



CAPITAL MARKET
REGULATORS **FORUM**
COMCEC

FINAL REPORT ¹
COMCEC 7th CAPITAL MARKET REGULATORS FORUM

November 2018

Ankara

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

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

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REPORT OF THE 7th COMCEC CAPITAL MARKET REGULATORS FORUM

(Ankara, November 8, 2018)

COMCEC 7th Capital Market Regulators Forum (COMCEC CMR Forum) convened in Ankara on November 8th, 2018. 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 7th Capital Markets Regulators Forum**” is hosted by the *Capital Markets Board of Turkey (CMB)* as the *Secretariat of the COMCEC CMR Forum*. The delegates from Gambia, Iran, Kuwait, Lebanon, Malaysia, Palestine and Turkey as well as representatives from the CBRT (Central Bank of Republic of Turkey), UASA (Union of Arab Securities Authorities) and COMCEC Coordination Office have joined the meeting.

The delegates from the abovementioned COMCEC member states’ capital market authorities have reviewed the Forum’s Capacity Building, Market Development, Islamic Finance and Financial Literacy Task Forces’ 2018 work. Task Force Chairs (Turkey, Kuwait, Malaysia and Iran capital market regulators) have also discussed their 2019 work plan. In addition, the CBRT and the CMB representatives have contributed to the meeting by briefing the participants about the technological and financial aspects of the crypto currencies topic.

2018 Forum meeting has focused on the output of the “**Market Development**”, “**Capacity Building**” and “**Financial Literacy**”, “**Islamic Finance**” Task Forces’ 2018 activities. In 2018, Forum Task Forces have drafted a questionnaire, a project proposal and worked on publishing a book 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:

- Central Bank of the Gambia
- Securities & Exchange Organization of Iran

- Capital Market Authority of Kuwait,
- Capital Market Authority, Lebanon,
- Securities Commission, Malaysia,
- Capital Market Authority, Palestine,
- 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 seventh *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, market infrastructures, collective investment schemes 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 the Forum for the support and efforts they provided within seven years.

In his speech, Mr. ORUÇ has extended his thoughts on recent economic and financial developments with a global outlook. He has underlined the role and value of financial cooperation in relation with the Forum's work agenda since its establishment. Primarily for its potential for the socio-economic development of the OIC members, he has stated that financial cooperation has emerged an important area for the COMCEC to support the Member States to overcome the issues in economic development. As with the link for finance and development, since well-developed financial systems play an independent and causal role in promoting long run economic growth; he has stated that financial systems are especially instrumental for helping mobilize and pool savings, provide payments services that facilitate the exchange of goods and services, produce and process information about investors and investment projects to enable efficient allocation of funds, monitor investments and exert corporate governance after these funds are allocated, and help diversify, transform and manage risk. With this background, he has added that as policy makers taking into consideration the interconnectedness of financial markets, working together on some of the crucial issues facing the regulators, such as capital accumulation, enhancing the 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 is crucial.

With respect to the General Assembly Agenda, he has briefly addressed the Task Forces 2018 activities and concluded his opening remarks by blessing a productive 7th 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.

Before starting the Task Force sessions, with the Forum Secretariat's invitation, the delegates have discussed about agenda setting, designating meeting date earlier, venue of the General Assembly meetings and possible cooperation with the OIC Stock Exchanges Forum, relevant side events to the Forum meeting. The suggestions made are noted by the Secretariat and all the delegates are informed about the process of agenda setting and are encouraged for cooperation to this end via Task Force Chairs and the Forum Secretariat.

The Forum Secretariat has advised delegates following the *COMCEC Financial Cooperation Working Group* agenda due to their reports and meetings on capital market topics. <http://ebook.comcec.org/Default.aspx?lang=2>

UASA (Union of Arab Securities Authorities) Secretary General Mr. Jalil Tariff stated that UASA and COMCEC CMR Forum should improve cooperation on enhancing outreach of surveys, developing further steps for the survey findings and taking common initiatives for the common objectives of the two organisations.

Lebanon delegate Mr. Fadi Fakhri stated that Islamic finance seminar type of activities can be helpful for their country's training, capacity building needs.

III. TASK FORCE SESSIONS

As with Task Force activities Forum General Assembly held sessions for Capacity Building, Market Development and Financial Literacy and Islamic Finance Task Forces.

CAPACITY BUILDING TASK FORCE SESSION

Capital Markets Board of Turkey, as the Chair of the Capacity Building Task Force has informed the delegates about the TF's 2018 agenda. The participants were informed that since 2015 COMCEC Ministerial Meeting has given tasks to the Forum to explore the possibilities of tapping OIC real estate markets, real estate securities through a joint COMCEC initiative. Forum's Capacity Building Task Force in Cooperation with member authorities have prepared surveys and reports to this end. In order to realise such a multilateral, international initiative with a sound structure and support, it is reported by the TF that a proposal to benefit COMCEC Project Funding mechanism is submitted to the COMCEC in September 2018. TF has reminded that some of our member authorities have already utilized the COMCEC Project Funding facility.

Within the context of the Project proposal titled "*Assessment of COMCEC Real Estate Securities Markets and Regulatory Landscapes for Strengthening Capital Markets*" proposal, the aim is to elaborate the Real Estate Exchange/Platform Initiative with more market data and regulatory perspective. Ms. Seçil SAYIN KUTLUCA from the CMB has given a presentation informing the delegates about the proposal.

Ms. Seçil SAYIN KUTLUCA has underlined that COMCEC Real Estate Securities Platform Initiative's objective is enhancing investing and financing for real estate securities, such as Sukuk, Shares of Real Estate Investment Trusts, Real Estate Mutual Funds, Real Estate Certificates by pooling these instruments in one accessible platform and providing guidance/reliable information to the investors interested in COMCEC countries' assets. The initiative also serves for improving cooperation among COMCEC countries' financial institutions.

The Project proposal on Assessment of COMCEC Real Estate Securities Markets and Regulatory Landscapes for Strengthening Capital Markets» aim to provide market data and

regulatory perspectives of COMCEC countries to elaborate the *Real Estate Exchange/Platform Initiative*. Due to the course of funding process, if the project proposal is ratified by the COMCEC Coordination Office, the Forum member authorities will be kindly invited for further cooperation to arrange a workshop to draft a dedicated report and policy recommendations on understanding the added value and possibility of a joint trading platform for real estate securities which benefits from technology.

The Workshop, report and policy recommendations are designed to explore, types and design of real estate instruments, market size, trading venues, infrastructures for trading, intermediation, cross border issues, pros and cons of regulatory practices and supporting policies in the COMCEC member countries.

The delegates expressed their opinions on the project proposal and on the initiative. They have proposed to develop the Platform initiative gradually, first as an information hub then to follow on transactional basis. The delegates also stated that the project's aim and activities are beneficial for cooperation, working exclusively on real estate securities is a more feasible approach. ASEAN Trading link is emphasized as an exemplary practice in this respect. The delegate from Kuwait Mr. Waleed AL OWAIYESH emphasized the value of working together and cooperation and stated that Securities Commission Malaysia's project, workshop on Islamic Capital Market in Dubai in 2015 was very helpful for Kuwait CMA's experience on developing Islamic finance.

In addition to the real estate securities platform initiative, the delegates have invited the Capacity Building TF to arrange training initiatives by identifying topics useful for Forum member authorities. At this point, COMCEC Coordination Office suggested working on a 3 year program basis, this approach was supported by the delegates.

MARKET DEVELOPMENT TASK FORCE SESSION

Market Development Task Force, chaired by the Capital Markets Authority, Kuwait has briefed the Forum participants about the key findings of “**Collective Investment Schemes**” Survey as the Task Force's 2018 initiative.

According to the presentation made by Mr. Waleed AL OWAIYESH, the Survey was responded by 13 COMCEC Capital Market Regulators (Albania, Azerbaijan, Bangladesh, Iran, Jordan, and Kuwait, Malaysia, Maldives, Pakistan, Saudi Arabia, Tunisia, Turkey and United Arab Emirates) Forum member authorities.

Mr. Waleed AL OWAIYESH representing *Capital Market Authority, Kuwait* (CMA) stated that as chair of the COMCEC Market Development Task Force, the CMA is pleased to take the initiative for its second consecutive year. 2018 topic focuses on the subject of Collective Investment Schemes (CIS), due to its importance in the capital markets worldwide, as well as its benefits of attracting foreign investments and increasing liquidity in the market. He stated that success of CIS as a vehicle for investors springs from pooling of funds so as to take advantage of economies of scale and reduce investment costs (transaction and information costs); and investors access to professional management of their investment funds at a reasonable cost.

In light of the survey responses on the Legal structure, Disclosure/Reporting, Sharia governance, Supervision/Regulatory Requirements, Operations, Promotion, Funds and Risk aspects of the industry, the delegates were presented the issue in a comparative fashion. The participants have discussed respective institutional investing landscape, maturity of their countries and reasons why development on some fields are lagging behind and what kind of actions can be appropriate to tackle with these issues.

The delegates were informed about the most common legal structures, asset class and funds at the respondent COMCEC countries. In this respect, most common CIS legal structures are investment companies and trusts and the two most common asset classes in CIS in each surveyed jurisdiction are shares and bonds. Real Estate funds and Private Equity funds are the most common funds that were introduced in the surveyed jurisdictions, while the introduction of ETFs in the future is common among many of the jurisdictions surveyed.

The respondent member authorities have different approaches for regulatory requirements (like inspection visits, daily supervision of pricing, reports etc.) “Trust Structure”, Oversight of best execution and suitability of the product to the risk appetite of the investors.

Iran delegate Mr. Hamedei stated that SEO has developed a regulatory software for monitoring the CIS sector.

The delegates proposed taking further steps for improving investor education on the CIS topic in accordance with the survey findings.

FINANCIAL LITERACY TASK FORCE SESSION

Financial Literacy Task Force, chaired by the Securities and Exchanges Organisation, Iran, has presented the book titled “**Financial Literacy Empowerment in the Stock Market**” and was published in 2018 based on their COMCEC CMR Financial Literacy Task Force work.

“Financial Literacy Empowerment in the Stock Market” book by Prof. Dr. Ali Saeedi and Meysam Hamedei focusses on financial literacy improvement and elaborates basic issues of financial literacy such as the relation between financial literacy and financial behavior; Who Should Be Educated in Financial Literacy? Which Delivery Method, Which Topic should be targeted, measuring Financial Literacy Level; the Stock Market Atmosphere and Financial Concepts; Regulator Roles in Financial Literacy Improvement and Methods of Education topics. Moreover, methods used for level assessment and practices around the world are also elaborated.

Mr. Meysam HAMEDI, on behalf of the *Securities and Exchange Organization of Iran* has informed the participants regarding their initiative mentioning concepts such as financial well-being, financial orienteering and work based on their Task Force experience.

ISLAMIC FINANCE TASK FORCE

Islamic Finance Task Force Chair, Securities Commission Malaysia has informed the delegates by an overview of **Islamic Green Finance** landscape and Securities Commission Malaysia’s accomplishments in this field. Furthermore, Mr. Syed Azhan SYED MOHD BAKHOR from Securities Commission, Malaysia has briefed the participants on the Islamic Finance Task Force’s past initiatives and outcomes of these efforts such as Reports, Workshops and policy recommendations in Islamic Capital Market. The TF’s activities are discussed with

the delegates to clarify in what further ways the TF can support the Forum member authorities for development of Islamic Finance in their capital markets.

In green finance context, TF has reported that there are global policy shifts requiring funding for sustainable and development goals and in relation to that growing commitments are observed towards sustainable and responsible investments (SRI) at the global stage. To this end, around ten years period (2006-2017) US\$ 6.5 trillion assets managed by 63 signatories to the UNPRI reached US\$ 68.4 trillion assets managed by 1,700+ signatories to the UNPRI. It is added that SRI now stands at 26% of all professionally managed assets globally therefore it is clear that more investors are integrating Environment, Social and Governance (ESG) factors in investments

Green finance is defined as finance for a sustainable planet covering financial services, institutional arrangements, country initiatives and policies, and products (debt, equity, insurance, or guarantees) designed to promote the flow of finance towards economic activities and projects

Green growth is stated as a key priority for Malaysia and policy reforms are made towards sustainable development (such as the national blueprint (Green Technology Master Plan, Green Technology Financing Scheme (GTFS), SRI Sukuk Framework to Finance SRI and Green Initiatives) Islamic finance and green finance share common values there opportunities for Islamic Finance. Islamic finance's approach to ensure sustainability as it serves the real economy and promotes financial stability, economic growth, poverty alleviation, wealth creation and distribution, financial and social inclusion and protection of the environment. Islamic finance has the necessary requirements to enhance the development of green finance. Green Sukuk issuing process and also first Green SRI Sukuk issuance is reviewed.

IV. REGULATORY and FINANCIAL MARKET UPDATES of FORUM MEMBER COUNTRIES

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.

Gambia, Central Bank delegate, Mr. Buah Saidy has stated that Gambia capital market is in the early stage of its development and they are pleased the COMCEC CMR Forum is supportive in finance and development agenda. It is also reported that there is the Central Bank of West African States that deals with Capital market issues as an institution.

Palestine, Capital Market Authority delegate Mr. Bashar Ahmad Abuzarour has reported that they are working on National Strategy for Financial Inclusion targeting consumer protection, and financial awareness. Corporate governance scoreboard tool, a quantitative mechanism was fully implemented last year. Certification programs for licencing finance professionals is also another important agenda for Palestine Capital Market Authority.

Iran, Securities and Exchanges Organisation delegate Mr. Meysam Hamedi reported the launch of Central Securities Depository Institution and updating of the regulation of collective investment schemes and fund of funds.

Kuwait, Capital Markets Authority delegate, Mr. Waleed AL Owaiyesh has informed the Forum that market CMA is established ten years ago however the market existed before that currently the Kuwait market is being reorganised, as such the Stock Exchange demutualisation and central securities depository establishment is in progress.

Lebanon, Capital Market Authority delegate, Mr. Fadi Fakih has stated that their institution was established 5 years ago. CMA has made regulation in various fields in cooperation with international organisations such as the World Bank. CMA is interested in improving Islamic Finance methods and securitisation in their market.

Malaysia,Securities Commision delegate, Mr. Syed Azhan Syed Mohd Bakhor has informed that five years ago, SC has started working on retail sukuk market. 2 years ago equity crowd funding initiative was taken by them in Asia for the first time. Seven peer to peer funding is executed so far. Since 2014, they have Sustainability SRI Sukuk framework which has received good feedback from the market. Five green sukuk was issued in Malaysia. They have also developed a digital framework for sukuk. In this context, SC Malaysia,as a policy priority,

has arranged a Green Finance Event in May 2018 in Kuala Lumpur. The event titled “Harnessing Islamic Finance for a Green Future” was organised in cooperation with the World Bank Group & IOSCO Asia Pacific Hub explored the use of Islamic finance to support climate mitigation efforts, including the use of Islamic finance instruments to finance renewable energy and energy efficiency projects.

Turkey, Capital Markets Board, delegate Ms. Tuba Altun has briefed the participants that the CMB has published a Information Communication Technologies Communique in January 2018. Cooperation is being executed with the *European Bank for Reconstruction and Development* (EBRD) on corporate governance implementation by listed companies and monitoring by the Capital Markets Board. Also, more recently, new projects have started with the EBRD on crowdfunding and TRY denominated corporate bond framework. Trade Repository Regulation for reporting OTC derivative transaction reportings to the Central Registry Agency as the trade repository in 2019.

UASA (Union of Arab Securities Authorities) Secretary General Jalil Tariff stated that UASA has 15 members, it is a cooperation platform for securities regulators. UASA is not a standard setter for its members. Currently, they have been working on corporate governance, related party transaction issue, minimum requirements on financial service companies, conduct survey and studies on Islamic finance. Moreover, UASA is developing a portal for public awareness for the on-going initiatives.

Moreover during discussions on further cooperation topics, Forum Member Authorities have called Capacity Building Task Force for identifying training topics in demand and support Forum members by technical experience sharing via training programs.

After having concluded the update session by the representatives of Forum member authorities, CMB Vice Chair Mr. Bora Oruç stated that COMCEC Capital Market Regulators Forum would like to function as an active platform for member authorities to support each other with our strengths. Taking into account the fact that member state regulators have various strengths and weaknesses, they may harness the perspectives, achievements and experience

pooled in the Forum for developing technical assistance programs and projects for better integrating to international best practices and improving Islamic finance techniques.

V. CURRENT CAPITAL MARKET TOPICS – TECHNOLOGY – Crypto Currencies

In this session with the aim of shedding light to a financial market innovation, crypto currencies, also known as virtual money are discussed in the meeting by a SWOT analysis of its underlying distributed ledger technology (DLT), current state of DLT on financial services and proposed benefits, from the perspective of Republic of Turkey Central Bank and Capital Markets Board of Turkey.

VI. OTHER ISSUES

- **Task Force Chair Election**

According to the Forum Task Force Statutes, the election for the Chairs of the Task Forces are renewed. With the agenda item in the draft circulated agenda, the Secretariat has not received new nominations earlier and during the General Assembly meeting, current chairs are designated for a new 2 year term as Task Force Chairs and Vice Chairs.

- **Future Co-Operation/Work Programme for 2019**

The participants of the Forum General Assembly have deliberated on the possible next steps of cooperation with respect to the mandates of the Task Forces.

Capacity Building Task Force, as follow-up to the project proposal on *Assessment of COMCEC Real Estate Securities Markets and Regulatory Landscapes for Strengthening Capital Markets*”, if the proposal is ratified, will invite member authorities to the development of the workshop and report work. Also a survey determining the training needs of member authorities and cooperating with other Task Forces of the Forum for developing a training program is considered to be beneficial for the member authorities. Islamic Finance Task Force has stated their support for possible training requests on Islamic Finance.

During the Forum meeting due to the Market Development CIS Survey findings on the investor education need on CIS investing, the TF on Financial Literacy and Market Development may further explore cooperation in this respect.

Forum Task Forces are kindly invited contacting the Forum Secretariat for their work plans once they are matured before the end of 2018.

COMCEC 7th CAPITAL MARKETS REGULATORS FORUM

(Participants List)

Place/Date : Ankara-8.11.2018

No	Participant's Name and Surname	Country/Institution	Title
1	Mr. Buah Saidy	GAMBIA/ Central Bank of the Gambia	Senior Adviser
2	Mr. Meysam Hamedi	IRAN/ Securities and Exchange Organization	Director of Financial Markets and Instruments
3	Mr. Waleed AL Owaiyesh	KUWAIT/ Kuwait Capital Markets Authority	Office Director-Coordination & Follow up
4	Mr. Fadi Fakh	LEBANON/ Capital Market Authority	Executive Board Member
5	Mr. Syed Azhan Syed Mohd Bakhor	MALAYSIA/ Securities Commission	Assistant General Manager

6	Mr. Bashar Ahmad Abuzarour	PALESTINE/ Capital Market Authority	General manager, research and Development Directorate
7	Mr. Jalil Tarif	Union of Arab Securities Regulators	Secretary General
8	Selçuk Koç	COMCEC Coordination Office	Director
9	Okan Polat	COMCEC Coordination Office	Expert
10	Bora Oruç	Capital Markets Board of Turkey	Executive Vice Chairman
11	Tuba Altun	Capital Markets Board of Turkey	Deputy Head of Strategy Development Department
12	Seçil Sayın Kutluca	Comcec CMR Forum Secreteriat	Senior Legal Expert
13	Dr. Serdar Murat Öztaner	Republic of Turkey Central Bank	Senior Expert
14	Burak GÖRMEZ	Capital Markets Board of Turkey	IT Expert