

DRAFT



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Standing Committee
For Economic and Commercial Cooperation
of the Organization of Islamic Cooperation

CAPITAL MARKET
REGULATORS FORUM
COMCEC

**REAL ESTATE SECURITIES EXCHANGE INITIATIVE
FOR COMCEC MEMBER STATES**

**Report of the COMCEC Capital Market Regulators Forum Real Estate Working
Group**

October 2016

CAPITAL MARKET
REGULATORS FORUM
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LIST OF ABBREVIATIONS

ABS	Asset-Backed Securitisation
CSD	Central Securities Depository
CMB	Capital Market Board, Turkey
COMCEC	The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation
COMCEC CMR	COMCEC Capital Markets Regulators Forum
ETFs	Exchange traded funds
GCC	Gulf Council Countries
ICM	Islamic capital market
IOSCO	International Organization of Securities Commissions
OIC	Organization of Islamic Cooperation
REITs	Real estate investment trusts
COMCEC CMR Real Estate Report Real Estate WG	Real Estate Securities Exchange Initiative for COMCEC Member States report COMCEC Capital Market Regulators Forum, Real Estate Working Group
SEO, Iran	Securities and Exchange Organization, Iran
SC, Malaysia	Securities Commission Malaysia
SPV	Special Purpose Vehicle
ESCA	Emirates Securities & Commodities Authority (ESCA)
NCC	National Council of Credit, Cameroon,
CMA, Saudi Arabia	Capital Market Authority; Saudi Arabia
CMA, Palestine	Palestine Capital Market Authority
FSA, Dubai	Dubai Financial Services Authority

FOREWORD

Real Estate Securities Exchange Initiative for COMCEC Member States report (COMCEC CMR Forum Real Estate Report) is prepared upon the mandate¹ given by the 31st session of the COMCEC held in 2015 in Istanbul under the Chairmanship of H.E. Recep Tayyip Erdoğan. This mandate is in line with the 30th COMCEC meeting mandate which also called *COMCEC Capital Market Regulators Forum* (Forum) to further explore benefits of establishing a joint real estate securities exchange within the context of the COMCEC. According to the deliberations by the 2014 and 2015 COMCEC meetings, real estate sector is considered to represent a new value to harness via capital markets through a joint real estate securities exchange initiative. In this respect, following its 2015 Report² the Forum conducted a real estate questionnaire for COMCEC member countries to elaborate the current market and regulatory landscape and the willingness of COMCEC member authorities for a joint real estate securities exchange initiative.

2015 Forum Secretariat's Real Estate Exchange Initiative Report underlined that setting up a COMCEC level organized real estate exchange in the form of a website bringing together the buyers and sellers can be useful for standardization issues and would integrate national real estate markets and ease the tradability of real estate internationally. This kind of international platform can be instrumental for minimizing agency cost and information asymmetry among the investors and maximize the benefit of economies of scale as well as the international accessibility to any property to be sold. With this objective for physical real estate and also for real estate related securities such as Sukuk, real estate investment trust securities and real estate mutual funds are considered as convenient instruments. Among these instruments, Sukuk with its growing market share presents an opportunity to restructure the leverage into a Shari'ah compliant form, by allowing a greater investor universe to develop and in turn strengthening markets. In terms of determining a proper trading venue, within the context of the advantages and disadvantages discussed, establishing an electronic trading platform is suggested as a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules.

¹ Please refer to the Paragraph 109 of the Report for the abovementioned decision.
<http://www2.comcec.org/UserFiles/File/31-isedak/3IIS-BOOK-ENG-v2.pdf>

² <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

This Report aims to further investigate the feasibility and ways of realizing a real estate securities exchange through the findings of the Forum's Real Estate Working Group's Questionnaire. The Questionnaire inquires if similar trading venue structures for physical and real estate securities exist, market facts about real estate securities, relevant institutional structures empowered for trading real estate, any limitations for real estate trade for foreigners and the willingness of the COMCEC member authorities for the real estate securities exchange initiative.

I. THE OBJECTIVES OF ESTABLISHING A REAL ESTATE TRADING EXCHANGE

Upon the mandate of the 30th COMCEC Meeting, COMCEC Capital Market Regulators Forum has prepared the “Real Estate Securities Exchange Initiative” Report which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In order to carry out further work in line with 2015 Report findings, this study searches the possibilities for establishing a multilateral exchange platform based on trading “*physical real estate*” and/or “*real estate based securities*” with the following objectives.

- 1. Aggregating Real Estate and Real Estate Securities at An Organized Platform**
- 2. Enhancing Accesibility to the Real Estate Instruments**
- 3. Supporting Liquidity**

II. REAL ESTATE EXCHANGE MODELS

To conduct the real estate exchange study, COMCEC Capital Market Regulators Forum, Capacity Building Task Force has established a Real Estate Working Group (Real Estate WG)³. The Forum Secretariat has announced the initiative to the Forum network and member states who have stated interest made up the Real Estate WG. A Real Estate Securities Exchange Initiative Questionnaire (Real Estate Questionnaire) was circulated to the Forum member authorities. The Real Estate Questionnaire aims to scrutinize the feasibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely Sukuk and real estate investment trust shares) issued and traded in OIC members. In this context, the Report examines main issues addressed by the Questionnaire under two exchange models which trade *physical real estate*” and/or “*real estate based securities*”.

³ COMCEC Capital Market Regulators Forum, Real Estate Working Group is comprised of National Council of Credit, Cameroon, Ministère des Affaires Etrangères et de la Coopération Internationale, Cibuti, Dubai Financial Services Authority; Emirates Securities & Commodities Authority, Ministry of Trade Gambia, Capital Market Development Authority, Maldives, Securities and Exchange Organization Iran, Capital Market Authority, Kuwait, Securities Commission Malaysia; Ministère du Développement Durable, de l'Economie, de la Promotion des Investissements et de la Prospective du Gabon, Capital Market Authority, Oman, Securities Comission, Pakistan, Palestine Capital Market Authority, Capital Market Authority; Saudi Arabia, Capital Markets Board of Turkey

The integrated approach adopted in the report for establishing a real estate trading platform with the collaboration of relevant institutions of OIC member countries aims to gather real estate instruments physical or in security form for trading in one platform. This initiative is expected to aggregate available instruments at international scale under an organized trading venue. By enhancing accessibility to a wide pool of international real estate and real estate related securities for investors will contribute to the efficiency of financial markets and real estate related sectors. An organized platform structure may possibly attract investors as buyers and sellers which in turn supports increasing liquidity and better price discovery.

In this context, the questionnaire conducted by the Real Estate WG aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely Sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities.

1. EXCHANGE MODEL TRADING PHYSICAL REAL ESTATE

With the Real Estate Questionnaire work, COMCEC Capital Market Regulators Forum aims explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire also explores COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project.

Assessment of Real Estate Questionnaire Responses

Following the circulation of the Real Estate Questionnaire, Cameroon National Council of Credit, Dubai Financial Services Authority (DFSA), Iran Securities and Exchange Organization, Securities Commission Malaysia, Palestine Capital Market Authority, Saudi Arabia Capital Market Authority, Capital Market Board of Turkey, Oman Capital Market Authority and the Emirates Securities & Commodities Authority answered the questionnaire and contributed to the work with their responses.

Tables below represent important aspects of real estate trade in COMCEC member states such as existence of a trading platform, relevant public authorities and restrictions for foreigners on real estate transactions.

- **Do COMCEC Member States have a Regulated Trading Venue for Physical Real Estate (such as website or electronic trading platform)?**

Table-1: Do COMCEC Member States have a Regulated Trading Venue for Physical Real Estate (such as website or electronic trading platform)?

Cameroon	Dubai	Iran	Malaysia	Oman	Palestine	Saudi Arabia	Turkey	UAE
No	No	Yes*	No				Yes*	

*Iran Mercantile Exchange

* Turkey Tapu Takas

Table-2: Relevant Authorities Involved in Real Estate Trading Transactions

Cameroon	Ministère des Domaines, du Cadastre et des Affaires Foncières	Ministre de l’habitat et du développement urbain	Communauté UrbaineCommunes	Crédit Foncier du Cameroun
Dubai	Dubai Land Department	Dubai’s Real Estate Regulatory Authority		
Iran	Ministry of Roads and Urban Development.			
Malaysia	Land Office, Inland Revenue Board, Registered Valuer			
Oman	Ministry of Housing			
Palestine	Land Department			
Saudi Arabia				
Turkey	General Directorate of Land Registry and Cadastre			
UAE	Real Estate Regulatory Authority			

Table-3: Legal Restriction for the Trading of Real Estate to the Foreign Buyers or Sellers

Cameroon	A foreigner can not buy and sale a land over 10 000 m2	A foreigner can not buy and sale any land on the country border
Dubai	Real estate in designated areas of Dubai would become available for ownership by foreigners on a freehold basis.	It was prohibited for most offshore companies to own property in Dubai. Foreign companies and free zone companies incorporated in the UAE were not affected by this ruling, as these companies are not considered to be offshore.
Iran	<p>Foreigners are not permitted to buy agricultural and industrial lands.</p> <p>The way they can own a property directly is when:</p> <p>1- There would be bilateral or multilateral agreements between Iran and other countries in respect of buying home only for residential and Job-related purposes;</p> <p>2- Foreigners who are not resident can send their request and information via a statement to embassies of Iran across the world for buying residential home. The ministry of foreign affairs will investigate the request and finalize its permission or rejection.</p>	Although above restrictions are in place, if investment of foreigners in real estate would result establishment of an Iranian company, ownership of all properties are permissible. In addition, indirect ownership of properties and immovable assets through investment in securities is permissible too.
Malaysia	Foreigners may purchase property in Malaysia but there are various rules and regulations to follow. For example, foreigners can purchase any kind of property in federal administered territories with a minimum value of MYR 1 million (approximately US\$250,000)	
Oman	Foreigners from outside the GCC cannot purchase property in Oman, except in integrated tourism complexes (ITCs).	GCC residents can purchase property in Oman more or less in the same way as Omani nationals can.

Palestine	No restriction.	
Saudi Arabia	Non-Saudi ownership and investment of/in real estate in the kingdom are governed by the "Non-Saudi Ownership and Investment in Real Estate Law". Examples of restrictions as per this law include prohibition on foreign investors to have any interest in real estate located in Mecca city and Al-madinah Almunawarah city.	Additionally, in order for a non-Saudi to own a real estate in Saudi Arabia, he must first obtain an authorization to do so from the Ministry of interior. If the authorization is for investing in real estate, the cost of the investment project must not be less than 30 million SR.
Turkey	<p>Land Registry Law No. 2644, amended and entered into force on 18 May 2012, the condition of reciprocity for foreigners who wish to buy property in Turkey is abolished.</p> <p>Persons with foreign nationality can buy any kind of property (house, business place, land, field) within the legal restrictions.</p> <p>Legal Restrictions for Foreigners in Buying Property:</p> <p>a) Persons with foreign nationality can buy maximum 30 hectares of property in Turkey in total and can acquire limited in rem right.</p> <p>b) Foreigners cannot acquire or rent property within military forbidden zones and security zones.</p> <p>c) Persons with foreign nationality can acquire property or limited in rem right in a district/town up to 10 % of the total area of the said district/town.</p> <p>d) Legal restrictions do not apply in setting mortgage for real persons and commercial companies having legal personality which are established in foreign countries.</p>	Persons with foreign nationality who buy property without construction (land, field) have to submit the project which they will construct on the property to the relevant Ministry within 2 years.
UAE	Foreigner are permitted to buy and sell real estate properties within designated areas only.	

Table-4: Any Prerequisite for Trading Physical Real Estate (such as a legal requirement for appraisal services)

Cameroon	Yes
Dubai	No legal requirement for appraisal services for trading physical real estate.
Iran	No, but in case for legal entities, real estate trading providing authenticated valuation report or appraisal is necessary.
Malaysia	In general, legal requirement for appraisal services is required by the financial institutions for financing purposes. Furthermore, Malaysia property comes under the control of the various Malaysian State Governments, so rules can vary depending on which part of Malaysia the property is purchased. Although the Federal Government passes national regulations, the States have the option of implementing these or not when it comes to property matters.
Oman	<p>Yes. Cash transactions: At the point of transfer of title, the Ministry of Housing reviews the proposed transaction price and if it finds it to be overvalued or undervalued based on the Ministry's estimation, the transacting parties are instructed as to adjust the price downwards or upwards, as applicable. Without such adjustment, the Ministry does not approve the transaction.</p> <p>Bank-financed transactions: According to the CBO's instructions, all property purchase transactions financed by banks must go through a formal valuation process, via a property valuator.</p>
Palestine	No
Saudi Arabia	To get the approval of the Ministry of Commerce and Investment before launching real estate contributions. Furthermore, applicant whose real estate contribution has got the approval of the Ministry of Commerce and Investment - before announcing it – shall apply to the Capital Market Authority to open a real estate investment fund. The CMA requires the applicant to seek appraisal services from an accredited appraiser. Moreover, as per "Regulations for Organizing Real Estate Offices", opening a real estate office requires registration with the Ministry of Commerce and Investment.
Turkey	<p>Real Estate Investment Trusts' transactions listed below are subject to have the current market values and current rentals of the subject assets and rights determined in accordance with the appraisal requirement set forth at the CMB Communiqué on Principles of Real Estate Investment companies</p> <ul style="list-style-type: none"> a) Inclusion in the portfolio or exclusion from the portfolio of real estates, real estate-based rights, real estate-based projects and infrastructural investments and services and their projects; b) Letting the portfolio real estates on hire; c) Renting of real estates for re-renting purposes; ç) Renewal or extension of rent contracts of portfolio real estates let on hire;

	<p>d) Acceptance of real estate mortgages;</p> <p>e) As a condition precedent of commencement of construction works in real estate-based projects, determination as to whether the legal procedures are complied with or not, and the required documents are available completely and accurately or not;</p> <p>f) Inclusion of other assets deemed fit for valuation/appraisal by the Board into, and exclusion of such assets from, the portfolio;</p> <p>g) Determination of year-end value of assets that are included in the portfolio and the current market value of which is not determined for any reason whatsoever within the last three months of accounting period of the REIC;</p> <p>ğ) Change of type or kind of assets mentioned in subparagraph (a) of first paragraph of this Article; and</p> <p>h) Injection of capital in kind in the REIC</p>
UAE	No legal requirement for appraisal services for trading physical real estate.

Table-5: Utilizing technology a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market

Cameroon	Yes. COMCEC members will trade in the real estate (residential, commercial) common market. It will reduce distances and will also harmonize process.
Dubai	No. However, DFSA would consider how the organisation of such a market in the DIFC would impact Dubai.
Iran	Yes, it helps the ease of trading, liquidity and fair price discovery. However, what should be highlighted is that the policy makers of the real estate sector generally are not capital market regulators and in case of physical trading, their cooperation and collaboration is necessary.
Malaysia	Yes. Website or an electronic trading platform is a convenient method to make property search easy for buyer and seller to buy and sell properties.
Oman	Yes. As long as it is accompanied by a strong regulatory and supervisory structure which can ensure that the information available on such a platform would be sound and reliable, and consistent with actual fair and free market values, and where the rights of the buyers and sellers can be fully protected. Theoretically, all types of property may be convenient for trading on such a platform, as long as the setting up of such a platform is accompanied by a strong regulatory and supervisory structure which can ensure that the information available on such a platform would be sound and reliable and consistent with fair and free market values, and where the rights of the buyers and sellers can be fully protected.
Palestine	Yes. Palestine is open to all cooperation methods for development of a Real Estate Exchange Initiative at the COMCEC Capital Markets Regulators Forum.
Saudi Arabia	No.

Turkey	Yes. An electronic trading platform is an efficient method for aggregating real estate, enhancing accesibility and supporting liquidity.
UAE	Yes. All UAE is open to all cooperation methods for development of a Real Estate Exchange Initiative at the COMCEC Capital Markets Regulators Forum.

Proposal

An organized platform for trading real estate can be modelled by a dedicated website established in cooperation with relevant real estate authorities of OIC member states. This website can be the gateway for trading both physical real estate and real estate securities. In this model, the administration of this web site or platform should be held by a joint committee the members of which would be the representatives of each member state. This committee may set the general rules and procedures to be followed by the website or platform. For instance, the transaction fee to be charged from traders can be determined by this committee. Within this general framework, each OIC member country will be invited to establish or appoint its relevant institution which will act on behalf of the participant OIC member country. In example, as per Turkey, Borsa Istanbul may be the coordinator, administrator institution.

The website should be designed as a hub, reference trading venue in terms of providing relevant information for real estate trading on the basis of the relevant country's national regulation on sale of properties to foreigners, the taxes and extra fees to be charged, legal requirements, constraints, essential information for the transaction, possible legal consequences for real estate trade such as qualifying for a residence permit or citizenship.

With this model, the website should provide sale notices with available standardized information. In addition to the price, main characteristics (legal owner, location, legal status etc.), and any restrictions on the property, some real estate related services such as appraisal report should also be presented. Additionally, services including appraisal of the real estates, legal and financial consultancy and professional brokerage services would be offered by this prospective trading platform's member intermediaries and service providers. These service providers would be registered by the member states representatives which would bring standardization and transparency to the services.

2. EXCHANGE MODEL TRADING REAL ESTATE SECURITIES

Real Estate Securities - Instruments

A. SUKUK

During the classical Islamic period (700-1300AD), a sakk (singular of sukuk) was used to describe any document representing financial liability. But until the development of modern Sukuk which dating back to the early 1970s (the emergence of the first Islamic banks) Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”.

Now Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, unlike conventional bond offerings, sukuk offerings allow issuers to tap into both the growing Islamic investor community as well as the Western institutional investor community. In general, a larger and deeper investor base reduce market volatility and improves the opportunity for favorable pricing. Thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

The strength of sukuk lies in its distinct structure. Sukuk can be structured in various forms - asset-based and/or asset-backed instruments, bringing unique value propositions to both investors and issuers. For investors, sukuk offers added portfolio diversification benefits and investment opportunities in the form of new asset classes, while issuers can benefit from increased liquidity by tapping into the growing demand among an increasing number of high net-worth individuals for Shari’ah compliant investment products.

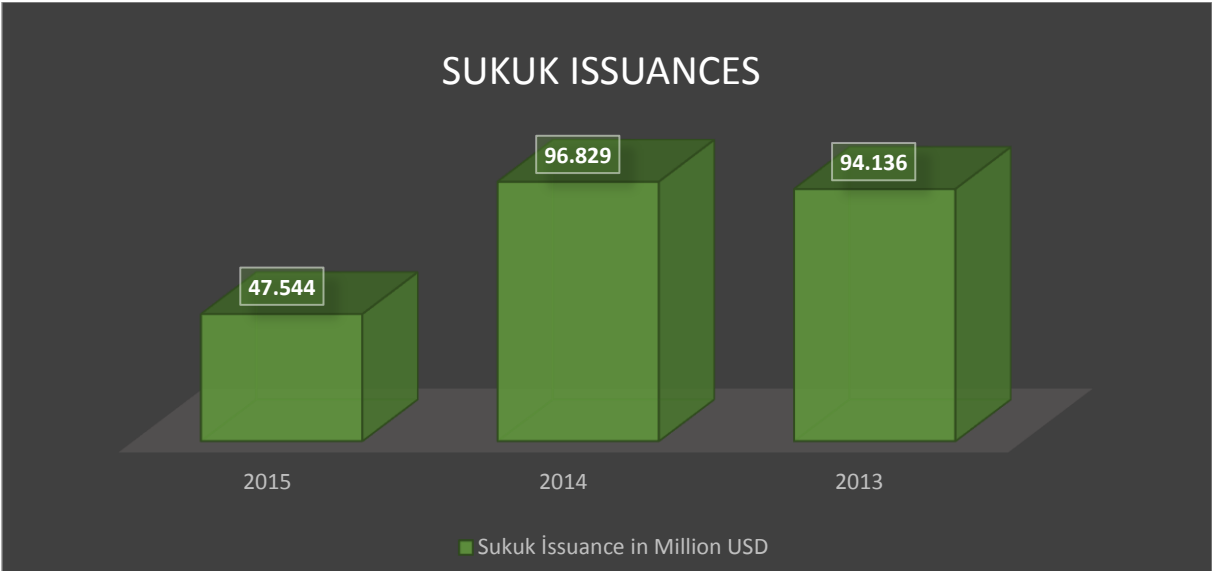
ASSESSMENT OF REAL ESTATE QUESTIONNAIRE ANSWERS

Based on the 2015 Report of the COMCEC Capital Market Regulators Forum and the request of 13-15 May 2015 COMCEC Follow-Up Committee meeting, for further studies the Real Estate Questionnaire of the Real Estate WG has sought to explore the financial and regulatory setting for securities based on real estate as well as the opinions of members on the possibility of establishing a COMCEC level exchange or platform for trading these securities.

According to answers Palestine and Cameroon do not have any regulation in their jurisdiction but other countries regulate almost every kind of Sukuk in their jurisdiction. Although every kind of structure regulated in their jurisdiction, according to answers Ijarah, Mudarabah, Murabahah, Musharakah and Istisna are favored excessively than other structures in the COMCEC member countries. In addition to this Mudarabah, Musharakah and Ijarah structures usually used for raising funds for the real estate sector and also can be traded in the real estate securities trading platform. Tradability of these structures would ease affordability, reduce volatility and add stability to real estate sector for COMCEC economies.

Data obtained from Real Estate Questionnaire related to Sukuk issuances shows that 7 out of 9 countries that answered the questionnaire has raised funds by Sukuk issuances. Among these countries Malaysia, Dubai and Turkey led the sukuk issues among COMCEC member countries in 2013, 2014 and 2015 which amount to USD million 186,640, 32,763, 11,424 respectively. Average funds raised by Sukuk issuance among the questionnaire participants in 2013, 2014 and 2015 are USD million 23,534, 24,207 and 11,886 respectively. Due to the sharp fall in commodity prices, policy changes by governments and talk of interest rate hikes in United States, a decline was observed in 2015 in funds raised by Sukuk issuances. In Chart I below shows total funds raised by sukuk issuances in 2013, 2014 and 2015 for responding countries.

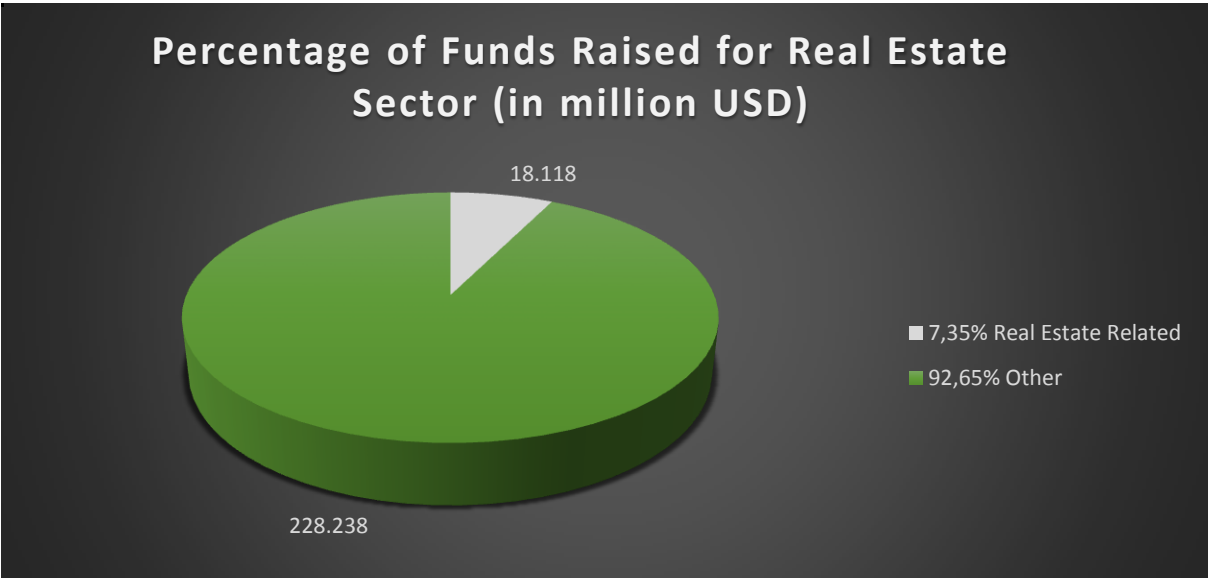
CHART I



In this chart a 50.9% decline was observed in funds raised by sukuk issuances in 2015. Factors such as monetary policy developments in the United States and Europe, drop in oil prices are the key drivers which impacting funds raised by Sukuk issuance in that year.

On the other hand a total of USD million 246,356 of funds were raised through Sukuk issuance in 2013 – 2015 and USD million 18,118 of this amount relates to the real estate sector. Oman, Turkey and Iran raised proportionally more funds for real estate sector. Furthermore, if a Sukuk trading platform stated in the COMCEC CMR Forum Real Estate Report is established, funds raised through Sukuk issuance would be expected to rise.

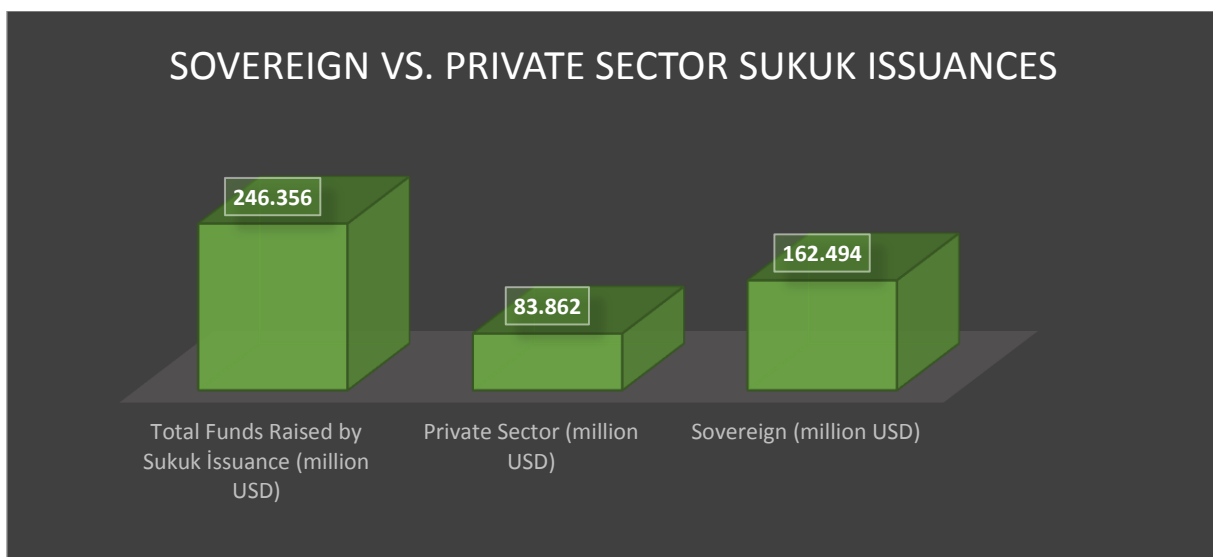
CHART II



When, funds raised by Sukuk issuances are allocated according to issuer type; Sovereign Sukuk issuances nearly doubled private sector issuances. Several reasons are driving governments to participate in the Sukuk market;

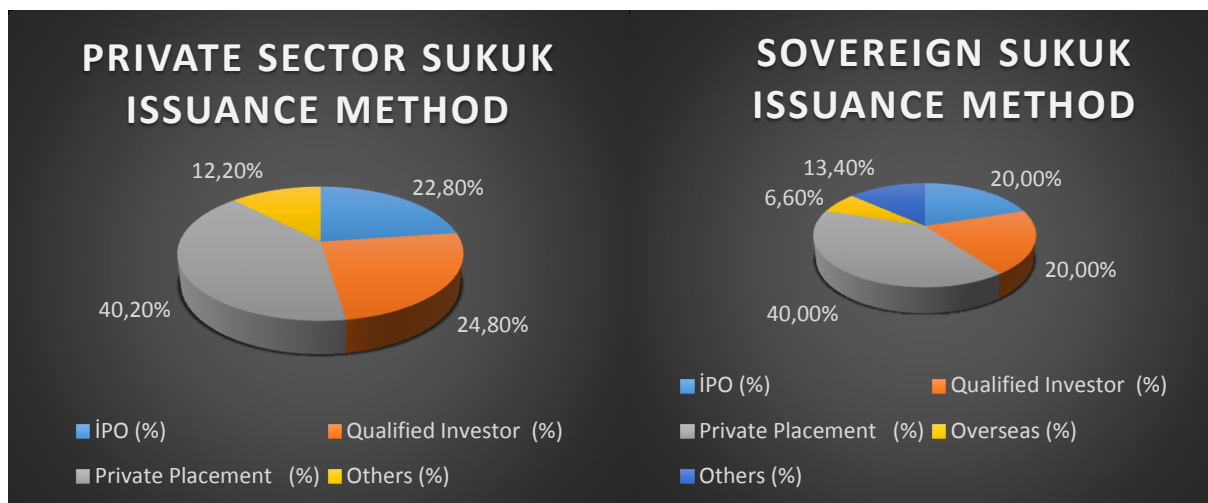
- Desire to finance high cost infrastructure investments and provide investment opportunity for interest rate sensitive investors.
- Intent to establish a benchmark and to encourage the development of a private sector Sukuk market in the relevant country or territory,
- Need to develop a legal and regulatory framework that recognizes and facilitate issuance of Sukuk,
- Maintain the momentum of growth in the Islamic financial services and support investors to diversify their portfolio.

CHART III



Sovereign and private Sukuk issuance amounts and maturities are given in Chart III above from 2013 to end of 2015. Similar to the most economies, sovereign Sukuk issues exceed corporate ones. Furthermore, sovereign Sukuk secondary market transactions dominate the market.

CHART IV



As issuance method, private placement and sale to qualified investors is favored excessively over public offering according to countries that answered the questionnaire. Chart IV above demonstrates Sukuk issuance methods in Private vs. Sovereign issues.

As explained in the COMCEC CMR Forum Real Estate Report the Sukuk market has grown rapidly in prominence over the last decade as demand for Islamic financial products and services has increased. 2013 and 2014 were record years for global Sukuk issuances while in 2015 the Sukuk market slowed down according to the reasons that are stated above, as a result USD 60,600 of Sukuk were issued globally by private sector and sovereign entities in 2015.

However, with constraints on liquidity in the banking sector remaining, the Sukuk market is expected to be a key factor that will finance many corporations and governments in the future. For this reason, ability of Sukuk to trade freely has critical role in terms of liquidity and depth, which lead issuers to tap into greater investor universe, that call forth develop and in turn strengthen capital markets. 8 out of 9 jurisdictions think that the initiative for a common Sukuk trading platform among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuk. Only the DFSA believes that a platform for trading Sukuk among COMCEC member states would not bring efficiency because their experience shows that, investors in Sukuk markets are not seeking exchange-based trading for the secondary market and the issuers also do not consider exchange-based trading as a prerequisite for trading but do require a listing regime. On the other hand, DFSA welcomes a collaborative approach among exchanges and CSD operators to facilitate the development of price discovery and transparency, as well as the ability to allow for cross-border offering and trading.

However, with a Sukuk trading platform initiative among COMCEC member states, a large number of independent yet interconnected trades could occur and the secondary market would drive the price of securities toward their actual value. Moreover, the secondary market would create additional economic value by allowing more transactions. As a result almost all market prices would be more efficiently allocated.

B. COLLECTIVE INVESTMENT SCHEMES

When compared to direct real estate investment, Collective Investment Schemes (CIS) which are investing in real estate offer greater opportunities to investors in terms of diversified investment in real estate. Either in the form of corporate, trust or mutual fund depending upon countries’ legal framework, real estate funding and investment through CIS enhances securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners.

The term CIS is used in the context of real estate investments such as real estate investment trusts and property funds, which are well-known schemes around the world. In this part of the report, we investigate each COMCEC member country’s legal framework on CIS in terms of structure, listing, initial capital, restrictions on investors of CIS, etc. With regard to features of CIS, it can be assessed whether COMCEC member countries’ regulations of CIS are compatible to trade in an alternative trading platform or not.

ASSESSMENT OF QUESTIONNAIRE ANSWERS

According to responses to Real Estate Questionnaire, collective investment schemes investing directly in real estate can be in the form of fund, trust or company as illustrated in the table below. Based on responses provided by member jurisdictions, the table below also demonstrates available CIS structures, information on initial capital requirements, sale restrictions, listing status and required ratio of real estate in total investments.

Table-6 : Summary of Reponses to Real Estate Questionnaire

	Dubai	Iran	Malaysia	Palestine	Saudi Arabia	Turkey	UAE	Cameroon	Oman
Structure of CIS	Fund, trust, company	Fund open ended, Corporate close ended	Open ended trust/fund	N/A	Close Ended Real Estate Funds	Corporate Type Close Ended	Open and close ended funds	Caisse Nationale de Prévoyance Sociale (CNPS)	Close endend investment fund

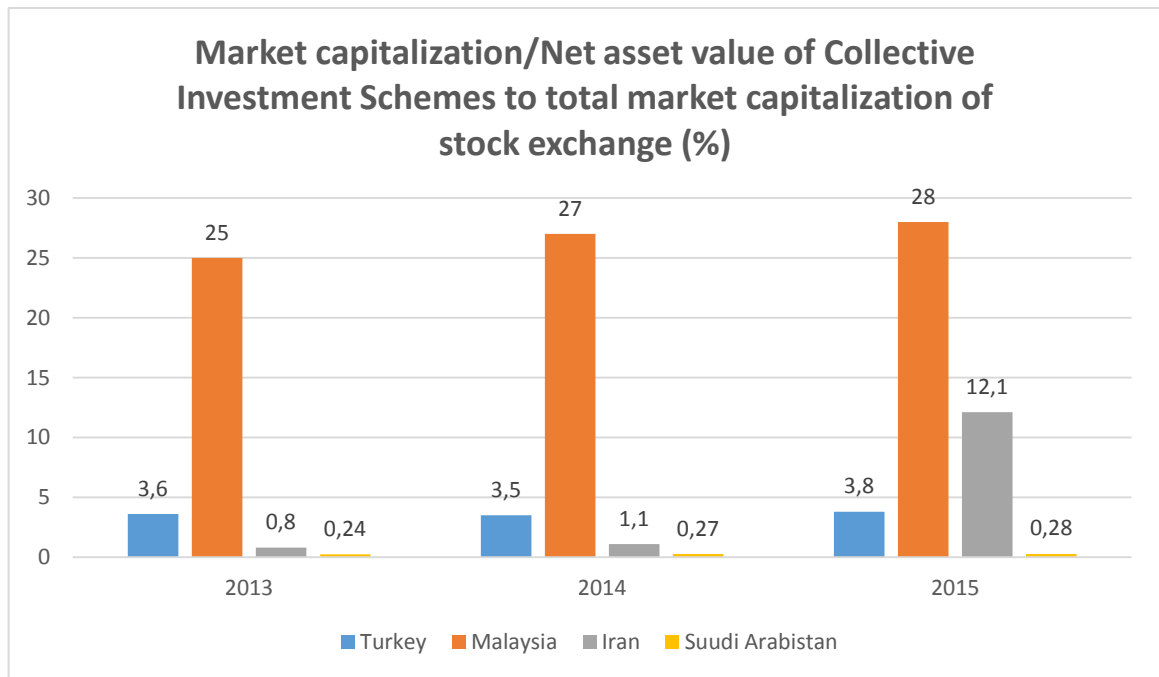
Minimum Initial Required Capital (USD)	No	Mutual Funds: 0.66 million Construction Funds : 3.300.000	REIT: 250.000	N/A	N/A	REIT: 10.280.662 Infrastructure REIT : 34.268.873	The paid capital must not be less than 1.830.000	N/A (The legal framework is in process)	5.200.000
Sale Restrictions (on the base of investor types)	Both types exist, only sold to public, only sold to qualified investor	No	No	N/A	No	No	Qualified and retail investors	N/A (The legal framework is in process)	No
Listing status of CIS	Public funds need to be listed. Exemp fund and qualified investor fund not listed	Ordinary mutual fund: No ETF: Yes	Optional	N/A	N/A	Mandatory For REIT, Not mandatory for Infrastructure REIT	Mandatory for close ended and optional for open ended	N/A (The legal framework is in process)	Mandatory for all closed ended funds and optional for the open-ended
Minimum required ratio of real estate investments to total assets.	Fund: %60	Mutual funds: max %5 (not directly) Construction funds: no info	Min %50	N/A	N/A	%51 REIT, %80 for REIF	N/A	N/A (The legal framework is in process)	Funds shall invest at least 75% of its capital

According to countries legal framework, specific regulations for Islamic CIS exist in Malaysia and Dubai. In Iran's capital market, all products must to be fully compatible with Islamic rules. In Saudi Arabia, Islamic complied funds have to meet disclosure requirements. In Turkey, participation mutual funds that are investing interest free capital market instruments are regulated. In UAE, Oman and Cameroon, currently there are no specific regulations for Islamic Collective Investment Schemes.

In Dubai and Turkey, some CIS can only be sold to qualified investors, whereas some can only be sold to public. In UAE CIS can only be sold to qualified and retail investors. In Iran, Malaysia, Palestine, Saudi Arabia, Turkey and Oman, there are no restrictions on the sale of shares/units to investors on the base of investor types. In Saudi Arabia, only Qualified Foreign Investors can invest shares, other investors can invest funds and other capital market instruments. In Cameroon, legal framework is not finalized yet.

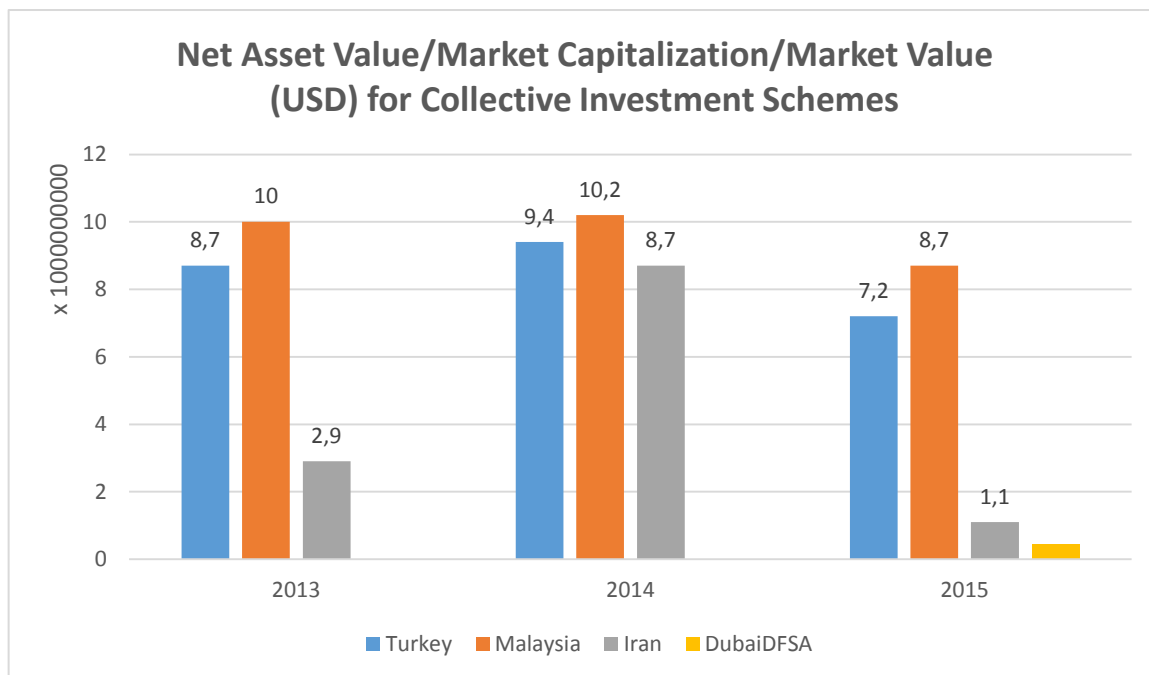
In Dubai, Iran, Malaysia, Palestine, Turkey, UAE and Oman, there are no restrictions on the sale of shares/units to foreign investors.

CHART V



The chart above illustrates the the percentage of the Market capitalization/Net asset Value of CIS over stock market capitalization. According to the chart, in Iran, Malaysia, Turkey and Suudi Arabia, CIS over the stock market capitalization has increased since 2013. The highest ratio is always in Malaysia and the highest growth rate has been seen in Iran from 2014 to 2015.

CHART VI



With regard to market value of the CIS in terms of USD across member countries that responses Questionnaires are shown above graphs. According to data, all countries market value of CIS increased from 2013 to 2014, while from 2014 to 2015 the size of the CIS decreased. Moreover, the most decline and rise have been seen in Iran.

Market value of CIS in USD terms across responding member jurisdictions are demonstrated in Chart VI above. According to data, in all jurisdictions market value of CIS increased from 2013 to 2014, while from 2014 to 2015 the size of the CIS decreased.

C. POSSIBLE TRADING VENUES FOR REAL ESTATE SECURITIES

As it was annotated in the Report, the value of real estate sector for an economy is undeniable and it is important to elaborate the possibilities for a more effective functioning real estate market. In line with its mandate to assess the feasibility of establishing an OIC/COMCEC Level Exchange for trading securities based on real estate, the 2015 Report of the COMCEC CMR Forum, elaborated three options: (i) establishing and OIC/COMCEC Level Exchange, (ii) opening a real estate securities market in an existing regulated exchange and, (iii) establishing an alternative trading system or platform. Based on these options the Real Estate Questionnaire, sought the responses of members on their opinions on the respective options for possible trading venues for securities based on real estate. Answers below provided by 9 responding jurisdictions on possible trading venues are briefly analyzed.

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

This option aims to establish a regulated exchange dedicated to real estate related capital market instruments, to make it possible for real estate securities of COMCEC members to trade in an international basis and provide them liquidity.

Table below shows Members preferences in relation to the establishment of an OIC/COMCEC Level Exchange for real estate related capital market instruments.

Table-7: Do You Support Establishment of a separate securities exchange exclusively for real estate securities?								
Dubai	Malaysia	Palestine	Iran	Saudi Arabia	United Arab Emirates	Turkey	Oman	Cameroon
Yes	No	Yes	No	Feasibility studies are needed	Feasibility studies are needed	No	No	Yes

Obviously, an exchange requires listing, trading, settlement and clearing rules as well as operation principles for capital market instruments. Also another important aspect would be determining the rules for transferring orders and which institutions of COMCEC Member States would have the authority to reach the exchange is another important issue to be solved. Connected with all these procedures, Member States need to harmonize their taxing and listing rules for enacting the exchange. Finally it is vital to decide where to locate the exchange physically or to attach it to which of the Member State exchanges.

Thus establishing a COMCEC level exchange for real estate related capital market instruments option requires more harmonization of capital market legislation, tackling with cross listing, determining new settlement procedures, adjustment to the existing infrastructures of the relevant country where the exchange will be located. It is therefore reasonable to suggest that this mode of cooperation would entail high operational costs. Due to these technical and legal requirements as well as high operational costs, establishing an exchange for real estate capital market instruments does not seem possible and feasible.

Opening a Real Estate Securities Market in a Regulated Exchange

The second option aims to open a new market dedicated to real estate based capital market instruments of COMCEC members, under a currently operating exchange.

Table below shows the questionnaire results in relation to the establishment of a market in an existing securities exchange:

Table-8: Do you support Setting up a Market for Trading of Real Estate Securities under a COMCEC Member State’s Securities Exchange?

Dubai	Malaysia	Palestine	Iran	Saudi Arabia	United Arab Emirates	Turkey	Oman	Cameroon
Yes	No	Yes	No	Feasibility studies are needed	Feasibility studies are needed	No	No	Yes

Compared to establishing a brand new COMCEC level exchange, opening a market under one of the COMCEC Member Exchanges seems technically and legally more feasible since the required procedures would be less onerous, as it is not necessary to determine new legal procedures and listing, clearing and settlement rules. However, it must also be kept in mind that this initiative fundamentally means to affect every COMCEC Member positively and equally. Therefore opening a market under one of the COMCEC Member Exchanges would not achieve this aim fully, since it may create concerns on equality. As CMA, Oman has also stated in its answers to the questionnaire, rather than having just one market in one of the COMCEC member state exchanges, it seems to be a better option to establish a global electronic trading platform linking various member state’s exchanges.

Establishing an Alternative Trading System

Trading real estate related capital market instruments via alternative trading systems (ATS) which have international access has been presented as the third option.

As detailed in the 2015 Report, ATSS are mainly defined as electronic trading systems that automatically match buy and sell orders at specified price and they are used by market participants as functional equivalents of exchanges. Basically, a trading system that uses established, non-discretionary methods would include a traditional exchange floor where specialists are responsible for executing orders. It would also include a computer system (whether comprised of software, hardware, protocols, or any combination thereof) through which orders interact, or any other trading mechanism that provides a means or location for the bringing together and execution of orders.

Table below shows Real Estate Questionnaire results in relation to establishing an alternative trading system:

Table-9: Do You Support Establishment of an electronic/alternative trading platform for real estate securities?								
Dubai	Malaysia	Palestine	Iran	Saudi Arabia	United Arab Emirates	Turkey	Oman	Cameroon
Yes	No	Yes	Yes	Feasibility studies are needed	Feasibility studies are needed	Yes	Yes	Yes

As it is stated above, Members who answered the Real Estate Questionnaire are more willing to collaborate for establishing an ATS for COMCEC level trading of real estate capital market instruments, rather than the two previous alternatives.

Also, ATS option is convenient with respect to operational workings since there is no cross listing procedure in this model therefore settlement, custody and disclosure requirements are executed in accordance with the legislation where the real estate securities are traded. Investors would be able to make a direct connection via an ATS, to COMCEC member states real estate capital market instruments. Following the entry of investor orders to the system, ensuring that the orders transmitted via the ATS to the relevant country market, will increase the liquidity and international demand for real estate based capital market instruments. With respect to the feasibility of realizing a secondary market for real estate securities establishing an electronic trading platform represents a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules.

III. CONCLUSION

For understanding the needs and preferences of COMCEC Members on a physical real estate trading platform and for trading venue models on securities based on real estate as well as making collaboration possible among the COMCEC Capital Market Regulators on this topic, Real Estate Working Group prepared and shared a Questionnaire for Members' perusal.

After gathering the answers and assessments of National Council of Credit, Cameroon; Dubai Financial Services Authority; Securities and Exchange Organization, Iran; Securities Commission, Malaysia; Capital Market Authority, Oman; Palestine Capital Market Authority; Capital Market Authority, Saudi Arabia; Capital Markets Board of Turkey and Emirates Securities & Commodities Authority (ESCA) it can be interpreted that establishing an electronic trading platform or alternative trading system for real estate securities of COMCEC States appears to be the most feasible option to reach aims stated in the Real Estate Report of the COMCEC CMR Forum.

With the objective of enhancing the the value of real estate sector for COMCEC economies, Real Estate Securities Exchange Initiative for COMCEC Member States Report evaluated two models for a joint real estate exchange initiative. First it introduced the idea of setting up a physical real estate trading web site and explored the benefits of this initiative. Accordingly setting up a platform for physical real estate trading at COMCEC level has the potential to present an organised investment domain for the Shari'ah sensitive investors and alleviating issues such as standardization and liquidity by an organized platform integrating the national real estate markets.

This kind of international platform can be a convenient place for buying and selling a property, since it would 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 liquidity of properties and the determination of fair value of properties. Consequently, improving the investment environment by providing a trading platform for real estate would create an alternative opportunity for investors as well as contributing the financing of the real estate sector.

With respect to physical real estate trading initiative, according to the findings of the Report, excluding Iran and Turkey the COMCEC Member States do not have a regulated trading venue for physical real estate. In Iran, Mercantile Exchange has launched a new platform for

physical real estate trading. An electronic trading platform in side market of Iran Mercantile Exchange (IME) exists. Whereas for Turkey, a website is available for transferring sale transaction amount for physical real estate which is called TapuTakas for (TitledeedBarter). The respondent member states have various approaches to physical real estate foreign ownership for which is a heavily regulated area. Real Estate Working Group members, consider utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate as beneficial for easing the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility, promoting liquidity and fair value, since only 2 respondents (Dubai and Saudi Arabia) out of 9 have stated unwillingness to the initiative. Relevant real estate authorities of COMCEC member states may further cooperate on the added value and the practicalities of the initiative through workshops or seminars.

In order to model the proposed initiative COMCEC CMR Forum Secretariat has modelled a demo website for the Real Estate Securities Exchange platform comprising both physical real estate and real estate securities. The Secretariat believes that in order to realize the initiative based on the proposed objectives and facilities an internet website model is developed with access to two trading platforms. An access link was provided to the members of the Real Estate WG. The model website 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. For reviewing and developing the initiative, this model website can be made available via the link in the COMCEC CMR Forum website which is www.comceccmr.org.

Secondly, to harness securitization and Sukuk issuances as well as CIS, the Report explored options for a trading platform initiative focusing on funding or investing in real estate asset class in order to enhance liquidity and expand financial markets. For a real estate securities exchange approach, this option was modelled by forming a dedicated market in one of the organized OIC member state exchanges such as Borsa Istanbul or any other OIC country exchange or alternatively an electronic trading platform or a separate exchange for real estate securities.

At this point to put the idea into practice, it is important to designate the electronic trading platform by determining the details of listing, operating, settlement, clearing, custody, taxing and pricing rules. If this option is pursued further, it would be recommended that Member States gather to create a working group dedicated to the identification of necessary operating

principles. In this context, it would be the most feasible way to compose the working group of the Exchanges of Member States, as these exchanges are the most important actors of securities markets. Following the achievements of the working group, the supervisory and regulatory agencies of Member States could revise the considerations and assessments. Finally, it is vital to finalize the operation and establishment rules of the ATS by signing a protocol among Member States that are willing to become a part of this initiative.

Also due to real estate sector's speciality about representing a tangible asset class, working on the topic is particularly important for interest free instruments. In the structure of Islamic real estate securities, generally there is a Shariah Committee that assesses whether the securities' operations are Shariah compliant or not. However, the approaches to Islamic compliance rules may change from one country to another. Thus, in the process of establishing a real estate securities trading platform, discussing and deciding on the shariah governance of instruments is considered to be crucial. In this context, a new Shariah Board consisting of the Member State representatives may be established or alternatively the Shariah compliance process in the member country can be deemed to be sufficient. In other words, instead of establishing a new board on behalf of the platform, Member States may evaluate compliance at their local jurisdiction level.

In conclusion, after the Real Estate WG consideration on questionnaire answers, the results show a tendency on establishing an alternative trading platform for real estate securities of Member States. To put the ATS idea into practice, the next step for Members should be creating a working group consisting of the Member States securities exchanges to determine the general rules of the platform and following to this, the COMCEC Member regulatory and supervisory government agencies should gather for assessing the operational side of the platform. Also it is vital to sign a protocol for formalizing the establishment and operations rules of the ATS.

In addition, with reference to the COMCEC CMR Forum 2016 General Assembly discussions, the delegates have expressed the importance of a stages approach for the realisation of an electronic trading platform. In this approach, the Platform initially aims to be an information hub which is providing guidance and reliable information as to legal framework, restrictions, and prerequisites for investing on real estate, real estate projects, real estate securities (*Sukuk, shares of Real Estate Investment Trusts, Real Estate Mutual Funds, Real Estate Certificates*) and gold portfolios (*physical gold and financial instruments based*

on gold). The next step after completing this stage would be the operation of a trading Platform. In order to build trust for investors on the proposed initiative, it is expected that COMCEC member states appoint one or more of their competent public/private authorities with respect to the segment (physical real estate/real estate security) of the trading platform for providing information. For a real estate securities trading platform, cooperation among stock exchanges and central securities depositories will be crucial.

I. CAMEROON - National Council of Credit



QUESTIONNAIRE

**REAL ESTATE SECURITIES EXCHANGE INITIATIVE
FOR COMCEC MEMBER STATES**

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	NATIONAL COUNCIL OF CREDIT
Country:	CAMEROON
Contact person: <i>(at least 2 persons)</i>	<ul style="list-style-type: none"> - FAHA Félix - DIKWE Gaston - BEKONO MBASSA Jean Parfait
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Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report⁴ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a

⁴<http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

I. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum’s Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries’ legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries’ views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

1) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

NO

If yes, please provide following information regarding this platform

a) The name of the organization responsible for governance of this platform?

N/A

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

N/A

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

- **Ministère des Domaines, du Cadastre et des Affaires Foncières**
- **Ministre de l’habitat et du développement urbain**
- **Communauté Urbaine**
- **Communes**
- **Crédit Foncier du Cameroun**

2) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	v
----------------------------	----------

Residential real estate	√
Commercial real estate	√
Other (please specify)	

3) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

YES, two legal restrictions exist:

- **A foreigner can not buy and sale a land over 10 000 m2**
- **A foreigner can not buy and sale any land on the country border.**

4) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

YES

5) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes No

In my mine, utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate will enable COMCEC members to trade in the real estate common market because:

- **It will reduce distances;**
- **It will also harmonize process.**

6) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	√
A COMCEC Capital Markets Regulator's Forum Workshop for experience sharing	√
Technical assistance for improving real estate finance	√
Others (please specify)	

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

1) Which Sukuk types are regulated in your jurisdiction?

The Sukuk is not already experimented in our jurisdiction.

Please also specify the sukuk types in your market which are related to real estate.

N/A

2) Can you provide data for the funds raised by Sukuk issuances?

N/A

3) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

N/A

4) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

N/A

5) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)	Private Sector (%)
IPO	N/A	N/A
Qualified Investor	N/A	N/A
Private Placement	N/A	N/A

Others (please specify)	N/A	N/A
-------------------------	-----	-----

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types :

a) Which Sukuk type is more favorable in secondary market?

N/A

b) The transaction volume/amount for each type?

N/A

c) Transaction amount in terms of issuer type (sovereign and private sector)

N/A

6) Please identify the number of Sukuk issuers for private sector.

N/A

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuks?

Yes No

If your answer is yes please select one of the options listed below.

Opening a Real Estate Securities Market in a Regulated Exchange

Establishing an Alternative Trading System

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

Others

If your answer is “others” please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

1) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	<i>Caisse Nationale de Prévoyance Sociale (CNPS)</i>
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	<i>Islamic Finance is not really implemented in our jurisdiction. However, there is only one bank that has signed and agreement with the Islamic Developpement Bank in order to promote the Islamic finance in our Jurisdiction.</i>
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD)	<i>The legal framework is in process in our jurisdiction</i>

	Others			
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	N/A (Legal framework in process)		
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	N/A (Legal framework in process)		
6) Listing status of Collective Investment Schemes	Mandatory/Optional (Please specify)	N/A (Legal framework in process)		
10) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	N/A (Legal framework in process)		
11) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		N/A	N/A	N/A

2) Please complete the table below.

	Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Net Asset Value/Market Capitilazation/Martket Value (USD) for Collective Investment Schemes
2013				
1	<i>Caisse Nationale de Prévoyance Sociale (CNPS)</i>	<i>Unlisted</i>		<i>N/A</i>
2				
				<i>Total:</i>
2014				
1	<i>Caisse Nationale de Prévoyance Sociale (CNPS)</i>	<i>Unlisted</i>		<i>N/A</i>
2				
				<i>Total:</i>
2015				
	<i>Caisse Nationale de Prévoyance Sociale (CNPS)</i>	<i>Unlisted</i>		<i>N/A</i>

				<i>Total:</i>

III. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

- 1) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

NO

- a. Is there any legislation for investor protection in your country such as investor compensation systems?

YES

- b. What is the tax requirement/obligation for foreign investors for trading securities in your country?

Tax exemption for 05 years

- c. What are the reporting requirements in your country for foreign investors?

- 2) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

NO

- 3) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

4) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

a. How many (global) custodian banks operate in your market?

14 Banks

Please name the titles of these institutions.

List of the banks :

- 1) Afriland First Bank : onze (11) services ;
- 2) Banque Atlantique du Cameroun : six (06) ;
- 3) BC-PME ;
- 4) BGFIBANK : treize (13) services ;
- 5) BICEC : vingt trois (23) services ;
- 6) CBC : dix (10) services ;
- 7) CITIBANK ;
- 8) ECOBANK : neuf (09) services ;
- 9) NFC-BANK : vingt (20) services ;
- 10) SCB : vingt deux (22) services ;
- 11) SGC : seize (16) services ;
- 12) STANDARD CHARTERED BANK ;
- 13) UBA : sept (07) services ;
- 14) UBC : dix-neuf (19) services ;

b. Which services do custodian banks provide?

Common financial services as credit, transfert and deposit.

c. Can you please provide information on the relevant legislation/regulation?

YES.

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

YES

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

f. Are there any restrictions on entry and exit of cash to/from the financial system?

YES

g. Is settlement in foreign currencies possible?

Only in euro and dollars

5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

a. Establishment of a separate securities exchange exclusively for real estate securities.

I support

b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

I disagree

II. DUBAI - Dubai Financial Services Authority



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	Dubai Financial Services Authority
Country:	Dubai International Financial Centre (DIFC), Dubai United Arab Emirates
Contact person: (at least 2 persons)	Eric Salomons (Director, Head of DFSA Markets) Mark McGinness (Director, Head of International Relations)
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Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report⁵ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely Sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

⁵ <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

II. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries' views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

- 7) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

No

If yes, please provide following information regarding this platform

N/A

- a) The name of the organization responsible for governance of this platform?

N/A

- b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

N/A

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

- Dubai Land Department
- Dubai's Real Estate Regulatory Authority (RERA established in 2007), is responsible for developing and supervising Dubai's real estate regulatory framework and development.

- 8) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate

Residential real estate

Commercial real estate

Other (please specify)

√

The DFSA is the integrated financial services regulator for the Dubai International Financial Centre (DIFC) in Dubai. Physical real estate is unlikely to fall under our remit unless it is held in a fund or is securitized. We therefore have no position or a preference on the establishment of a physical real estate market.

- 9) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

Much of the United Arab Emirates now permits foreigners to own real estate in designated developments. The DIFC is one of those developments. His Highness Sheikh Mohammed Bin Rashid Al Maktoum announced in May 2002 that real estate in designated areas of Dubai would become available for ownership by foreigners on a freehold basis.

In 2011, a circular was issued by the Dubai Land Department confirming that it was prohibited for most offshore companies to own property in Dubai. Foreign companies and free zone companies incorporated in the UAE were not affected by this ruling, as these companies are not considered to be offshore.

- 10) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

As far as we are aware, there is no legal requirement for appraisal services for trading physical real estate.

- 11) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes XNo

Note that DFSA would not be involved in the setting up of a physical real estate market, but would consider how the organisation of such a market in the DIFC would impact us. It could be likely that the market would need to adhere to certain AML provision of the DFSA's rulebook. We also believe that the market itself would be best placed to take such initiatives.

- 12) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic

A COMCEC Capital Markets Regulator's Forum Workshop for experience sharing

Technical assistance for improving real estate finance

√

Others (please specify)

Following on from our previous comments above the DFSA does not have a specific preference in regards the development of a physical real estate exchange, but believe an initial workshop/roundtable may be a useful conduit to share intelligence with other regulators.

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, the real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless, the Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest, which violates Islamic rules against payment of “riba”. Sukuk present an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensure liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

6) Which Sukuk types are regulated in your jurisdiction?

There are two types of Sukuk which can be found in the DIFC.

There are debt based Sukuk and structured product Sukuk. Debt based Sukuk take on the form of ijara, mudaraba, murabaha as well as wakala. Structured product Sukuk take on the form of wakala. However for the purpose of regulating the offering and ongoing disclosure of Sukuk from the DIFC, these Sukuk are classified as debentures.

7) Please also specify the sukuk types in your market which are related to real estate.

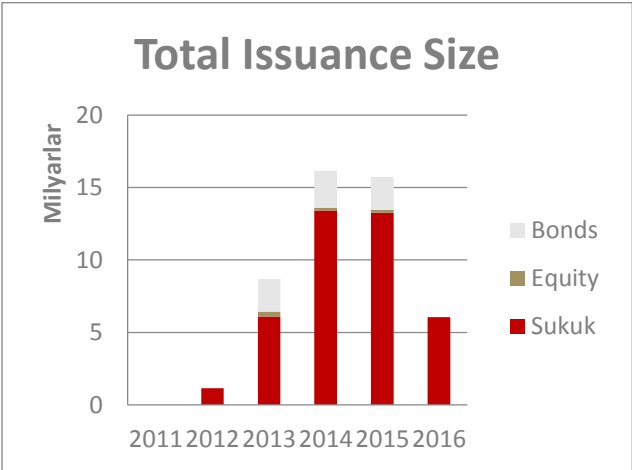
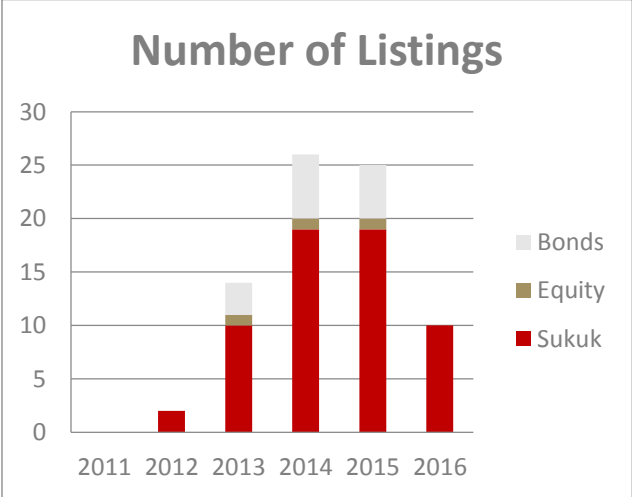
There are 5 sukuk listed on Nasdaq Dubai that have been issued by real estate developers, these are the following:

- Damac (Alpha Star)
- Emaar
- Dar al Arkan
- Dubai International Financial Centre
- Dubai Investment Park

The DIFC does have a real estate sharia compliant equity for real estate purposes (Emirates REIT). This real estate investment trust (REIT) is listed on Nasdaq Dubai, a regulated

exchange in the DIFC, and its mandate is to invest in commercial real estate. The listed shares represent units in the fund and therefore offer investors an opportunity to invest in a portfolio of real estate rather than a single property. Being a Shariah compliant REIT, Emirates REIT invests in Shariah compliant real estate.

8) Can you provide data for the funds raised by Sukuk issuances?



A significant proportion of the issuance represents the funds raised.

9) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

Sukuk issuances relating to real estate totals USD 3.8 billion relative to an overall USD 40 billion of sukuk issuance as of 30th April 2016. Therefore, just below 10% of all sukuk issuances in the DIFC relate to real estate.

10) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

There is 21 billion USD of sovereign Sukuk listed in the DIFC, this is approximately half of the total value.

11) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)	Private Sector (%)
IPO	x	x
Qualified Investor	√	√
Private Placement	√	√
Others (please specify)	x	x

All are sold to Qualified Investors – this is the case for both sovereigns and private sector Sukuk.

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other Sukuk types:

Yes there is a secondary market. This secondary trading does not take place on exchange but through Over-The-Counter trading. There are no reporting requirements on OTC market transaction activity in the DIFC, and for this reason we are unable to answer the questions below with certainty.

- a) Which Sukuk type is more favorable in secondary market?
- b) The transaction volume/amount for each type?
- c) Transaction amount in terms of issuer type (sovereign and private sector)
- 6) Please identify the number of Sukuk issuers for private sector.

Excluding any government related entities, (i) in 2014 the DFSA listed 2 Sukuk: the Sukuk of GEMS and DAMAC (Alphastar); and, (ii) Majid Al Futaim have listed multiple Sukuk since 2014.

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuk?

No

Note that Nasdaq Dubai already operates a very active listing venue for Sukuk. Based on the DFSA’s experience of being one of the world’s most popular centres for Sukuk listings, we have found that the investors in Sukuk are not seeking exchange-based trading for the secondary market. The issuers also do not consider exchange-based trading as a prerequisite for trading but do require a listing regime.

We would however welcome a collaborative approach among exchange and CSD operators to facilitate the development of price discovery and transparency, as well as the ability to allow for cross-border offering and trading.

If your answer is yes please select one of the options listed below.

X Opening a Real Estate Securities Market in a Regulated Exchange

Establishing an Alternative Trading System

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

Others

If your answer is “others” please specify and explain.

Although we had responded ‘no’ to the earlier question on Sukuk, note that in addition to Sukuk there could be a benefit to develop a trading platform for other real estate-related securities, like shares, units or participatory rights in real estate funds.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country’s legal framework on CIS. In this regard, we can assess whether COMCEC member countries’ regulation of CIS are compatible to trade in an alternative trading platform.

2) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
<p>1) Structure of collective investment schemes that comprise of real estate investments</p>	<p>Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)</p>	<p>The Collective Investment Law 2010 and the Collective Investment Rules (CIR) form the legal and regulatory framework governing Collective Investment Scheme in the DIFC.</p> <p>Under the CIR, a domestic fund can be one of the following types:</p> <ol style="list-style-type: none"> 1) Public fund 2) Exempt fund 3) Qualified investor fund <p>A public fund is classified as such if it meets any one of the following criteria:</p> <ul style="list-style-type: none"> • It has, or intends to have, more than 100 unitholders, or • Some of all of its units are offered to investors by way of a public offer, or • Its unitholders include retail clients. <p>Chapter 3 of the DFSA Collective Investment Rules (CIR) covers specialist class of funds, this includes property funds and Real Estate Investment Trust (REITs).</p> <p>A property fund, is defined in CIR 3.1.7 as:</p> <p><i>“A fund is a property fund if it is dedicated to investment in real property and in securities issued by bodies corporate whose main activities are investing in, dealing in, developing or redeveloping Real Property”</i></p>

		<p>A Real Estate Investment Trust (REIT) is defined as a REIT if it meets the criteria in Rule 13.5.1(2) including:</p> <ul style="list-style-type: none"> a) is constituted either as an Investment Company or as an Investment Trust b) is primarily aimed at investments in income-generating Real Property c) distributes to the Unitholders 80% of its audited annual net income. <p>REITs are considered a subset of Property Funds, and they can only be Public Funds. REITs need to comply with rules covering Property Funds (CIR 13.4) and REITS (CIR 13.5)</p> <p>A property fund can only use a closed-ended legal structure for the investment vehicle. The DFSA rulebook has rules specific for Property Funds which can be found in Chapter 13.4 of CIR.</p>
<p>2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?</p>	<p>Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor)</p> <p>No</p>	<p>Yes, there are specific regulations for Islamic CIS,</p> <p>Under CIR, rule 3.1.2 an Islamic Fund is defined as</p> <p><i>“A fund is an Islamic fund if its entire operations are conducted, or held out as being conducted, in accordance with Shari’a”</i></p> <p>The Islamic Finance Rules (IFR) module of the DFSA rulebook contains additional requirements that apply to Domestic Funds by virtue of being an Islamic fund. Chapter 6 of the IFR covers rules relevant for Islamic Collective Investment Funds, both for the fund and the fund manager. Key requirements in IFR include:</p>

- Systems and Controls - IFR 6.1.2 states that a fund manager must establish and maintain systems and controls which ensure its management of the Fund and Fund Property is Shari'a compliant.
- Constitutional documents - IFR 6.1.3 states that the Fund's constitution and Prospectus are, and remain, approved by the Fund manager's Shari'a Supervisory Board (SSB).
- Shari'a Supervisory Board - IFR 6.2.1 states that a Fund Manager of a Domestic Fund that is a Public Fund must appoint a Shari'a Supervisory Board to include at least three members.
- External Shari'a review - IFR 6.3.1 stipulates that a Fund Manager of a Domestic Fund that is a Public Fund, (other than a fund relying on exemption on Rule 6.2.1(3)) must ensure that all Shari'a reviews of the Fund are undertaken by the SSB in accordance with AAOIFI GSIFI No.2
- Internal Shari'a Review – IFR 6.4.1 stipulates that a Fund Manager of a Domestic Fund that is a Public Fund must perform an internal Shari'a review to assess the extent to which the Fund complies with fatwas, rulings, guidelines issued by the Fund's SSB.

As well as specific regulations for Islamic CISs, there is specific disclosure required for Islamic CISs including the following (the DFSA rule reference is included in brackets):

- the Constitution of the Domestic Fund should contain the

		<p>following information:</p> <p>a) if the fund is an Islamic fund it should be stated as such and disclosure should be made that the Fund’s entire business operations are conducted in accordance with Sharia. [A5.1.1(2)(A)(6)]</p> <p>b) the details of the sharia supervisory board [A5.1.1(2)(J)]</p>
<p>3) Minimum required initial capital for Collective Investment Schemes in terms of USD?</p>	<p>REITs (***) USD)</p> <p>Property Funds (***) USD)</p> <p>Others</p>	<p>There is no minimum capital specified for CISs as defined by the DFSA rules.</p> <p>However the CIR module does have disclosure requirements on capital as outlined below.</p> <ul style="list-style-type: none"> • The constitution of a Domestic Fund requires disclosure of the maximum and minimum size of the Fund’s capital. This is outlined in App 5 of the CIR module, specifically A5.1.1(2)(B)(5) • The Public Fund Prospectus Disclosure requirements outlined in App7, A7.1.1(2)(f) includes disclosure on maximum and minimum size of the Fund’s capital. • Rule 8.11 CIR outlines what action is required from a Public Fund if there Fund’s capital reaches the minimum size provided in the constitution, which includes immediately informing the DFSA amongst other notifications outlined in 8.11.1 (2).
<p>4) Any restrictions on the selling of shares/units to investors on the base of investor types</p>	<p>No</p> <p>Yes (please specify, such as shares/units are sold only to</p>	<p>The investor type of a unit is a key criterion for the classification of Domestic Funds. Under the CIR, a domestic fund can be one of the following types:</p>

	<p>qualified investors)</p>	<p>4) Public fund 5) Exempt fund 6) Qualified investor fund</p> <p>A Domestic Fund is constituted as a Public Fund if its unitholders include retail clients.</p> <p>A domestic fund is constituted as an exempt fund or a qualified investor fund if unitholders are persons who meet the criteria to be classified as Professional Clients.</p> <p>DFSA Conduct of Business (COB), Rule 2.3 define further that a retail investor or professional is deemed to be.</p>
<p>5) Any restrictions on the selling of shares/units to foreign investors</p>	<p>No (There is no restriction for holding shares/units by foreign investors)</p> <p>Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)</p>	<p>No - There are no restrictions for holding units by foreign investors.</p>
<p>6) Listing status of Collective Investment Schemes</p>	<p>Mandatory/ Optional (Please specify)</p>	<p>A Property Fund must ensure it is listed and traded on an AMI or is listed and traded on an exchange in a Recognised Jurisdiction within 6 months from the date on which the Units are first Offered to the public. (CIR 13.4.1(2)(b))</p> <p>A fund intends to list its units on an AMI (Authorised Market Institution, which typically in the DIFC will be Nasdaq Dubai), then this fund will need to comply with the relevant Rules in the</p>

		MKT module and the AMI's listing rules. Exempt funds and Qualified investor funds cannot be listed.		
10) Minimum required ratio of real estate investments to total assets.	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	CIR 13.4.4 states that the Fund Manager must ensure that the assets of a Property Fund consist only of any or all of: <ul style="list-style-type: none"> • Real property • Property related assets • Units in another property fund; and • Cash, government and public securities, up to a maximum of 40%. CIR 13.5.4 stipulates for REITS that " <i>the total contract value of the property under development in (1) must not exceed 30% of the net asset value of the Fund Property of the REIT</i> "		
11) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		n/a	n/a	n/a

2) Please complete the table below.

	Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Net Asset Value/Market Capitalization/Market Value (USD) for Collective Investment Schemes
<i>1</i>	<i>Emirates Reit</i>	<i>Listed</i>	<i>REIT</i>	<i>Net Asset Value – 469.566.000</i>

2	<i>GP Property Fund (CEIC) Limited</i>	<i>Unlisted</i>	<i>Property Fund</i>	<i>Not seeded yet</i>
3	<i>Hometown (Dubai) Hospitality Fund II (CEIC)Limited</i>	<i>Unlisted</i>	<i>Property Fund</i>	<i>Not seeded yet</i>

IV. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

- 5) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

On Nasdaq Dubai the DIFC is home already to a regulated securities exchange operating against international standards. It currently facilitates the trading of the securities of the real estate fund Emirates REIT.

Nasdaq Dubai is licensed as an Authorised Market Institution (AMI) pursuant to the AMI Module in the DFSA Rulebook. Under its licence it needs to adhere to international best practice standards on for instance governance, organisational requirements, conflicts of interests, membership criteria, admission of securities/derivatives to trading, proper markets and the safeguarding and administration of assets. (For the full AMI Module please refer to http://dfsa.complinet.com/en/display/display_main.html?rbid=1547&element_id=20286)

The DFSA operates the Official List of Securities and is responsible for the review and approval of prospectuses, and subsequently the admission to the Official List of Securities.

Nasdaq Dubai is also licensed to operate a central counterparty and provide third-party credit risk mitigation.

Emirates REIT was established in the DIFC in November 2010 by Emirates REIT Management (Private) Limited. Emirates REIT is categorised as a domestic fund, an Islamic fund, a property fund and a real estate investment trust. Emirates REIT is the first Shari'a compliant real estate investment trust incorporated in the DIFC. In June

2011, Emirates REIT completed its first real estate asset investment when it acquired Building 24 in Dubai Internet City. Since then and up to 31 December 2013, Emirates REIT has acquired various interests in nine other properties, all located in Dubai.

- a. Is there any legislation for investor protection in your country such as investor compensation systems?

No. There is no investor compensation scheme in operation in the DIFC. Note that the DIFC is predominantly a wholesale centre.

- b. What is the tax requirement/obligation for foreign investors for trading securities in your country?

The DIFC has a tax regime of 0% withholding tax. As such there is no direct withholding tax for corporations or wealth tax for individuals levied by the Dubai or Federal government on profits from trading.

- c. What are the reporting requirements in your country for foreign investors?

Outside the DIFC foreign investors are subject to restrictions on owning more than 49% of a company listed or non-listed. For listed companies the central securities depository qualifies investors as foreign or national and plays a key role in identifying breaches of adherence to the foreign investment restriction. There is no separate reporting mechanism for investors. Where international custodians operate an omnibus structure all the holdings held under the omnibus are considered as held by foreign investors, regardless of the nationality.

- 6) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

A person operating an exchange in the Dubai International Financial Centre (DIFC) is required to seek a licence from the Dubai Financial Services Authority (DFSA). At the moment no alternative trading platform exists in the DIFC, in Dubai or in the United Arab Emirates (UAE). However, if a foreign operator of an ATS or any other trading platform for securities would want to transfer orders to the trading platform in the DIFC (or vice versa) then there are no legal restrictions. The foreign market operator may need to seek recognition from the DFSA under its REC Module of the DFSA's Rulebook.

- 7) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

8)

Please refer to question 1 above. There is already a securities trading and clearing platform in operation in our jurisdiction with strong interest from local, regional and international real estate developers, investors and fund managers seeking to list and trade their securities in the DIFC.

9) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

a. How many (global) custodian banks operate in your market?

7 custodian banks offer their services to Nasdaq Dubai members and their clients

Please name the titles of these institutions.

Citibank NA UAE

Deutsche Bank

Standard Chartered Bank

National Bank of Abu Dhabi

HSBC Bank Middle East Limited

SHUAA Capital International Ltd.

EFG Hermes UAE Ltd.

b. Which services do custodian banks provide?

The core activities offered by most of the custodians would be:

Settlement & Clearing of Securities and Cash

Safekeeping of Securities and Associated Cash

Reporting

Asset Servicing and administering corporate actions

Cash Management

In addition to these core services some may also offer the following additional services:

Performance and risk measurement

Compliance monitoring

Foreign exchange

Securities lending

Trustee and depositary services

c. Can you please provide information on the relevant legislation/regulation?

Only custodians from jurisdictions, which the DFSA believes operate under broadly equivalent regulation, would be acceptable to provide their services remotely to the Nasdaq Dubai members and their clients. For custodians which are physically located within the DIFC's jurisdiction comprehensive rules can be found in Appendix 6 of the Conduct Of Business Module (COB):

http://dfsa.complinet.com/net_file_store/new_rulebooks/d/f/DFSA1547_12383_VER260.pdf

Please find below the DFSA's definition of Providing Custody:

(1) In GEN Rule 2.2.2 Providing Custody means one or more of the following activities:

(a) safeguarding and administering Investments belonging to another Person ;

(b) in the case of a Fund , safeguarding and administering Fund Property ; or

(c) acting as a Central Securities Depository .

(2) In (1)(a) and (b), the following activities do not constitute administering Investments or Fund Property:

(a) providing information as to the number and value of any Investments or Fund Property safeguarded;

(b) converting currency; or

(c) receiving documents relating to an Investment or Fund Property for the purpose of onward transmission to, from or at the direction of the Person to whom the Investment or Fund Property belongs.

(3) In (1)(c), "acting as a Central Securities Depository " means holding securities in uncertificated (dematerialised) form to enable book entry transfer of such securities for the purposes of clearing or settlement of transactions executed on a facility operated by an Authorised Market Institution or an Alternative Trading System or a similar facility regulated and supervised by a Financial Services Regulator.

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

No

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

Settlement for Nasdaq Dubai cleared securities transactions will be processed by the CSD and book transfer affected at the CSD level. DVP transfers are executed under DvP BIS Model 2. Legal title of all securities admitted to the CSD are held in a limited purpose vehicle (Nasdaq Dubai Guardian Limited). Associated cash is transferred through UAE Central Bank, DFSA or UK FCA supervised banks.

f. Are there any restrictions on entry and exit of cash to/from the financial system?

No. However, a prohibition exists on dealing in the UAE Dirham or taking deposits from the state markets for banks operating in the DIFC.

g. Is settlement in foreign currencies possible?

Yes

10) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

a. Establishment of a separate securities exchange exclusively for real estate securities.

b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

The DIFC is home to a securities exchange in Nasdaq Dubai. In the local market of Dubai the Dubai Financial Market (DFM) operates a separate exchange and is licensed by the UAE's Securities & Commodities Authority (ESCA) which also supervises the Abu Dhabi-based Abu Dhabi Exchange (ADX).

If the initiative of establishing a trading venue for real-estate related securities would be a viable commercial proposition, we believe any of the three market operators mentioned above would be best suited to develop this initiative. As a financial services regulator we would not have a preference for either option, but our regulation would be able to accommodate an application under either option (a) or (b).

III. IRAN - Securities and Exchange Organization



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	Securities and Exchange Organization (SEO)
Country:	Iran
Contact person: <i>(at least 2 persons)</i>	Meysam Hamedi Karim Karimi
Phone:	
Fax :	
E-mail:	

Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report⁶ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

III. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

COMCEC Capital Market Regulators Forum is working to explore the possibilities for

⁶<http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries' views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

13) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

First, what should be emphasized is that, the main policy maker of the Real Estate Sector in Iran is the Ministry of Roads and Urban Development. Therefore, any active websites in the sector might be under supervision of the ministry. As available information indicates, most of related websites are active in information dissemination about prices and some show available real estates in different districts. However, there is no electronic platform for trading real estate physically and people mainly refer to real estate agents across the country in order to find appropriate real estate and record their trading.

Meanwhile, the Iran Mercantile Exchange has launched a new platform for physical real estate trading. Then, the answer of the question is: Yes; an electronic trading platform in side market of Iran Mercantile Exchange (IME) exists.

If yes, please provide following information regarding this platform

a) The name of the organization responsible for governance of this platform?

Iran Mercantile Exchange (IME)

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

Yes it does. The appraisal process is handled by the exchange listings' department in association with the designated expert of the State's Organization for Registration of Deeds and Properties. The Securities and Exchange Organization (SEO) reviews the transaction documents and will notify the exchange if the procedure will not be in compliance with the rules and regulations and other pertaining requirements. However, disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.) are done by IME.

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

In respect of electronic platform in IME, the entire transaction process is carried out in electronic auction. However, the pre-trade and post-trade procedures are manual through completion of listings and order placing forms and docs. Meanwhile, as it was mentioned above about policy makers in the real estate sector, undividable part of physical real estate trading is the State's Organization for Registration of Deeds and Properties which is responsible to record all real estate trading in the country.

14) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate

Residential real estate

Commercial real estate

Other (Government real estate)

√
√
√
√

15) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

In order to keep the state's territorial integrity, foreigners are not permitted to buy agricultural and industrial lands. The way they can own a property directly is when:

- 1- There would be bilateral or multilateral agreements between Iran and other countries in respect of buying home only for residential and Job-related purposes;
- 2- Foreigners who are not resident can send their request and information via a statement to embassies of Iran across the world for buying residential home. The ministry of foreign affairs will investigate the request and finalize its permission or rejection.

Although above restrictions are in place, if investment of foreigners in real estate would result establishment of an Iranian company, ownership of all properties are permissible. In addition, indirect ownership of properties and immovable assets through investment in securities is permissible too.

16) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

No, but in case for legal entities, real estate trading providing authenticated valuation report or appraisal is necessary.

17) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes No

Yes, it helps the ease of trading, liquidity and fair price discovery. However, what should be highlighted is that the policy makers of the real estate sector generally are not capital market regulators and in case of physical trading, their cooperation and collaboration is necessary. Moreover, the COMCEC should focus not only on physical trading but also securitized trading of real estate since this area is directly under supervision of capital market regulators and is more important than physical trading in which majority of countries do have legal restrictions in this respect.

18) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic

√

A COMCEC Capital Markets Regulator’s Forum Workshop for experience sharing

√

Technical assistance for improving real estate finance

√

Others (please specify)

√

More than holding workshops or technical assistance, through some meetings, ways of running the exchange and potentials of members should be discussed.

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

12) Which Sukuk types are regulated in your jurisdiction

Please also specify the sukuk types in your market which are related to real estate.

Musharakah Sukuk	Sukuk Al-Murabaha	Sukuk Al-Ijarah	Mudharabah Sukuk
Salam Sukuk	Manfa'ah Sukuk (Usufructs Sukuk)	waqf Sukuk	Jo’alah Sukuk
Mozarrah Sukuk	Mosaghat Sukuk	Qard al-Hasan Sukuk	Istisna’a Sukuk

These all Sukuks are ratified by the Shariah Board of the SEO. However, albeit they are ratified, not all of them are issued in the market.

Main Sukuks Used for Real Estate Financing Subordinated Sukuks can be used for Real Estate Financing	Musharakah Sukuk	Sukuk Al-Ijarah	Istisna’a Sukuk
	Manfa'ah Sukuk (Usufructs Sukuk)	Qard al-Hasan Sukuk	Jo’alah Sukuk

In addition of Sukuks, Mortgage backed Secirities are going to be lunched in the market in near future as well.

13) Can you provide data for the funds raised by Sukuk issuances?

Cumulatively, 6991 million US Dollar has been issued in capital market (the Central Bank has its own statistics). Meanwhile, 69.5 percent of issued sukuk is Musharakah Sukuk, 22 percent is Ijarah Sukuk, 1.3 percent is Murabaha Sukuk, 0.8 percent is Istisna Sukuk and 6.4 percent is Salam Sukuk.

It should be noticed that Musharakah Sukuk has been issued since 2005 whereas other types of Sukuks have been issued since 2011.

Musharakah Sukuk	69.5%
Ijarah Sukuk	22%
Murabaha Sukuk	1.3%
Istisna Sukuk	0.8%
Salam Sukuk	6.4%

14) What is the percentage or amount of sukuk issuance raised for real estate against other sectors ?

Approximately, 781 million US Dollar is specified to the Real Estate sector (equally, around 11 percent of issued Sukuks)

15) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

So far, 8 sovereign Sukuks have been issued in the capital market: a National Iranian Oil Company's Musharakah Sukuk amounted 1654 million US dollar, 6 National Iranian Oil Company's Salam Sukuk amounted 303 million US dollar, and finally an Ijarah Sukuk for Ministry of Economic Affairs and Finance amounted 165.5 million US dollar.

Therefore, 30.4 percent of issued Sukuks is sovereign Sukuk and the rest is private.

For Sukuks related to the real estate sector, 154.6 million US dollar is Musharakah (2.2%), 624.3 million US dollar is Ijarah (9%) and 54.4 million US dollar is Istisna Sukuk (0.8%).

It should be mentioned that sovereign Salam Sukuks are issued in Energy Exchange of Iran.

16) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)	Private Sector (%)
IPO	100%	100%
Qualified Investor		
Private Placement		
Others (please specify)		

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types :

a) Which Sukuk type is more favorable in secondary market?

Ijarah Sukuk

b) The transaction volume/amount for each type?

Types of Sukuks (Million US \$)	2013	2014	2015
Ijara Sukuk	2,088	2,799	3,369
Murabaha Sukuk	27.4	23	207
Musharakah Sukuk	1,458	1,950	2,620
Total	3573.4	4772	6196

c) Transaction amount in terms of issuer type (sovereign and private sector)

Type of Issuer (Million US\$)	2013	2014	2015
banks	475.5	122	77.8
private sector	3195	4284	5373
sovereign			62
municipal	372	483	745
Total	4042.5	4889	6257.8

6) Please identify the number of Sukuk issuers for private sector.

Year	Number of Sukuk issuers (IFB and TSE)
2013	10
2014	13
2015	14

Altogether, the following numbers of Sukuk issuers have been in the market from 2005 to 2016:

Ijarah	22
Musharakah	23
Istisna	1
Murabaha	5
salam	12

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuks?

Yes No

If your answer is yes please select one of the options listed below.

■ Opening a Real Estate Securities Market in a Regulated Exchange

Establishing an Alternative Trading System

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

Others

If your answer is “others” please specify and explain.

It can be appropriate to open a new market in a regulated exchange; however, there must be a link between the market and other exchanges and all members need to fine tune their regulations with the core one.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

3) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	Mutual funds are designed as open end funds; however, real estate sector corporations might be considered as closed end funds.
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	No. Since all products in Iran's capital market are fully fledged Islamic ones, there is no specific regulation regarding Islamic CISs.
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD)	Mutual Funds= 20 bilion Rials or 0.66 million US dollar Construction Funds= 100 billion Rials or 3.3 million US dollar

	Others	
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	No
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	There is no restriction on selling units to foreign investors. Provided they are committed to the relevant rules and regulations, foreign investors can take over 100% of a CIS's preferred units. Although there are some general restrictions on selling units of some specific types of CISs, the selling restrictions are addressing not only for foreign but also domestic investors.
6) Listing status of Collective Investment Schemes	Mandatory/Optional (Please specify)	Founders of a CIS need to determine the type of CIS and decide if they are going to establish an ordinary CIS (mutual fund) or an ETF. CISs issue investment units which are redeemable, as 100% of liquidity of CIS is guaranteed by a body called guarantor, whenever the ordinary unit-holders desire to liquidate their assets. These CISs are not listed and are not subject to specific regulations for being listed. There is also possibility of listing a CIS in Tehran Stock Exchange or Iran Farabourse by the CISs' founders, which are called Exchange Traded Funds or ETFs. These fund units are not redeemable but tradable in the market and a body called market maker has some duties in facilitating the liquidity of the units.
10) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real	Mutual funds are not permitted to directly invest in real estate, but they might do it indirectly through investing up to 5% of their

	estates, real estate projects, real estate right, real estate companies' stocks etc.	assets in units of construction funds.		
11) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		0.8%	1.1%	12.1%

2) Please complete the table below.

Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Market Capitalization
2013			
1	18 companies	Listed in IFB and TSE	Corporation
			54,312(BillionRials) or approximately 2933 million US\$
2014			
1	Nasim Construction Fund	listed	ETCF
			207 (BillionRials) or approximately 8 million US\$
2	20companies	Listed in IFB and TSE	corporate
			37,339(BillionRials) or approximately 1438 million US\$
			Total: 1446 million US\$
2015			

1	Nasim construction Fund	listed	ETCF	207 (BillionRials) or approximately 8 million US\$
2	MaskanShomalGharb construction Fund	listed	ETCF	354(BillionRials) approximately 12.5 million US\$
3	20companies	Listed in IFB and TSE	corporate	30,928(BillionRials) approximately 1080 million US\$
				Total: 1100.5 million US\$

V. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

- 11) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

Yes, Real Estate instruments are traded in Iran's Exchanges (Tehran stock Exchange and Iran Farabourse) but sometimes banks branches are involved for SUKUKs. They are traded like the other instruments & their settlements are based on their variety. Traded instruments in exchanges include:

- 1- Real estate corporations' share of stocks;
- 2- Different kinds of Sukuks;
- 3- Construction Funds.

- a. Is there any legislation for investor protection in your country such as investor compensation systems?

There is Settlement Guarantee Fund in Iran's capital market that reduces the investors default risk. And also, Investors Protection Fund (IPF) is one of the solutions for protecting the investors that is an ongoing initiative by the Central Securities Depository of Iran.

Moreover, Iran's capital market has some legal authorities like Arbitration Committee that defends individual and institutional investors' rights.

- b. What is the tax requirement/obligation for foreign investors for trading securities in your country?

They behave like domestic investors and should pay 0.005 of the sales value. It should be noticed that dividend & capital gain are free of tax.

- c. What are the reporting requirements in your country for foreign investors?

-

Documents and reports which are required by the Securities and Exchange Organization of Iran.

- 12) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

It is legally possible but it needs the approval of the SEO. However, it is important to manage settlement according to both exchanges.

- 13) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

Currently, investors are able to trade all kinds of securities based on an on-line trading platform in the market. Undoubtedly, it has increased the liquidity and velocity of the market. Therefore, if trading will be set on the current platform, its regulatory mechanism will be unchanged but if there will be a new platform, some regulatory collaboration is necessary since there must not be a difference between two platforms.

- 14) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

- a. How many (global) custodian banks operate in your market?

Please name the titles of these institutions.

CSDI plays the role of central custodian in Iran capital market and some commercial banks do the cash settlement on behalf of their counterparts (brokers). But right now, there is no global custodian bank in Iran.

- b. Which services do custodian banks provide?

Safekeeping of securities, settlement of securities trades, corporate actions and etc are done by CSDI as central custodian and cash settlement by the afore-mentioned custodian banks.

- c. Can you please provide information on the relevant legislation/regulation?

N/A

- d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

There is no limitation unless, custodian banks have to get license from the SEO and its permission to act in the market.

- e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

Settlement in Iran's capital market is done by Central Securities Depository of Iran (CSDI) in two steps:

- 1- Securities settlement: the settling of securities is done grossly at the level of final investors, coinciding with the trades. So investors could sell their securities immediately after purchasing.
- 2- Cash settlement: After market closing at the end of each working day, the trades are netted between brokers by CSDI and cash settlement takes place after specific time. During this time brokers with net payable due to CSDI should deliver the amount to CSDI since other broker receives that and distributed among final investors.

- f. Are there any restrictions on entry and exit of cash to/from the financial system?

There is a restriction for strategic investors⁷ in capital market that they cannot sell their main purchased stocks for two years without permission of the SEO.

- g. Is settlement in foreign currencies possible?

CSDI through a system named "Multi-Currency NetClear" can settle in foreign currencies.

5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

- a. Establishment of a separate securities exchange exclusively for real estate securities.
- b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

Although that could be idealistic, making a separate exchange for real estate companies or funds of COMCEC member states to be listed in is more favorable. There would be a consortium of regulators (a board including elected member states) which regulate an exchange in a particular country which accepts listing of introduced companies or funds for trading in the exchange.

Different Ideas should be discussed in workshops or meetings and mechanisms of launching such an exchange or market should be reviewed.

⁷ Ownership of more than ten percent of the shares of a company

IV. MALAYSIA - Securities Commission



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	Securities Commission Malaysia
Country:	Malaysia
Contact person: (at least 2 persons)	1) Mohd Radzuan Ahmad Tajuddin Head of Development Department Islamic Capital Market 2) Syed Azhan Syed Mohd Bakhor Assistant General Manager Islamic Capital Market
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Upon the mandate of the 30th **COMCEC Meeting**, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report⁸ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

⁸ <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

IV. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum’s Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries’ legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries’ views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

19) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

No

If yes, please provide following information regarding this platform

a) The name of the organization responsible for governance of this platform?

Nil

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

Nil

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

Land Office, Inland Revenue Board, Registered Valuer

20) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	
Residential real estate	✓
Commercial real estate	✓
Other (please specify)	

21) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

Yes. Foreigners may purchase property in Malaysia but there are various rules and regulations to follow. For example, foreigners can purchase any kind of property in federal administered territories with a minimum value of MYR 1 million (approximately US\$250,000)

22) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

In general, legal requirement for appraisal services is required by the financial institutions for financing purposes.

Furthermore, Malaysia property comes under the control of the various Malaysian State Governments, so rules can vary depending on which part of Malaysia the property is purchased. Although the Federal Government passes national regulations, the States have the option of implementing these or not when it comes to property matters.

23) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes No

The website or an electronic trading platform is a convenient method to make property search easy for buyer and seller to buy and sell properties. There are already several websites providing such services e.g. propertyguru.com, iproperty.com, etc

24) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	
A COMCEC Capital Markets Regulator’s Forum Workshop for experience sharing	
Technical assistance for improving real estate finance	
Others (please specify)	√

To conduct feasibility study of establishing such exchange on legal and tax requirements, cost efficiency, etc

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

17) Which Sukuk types are regulated in your jurisdiction?

Please also specify the sukuk types in your market which are related to real estate.

- *Ijarah (Leasing)*
- *Istisna` (Purchase order)*
- *Mudharabah (Profit sharing)*
- *Murabahah (Cost-plus sale)*
- *Musharakah (Profit and loss sharing)*
- *Tawarruq (Tripartite sale)*
- *Wakalah (Agency)*

18) Can you provide data for the funds raised by Sukuk issuances?

USD billion	2013	2014	2015
Total issuances	84.04	75.18	27.42

19) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

SECTORS	2013	2014	2015
ASSET-BACKED SECURITIES	0.22%	0.00%	0.04%
CONSTRUCTION AND ENGINEERING	0.56%	1.44%	4.16%
CONSUMER PRODUCTS	0.00%	0.00%	0.11%
DIVERSIFIED HOLDINGS	3.71%	2.88%	6.47%
FINANCIAL SERVICES	7.19%	12.98%	15.43%
INDUSTRIAL PRODUCTS	0.07%	0.16%	0.97%
INFRASTRUCTURES AND UTILITIES	9.35%	6.36%	14.60%
PLANTATION AND AGRICULTURE	0.89%	0.85%	2.92%
PROPERTY AND REAL ESTATE	1.17%	3.12%	7.62%
PUBLIC FINANCE	75.58%	70.43%	43.13%
TRADING & SERVICES	0.52%	0.92%	1.09%
TRANSPORTATION	0.73%	0.86%	3.45%

20) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

	2013	%	2014	%	2015	%
Sovereign	62.52	74%	55.15	73%	12.17	44%
Private	21.52	26%	20.03	27%	15.25	56%
Total issuances	84.04		75.18		27.42	

21) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)	Private Sector (%)
IPO	<i>N/A</i>	<i>N/A</i>
Qualified Investor	<i>N/A</i>	<i>N/A</i>
Private Placement	<i>N/A</i>	<i>N/A</i>
Others (please specify)	<i>N/A</i>	<i>N/A</i>

Note: We do not maintain the required data.

6) If there is a secondary market for Sukuk, please answer following questions with regard to real estate related and other sukuk types:

We do not maintain the required data.

a) Which Sukuk type is more favorable in secondary market?

b) The transaction volume/amount for each type?

c) Transaction amount in terms of issuer type (sovereign and private sector)

7) Please identify the number of Sukuk issuers for private sector.

	2013	2014	2015
Issuers for private sector	77	72	58

8) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuk?

Yes

No

If your answer is yes please select one of the options listed below.

Opening a Real Estate Securities Market in a Regulated Exchange

Establishing an Alternative Trading System

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

Others

If your answer is “others” please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

4) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	Open-ended trust / fund
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	Yes, under Collective Investment Schemes, we have the following guidelines: <ul style="list-style-type: none"> • Guidelines on Unit Trust Funds; • Guidelines on Real Estate Investment Trusts; and • Guidelines on Exchange-Traded Funds. <p>For each guidelines there are specific provisions for the Islamic Collective Investment Schemes such as the appointment of Shariah adviser, roles and responsibilities of Shariah adviser, fit and proper</p>

		<p>criteria, etc.</p> <p>There is also specific guidelines on Islamic REITs namely Guidelines on Islamic Real Estate Investment Trusts, issued in 2005, to facilitate the establishment of an Islamic real estate investment trust</p>
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD) Others	REITS: Minimum shareholders' funds of RM1 million (approximately USD250,000) at all times Portfolio management company: <ul style="list-style-type: none"> • Minimum paid-up capital of RM2 million • Minimum shareholders' funds of RM2 million to be maintained at all times
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	No
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	No

6) Listing status of Collective Investment Schemes	Mandatory/ Optional (Please specify)	Optional		
7) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	1) A real estate investment trust may only invest in the following: <ul style="list-style-type: none"> (a) Real estates; (b) Single-purpose companies; (c) Real estate-related assets; (d) Non-real estate-related assets; and (e) Cash, deposits, and money market instruments. 2) At least 50% of a fund's total asset value must be invested in real estate and/or single-purpose companies at all times. 3) A fund's investment in non-real estate-related assets and/or cash, deposits and money market instruments must not exceed 25% of a fund's total asset value.		
8) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		25%	27%	28%

2) Please complete the table below.

	Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Net Asset Value/Market Capitilazation/Martket Value (USD) for Collective Investment Schemes
2013				
1	AMANAH HARTA TANAH PNB	Listed	REITS	34,435,472
2	AXIS REITS	Listed	REITS	411,833,165
3	YTL HOSPITALITY REIT	Listed	REITS	407,628,456
4	UOA REITS	Listed	REITS	186,854,815
5	TOWER REITS	Listed	REITS	128,218,802
6	AL-AQAR HEALTHCARE REIT	Listed	REITS	282,182,295
7	AMFIRST REITS	Listed	REITS	209,173,122
8	HEKTAR REITS	Listed	REITS	183,133,072
9	QUILL CAPITA TRUST	Listed	REITS	140,287,850
10	AL-HADHARAH	Listed	REITS	395,457,052

	BOUSTEAD REIT			
11	AMANAHRAYA REITS	Listed	REITS	174,682,267
12	ATRIUM REITS	Listed	REITS	48,252,720
13	SUNWAY REAL ESTATE INV T TRUST	Listed	REITS	1,104,790,309
14	CAPITAMALLS MALAYSIA TRUST	Listed	REITS	756,345,531
15	PAVILION REAL ESTATE INV TRUST	Listed	REITS	1,173,974,029
16	IGB REAL ESTATE INV TRUST	Listed	REITS	1,241,175,464
17	KLCC PROP&REITS-STAPLED SEC	Listed	REITS	3,218,405,771
	TOTAL			10,096,830,190

2014				
1	AMANAH HARTA TANAH PNB	Listed	REITS	32,331,903
2	AXIS REITS	Listed	REITS	567,104,373

3	YTL HOSPITALITY REIT	Listed	REITS	377,043,475
4	UOA REITS	Listed	REITS	173,020,498
5	TOWER REITS	Listed	REITS	101,927,039
6	AL-AQAR HEALTHCARE REIT	Listed	REITS	274,904,872
7	AMFIRST REITS	Listed	REITS	178,719,730
8	HEKTAR REITS	Listed	REITS	170,799,666
9	QUILL CAPITA TRUST	Listed	REITS	130,601,794
10	AMANAHRAYA REITS	Listed	REITS	136,129,466
11	ATRIUM REITS	Listed	REITS	41,471,585
12	SUNWAY REAL ESTATE INV T TRUST	Listed	REITS	1,275,687,725
13	CAPITAMALLS MALAYSIA TRUST	Listed	REITS	727,878,429
14	PAVILION REAL ESTATE INV TRUST	Listed	REITS	1,258,991,856
15	IGB REAL ESTATE INV TRUST	Listed	REITS	1,292,131,396

16	KLCC PROP&REITS- STAPLED SEC	Listed	REITS	3,466,032,900
TOTAL				10,204,776,706

2015				
1	AMANAH HARTA TANAH PNB	Listed	REITS	23,299,161
2	AXIS REITS	Listed	REITS	420,237,799
3	YTL HOSPITALITY REIT	Listed	REITS	320,914,363
4	UOA REITS	Listed	REITS	157,640,923
5	TOWER REITS	Listed	REITS	80,385,601
6	AL-AQAR HEALTHCARE REIT	Listed	REITS	237,538,922
7	AMFIRST REITS	Listed	REITS	117,545,474
8	HEKTAR REITS	Listed	REITS	141,883,471
9	MRCB-QUILL REIT	Listed	REITS	166,423,924
10	AMANAHRAYA REITS	Listed	REITS	115,525,437

11	ATRIUM REITS	Listed	REITS	31,216,473
12	SUNWAY REAL ESTATE INV T TRUST	Listed	REITS	1,000,547,423
13	CAPITALAND MALAYSIA MALL TRUST	Listed	REITS	651,030,498
14	PAVILION REAL ESTATE INV TRUST	Listed	REITS	1,089,854,489
15	IGB REAL ESTATE INV TRUST	Listed	REITS	1,083,922,941
16	KLCC PROPERTY & REITS-STAPLED SEC	Listed	REITS	2,969,629,908
17	AL-SALAM REAL ESTATE INVESTMENT TRUST	Listed	REITS	125,675,676
	TOTAL			8,733,272,483

VI. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

15) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

Yes, the real estate related instruments include listed shares and loan instruments of real estate companies, REITS of both conventional and Shariah.

a. Is there any legislation for investor protection in your country such as investor compensation systems?

The compensation fund is being administered by the Securities Commission Malaysia. Securities Industry Dispute Resolution Centre (SIDREC) has also been set up to handle settlement of claims in relations to capital market products and services.

b. What is the tax requirement/obligation for foreign investors for trading securities in your country?

The distribution of income by REITs to non-resident is subject to withholding tax at the following prevailing tax rate:

- 1) Company – 24%*
- 2) Institutional investor – 10%*
- 3) Individual – 10%*
- 4) Others – 10%*

The withholding tax is a final tax and hence the foreign investors do not need to file a Malaysian income tax return to report the REITs distribution income received by them.

Besides, all investors are required to pay stamp duties on contract and good and services tax (GST) on clearing fee and brokerage. Stamp duties is rated at RM1 per

RM1,000 or part thereof contract value ad volerem and to the maximum of RM200. GST is 6% on clearing fee and brokerage value.

- c. What are the reporting requirements in your country for foreign investors?

All reporting obligation / requirement are applicable to both foreign and local investors. No specific reporting requirement in term of shareholding or trading imposed on foreign investors.

- 16) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

Yes, the electronic trading platform is the authorized system of Bursa Malaysia, all trading of Bursa Malaysia can only be matched in this system. Currently, there is no provision of connectivity of alternative trading platform of other exchange operators.

- 17) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

An alternative trading platform for real estate securities is not necessary in the context of Bursa Malaysia or Malaysia. Bursa Malaysia is the listing venue and the exchange operator providing trading platform for secondary market trading. From technology perspective, the trading platform of Bursa Malaysia is operated on Nasdaq's X-treme INET engine which are renown for reliability, speed and ability to handle volume.

From a liquidity and market structure perspective, an alternative trading platform will fragmentize the liquidity and impair price discovery and may lead to loss of vibrancy of trading of the real estate sector. These would be detrimental to both issuers and investors.

- 18) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

- a. How many (global) custodian banks operate in your market?

8

Please name the titles of these institutions.

- 1. CIMB BANK BERHAD;**
- 2. CITIBANK BERHAD;**
- 3. DEUTSCHE BANK (MALAYSIA) BERHAD**
- 4. HSBC BANK MALAYSIA BERHAD;**
- 5. MALAYAN BANKING BERHAD;**
- 6. OCBC BANK (MALAYSIA) BERHAD;**

7. STANDARD CHARTERED BANK MALAYSIA BERHAD; and

8. UNITED OVERSEAS BANK (MALAYSIA) BERHAD

b. Which services do custodian banks provide?

Clear and settle directly with the Clearing House.

c. Can you please provide information on the relevant legislation/regulation?

1. Financial Services Act under the Central Bank of Malaysia.

2. Clearing House Rules on matters relating to Clearing and Settlement.

3. Capital Markets and Services Act (CMSA).

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

No limitation. Services only to members.

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

The clearing and settlement for on market transactions is 3 market days after the transaction date (T). Delivery and settlement of securities are effect via Electronic Book Entry share settlement based on records maintained by Depository. Financial settlement of securities between Clearing House and Clearing Participants are on a net basis.

f. Are there any restrictions on entry and exit of cash to/from the financial system?

In line with Foreign Exchange Administration rules.

g. Is settlement in foreign currencies possible?

No.

5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

a. Establishment of a separate securities exchange exclusively for real estate securities.

Not needed.

b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

Not needed.

V. OMAN - Capital Market Authority



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.savin@spk.gov.tr before 25 May 2016)

Institution:	Capital Market Authority
Country:	Sultanate of Oman
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Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report⁹ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

V. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

⁹ <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries' views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

25) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

If yes, please provide following information regarding this platform

Not available presently in Oman

a) The name of the organization responsible for governance of this platform?

N/A

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

N/A

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

Ownership records are held by the Ministry of housing for all types of land and property.

26) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	√
Residential real estate	
Commercial real estate	
Other (please specify)	

Theoretically, all types of property may be convenient for trading on such a platform, as long as the setting up of such a platform is accompanied by a strong regulatory and supervisory structure which can ensure that the information available on such a platform would be sound and reliable and consistent with fair and free market values, and where the rights of the buyers and sellers can be fully protected.

It is a function of trust, where the level of trust and frequency of use are positively correlated.

27) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

Foreigners from outside the GCC cannot purchase property in Oman, except in integrated tourism complexes (ITCs).

GCC residents can purchase property in Oman more or less in the same way as Omani nationals can.

28) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

Cash transactions:

At the point of transfer of title, the Ministry of Housing reviews the proposed transaction price and if it finds it to be overvalued or undervalued based on the Ministry's estimation, the transacting parties are instructed as to adjust the price downwards or upwards, as applicable. Without such adjustment, the Ministry does not approve the transaction.

Bank-financed transactions:

According to the CBO's instructions, all property purchase transactions financed by banks must go through a formal valuation process, via a property valuator.

29) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes

No

As long as it is accompanied by a strong regulatory and supervisory structure which can ensure that the information available on such a platform would be sound and reliable, and consistent with actual fair and free market values, and where the rights of the buyers and sellers can be fully protected.

30) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	√
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A COMCEC Capital Markets Regulator’s Forum Workshop for experience sharing	yes
Technical assistance for improving real estate finance	Perhaps at a later stage
Others (please specify)	

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

22) Which Sukuk types are regulated in your jurisdiction?

Any Sukuk issuance in Oman is regulated under the Sukuk Regulation of the CMA. The Sukuk structure is left to the issuer as long as it is approved by the relevant Shariah Supervisory Board of the issuer.

Please also specify the sukuk types in your market which are related to real estate. So far, it has mainly been through a Sukuk Ijarah structure.

23) Can you provide data for the funds raised by Sukuk issuances?

OMR329.48 million or USD856.656 million (OMR50+OMR250+USD76.656 million).

24) What is the percentage or amount of sukuk issuance raised for real estate against other sectors ?

OMR300 million (USD780 million) or 91% through a Sukuk Ijarah structure.

25) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

Sovereign: OMR250 million (USD650 million) – Sukuk Ijarah (75.88%).

Private sector: OMR79.48 million (USD206.648 million) – Sukuk Ijarah (15.17%) and Wakala (8.95%).

26) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)	Private Sector (%)
IPO		
Qualified Investor		
Private Placement	100%	100%
Others (please specify)		

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types :

- a) Which Sukuk type is more favorable in secondary market?
N/A. Although all the Sukuk issuances are listed on the Muscat Securities Muscat, there has yet to be any transaction.
- b) The transaction volume/amount for each type?
N/A.
- c) Transaction amount in terms of issuer type (sovereign and private sector)
N/A.
- 6) Please identify the number of Sukuk issuers for private sector.
So far there has been 2 Sukuk issuances from the private sector.
- 7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuk?
Yes No

If your answer is yes please select one of the options listed below.

- Opening a Real Estate Securities Market in a Regulated Exchange
- Establishing an Alternative Trading System
- Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments
- Others

If your answer is “others” please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

5) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	It shall be a close-ended investment fund (Refer to Article 209 of the Executive Regulation of the Capital Market Law).
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	Currently not specifically. However, specific Shariah requirements would be imposed for any Islamic Collective Investment Scheme issuance.
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD)	Minimum required initial capital for any Collective Investment Schemes shall not be less than OMR 2 million (USD5.2 million). The share of the sponsors shall not be less than 5% of this capital. Refer to Article 221 of the Executive Regulation of the Capital

	Others	Market Law.		
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	None, except that the sponsors may not dispose their shares in the fund before the expiry of 3 years from the date of the closure of the subscription. Refer to Article 221 of the Executive Regulation of the Capital Market Law.		
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	No.		
6) Listing status of Collective Investment Schemes	Mandatory/ Optional (Please specify)	Mandatory for all closed ended investment funds and optional for the open-ended investment funds . Refer to Article 231 of the Executive Regulation of the Capital Market Law.		
10) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	Currently, the general ruling is that all funds shall invest at least 75% of its capital. Refer to Article 222 of the Executive Regulation of the Capital Market Law.		
11) Market capitalization/net asset value of		2013	2014	2015

Collective Investment Schemes to total market capitalization of stock exchange?

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2) Please complete the table below.

	Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Net Asset Value/Market Capitalization/Market Value (USD) for Collective Investment Schemes
2013				
<i>1</i>				
<i>2</i>				
				<i>Total:</i>
2014				

1				
2				
				<i>Total:</i>
2015				
				<i>Total:</i>

VII. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

19) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

Yes. All closed-ended investment funds (including real estate investment funds) and Sukuk must be listed on the Muscat Securities Market, the stock exchange.

a. Is there any legislation for investor protection in your country such as investor compensation systems?

b. What is the tax requirement/obligation for foreign investors for trading securities in your country?

There is no tax requirement for foreign investors.

c. What are the reporting requirements in your country for foreign investors?

There are no specific reporting requirements for foreign investors. All trading transactions and settlement by investors will be captured through the Muscat Clearing & Depository company as they need to be registered account holders.

20) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

Yes, depending on the compatibility of the trading systems.

21) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

It would increase the transparency and disclosure of any transaction to be undertaken, while facilitating the trading in a more open and regulated environment. It may also enhance the liquidity of the trading instrument with more members participating.

22) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

a. How many (global) custodian banks operate in your market?

Please name the titles of these institutions.

Many Global Clients are dealing with the local custodians as Following:

1. HSBC:

Type	Name of Clients
Global Custodian	Bank Julius Baer & Co. Ltd.
Global Custodian	Bank of New York Mellon Luxembourg SA, The
Global Custodian	Bank of New York Mellon NA (The)
Global Custodian	Bank of New York Mellon SA/NV (The)
Global Custodian	Banque Saudi Fransi
Global Custodian	BNP Paribas Securities Services SA
Global Custodian	BNP Paribas Suisse SA
Global Custodian	Brown Brothers Harriman (Luxembourg) SCA
Global Custodian	Brown Brothers Harriman and Company
Global Custodian	Citibank NA
Global Custodian	Citigroup Global Markets Ltd
Global Custodian	Credit Suisse (Luxembourg) SA
Global Custodian	Credit Suisse AG, Zurich
Global Custodian	Danske Bank A/S Copenhagen
Global Custodian	Deutsche Bank AG London
Global Custodian	Deutsche Securities and Services
Global Custodian	DZ Privatbank SA
Global Custodian	EFG Hermes Financial Management (Egypt) Limited
Global Custodian	EFG Hermes Middle East and Africa Funds Limited
Global Custodian	EFG Hermes UAE Limited
Global Custodian	Financial Brokerage Group
Global Custodian	Hongkong and Shanghai Banking Corporation Limited (The)
Global Custodian	HSBC Bank Plc
Global Custodian	HSBC Private Bank (Suisse) SA Geneva
Global Custodian	HSBC Saudi Arabia Ltd
Global Custodian	J P Morgan Bank SA Luxembourg
Global Custodian	J P Morgan Chase Bank NA
Global Custodian	J P Morgan Securities Plc
Global Custodian	KBL European Private Bankers SA Luxembourg
Global Custodian	Morgan Stanley and Company Llc
Global Custodian	Nomura Trust and Banking Co Ltd
Global Custodian	Northern Trust Company
Global Custodian	Northern Trust Global Services Ltd
Global Custodian	Banque Pictet & Cie
Global Custodian	Pictet & Cie (Europe) S.A.
Global Custodian	RBC Investor Services Bank SA
Global Custodian	RBC Investor Services Trust
Global Custodian	Skandinaviska Enskilda Banken AB (PUBL)
Global Custodian	Skandinaviska Enskilda Banken SA
Global Custodian	Societe Generale Nantes
Global Custodian	State Street Bank and Trust Company
Global Custodian	Sumitomo Mitsui Trust Bank (USA) Limited
Global Custodian	Citibank Europe plc ,Luxembourg branch

2. National Bank Of Oman

- QNB, Qatar
- NBAD, UAE
- NBK, Kuwait
- MUSCAT CAPITAL, Saudi
- GULF CUSTODY, Oman
- Clearstream Bank, Luxembourg

3. Oman Arab Bank: Euroclear

b. Which services do custodian banks provide?

- Hold and keep track of customers' securities and funds in segregated accounts and monitor them to ensure that the investment mandate basis and objects is followed.
- Ensure safekeeping of the securities and rights associated with these securities, including the right to receive dividends and the right to vote.

- Provide customers directly with safekeeping functions, which are independent from the customer's relationship with the broker.
- Ensure accuracy of transactions undertaken by the broker.
- Receive, hold and pay out customer funds as settlement of executed transactions for securities listed on MSM or not listed on the MSM.
- Other custodial and related functions requested by the customer or global custodian.

c. Can you please provide information on the relevant legislation/regulation?

Refer to articles (125) and (129) of capital market law executive regulations.

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs? Investor accounts are opened directly with the CSD but custodians assist and front end the process.

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

The Clearing and settlement process is explained below:

On the trade day (T), the following activity takes place:

- Execution of Trades
- Prior to execution of a sell order, member has to transfer shares of the client to client's sub-accounts using UCSD system.
- Trade data is transferred to MCD (Central Depository) from the Exchange (MSM).
- MCD Calculates settlement obligation of members.

On T + 3 day the following activities takes place

- Custodial confirmation is received on T+3, by 11 AM
- Members pay-in funds to commercial banks as per funds obligations
- Commercial banks transfer funds to Central Bank of Oman using RTGS for settlement
- Clearing & settlement department interfaces with CBO for funds pay-in and Pay-out.
- MCD runs the securities pay-out as per securities settlement obligations
- Investors' securities balances reserved by members are automatically transferred by MCD to MSM for the next trading day
- Handling of settlement failures, if any, is done on T+4

f. Are there any restrictions on entry and exit of cash to/from the financial system?
No.

g. Is settlement in foreign currencies possible?
Yes.

5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

a. Establishment of a separate securities exchange exclusively for real estate securities.

Yes, but we need to be clear on the types of real estate or real estate securities to be listed.

b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

Rather than having just one market in one of the COMCEC member state's exchange, it may perhaps be a better option of having a global electronic trading platform linking the trading of the real estate instruments in the various member state's exchanges.

VI. PALESTINE - Capital Market Authority



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	Palestine Capital Market Authority
Country:	Palestine
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Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report¹⁰ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

¹⁰ <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

VI. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum’s Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries’ legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries’ views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

31) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

NO

If yes, please provide following information regarding this platform

a) The name of the organization responsible for governance of this platform?

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

Land Department, A governmental institution

32) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	√
Residential real estate	√
Commercial real estate	√
Other (please specify)	

33) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

No

34) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

No

35) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes

No

36) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	√
A COMCEC Capital Markets Regulator's Forum Workshop for experience sharing	√
Technical assistance for improving real estate finance	√
Others (please specify)	

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of "riba". Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the

main underlying assets besides raising funds for the construction of large projects.

27) Which Sukuk types are regulated in your jurisdiction?

It is not available until now

Please also specify the sukuk types in your market which are related to real estate.

28) Can you provide data for the funds raised by Sukuk issuances?

N/A

29) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

N/A

30) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

N/A

31) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)	Private Sector (%)
IPO	N/A	N/A
Qualified Investor	N/A	N/A
Private Placement	N/A	N/A
Others (please specify)	N/A	N/A

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types :

a) Which Sukuk type is more favorable in secondary market?

N/A

b) The transaction volume/amount for each type?

N/A

c) Transaction amount in terms of issuer type (sovereign and private sector)

N/A

6) Please identify the number of Sukuk issuers for private sector.

N/A

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuks?

Yes

No

If your answer is yes please select one of the options listed below.

Opening a Real Estate Securities Market in a Regulated Exchange

Establishing an Alternative Trading System

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

Others

If your answer is "others" please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

6) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	N/A
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	no
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD)	N/A

	Others			
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	No		
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	No		
6) Listing status of Collective Investment Schemes	Mandatory/ Optional (Please specify)	N/A		
10) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	N/A		
11) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		N/A	N/A	N/A

2) Please complete the table below.

	Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Net Asset Value/Market Capitalization/Market Value (USD) for Collective Investment Schemes
2013				
1	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A
2014				
1	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A

				<i>Total:</i>
2015				
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
				<i>Total:</i>

VIII. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

23) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

N/A

- a. Is there any legislation for investor protection in your country such as investor compensation systems?
- b. What is the tax requirement/obligation for foreign investors for trading securities in your country?
- c. What are the reporting requirements in your country for foreign investors?

24) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

yes

25) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

It will improve the market

26) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

a. How many (global) custodian banks operate in your market?

Please name the titles of these institutions.

NA

b. Which services do custodian banks provide?

NA

c. Can you please provide information on the relevant legislation/regulation?

NA

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

NA

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

It is full electronic system with T+2 implemented by clearing and Depository center at Palestine Stock Exchange

f. Are there any restrictions on entry and exit of cash to/from the financial system?

NO

g. Is settlement in foreign currencies possible?

Yes

5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

a. Establishment of a separate securities exchange exclusively for real estate securities.

No

b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

Yes

VII. SAUDI ARABIA - Capital Market Authority



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	Capital Market Authority
Country:	Kingdom of Saudi Arabia
Contact person: (at least 2 persons)	International Relations & Organizations Department
Phone:	00966114906255, 00966114906810
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E-mail:	International.relations@cma.org.sa

Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report¹¹ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

VII. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

¹¹ <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries' views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

37) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)? No

If yes, please provide following information regarding this platform

- a) The name of the organization responsible for governance of this platform?
- b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

38) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	
Residential real estate	
Commercial real estate	
Other (please specify)	

39) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

Non-Saudi ownership and investment of/in real estate in the kingdom are governed by the "Non-Saudi Ownership and Investment in Real Estate Law". Examples of restrictions as per this law include prohibition on foreign investors to have any interest in real estate located in Mecca city and Al-madinah Almunawarah city. Additionally, in order for a non-Saudi to own a real estate in Saudi Arabia, he must first obtain an authorization to do so from the Ministry of interior. If the

authorization is for investing in real estate, the cost of the investment project must not be less than 30 million SR.

40) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

Please see above answer. In addition, among the prerequisites is to get the approval of the of the Ministry of Commerce and Investment before launching real estate contributions. Furthermore, applicant whose real estate contribution has got the approval of the Ministry of Commerce and Investment - before announcing it – shall apply to the Capital Market Authority ("CMA") to open a real estate investment fund. The CMA requires the applicant to seek appraisal services from an accredited appraiser. Moreover, as per "Regulations for Organizing Real Estate Offices", opening a real estate office requires registration with the Ministry of Commerce and Investment.

41) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes No

42) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	√
A COMCEC Capital Markets Regulator’s Forum Workshop for experience sharing	
Technical assistance for improving real estate finance	
Others (please specify)	

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

32) Which Sukuk types are regulated in your jurisdiction?

All offerings of debt securities, which include any type of Sukuk, are under the Capital Market Authority (“CMA”) jurisdiction.

Please also specify the sukuk types in your market which are related to real estate.

The CMA’s regulations do not require the issuer of debt securities offered by a way of private placement to provide any information regarding the purpose of issuing the debt security. Therefore, it is not possible to distinguish the purpose of the issuance. As for public debt issuances, there are no real estate-related securities listed on the exchange.

33) Can you provide data for the funds raised by Sukuk issuances?

The funds raised through Sukuk issuances are as follow:

	Sector											
	Government*				Banks and Financial Institutions				Corporate and Non-Financial Institutions			
	Public Issuance		Private placement		Public Issuance		Private placement		Public Issuance		Private placement	
	Number	Amount Raised (million USD)	Number	Amount Raised (million USD)	Number	Amount Raised (million USD)	Number	Amount Raised (million USD)	Number	Amount Raised (million USD)	Number	Amount Raised (million USD)
H1 2015	-	-	5	480	-	-	7	1,950	-	-	2	367
H2 2016	-	-	1	185	-	-	5	1176	1	1,040	5	1018
Q1 2016	-	-	3	438	-	-	2	761	-	-	1	267

*May include foreign governments that offer Sukuk in the kingdom

34) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

The CMA’s regulations do not require the issuer of debt securities offered by a way of private placement to provide any information regarding the purpose of issuing the debt security.

Therefore, it is not possible to distinguish the purpose of the issuance. As for public debt issuances, there are no real estate-related securities listed on the exchange.

35) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

Sovereign issuances account for 28% of the total number of Sukuk issuances for the period between 01/01/2015 until 31/03/2016. Issuances through private sector account for 72% of the total number of Sukuk issuances for the same period.

36) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign (%)*	Private Sector (%)*
IPO	-	3%
Qualified Investor	-	-
Private Placement	28%	69%
Others (please specify)	-	-

*Based on the number of issuances for the period between 01/01/2015 until 31/03/2016

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types :

The information provided below is in relation to publicly offered Sukuk listed and traded on the exchange. Data for Sukuk offered through a private placement is not available.

a) Which Sukuk type is more favorable in secondary market?

Currently, there are six Sukuk issuances listed on the exchange with different structures being used for these issuances (e.g. Mudarabah, Murabaha, Istithmar). However, there is no clear evidence that investors favor a specific type of Sukuk over another.

b) The transaction volume/amount for each type?

The transaction volumes and amount traded during 2015 are as follow:

Sukuk	Amount Traded (USD)	Volume
ORIX Sukuk*	-	0

Sadara Sukuk	13,466,667	3
Sipchem Sukuk	18,249,205	1
Bahri Sukuk	-	0
Saudi Electricity 3	70,297,267	2
Saudi Electricity 4	18,666,667	1
SATORP Sukuk	-	0
Total	120,679,805	7

*Delisted on 24/12/2015

Source: Saudi Stock Exchange Annual Statistical Report 2015

c) Transaction amount in terms of issuer type (sovereign and private sector)

The total amount traded for Sukuk listed on the exchange is USD 120m during 2015. There are no sovereign Sukuk listed on the exchange.

6) Please identify the number of Sukuk issuers for private sector.

All Sukuk listed on the exchange are issued by private sector.

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuks?

Yes No

We believe that feasibility studies are needed in order to answer this question.

If your answer is yes please select one of the options listed below.

Opening a Real Estate Securities Market in a Regulated Exchange

Establishing an Alternative Trading System

Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments

Others

If your answer is "others" please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

7) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	Close-ended real estate funds
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	Islamic complied funds have to meet disclosure requirements.
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD)	N/A

	Others			
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	No		
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	Please refer to the Frequently Asked Questions on the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares, which can be found in the following link: http://cma.org.sa/En/Documents/FAQS.pdf		
6) Listing status of Collective Investment Schemes	Mandatory/ Optional (Please specify)	N/A		
10) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	N/A		
11) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		0.24%	0.27%	0.28%

2) Please complete the table below.

	Name of Company	Listed/Unlisted	Type of Collective Investment Schemes Corporate/REIT/Property Fund	Net Asset Value/Market Capitilazation/Martket Value (USD) for Collective Investment Schemes
2013				
1	Samba Capital	Unlisted	Property Fund	0.09%
2	ALAWWAL Capital	Unlisted	Property Fund	0.03%
3	Riyad Capital	Unlisted	Property Fund	0.03%
4	ANB Capital	Unlisted	Property Fund	0.03%
5	Falcom	Unlisted	Property Fund	0.01%
6	KSB	Unlisted	Property Fund	0.02%
7	The Investor	Unlisted	Property Fund	0.01%
8	Aljazira	Unlisted	Property Fund	0.00%
9	MEFIC	Unlisted	Property Fund	0.01%
10	Saudi Fransi	Unlisted	Property Fund	0.01%
				Total:0.24%

2014				
1	Samba Capital	Unlisted	Property Fund	0.11%
2	ALAWWAL Capital	Unlisted	Property Fund	0.04%
3	Riyad Capital	Unlisted	Property Fund	0.04%
4	ANB Capital	Unlisted	Property Fund	0.05%
5	KSB	Unlisted	Property Fund	0.01%
6	Aljazira	Unlisted	Property Fund	0.00%
7	MEFIC	Unlisted	Property Fund	0.01%
8	Saudi Fransi	Unlisted	Property Fund	0.01%
				Total:0.27%
2015				
1	Samba Capital	Unlisted	Property Fund	0.13%
2	Riyad Capital	Unlisted	Property Fund	0.03%
3	ANB Capital	Unlisted	Property Fund	0.04%
4	KSB	Unlisted	Property Fund	0.02%
5	Aljazira	Unlisted	Property Fund	0.01%

6	MEFIC	Unlisted	Property Fund	0.01%
7	Saudi Fransi	Unlisted	Property Fund	0.02%
8	NCB Capital	Unlisted	Property Fund	0.02%
				Total:0.28%

IX. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

27) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

No

- a. Is there any legislation for investor protection in your country such as investor compensation systems?
- b. What is the tax requirement/obligation for foreign investors for trading securities in your country?
- c. What are the reporting requirements in your country for foreign investors?

28) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

As for trading in securities, there is TADAWUL trading platform, which is legally recognized. However, the laws are silent in regard to recognizing the possibility of alternative trading platform to transfer orders to the securities exchange.

29) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

We believe that feasibility studies are needed in order to answer this question.

30) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

a. How many (global) custodian banks operate in your market?

Please refer to institutions authorized by the CMA to conduct “custody” services, Please refer to Authorised Persons with “custody” license as stated on CMA website, the link is as below:

<http://cma.org.sa/En/Pages/AuthorisedPersons.aspx>

Please name the titles of these institutions.

Please see response to question “a” above.

b. Which services do custodian banks provide?

Please refer to Securities Business Regulation Article 2, which list the securities business activities, including “custody”. Please see link below:

<http://cma.org.sa/En/Regulations/Pages/default.aspx>

c. Can you please provide information on the relevant legislation/regulation?

Please refer to Securities Business Regulation Article 2, which list the securities business activities, including “custody”. Please see link below:

<http://cma.org.sa/En/Regulations/Pages/default.aspx>

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

[Please refer to Securities Depository Center Rules](#)

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

Please see response in “d”.

- f. Are there any restrictions on entry and exit of cash to/from the financial system?

To comply with the applicable rules and regulations, relating to Capital Market, Banking and Insurance.

You may also refer to the Frequently Asked Questions on the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares, which can be found in the following link:

<http://cma.org.sa/En/Documents/FAQS.pdf>

- g. Is settlement in foreign currencies possible?

Currently, settlement is in local currency only.

- 5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

- a. Establishment of a separate securities exchange exclusively for real estate securities.
- b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

We believe that feasibility studies are needed in order to answer this question.

VIII. TURKEY – Capital Markets Board



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE

FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016)

Institution:	Capital Markets Board
Country:	Turkey
Contact person: (at least 2 persons)	Gül Ertan Ilal
Phone:	
Fax :	
E-mail:	

Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report¹² which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

VIII. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

¹² <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries' views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

43) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

In Turkey, a website is available for trading physical real estate. The system is called TapuTakas (Titled deed Barter).

If yes, please provide following information regarding this platform

The idea behind Tapu Takas is to provide secure real estate purchase and sale. The system is developed for preventing problems experienced by buyers and sellers during exchange of property rights and purchase-sales costs, and to create a time, labor force and cost advantage with a modern, secure and technological infrastructure. TapuTakas system was designed as part of a protocol signed between the General Directorate of Land Registry and Cadastre and the Istanbul Clearing, Settlement and Custody Bank Bank Inc.-(Takasbank).

TapuTakas system aims to provide,

- Simultaneous exchange of real estate and sales cash cost,
- Eliminating trust problems of parties,
- Removing of cash carrying risks,
- Ease of fast transfers at a low cost

a) The name of the organization responsible for governance of this platform?

General Directorate of Land Registry and Cadastre and the Istanbul Clearing, Settlement and Custody Bank Bank Inc.-Takasbank are responsible institutions for operating the TapuTakas system.

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

No, TapuTakas system does not give real estate related services such as appraisal and disclosure of standardized information but only provides secure real estate purchase and sale. If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

44) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	√
Residential real estate	√
Commercial real estate	√
Other (please specify)	

45) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

In accordance with the Article 35 of the Land Registry Law No. 2644, amended by Law No. 6302, which entered into force on 18 May 2012, the condition of reciprocity for foreigners who wish to buy property in Turkey is abolished.

Persons with foreign nationality can buy any kind of property (house, business place, land, field) within the legal restrictions.

Legal Restrictions for Foreigners in Buying Property:

- a) Persons with foreign nationality can buy maximum 30 hectares of property in Turkey in total and can acquire limited in rem right.
- b) Foreigners cannot acquire or rent property within military forbidden zones and security zones.
- c) Persons with foreign nationality can acquire property or limited in rem right in a district/town up to 10 % of the total area of the said district/town.
- d) Legal restrictions do not apply in setting mortgage for real persons and commercial companies having legal personality which are established in foreign countries.
- e) The properties are subject to winding up provisions in following cases: (i) if the properties are acquired in violation of laws; ii) if the relevant Ministries and administrations identify that the properties are used in violation of purpose of purchase; iii) if the foreigner does not apply to the relevant Ministry within time in case the property is acquired with a project commitment; iv) if the projects are not materialized within time.

Persons with foreign nationality who buy property without construction (land, field) have to submit the project which they will construct on the property to the relevant Ministry within 2 years.

46) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

Within the context of Turkish legal and capital market regulatory framework, real estate investment company (REIC) is a type of capital market institution which is founded in order to issue its shares for the purpose of operating and managing a portfolio composed of real estates, real estate projects, real estate-based rights, infrastructural investments and services, capital market instruments.

For the transactions and acts listed below, REICs are under obligation to have the current market values and current rentals of the subject assets and rights determined in accordance with the appraisal requirement set forth at the Communiqué on Principles of Real Estate Investment companies

- a)** Inclusion in the portfolio or exclusion from the portfolio of real estates, real estate-based rights, real estate-based projects and infrastructural investments and services and their projects;
- b)** Letting the portfolio real estates on hire;
- c)** Renting of real estates for re-renting purposes;

- c)** Renewal or extension of rent contracts of portfolio real estates let on hire;
- d)** Acceptance of real estate mortgages;
- e)** As a condition precedent of commencement of construction works in real estate-based projects, determination as to whether the legal procedures are complied with or not, and the required documents are available completely and accurately or not;
- f)** Inclusion of other assets deemed fit for valuation/appraisal by the Board into, and exclusion of such assets from, the portfolio;
- g)** Determination of year-end value of assets that are included in the portfolio and the current market value of which is not determined for any reason whatsoever within the last three months of accounting period of the REIC;
- g)** Change of type or kind of assets mentioned in subparagraph (a) of first paragraph of this Article; and
- h)** Injection of capital in kind in the REIC.

Real estate appraisal companies to be appointed for appraisal purposes must have been enrolled to the list kept by the Capital Markets Board. Moreover, the appraisal company must be independent from

- Partners holding shares equal to or more than 20% of capital or holding voting rights of the same percentage in the REIC;
- Partners holding shares granting the privilege of nomination to the board of directors in the REIC;
- Other companies where partners mentioned in the preceding subparagraphs (1) and (2) hold more than 20% of capital shares or voting rights of this percentage;
- Subsidiaries of the REIC;
- Companies providing business administration services to the REIC;
- Companies providing portfolio management services to the REIC;
- Companies providing consultancy services to the REIC;
- Contractor chosen to provide construction services to the REIC;
- Other partners of an ordinary partnership that is the subsidiary of the REIC; and
- Related parties of the REIC.

In addition to REICs' appraisal requirement, pursuant to CMB Communique on Corporate Governance Art.9 corporations and subsidiaries thereof, before initiating the transactions set with their related parties shall take a resolution of board of directors designating the principles of the transaction to be fulfilled in case

a) In transactions i.e. asset and service purchase and obligation transfer transactions, the rate of the transaction amount comparing to the total asset as per the latest financial statements disclosed to public or to the revenue amount as per the latest financial statements disclosed to public or to the value of the corporation to be calculated on the basis of the average of the weighted average of the daily corrected prices of the six-month term prior to the board of directors resolution date,

b) In transactions i.e. asset and service sale, the rate of the transaction amount (in case the net book value of the asset is higher, the rate of the net book value) comparing to the total asset as per the latest financial statements disclosed to public or to the revenue amount (in cases that the asset is transferred, leased out or right in rem is established thereon, the rate of the profit earned from the asset as per the latest financial statements comparing to the profit of the corporation before the taxation on its ongoing operations) as per the latest financial statements disclosed to public or to the value of the corporation to be calculated on the basis of the average of the weighted average of the daily corrected prices of the six-month term prior to the board of directors resolution date,

is foreseen to be more than 5%, before the transaction it is mandatory to have made an appraisal by an institution designated by the CMB.

Furthermore, according to banking regulation, banks are required to take an appraisal report for the real estate as the basis for their mortgage transaction which is due to the maximum 75% limit of the value of the real estate.

47) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

✓ Yes No

48) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	√
A COMCEC Capital Markets Regulator’s Forum Workshop for experience sharing	√
Technical assistance for improving real estate finance	
Others (please specify)	

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

37) Which Sukuk types are regulated in your jurisdiction?

In our jurisdiction III-61.1 Communiqué on Lease Certificates regulates Sukuk issued based on ownership, management agreement, trading, partnership, engineering, procurement and construction contract and combined use of listed, as well as other types of Sukuk which accepted by Capital Market Board of Turkey.

Please also specify the sukuk types in your market which are related to real estate.

Sukuk based on ownership, management agreement or engineering, procurement and construction contract can be related to real estate sector.

38) Can you provide data for the funds raised by Sukuk issuances?

Funds raised by sukuk issuance in 2013, 2014 and 2015 are 4.064.116.023 US Dollars, 4.830.913.304 US Dollars and 2.530.843.461 US Dollars respectively and total amount is 11.425.872.788 US Dollars.

39) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

Between 2013 and 2015 total amount of fund raised by sukuk issuance is 11.425.872.788 US Dollars and 7.340.916.608 US Dollars of this amount is raised from real estate sector which covers the % 64 of the total amount raised by Sukuk issuance.

40) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

Between 2013 and 2015 private sector Sukuk issuances was 4.695.872.788 US Dollars and sovereign Sukuk issuance was 6.730.000.000 US Dollars. In this regard private sector and sovereign Sukuk issuances ratio to total Sukuk issuances is % 41 and % 59 respectively. All of the sukuk issued by sovereign are related to real estate, on the other hand % 13 of the private sectors issuances is compromised of real estate.

41) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

SUKUK	Sovereign	Private Sector
IPO	-	% 9
Qualified Investor	-	% 24
Private Placement	-	% 6
Others (please specify)	% 33 Overseas Issuance % 67 Direct Sales Method	% 61 Overseas Issuance

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types :

a) Which Sukuk type is more favorable in secondary market?

Sovereign sukuk issuances are more favorable in secondary market rather than private sector issuances and all of the sovereign issuances are related to the real estates. Although there isn't any second hand transactions, sukuk contracts that based on trading is more common among the listed private sector sukuk.

b) The transaction volume/amount for each type?

Only the sovereign Sukuk which issued by Treasury traded in the secondary market and the transaction volume is 8.775.735.768 US Dollars

c) Transaction amount in terms of issuer type (sovereign and private sector)

Only the Sukuk which issued by Treasury traded in the secondary market and the transaction volume is 8.775.735.768 US Dollars

6) Please identify the number of Sukuk issuers for private sector.

There are 7 private sector Sukuk issuers in our jurisdiction.

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuks?

Yes No

If your answer is yes please select one of the options listed below.

- Opening a Real Estate Securities Market in a Regulated Exchange
- Establishing an Alternative Trading System
- Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments
- Others

If your answer is yes please select one of the options listed below.

- Opening a Real Estate Securities Market in a Regulated Exchange
- Establishing an Alternative Trading System
- Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments
- Others

If your answer is "others" please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

8) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	- Corporate type (Real Estate Investment Companies)/Closed-end structure - Real Estate Investment Fund (Property Fund)/Open-end structure
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	Yes. The legal framework for participation funds has been established. The participation funds merely invested in lease certificates, participation accounts, corporate shares, gold and other precious metals and other non-interest-based money and capital market instruments. However, there is no specific regulation for appointment of Sharia committee or Sharia advisor.
3) Minimum required initial capital for Collective Investment Schemes in terms of	REITs (***) USD)	Real Estate Investment Companies' minimum required initial/paid

<p>USD?</p>	<p>Property Funds (***) USD)</p> <p>Others</p>	<p>capital is 10.280.662 US Dollars¹³.</p> <p>Real Estate Investment Companies founded for operation and management of a portfolio consisting solely of infrastructure investments and services' minimum required initial/paid capital is 34.268.873,58 US Dollars¹⁴.</p> <p>Real Estate Investment Funds' portfolio value shall reach a minimum size of 3.426.887 US Dollars¹⁵ within a year as of the starting date of sales fund units to qualified investors.</p>
<p>4) Any restrictions on the selling of shares/units to investors on the base of investor types</p>	<p>No</p> <p>Yes (please specify, such as shares/units are sold only to qualified investors)</p>	<p>For Real Estate Investment Companies, there is no restrictions for investors. In other words, their shares can be freely traded in Borsa Istanbul.</p> <p>Real Estate Investment Companies, founded for operation and management of a portfolio consisting solely of infrastructure investments and services, have two options. Their shares can be sold either to public or solely to qualified investors.</p> <p>For Real Estate Investment Funds, their units can be sold only to qualified investors.</p>
<p>5) Any restrictions on the selling of shares/units to foreign investors</p>	<p>No (There is no restriction for holding shares/units by foreign investors)</p>	<p>No.</p>

¹³ 31.12.2015 dated Forex Buying Exchange Rate announced by CBRT is used to convert. 30.000.000 Turkish Liras.

¹⁴ 31.12.2015 dated Forex Buying Exchange Rate announced by CBRT is used to convert. 100.000.000 Turkish Liras.

¹⁵ 31.12.2015 dated Forex Buying Exchange Rate announced by CBRT is used to convert 10.000.000 Turkish Liras.

	Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)							
6) Listing status of Collective Investment Schemes	Mandatory/ Optional (Please specify)	<p>Mandatory for Real Estate Investment Companies.</p> <p>Listing is not required for Real Estate Investment Companies, founded for operation and management of a portfolio consisting solely of infrastructure investments and services and sold to only qualified investors.</p>						
7) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	<p>Real Estate Investment Companies are under obligation to invest at least 51% of their total assets in real estates, real estate projects and real estate-based rights.</p> <p>For Real Estate Investment Funds, real estate investments shall account for at least 80% of the fund net asset value. In calculation of this ratio, the capital market instruments issued by real estate investment companies, shares of joint-stock corporations of whose real estate investments continuously comprised of at least 75% of their total assets based on the financial statements prepared under the provisions of the legislation they are subject to, real estate certificates, and fund units of other real estate investment funds shall also be taken into consideration.</p> <p>For Real Estate Investment Companies, founded for operation and management of a portfolio consisting solely of infrastructural investments and services, their portfolio shall be consist infrastructural investments and services at least 75% of total assets.</p>						
8) Market capitalization/net asset value of		<table border="1"> <thead> <tr> <th>2013</th> <th>2014</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	2013	2014	2015			
2013	2014	2015						

Collective Investment Schemes to total market capitalization of stock exchange?¹⁶		3,6 %	3,5 %	3,8%
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¹⁶ The datum given here is market capitalization of REICs over market capitalization of stock exchange.

2) Please complete the table below.

All Real Estate Investment Companies (REICs) have to be listed in Turkey, except REICS, operating a portfolio consisting solely of infrastructural investments and services, are offered to qualified investors by private placement. In this regard, all datum given table below are related to listed REICs in Turkey. On the other hand, real estate investment funds, known as property funds, have just launched and there is no real estate investment funds' unit to sell qualified investors end of 2015. Also, there is no offered REICS, operating a portfolio consisting solely of infrastructural investments and services, yet.

Name of Company	2013		2014		2015	
	Net Asset Value (USD)	Market Capitalization (USD)	Net Asset Value (USD)	Market Capitalization (USD)	Net Asset Value (USD)	Market Capitalization (USD)
AKFEN GAYRİMENKUL Y.O.	599.940.628	100.187.758	519.818.836	123.357.256	417.466.548	84.493.335
AKIŞ GAYRİMENKUL Y.O.	588.666.617	226.866.866	580.665.174	189.092.784	611.402.557	149.412.289
AKMERKEZ GAYRİMENKUL Y.O.	92.716.907	261.673.601	93.531.136	259.914.358	80.334.551	211.981.221
ALARKO GAYRİMENKUL Y.O.	182.482.496	90.639.737	199.382.101	88.478.168	202.333.473	100.372.446
ATA GAYRİMENKUL Y.O.	13.816.310	17.502.582	14.336.412	20.719.627	22.518.372	22.707.412
ATAKULE GAYRİMENKUL Y.O.	112.805.366	48.497.935	108.649.810	49.095.363	100.076.454	37.997.327
AVRASYA GAYRİMENKUL Y.O.	41.909.713	31.430.717	42.535.672	31.251.880	45.778.720	27.881.156
DENİZ GAYRİMENKUL Y.O.	56.316.218	55.153.962	75.330.523	46.198.805	64.754.784	25.358.966
DOĞUŞ GAYRİMENKUL Y.O.	338.118.290	440.466.429	325.162.239	417.916.929	284.210.057	280.302.031
EMLAK KONUT	6.323.217.236	3.763.612.467	6.426.354.807	4.507.284.370	5.903.671.567	3.385.764.710

GAYRİMENKUL Y.O.						
HALK GAYRİMENKUL Y.O.	417.823.833	379.443.506	398.988.640	362.911.599	334.024.117	262.256.263
İDEALİST GAYRİMENKUL Y.O.	4.150.615	5.914.382	3.657.230	7.219.906	3.100.692	2.638.703
İŞ GAYRİMENKUL Y.O.	782.830.689	399.220.804	798.813.831	418.140.874	1.413.659.771	449.936.603
KİLER GAYRİMENKUL Y.O.	282.968.367	58.205.032	250.551.692	60.750.355	215.647.604	67.564.511
KÖRFEZ GAYRİMENKUL Y.O.	NA	NA	35.690.314	30.349.392	35.402.224	23.748.329
MARTI GAYRİMENKUL Y.O.	110.297.611	19.104.394	106.021.373	17.963.815	234.631.734	15.078.304
NUROL GAYRİMENKUL Y.O.	394.519.524	75.291.025	489.210.170	67.901.500	541.793.931	63.603.029
ÖZAK GAYRİMENKUL Y.O.	523.723.975	102.436.162	660.936.458	60.049.852	585.519.056	159.350.262
ÖZDERİCİ GAYRİMENKUL Y.O.	86.535.158	39.898.611	113.613.926	117.753.234	142.277.473	43.178.781
PANORA GAYRİMENKUL Y.O.	286.319.049	157.223.995	305.391.071	42.623.233	263.438.735	132.075.666
PERA GAYRİMENKUL Y.O.	101.001.635	17.147.484	85.025.142	149.718.939	67.542.016	11.908.091
REYSAŞ GAYRİMENKUL Y.O.	235.930.341	41.762.110	292.775.012	45.382.268	313.279.238	42.993.729
SAF GAYRİMENKUL Y.O.	437.992.516	461.945.106	772.396.519	240.044.287	702.282.923	240.024.440
SERVET GAYRİMENKUL Y.O.	95.237.638	51.257.980	97.647.663	22.347.329	94.949.083	41.876.564
SİNPAŞ GAYRİMENKUL Y.O.	1.029.768.722	225.309.801	850.694.728	536.335.898	686.007.102	127.480.210
TORUNLAR	2.972.748.780	645.418.701	3.017.640.208	743.478.448	3.029.462.321	556.869.196

GAYRİMENKUL Y.O.						
TSKB GAYRİMENKUL Y.O.	169.437.393	52.806.985	157.631.276	46.413.683	144.506.869	29.813.920
VAKIF GAYRİMENKUL Y.O.	93.027.664	567.789.148	238.025.632	247.279.650	293.652.555	160.485.247
YAPI KREDİ KORAY GAYRİMENKUL Y.O.	55.259.220	21.592.189	78.923.797	37.474.752	56.325.715	17.956.890
YENİ GİMAT GAYRİMENKUL Y.O.	688.787.755	342.939.542	654.607.721	398.538.828	601.194.312	488.208.081
YEŞİL GAYRİMENKUL Y.O.	518.117.932	45.248.516	536.579.179	60.625.478	510.316.403	29.005.741
TOTAL	17.636.468.198	8.745.987.525	18.330.588.293	9.446.612.860	18.001.560.959	7.292.323.453

X. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

- 1) In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.

Borsa İstanbul A.Ş. is the only company which is founded for the purpose of serving as securities market of Turkish Republic. Although real estate securities are traded on Debt Securities Market at Borsa İstanbul, there is no trading venue/market/exchange operating solely for real estate capital market instruments in Turkey.

- a) Is there any legislation for investor protection in your country such as investor compensation systems?

The purpose of the Capital Market Law Nr. 6362 (CML) is to regulate and supervise capital markets to ensure the functioning and development of capital markets in a secure, transparent, efficient, stable, fair and competitive environment and to protect the rights and interests of investors. Thus, investor compensation is regulated by Article 82 of CML, as "When it is determined that investment firms are unable to fulfill their obligations regarding cash payment or capital market instruments delivery or that they will not be able to fulfill them within a short period of time, the Board shall decide to compensate investors. This decision shall be taken within three months starting from the determination of the situation. The authority of the Board to take measures in the context of this Law shall be reserved." Also, Investor Compensations Center, in which investment firms are obliged to participate, is established by

Article 83 of Law and according to Article 84 of CML the scope of compensation consists of claims arising from failure to fulfill cash payment or capital market instrument delivery obligations with regard to assets belonging to investors kept or managed by investment firms in the name of the investor in relation to investment services and activities or ancillary services.

MKK Yes, in Turkey there is “Investor Indemnification Fund” established for the protection of investors. The fund is managed and represented by the CMB starting from June 2013. The Investors are protected from obligations concerning cash and financial instruments from capital markets activities of investment institutions and banks. The coverage is up to TL 121,000 per investor (approx.).

b) What is the tax requirement/obligation for foreign investors for trading securities in your country?

Individuals who are resident in Turkey are subject to tax on their worldwide income and they are regarded as “full tax liable” in Turkey. Nonresidents are taxed only on earnings and revenues derived in Turkey and they are regarded as “limited tax liable” in Turkey. “Resident” include individuals with legal permanent residence in Turkey and those who reside in Turkey for more than six months during one calendar year (Provisional absence shall not interrupt the continuity of residing in Turkey). According to Income Tax Law the following types of income are considered as investment income and are subject to the taxation;

- Dividends from all types of share certificates
- Earnings arising from participation shares
- Profits distributed to the chairman and members of the board of directors of companies
- Interest income derived from public and private bonds and treasury bills - All interest income (Time deposits, repo and others)

Also, non-resident persons / institutions who invest in financial instruments in Turkey themselves or through asset management companies abroad, must get a tax identification number in order to benefit from the provisions of double taxation agreements.

MKK Please see attached document prepared by the Turkish Capital Markets Association for the details of Taxation in Turkey.

https://www.tspb.org.tr/wp-content/uploads/2015/06/Handbook_2015_web.pdf

c) What are the reporting requirements in your country for foreign investors?

According to the dematerialization principles of CML, capital market instruments shall be issued in the dematerialised form in the electronic environment, without certificates and dematerialised capital market instruments shall be kept in accounts created according to name without considering whether they are registered or payable to the bearer. Also, Rights related to dematerialised capital market instruments shall be monitored by the Central Registration Agency (CRA). Thus, whether foreigner or not, identities and investment actions of every investor in Turkey is recorded and According to Article 102 if CML, if there is a matter implying any information or doubt that a transaction constitutes the capital market crimes enumerated in Articles 106 and 107, the investment firms and the capital market institutions to be determined by the Capital Markets Board are obliged to notify this situation to the Board or to other institutions and organisations to be determined by the Board. The Board shall determine the principles and procedures of the obligation of notification.

MKK

Please kindly refer to “THE INCOME TAX GENERAL COMMUNIQUÉ SERIES NO. 257” section 2.1.1 for the details of the reporting requirements concerning tax liabilities.

<http://www.gib.gov.tr/node/87545/pdf>

2.1.1. Withholding Responsibility of Custody Institutions

Persons or institutions which make investment to marketable securities and other capital market instruments can receive custody service related to bought security from custody institutions which serve custody except Clearing Bank _ Central Registry Agency. These institutions manage to registrate their clients' marketable securities movement, to execute transactions related to pursuit and collection of periodical returns and information of cost and sale in frame of authority which is taken from clients and on behalf of them.

Intermediary institutions which realize any one transactions of marketable securities transfer bought securities to custody institutions, mentioned by client, according to

directions of their clients and remaining amount of account related to this transaction is closed especially in transactions in which custody institutions which is used by overseas resident investors become part. When client want to sell their securities, he/she gives direction to any intermediary institution and when transaction of sale is realized, sold securities are transferred to seller intermediary institutions by custody institutions under the direction of client.

In the frame of authority which is given to our ministry by 17th paragraph of Temporary Article 67, with respect to investors who receive custody service from custody institutions except Clearing Bank _ Central Registry Agency, it is found relevant to apply withholding by custody institutions in which activities of investors present at, because some over the counter are realized in view of custody institutions without coming under the cognizance of intermediary institutions and marketable securities of clients related to information of cost and price may be followed by custody institutions easily in transactions at which custody institutions are part.

- 2) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

In CML Article 66, alternative trading systems are regulated as other organized market places; “Principles and procedures regarding the establishment, authorization, capital, capital market instruments to be traded, competition conditions and operation principles of alternative trading systems, multilateral trading facilities and other organized markets outside exchanges, which bring together buyers and sellers of capital market instruments, provide intermediary services in purchase and sale transactions, establish and operate systems and facilities for these purposes shall be established with by-laws to be published by the Board. The Board is the surveillance and supervision authority of these markets.” However, an electronic trading system does not operate in Turkey currently.

Also, Turkish capital market regulations allow giving direct access to investors and using the local investment institutions, which signed contracts with abroad investment institutions, as broker-dealers for transmitting the foreign investor orders to the real estate dedicated market. Thus it is possible for electronic platforms to transfer orders to Borsa İstanbul.

- 3) In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?

Firstly, in today's financial markets landscape, advanced technology is really important and because of this, an electronic trading platform would play a vital role in developing real estate trading among COMCEC members. In other words, availability of such secondary markets is vital for the growth of real estate securities as an alternative mechanism of finance other than conventional sources including bank credits and as an alternative instrument for real estate investment other than direct ownership of the real estate.

Secondly, as there is not a dedicated exchange/market/trading platform for real estate securities in Turkey, importance of such an alternative platform is undeniable; as there is a growing supply and demand in Turkish real estate market.

Also, the Turkish capital market regulations allow an alternative trading platform to be established and operate in Borsa İstanbul.

- 4) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

MKK

- 1) For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.

- a. How many (global) custodian banks operate in your market?

Please name the titles of these institutions.

At the moment 4;

Citibank, Deutsche Bank, BNP Paribas, HSBC

- b. Which services do custodian banks provide?

Safe custody, asset management, cash operations account operator and etc.

- c. Can you please provide information on the relevant legislation/regulation?

Capital Markets Law and secondary regulations.

- d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

No, the only limitation is on the account structure that custodian banks propose to their customers / FCSDs. Turkish capital markets is based on beneficial owner / investor based system. However only Foreign CSDs can open omnibus accounts either at MKK or Takasbank; it is not permitted for custodians to open omnibus

accounts for their customers (foreign CSDs). Custodian banks can provide account operator services to their customers.

- e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

MKK serves DVP systems that are managed by Takasbank as a securities agent. Takasbank runs different DVP systems in which MKK is involved. One of them is for on-exchange broker to broker trade settlements the other is a DVP system that covers on-exchange broker to custodian trades (e.g. trades of foreign institutional investors).and last one is off-exchange DVP. The DVP systems do not vary materially from the models chosen above. MKK also runs the settlement system for the FOP OTC trades. Through its FOP Matching System it is made possible for all participants to match and settle their FOP OTC transactions automatically Takasbank controls the movement of cash for cash clearing as cash agent of the settlement system

- f. Are there any restrictions on entry and exit of cash to/from the financial system?

No, there are no restrictions.

- g. Is settlement in foreign currencies possible?

At the moment it is not possible to settle in another currency other than Turkish Lira.

- 5) In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?

- a. Establishment of a separate securities exchange exclusively for real estate securities.

- a. Establishment of a separate securities exchange exclusively for real estate securities.

Establishing an OIC/COMCEC level exchange for real estate related capital market instruments option requires more harmonization of capital market legislation, tackling with cross listing, determining new settlement procedures, adjustment to the existing infrastructures of the relevant country where the exchange will be located; thus it is likely to suggest that this mode of cooperation would entail high operational costs.

MKK

If a new securities exchange will be established exclusively for real estate securities, than this initiative will require detailed operational analysis in our core CSD system and hence operational processes (mainly issuance, settlement, corporate actions, etc.). How tax and legal compliance issues will be handled would be another concern and compliance to these regulations will most probably a problem for all COMCEC members.

In conclusion setting up a new securities exchange would be very costly in all business and operational aspects.

- b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.

Rather than establishing a separate Exchange, setting up a market within a COMCEC member state's securities markets seems more feasible and this options would lower the operational costs. However, this option has its own adversities. In order to realize this market model, operational activities such as securities settlement infrastructure CMB Communique on Foreign Capital Market Instruments and Depositary Receipts and Foreign Investment should be considered. According to the provisions of this legislation, if the issuer firms make an initial public offering in the relevant market to be established, they are required to be a member of the Central Registry Agency and the relevant capital market instruments should be issued in central dematerialization system and will be traced on the basis of the holders. The settlement procedure is likely to be handled according to the regulation of other markets of Borsa Istanbul.

MKK

If a separate securities market will be setup exclusively for real estate securities under Borsa Istanbul, than operational links have to be established between MKK and COMCEC member CSD. An Omnibus account has to be opened either at MKK or Takasbank for every COMCEC member CSD (investor CSD) for trading at Borsa Istanbul. In this scenario MKK will be the issuer CSD since the trading will be made only at Borsa Istanbul than the new issue will be made in Turkey, specifically at MKK.

If the separate securities exchange will be setup under another exchange other than Borsa Istanbul, then MKK has to open an omnibus account at the COMCEC member CSD;

this time issuer CSD will be the COMCEC member CSD and MKK will be regarded as the investor CSD.

In all cases operational flows as well as IT infrastructure need to be revisited for establishing links between CSDs. This will require operational and IT analysis for operational processes. For the omnibus accounts that are going to be opened at MKK for the COMCEC member CSDs, existing tax and other relevant legislation should be reviewed

UNITED ARAB EMIRATES - Emirates Securities & Commodities Authority



QUESTIONNAIRE

REAL ESTATE SECURITIES EXCHANGE INITIATIVE
FOR COMCEC MEMBER STATES

(Please submit your responses to the comceccmrsec@spk.gov.tr and secil.sayin@spk.gov.tr before 25 May 2016

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Upon the mandate of the 30th **COMCEC** Meeting, **COMCEC Capital Market Regulators Forum** has prepared the “*Real Estate Securities Exchange Initiative*” Report¹⁷ which is submitted to the 31st COMCEC Meeting. At this meeting the Forum was again mandated to work further on the initiative. In this context, the **COMCEC Capital Market Regulators Forum, Real Estate Working Group** has conducted this Questionnaire on the topic. Following the results of the Report, this Questionnaire aims to explore the possibility of establishing a platform for trading physical real estate as well as understand and set out financial and regulatory setting for real estate securities (namely sukuk and real estate investment trust shares) issued and traded in OIC member countries and also ways and means of providing a trading platform for these securities. **For all survey questions requesting data, please provide where possible, the figures for 2013 – 2015 in USD.**

Please type your responses below each question. Please mark “N/A” to questions which do not apply to you.

I. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE

¹⁷ <http://www.comceccmr.org/media/11529/comcecrealestatesecuritiesexchange13112015.pdf>

COMCEC Capital Market Regulators Forum is working to explore the possibilities for an international, organized, more efficient, large scale real estate investment medium for vitalizing the real estate sector and the related economies eventually. With this objective, via opportunities provided by technology, the Forum's Real Estate Exchange Working Group would like to determine the level playing field for physical trading of real estate by this Questionnaire. The Questionnaire aims to set out COMCEC member countries' legal, regulatory framework and their willingness to involve with the Project. Moreover, COMCEC member countries' views and proposals on the merit of the proposed common electronic trading platform which would integrate national real estate markets and ease the tradability of real estate internationally is much appreciated.

1) In your country do you have a regulated trading venue for physical real estate (such as website or electronic trading platform)?

- *N/A (Not available) The Dubai Financial Market (DFM) and the Abu Dhabi Stock Exchange (ADX) are the two main "share" trading platforms in the UAE. They are regulated by the ESCA.*

If yes, please provide following information regarding this platform

a) The name of the organization responsible for governance of this platform?

- *N/A*

b) Does this platform provide real estate related services such as appraisal and disclosure of standardized information related to the trading of real estate such as price and main characteristics (legal owner, location, legal status etc.).

- *N/A*

If an electronic platform does not exist, please name relevant authorities that are involved in real estate trading transactions, such as transfer of ownership, appraisal etc.

- *Real Estate Regulatory Authority (RERA) in the UAE oversees registration and transfer of ownership of real estate assets in the UAE. RERA is part of the Dubai Government only and **is not** a federal body for the UAE government.*

2) In the case of establishment of a website or an electronic trading platform for trading physical real estate, what type of real estate would be convenient for trading under this platform?

Type of Real Estate	√
Residential real estate	√
Commercial real estate	√
Other (please specify)	

3) In your jurisdiction, is there any legal restriction for the trading of real estate to the foreign buyers or sellers? Please briefly explain the prohibition.

- *Foreigner are permitted to buy and sell real estate properties within designated areas only.*

4) According to your legal framework, is there any prerequisite for trading physical real estate such as a legal requirement for appraisal services?

- *TBC*

5) Do you think utilizing technology such as setting up a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market in terms of international accessibility to any property to be sold, promoting liquidity and fair value? Please explain.

Yes

No

6) What specific actions should be taken within the *COMCEC Capital Markets Regulators Forum Real Estate Working Group* for further cooperation of members, for development of a Real Estate Exchange Initiative?

Topic	√
A COMCEC Capital Markets Regulator's Forum Workshop for experience sharing	√
Technical assistance for improving real estate finance	√
Others (please specify) Feasibility and legal framework for trading of real estate assets	√

II. REAL ESTATE SECURITIES

SUKUK

Historically, due to its tangible nature, real estate sector is one of the most popular asset class for Islamic finance investors. Nevertheless Islamic sector has long lacked a proper alternative to raise debt or debt-like capital, because traditional capital market instruments are based on interest which violate Islamic rules against payment of “riba”. Sukuk presents an opportunity to restructure the leverage into a Shariah-compliant form, thereby allowing a much greater investor universe to develop and in turn strengthening capital markets. In addition, Sukuk ensures liquidity to real estate sector as one of the main underlying assets besides raising funds for the construction of large projects.

1) Which Sukuk types are regulated in your jurisdiction?

Please also specify the sukuk types in your market which are related to real estate.

- *Sukuk Al Ijara*
- *Sukuk Mudarabah*
- *Sukuk Murabahah*
- *Sukuk Musharaka*

2) Can you provide data for the funds raised by Sukuk issuances?

- *The National Bank of Abu Dhabi, NBAD, has been ranked by Bloomberg and Dealogic as the world’s number one bank for managing issuance of international Sukuk for the first quarter of 2015. During the period, NBAD managed around US\$3.9 billion of international Sukuk issuance, which represented approximately 69% of the market by value.*
- *In the first three months of 2015, NBAD worked on four major deals. In addition to acting as Joint Structuring Agent and Joint Book runner on the UKEF-backed Sukuk closed by Emirates Airlines, the bank also acted as Joint Book runner on International Sukuk issuances by Dubai Islamic Bank, Islamic Development Bank and the Government of Ras al-Khaimah.*

3) What is the percentage or amount of sukuk issuance raised for real estate againsts other sectors ?

- *N/A*

4) Please provide the ratio of sovereign and private sector Sukuk issuances. If you have data please provide information for sukuk related to real estate as well.

- N/A

5) Please state the percentage of sale methods for both sovereign and private sector Sukuk issuances.

- N/A

SUKUK	Sovereign (%)	Private Sector (%)
IPO		
Qualified Investor		
Private Placement		
Others (please specify)		

5) If there is a secondary market for Sukuk please answer following questions with regard to real estate related and other sukuk types

N/A

- Which Sukuk type is more favorable in secondary market?
- The transaction volume/amount for each type?
- Transaction amount in terms of issuer type (sovereign and private sector)

6) Please identify the number of Sukuk issuers for private sector.

N/A

7) Do you think a common Sukuk trading platform initiative among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuks?

Yes No

If your answer is yes please select one of the options listed below.

- Opening a Real Estate Securities Market in a Regulated Exchange
- Establishing an Alternative Trading System
- Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments
- Others

If your answer is “others” please specify and explain.

COLLECTIVE INVESTMENT SCHEMES

In the context of real estate investments, Collective Investment Schemes (CIS), either corporate, trust or mutual fund (property funds) type depending upon countries legal framework are used to securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners. We use the CIS term in the context of real estate investments such as real estate investment trusts and property funds well-known schemes around the world. In this part of the survey, our intention is to understand each country's legal framework on CIS. In this regard, we can assess whether COMCEC member countries' regulation of CIS are compatible to trade in an alternative trading platform.

1) Please complete the table below in respect of your country regulation.

Questions	Example	Answers
1) Structure of collective investment schemes that comprise of real estate investments	Corporate type/open-ended Trust/close-ended Trust/Fund/ Other(please specify)	<i>Open and close ended funds. Regulation released in 2016.</i>
2) According to your legal framework, is there specific regulations for Islamic Collective Investment Schemes?	Yes (please specify key requirements such as appoint a Sharia committee or a Sharia advisor) No	<i>Not yet</i>
3) Minimum required initial capital for Collective Investment Schemes in terms of USD?	REITs (***) USD) Property Funds (***) USD)	<i>To obtain a license to carry out an Investment Management activity the following conditions must be satisfied:</i> <ul style="list-style-type: none"> <i>The paid up capital must not be less than AED (5,000,000)</i>

	Others	<i>five million, with the exception of local banks and branches of foreign banks.</i>		
4) Any restrictions on the selling of shares/units to investors on the base of investor types	No Yes (please specify, such as shares/units are sold only to qualified investors)	<i>Qualified and retail investors</i>		
5) Any restrictions on the selling of shares/units to foreign investors	No (There is no restriction for holding shares/units by foreign investors) Yes (Please specify such as the foreigners cannot hold more than 50% of shares/units)	<i>Foreign funds can promote the sale of units with prior approval from regulator.</i>		
6) Listing status of Collective Investment Schemes	Mandatory/ Optional (Please specify)	<i>Mandatory for close ended and optional for open ended</i>		
10) Minimum required ratio of real estate investments to total assets	Please specify ratio and which investments are included in real estate investments such as real estates, real estate projects, real estate right, real estate companies' stocks etc.	N/A		
11) Market capitalization/net asset value of Collective Investment Schemes to total market capitalization of stock exchange?		2013	2014	2015
		N/A	N/A	N/a

2) Please complete the table below.

Names of Sukuk listed on NASDAQ Dubai, June 2016

1. *Al Shindagha Sukuk Limited (flydubai) Sukuk*
2. *Alpha Star Holding Limited (Damac Sukuk) Sukuk*
3. *APICORP Sukuk Limited Sukuk*
4. *Boubyan Tier 1 Capital SPC Limited Sukuk*
5. *Dar Al-Arkan Sukuk Company Ltd Trust Certificates 2016 Sukuk*
6. *Dar Al-Arkan Sukuk Company Ltd Trust Certificates 2018 Sukuk*
7. *Dar Al-Arkan Sukuk Company Ltd Trust Certificates 2019 Sukuk*
8. *DEWA Sukuk 2013 Limited Sukuk*
9. *DIB Sukuk Limited Sukuk*
10. *DIB Sukuk Limited - 2016 Sukuk*
11. *DIB Tier 1 Sukuk (2) Ltd. Sukuk*
12. *DIB Tier 1 Sukuk Ltd. Sukuk*
13. *DIFC Sukuk Limited Sukuk*
14. *DIP Sukuk Limited Sukuk*
15. *DP World Crescent Limited - 144A Sukuk*
16. *DP World Crescent Limited - RegS Sukuk*
17. *DP World Sukuk Limited Sukuk*
18. *EI Sukuk Company Limited Sukuk*
19. *EIB Sukuk Company Ltd Trust Certificates 2017 Sukuk*
20. *EIB Sukuk Company Ltd Trust Certificates 2018 Sukuk*
21. *Emaar Sukuk Limited Trust Certificates 2016 Sukuk*
22. *Emaar Sukuk Limited Trust Certificates 2019 Sukuk*
23. *EMG Sukuk Limited Sukuk*
24. *GEMS MEA Sukuk Limited Sukuk*
25. *Hilal Services Ltd Sukuk*
26. *Hong Kong Sukuk 2014 Ltd - 144 A Sukuk*

27. *Hong Kong Sukuk 2014 Ltd - Reg S Sukuk*
28. *Hong Kong Sukuk 2015 Limited Sukuk*
29. *ICD Sukuk Company Limited Trust Certificates 2020 Sukuk*
30. *IDB Trust Services Limited Trust Certificates 2017 Sukuk*
31. *IDB Trust Services Limited Trust Certificates 2018 Sukuk*
32. *IDB Trust Services Limited Trust Certificates 2019 Sukuk*
33. *IDB Trust Services Limited Trust Certificates 2020 Sukuk*
34. *IDB Trust Services Limited Trust Certificates 2021 Sukuk*
35. *IDB Trust Services Limited Trust Certificates Sept 2019 Sukuk*
36. *IFC Sukuk Company Sukuk*
37. *JAFZ Sukuk (2019) Limited Sukuk*
38. *Khadrawy Limited - 144A (Emirates Airlines) Sukuk*
39. *Khadrawy Limited - Reg S (Emirates Airlines) Sukuk*
40. *MAF Sukuk Ltd - July 2013 Sukuk*
41. *MAF Sukuk Ltd - Nov 2015 Sukuk*
42. *Medjool Limited (Emirates Airline) Sukuk*
43. *Noor Sukuk Company Ltd. Sukuk*
44. *Noor Tier 1 Sukuk Limited Sukuk*
45. *Perusahaan Penerbit SBSN Indonesia III - 2012 144A Sukuk*
46. *Perusahaan Penerbit SBSN Indonesia III - 2012 RegS Sukuk*
47. *Perusahaan Penerbit SBSN Indonesia III - 2013 144A Sukuk*
48. *Perusahaan Penerbit SBSN Indonesia III - 2013 RegS Sukuk*
49. *Perusahaan Penerbit SBSN Indonesia III - 2014 144A Sukuk*
50. *Perusahaan Penerbit SBSN Indonesia III - 2014 RegS Sukuk*
51. *Perusahaan Penerbit SBSN Indonesia III - 2015 144A Sukuk*
52. *Perusahaan Penerbit SBSN Indonesia III - 2015 RegS Sukuk*
53. *Perusahaan Penerbit SBSN Indonesia III - 2016 - Series 5 144A Sukuk*
54. *Perusahaan Penerbit SBSN Indonesia III - 2016 - Series 5 RegS Sukuk*
55. *Perusahaan Penerbit SBSN Indonesia III - 2016 - Series 6 144A Sukuk*
56. *Perusahaan Penerbit SBSN Indonesia III - 2016 - Series 6 RegS Sukuk*

- 57. *RAK Capital - Apr 2015 Sukuk*
- 58. *RAK Capital - Oct 2013 Sukuk*
- 59. *Sharjah Sukuk (2) Limited Sukuk*
- 60. *Sharjah Sukuk Ltd Sukuk*
- 61. *SIB Sukuk Company III Limited - Apr 2013 Sukuk*
- 62. *SIB Sukuk Company III Limited - Apr 2015 Sukuk*

III. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES

COMCEC Real Estate Securities Exchange Report discusses the pros and cons of trading platform alternatives for real estate instruments. According to the study's findings, with respect to the feasibility of realizing a secondary market for real estate securities, establishing an electronic/alternative trading platform may represent a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules. Also, improving the investment environment by providing a trading platform for real estate instruments would create an opportunity for investors as well as contributing to the financing of the real estate sector. For further evaluation the possibility of establishing a COMCEC level trading platform and taking the next steps in this project, the questions below are presented for your consideration.

1) **In your country is there a trading venue in which real estate capital market instruments (real estate investment trust shares, Sukuks, etc.) are traded? If so, how is this venue organized (e.g. Exchange/ market/trading platform)? Please briefly explain the operation principles including the following issues.**

- *Sukuk listed on Dubai's two exchanges, Nasdaq Dubai and Dubai Financial Market, rose to \$36.7 billion last month from \$7 billion in 2013, said the study, whose results are broadly in line with Thomson Reuters data. Nasdaq Dubai accounts for the vast majority.*
- *This puts Dubai ahead of the world's three traditional sukuk centres: Malaysia, with \$26.6 billion listed on Bursa Malaysia and the Labuan free trade zone, the Irish Stock Exchange with \$25.7 billion, and the London Stock Exchange with \$25.1 billion.*

Source: NASDAQ Dubai

For Islamic Sukuk to be listed, the following conditions must be satisfied:

1. The Islamic Sukuk must be approved by the Shariah Board of the Issuer if the Issuer is a financial institution or Islamic bank recognized by the SCA.

2. If the Issuer does not have a Shariah Board of its own, the Islamic Sukuk must be approved by a Shariah Board approved by the SCA, provided that the Sukuk are not in conflict with the provisions of the Memorandum of Association, Articles of Association and the founding documents of the Issuer.

3. Unless the Board of Directors decides otherwise, the total value of all Islamic Sukuk to be listed may not be less than (50) fifty million Dirhams or its equivalent in a foreign currency acceptable to SCA and convertible into the UAE currency.

4. Unless the Board of Directors decides otherwise, the Issuer shall confirm that it has received a credit rating for its Islamic Sukuk from a rating agency approved by SCA

before applying for the SCA approval on the listing of such Sukuk, with the exception of Islamic Sukuk issued or guaranteed by the government.

5.The Issuer shall appoint a bank licensed to operate in the State as its Paying Agent in the State. The Paying Agent may act as the representative of the Islamic Sukuk holders.

6.The Issuer / Underwriter of Islamic Sukuk Issue shall have the adequacy and solvency of such Sukuk accredited by the Central Bank before applying for listing.

Source : ESCA Regulations

a. Is there any legislation for investor protection in your country such as investor compensation systems?

N/A

b. What is the tax requirement/obligation for foreign investors for trading securities in your country?

N/A

c. What are the reporting requirements in your country for foreign investors?

Obligation to Publish Information

- The Authority may require an Obligor who listed Sukuk in the Market to publish (at his own cost) such information as it considers appropriate for the purpose of protecting investors and maintaining the orderly operation of the market. If an Obligor fails to comply with this requirement the Authority may publish the information after having given the Obligor an opportunity to make clarifications as to why the information should not be published.*

Source: The Authority's Board of Directors' Decision No (16) of 2014 Concerning the Regulation of Sukuk

2) In your country are electronic trading platforms/systems legally recognized? If yes, is it legally possible for an alternative trading platform to transfer orders to the securities exchange of your country?

- Yes. Several electronic platforms are legally recognised by various regulatory bodies. For example, ESCA regulates DFM and ADX and the Dubai Financial Services Authority (DFSA) regulates DIFX Trading Platform.*
- There is a "Private Companies Platform" but no official Alternative trading platform.*

3) **In what respect do you think a real estate electronic (alternative) trading platform for real estate securities can improve the current regulatory and financial setting in your country?**

- *Increase accountability*
- *Improve disclosure*
- *Ensure uniformity*
- *Enhance international investor comfort levels*
- *Expand the market*

4) **For the following questions regarding clearing and settlement procedures, please verify your answers by the custodian institution operating in your country.**

a. How many (global) custodian banks operate in your market?

Please name the titles of these institutions.

- a) *HSBC*
- b) *Standard Chartered*
- c) *Citi*
- d) *Deutsche Bank*
- e) *National Bank of Abu Dhabi (NBAD)*

b. Which services do custodian banks provide?

1. *To open a Securities' account and prepare a separate file for each client to contain all papers, documents and transactions conducted on his account.*
2. *To keep the Securities and exercise the rights associated therewith, including receiving interest or profits, the right to subscribe, and to attend the general assembly meetings and vote at such meetings on behalf of the client as per the client's instructions.*
3. *To inform the client of all decisions and actions taken by the issuers of Securities in connection with the rights associated with the client's Securities in accordance with the agreed-upon means of communication as soon as possible, with due consideration of the client's interests.*
4. *To register or freeze pledges related to the Securities as required by the client or his representative, or attach the same upon the request of the competent official authorities.*
5. *To transfer the Securities to the Broker (seller) and accept transfer of Securities from the Broker (buyer) by the Market on behalf of the client in accordance with the procedures set forth in the Market's internal bylaws as approved by the Authority.*

6. To apply for transfer of ownership of the Securities for cases exempt from trading.
7. To transfer the Securities from the client's account with the Custodian to the client's account with another Custodian upon request from the client.

c. Can you please provide information on the relevant legislation/regulation?

ESCA Regulation - DECISION NO. (29/R) OF 2009 CONCERNING THE REGULATION OF SECURITIES CUSTODY ACTIVITIES

d. Are there any limitations that prevent custodian banks provide account operator services to other members / FCSDs?

TBC

e. Can you please briefly explain how (on-exchange and off-exchange) settlement takes place in your market with specific reference to the clearing, settlement and depository institutions?

On exchange: Article (31) The Broker which has undertaken a purchase transaction or the Clearing Member shall pay the net amount due therefrom in accordance with the report issued by the Clearing House as to the net due amount, within the time specified by the Market, provided that such time does not go beyond the end of the second working day following the day of Trading. Payment shall be effected by the Broker issuing an order to its bank to transfer the required amount from its account to the settlement account. The Broker or Clearing Member shall deposit with the Clearing House a copy of such order before 09:00am on the day in which the payment shall become due.

Source: DECISION NO. (2/R) OF 2001 CONCERNING THE REGULATIONS AS TO TRADING, CLEARING, SETTLEMENT, TRANSFER OF OWNERSHIP AND CUSTODY OF SECURITIES

f. Are there any restrictions on entry and exit of cash to/from the financial system?

TBC

g. Is settlement in foreign currencies possible?

All settlement on ESCA regulated markets must be in UAE Dirhams

5) **In addition to the electronic trading platform option for the COMCEC member state real estate securities, do you support or disagree with the following options, please explain?**

- *Establishment of a separate securities exchange exclusively for real estate securities.*
 - *Requires further feasibility and cost/benefit analysis before a full response can be given*
- b. Setting up a market for trading of real estate securities under a COMCEC member state's securities exchange.*
- *Requires further feasibility and cost/benefit analysis before a full response can be given*

Thank you for your contribution to this survey. If you have any inquiry on this survey or need further assistance, please contact Seçil Sayın Kutluca by e-mail secil.sayin@spk.gov.tr