMCEC CMR Forum work plan to the Forum Secretariat once they are matured before the end of 2017.

- **Designation of Task Force Chairs, Co-Chairs**

According to the Forum Statute, COMCEC Capital Market Regulators Forum Chairman is elected every two years and in 2015 the Forum has made a Chairman election. It is reported by the CMB Executive Vice Chairman Mr. ORUÇ that following the circulation of the Draft Agenda announcing Chairman Election, the Forum Secretariat has not received any nomination. Delegates are asked again regarding any nomination for chairmanship. Since no member authority has volunteered by consensus current CMB Chairman of the Capital Market Board of Turkey is re-elected for the next two year period ahead. Mr. ORUÇ has thanked for the trust and support of the Forum delegates for renewing the Chairmanship for the CMB, Turkey and has emphasized that Forum is a special, dedicated platform for upgrading our institutions' capabilities and reach over valuable human contact and technical assistance. He also stated that with the Task Forces, Secretariat's efforts and member authorities' contribution Forum could produce valuable reports on core topics of capital markets, arrange seminars and build a website providing visibility for the history of Forum, with all the events, documents, important announcements.

Annex

COMCEC 6th CAPITAL MARKETS REGULATORS FORUM

(Participants List)

Place/Date : Istanbul-31.10.2017

No	Participant's Name and Surname	Country/Institution	Title
1	Mr. Bora Oruç	TURKEY/Capital Markets Board Of Turkey/ COMCEC Capital Markets Regulators Forum	Chairman
2	Mr. Ervin Koci	ALBANIAN / Financial Supervisory Authority	Executive General Director
3	Ms. Arsola Dalipi	ALBANIAN / Financial Supervisory Authority	Specialist with the department of Projects.
4	Ms . Flora Musta	ALBANIAN / Financial Supervisory Authority	Director of Capital Market Supervision Directorate

5	Mr. Mir Meisam Seied Hoseini	IRAN / Securities and Exchange Organization	Senior Expert The Research, Development Islamic Studies Department
6	Dr. Faisal Al Fahad	KUWAIT / Capital Markets Authority	Commissioner
7	Mr. Fawaz Boresli	KUWAIT / Capital Markets Authority	Capital Markets Risk Management and Assessment – Manager
8	Ms. Najwa AL Bisher	KUWAIT / Capital Markets Authority	Specialist, Coordination & Follow-up Office
9	Mr. Ahmad Abed ALhameed Alhayari	JORDAN / Securities Commission	Secretary of Central Sharia Supervisory Commission
10	HE Dr. Obaid Al Zaabi	UNITED ARAB EMIRATES / Securities and Commodities Authority	CEO

11	HE Amb. Musa Kulaklıkaya	SESRIC	Director General
12	Selçuk Koç	COMCEC Coordination Office	Director
13	Melikşah Utku	Albaraka Turk Participation Bank	CEO and General Manager
14	Bora Oruç	Capital Markets Board of Turkey	Executive Vice Chairman
15	Yusuf Kaya	Capital Markets Board of Turkey	Executive Vice Chairman
16	Tuba Altun	Capital Markets Board of Turkey	Deputy Head of Strategy Development Department
17	Ergun Türeoğlu	Capital Markets Board of Turkey	Deputy Head of Intermediary Activities
18	Seçil Sayın Kutluca	Comcec CMR Forum Secreteriat	Senior Legal Expert
19	Evrin Hilal Kahya	Capital Markets Board of Turkey	Expert