

FIFTH MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM

DRAFT REPORT OF THE  
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ISTANBUL, SEPTEMBER 17-18, 2011

The Marmara Hotel  
Istanbul, September 2011

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FIFTH MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM  
(Istanbul, September 17-18, 2011)

1. The Fifth Meeting of the OIC Member States' Stock Exchanges Forum convened in Istanbul on September 17-18, 2011.

2. The Meeting was attended by the representatives of the following stock exchanges of the OIC Member States:

**A. STOCK EXCHANGES OF THE OIC MEMBER STATES**

1. Abu Dhabi Securities Exchange
2. Amman Stock Exchange, Jordan
3. Bursa Malaysia Berhad, Malaysia
4. Casablanca Stock Exchange, Morocco
5. Chittagong Stock Exchange, Bangladesh,
6. Damascus Securities Exchange, Syria
7. Dhaka Stock Exchange, Bangladesh
8. Dubai Financial Market, United Arab Emirates
9. Egyptian Exchange, Egypt
10. Iraq Stock Exchange, Iraq
11. Islamabad Stock Exchange, Pakistan
12. Istanbul Stock Exchange, Turkey
13. Karachi Stock Exchange, Pakistan
14. Kazakhstan Stock Exchange, Kazakhstan
15. Khartoum Stock Exchange, Sudan
16. Lahore Stock Exchange, Pakistan
17. Mozambique Stock Exchange, Mozambique
18. Muscat Securities Market, Oman
19. Nasdaq Dubai, United Arab Emirates
20. Qatar Exchange, Qatar
21. Tadawul Saudi Stock Market, Saudi Arabia

22. Tehran Stock Exchange, Iran
23. Tunis Stock Exchange, Tunisia

**B. CENTRAL DEPOSITORIES, CLEARING AND REGISTRY INSTITUTIONS  
OF THE OIC MEMBER STATES**

1. BRVM (Bourse Régionale des Valeurs Mobilières) Niger, Niger
2. Central Depository Company of Pakistan Limited, Pakistan
3. Central Registry Agency of Turkey, Turkey
4. Central Securities Depository of Iran, Iran
5. ISE Settlement and Custody Bank (Takasbank), Turkey
6. Muscat Clearing and Depository, Oman
7. National Clearing Company of Pakistan Ltd. (NCCPL), Pakistan
8. Securities Depository Center, Jordan

**C. OTHER ORGANIZATIONS**

1. Arab Federation of Exchanges
2. BMD Securities Inc. (Bizim Menkul Değerler), Turkey
3. Capital Markets Board of Turkey (CMB), Turkey
4. Central Bank of the Republic of Turkey, Turkey
5. COMCEC Coordination Office
6. Federation of Euro-Asian Stock Exchanges (FEAS)
7. Islamic Financial Services Board (IFSB)
8. International Islamic Financial Market (IIFM)
9. Islamic Development Bank
10. Ministry of Foreign Affairs, Turkey
11. South Asian Federation of Exchanges (SAFE)
12. Standard & Poor's
13. Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC)
14. Thomson Reuters, USA

### **Opening and Seminar Session**

3. Following a brief introduction of the program, the meeting was opened by Mr. Hüseyin Erkan, Forum Chairman, and Chairman & CEO of the Istanbul Stock Exchange. Mr. Erkan welcomed all delegates and seminar guests to Istanbul on the occasion of the fifth meeting of the OIC Member States' Stock Exchanges Forum and Capital Markets Linkages & Technology Seminar. Mr. Erkan, in consideration of those attending the Seminar on Capital Market Linkages, initially gave a brief introduction on the Forum, touching upon the mandate given by the COMCEC to the Istanbul Stock Exchange in 2005 to initiate the Forum, the members, the functioning, and activities of the Forum. Mr. Erkan went on to say that the worldwide growth of Islamic finance was led by non-Muslim countries and companies, with the introduction of hundreds of instruments that were not necessarily Shariah-based, but Shariah-compliant. Such instruments became popular among investors, both Muslim and non-Muslim, seeking Shariah-compliance or not. Mr. Erkan reminded the audience that such instruments were introduced by major index providers, and more recently, by data vendors, and none came from Muslim countries. Therefore, the Forum came up with the idea to introduce an index of stock exchanges of OIC member countries and worked on the major areas of cooperation including the introduction of a series of common indices, structured products, and so forth, coming from different jurisdictions, settlement periods, public disclosure standards, etc. Mr. Erkan said that the Forum studied on standardization on such areas and added that the seminar to follow would provide the experience of major exchanges that will largely contribute to the Forum.

4. Mr. Emin Özer, Board Member of the Capital Markets Board of Turkey (CMB), saluted the guests and noted the fast progress that COMCEC had made in enhancing cooperation among OIC states on particularly financial issues. Mr. Özer said, in consideration of the increased integrated nature of the financial markets, countries should be better prepared to deal with the consequences of global macroeconomic fluctuations through enhanced cooperation in the regulatory area. Mr. Özer congratulated the Forum for the progress they had made in creating a benchmark index and making Islamic finance more visible internationally. Mr. Özer informed the audience of the establishment of OIC States' Capital Market Regulators Forum on the previous day, with the representation of thirteen countries, and the formation of four task forces, which will closely cooperate with their counterparts in the stock exchanges Forum.

5. Mr. Erkan, as moderator of the seminar, "Capital Markets Linkages: Experiences, Challenges and Solutions", invited the panellists, namely, Mr. Thomas Krabbe, Director, Corporate Development and Finance, Chicago Mercantile Exchange; Mr. Roland Bellegarde, Group Executive Vice-President, NYSE Euronext, Mr. Lauri Rosendahl, President, NASDAQ OMX Helsinki; Mr. Stephan Pouyat, Director, Global Reach Product Management, Euroclear; and Mr. Philippe Carré, Global Head of Connectivity, Global Trading, SunGard.

Mr. Krabbe, Mr. Bellegarde, and Mr. Rosendahl delivered presentations displaying the integration experience of, respectively, Chicago Mercantile Exchange, NYSE Euronext, and NASDAQ OMX Helsinki; through completely different models.

*(A copy of Mr. Thomas Krabbe's presentation is herewith attached as Annex 1)*

*(A copy of Mr. Roland Bellegarde's presentation is herewith attached as Annex 2)*

*(A copy of Mr. Lauri Rosendahl's presentation is herewith attached as Annex 3)*

Mr. Erkan went on to say that post-trade services are an indispensable part of capital markets linkages and invited the representatives of Euroclear and SunGuard to deliver their presentations.

*(A copy of Mr. Stephan Pouyat's presentation is herewith attached as Annex 4)*

*(A copy of Mr. Philippe Carré's presentation is herewith attached as Annex 5)*

Mr. Erkan invited the audience to present their questions to the panellists and the Q&A session was held.

6. Mr. Rushdi Siddiqui, Global Head of Islamic Finance, Thomson Reuters, delivered a presentation entitled "Does Islamic finance have AIR (Authenticity, Innovation and Reach)?"

*(A copy of the presentation by Mr. Rushdi Siddiqui is herewith attached as Annex 6)*

7. Mr. Ibrahim Idjarmizuan from IFSB delivered a presentation entitled "Islamic Liquidity Management".

*(A copy of the presentation by Mr. Idjarmizuan is herewith attached as Annex 7)*

8. Mr. Gürsel Kona, Bonds and Bills Market Department, Istanbul Stock Exchange, delivered a presentation entitled "A New Way of Sukuk Trading in the OIC Markets"

*(A copy of the presentation by Mr. Kona is herewith attached as Annex 8)*

9. Mr. Ijlal Alvi, CEO, IIFM, delivered a presentation entitled "IIFM Repo Project Discussion Points for Istanbul Stock Exchange"

*(A copy of the presentation by Mr. Alvi is herewith attached as Annex 9)*

10. Mr. Avşar Sungurlu, Assistant Managing Director, BMD Securities Inc., delivered a presentation entitled "The First Islamic ETF: Turkey's Experience".

*(A copy of the presentation by Mr. Sungurlu is herewith attached as Annex 10)*

Mr. Erkan, as Forum Chairman, opened the official Forum meeting.

11. Mr. M. Emin Eker, General Director, COMCEC Coordination Office, saluted the delegates, and stated that the growing economic challenges faced by the Islamic Community called for enhanced dialogue and cooperation, and mentioned the role of COMCEC as a platform to seek solutions for the common challenges of Islamic states. Mr. Eker went on to say that in addition to the ongoing cooperation among the OIC member states' central banks and stock exchanges, the capital markets regulatory authorities initiated a similar cooperation on the previous day. Mr. Eker noted that the cooperation endeavors would serve to the financial stability and growth of Islamic states while contributing to the removal of the barriers on the capital mobility, increasing product diversity, and deepening of the markets. Mr. Eker also underlined COMCEC's appreciation of the Task Forces' efforts and expressed his hopes that the benchmark indices to be introduced in the near future would add to the visibility of the Forum member stock exchanges. Mr. Eker stated also that the remarkable progress of the Forum gives COMCEC a chance to promote it as a "successful cooperation model" and "a source of inspiration" for the other cooperation initiatives under COMCEC umbrella. Mr. Eker concluded by underlining COMCEC's determination to continue to support all the efforts aimed at strengthening the solidarity among Islamic Ummah.



12. Mr. Hüseyin Erkan, ISE Chairman & CEO, in his role as the Forum Chairman, delivered a presentation on the background of the Forum and the tasks accomplished since the 4th Forum meeting in October 2010.

*(A copy of Mr. Hüseyin Erkan's presentation is herewith attached as Annex 11)*

13. Ms. Şenay Pehlivanoglu, Assistant Director, Foreign Securities Market, Istanbul Stock Exchange, presented the report of the Task Force for Customized Indices and Exchange Traded Islamic Financial Products.

*(A copy of the presentation of the Task Force for Customized Indices and Exchange Traded Islamic Financial Products is herewith attached as Annex 12)*

14. Mr. Charbel Azzi, Director, Head of Client Coverage (MEA), S&P Indices, delivered a presentation on S&P's activities with regard to OIC exchanges, S&P's proposal for two Shariah indices, and gave the audience information on the methodology, branding, costs and revenues, marketing and data dissemination for such indices.

*(A copy of the presentation by Mr. Azzi is herewith attached as Annex 13)*

15. Mr. Wan Rizaidy Head, Product Development Islamic Capital Markets, Bursa Malaysia, talked about the work of the Task Force for the Promotion, Awareness and Investor Education about Islamic Financial Markets. Mr. Rizaidy said that the Task Force had been working on creating an OIC Exchanges Directory, however, received responses from six members only. Mr. Rizaidy invited all the delegates to the conference on Islamic liquidity management organized by Bursa Malaysia at Ritz Carlton Hotel in Istanbul on September 28-29, 2011, and left the floor to Dr. Polat to provide information about the developments on the Forum website.

16. Dr. Eralp Polat, Director, International Relations, Istanbul Stock Exchange, delivered a presentation on the developments on the OIC Member States' Stock Exchanges Website.

*(A copy of the presentation by Dr. Polat is herewith attached as Annex 14)*

17. Dr. Abolfazl Shahrabadi, Director, Public Relations and International Department, Tehran Stock Exchange, and Mr. Hamed Soltaninejad, Vice President of CSD of Iran, presented the report of the Task Force for Customized Indices and Exchange Traded Islamic Financial Products.

*(A copy of the presentation by Dr. Shahrabadi is herewith attached as Annex 15)*

16. Ms. Filiz Kaya, Managing Director, ISE Settlement and Custody Bank (Takasbank), on behalf of the Task Force for Post-Trade Services, said that the Task Force cooperated with and supported the Istanbul Stock Exchange for the preparations of the Capital Markets Linkage conference. Ms. Kaya gave a brief summary of the activities of the Task Force, including the preparation of questionnaires, sharing information among the member post-trade institutions, and initiation of opening correspondent accounts with post-trade institutions. Ms. Kaya said such efforts have provided useful for all the members. Nevertheless, in order to provide a more efficient platform and achieve more tangible results, the Task Force proposes to change the working methodology to project-based efforts; that is, to work on concrete projects to be determined by the members bi-laterally or multi-laterally.

## 18. PROPOSALS, RECOMMENDATIONS AND DECISIONS

The following proposals and recommendations were made and decisions were taken at the meeting:

1. a) The Task Force for Customized Indices and Exchange Traded Islamic Financial Products will continue to coordinate the work with the index provider; i.e., S&P. The members that have not signed the agreement yet are encouraged to do so by December 1<sup>st</sup>, 2011. S&P will launch the indices in the beginning of 2012 with the signatory members. Those who sign the agreement on a further date will be later included in the indices at subsequent review dates. S&P is requested to review the criteria in order to increase the number of member exchanges included in the indices, if feasible. The Task Force will also consult with S&P to create a family strategy for the OIC indices and to work on the promotion of such indices. The Task Force will also consult the Forum members to approach investment banks in order to create structured products on the OIC indices.  
  
b) Additionally, the Task Force will continue to work on the introduction of sukuk and other Islamic capital market instruments trading on organized markets in coordination with IIFM and IFSB.
2. The Forum appreciates the recently established COMCEC Capital Markets Regulators Forum, which will highly contribute to the work of the OIC Member States' Stock Exchanges Forum.
3. Task Force for Capital Market Linkages and the Task Force for Post-Trade Services will be converted into a project group of volunteering exchanges and post-trade institutions. Members of such project group will endeavour to realize bi-lateral and/or multi-lateral linkages, including trading, post-trade services, technological infrastructure, and so forth. The project group will cooperate with the Forum of regulatory bodies with regard to the legal framework.
4. The Forum Secretariat will continue to work on the development of the Forum web site and continue to act as the facilitator and coordinator with regard to the work of the Task Forces and project groups. Members are recommended to provide links from their own web sites to the Forum website. Members are also encouraged to share information regarding their work with their own members. The Secretariat will work with facilitators such as Thomson Reuters to establish an OIC stock exchange chat room.
5. The Forum will seek the assistance of COMCEC in securing IDB's support for the work on possible structured products to be created on the OIC indices.
6. Task Force for the Promotion, Awareness and Investor Education about Islamic Capital Markets will cease to continue as its work will be continued by the Forum Secretariat.
7. The volunteering exchanges for linkage are as follows: Egyptian Exchange, Dubai Financial Market, Qatar Exchange, Istanbul Stock Exchange, Tehran Stock Exchange, Lahore Stock Exchange
8. The conclusions of the meeting will be reported to the 27<sup>th</sup> session of COMCEC to be held in Istanbul on October 17-20, 2011.
9. The next annual meeting of the Forum will be held in Istanbul in October 2012.

