



BORSA
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Task Force on Precious Metals

OIC Member States' Stock Exchanges Forum
11th Meeting / October 31th, 2017

Precious Metals Task Force

➤ Precious Metals Task Force Motivation

- Integrate the gold markets among member states
- Removing barriers and aligning regulations to harmonize the precious metals trading ecosystem for trade and post-trade services



Precious Metals Task Force

➤ Main Objectives of the Task Force

- Establishing a common web-based gold trading and clearing platform with delivery options through several locations on which physical gold and gold futures contract can be traded
- Enabling members to trade gold on these platform
- Enhancing connections among other related Islamic financial institutions and all Islamic financial market



Precious Metals Task Force

- **The related decisions taken at the 32nd COMCEC Session:**
 - To establish a highly adaptable web-based gold trading and clearing platform with the ultimate aim of a gold exchange/platform among the volunteering Member Countries
 - to carry out necessary studies for the suggested platform/exchange.
 - To invite the interested member states to actively participate in Forum's Task Force to support the suggested platform/exchange through accelerating the process of integration of exchanges and harmonization of regulatory frameworks.



Gold Facts - OIC Member Countries

- There are 4 OIC countries (Indonesia, Uzbekistan, Mali, Kazakhstan) among the top 20 countries that produce the most gold from the mines in the world
- In 2016, 10.83% of total gold production was made from these countries
- The total gold production of all OIC countries with relevant data were 535 tons in 2015. This amount is 16.8% of the world mine gold supply
- 6 OIC countries are enlisted on the LBMA



Gold Facts - OIC Member Countries

- UAE has become the 3rd in the world with 25.4 billion dollar gold exports (2016)
- Turkey has become the 8th in the world with 8.2 billion dollar gold exports (2016)
- The OIC countries that supply the most scrap gold are Turkey, Indonesia and UAE. These countries supplied 77; 55; 42 tons of scrap gold respectively
- Countries that produce the most gold jewellery are Turkey, Saudi Arabia (including Yemen), Indonesia, Malaysia, Egypt and UAE (Total Amount for OIC member countries in 2015 was 421,5 Tons)



Infrastructure Options – Questions and evaluation methods

- Evaluation of the best possibilities for the project
- Each scenario must be considered and pointed out to the members and these following questions must be asked per offered scenario:
 - How will this option be implemented?
 - Which demand will this option meet?
 - For what will the OIC Countries use this scenario ?
 - Concrete conclusion about the scenario.
- The best possible and feasible option must be selected and implemented by the Task Force



Infrastructure Options

Extending services by Borsa Istanbul

- For the institutions of OIC Countries on The Precious Metals and Precious Stones Market of Borsa Istanbul
- Becoming a Regional Custody Center for Precious Metals.
- The storage capacity of the Vault of Borsa Istanbul has been increased to 1600 tons



Infrastructure Options

Becoming members of functioning electronic trading platform

- The OIC Member States' Stock Exchanges and related institutions can become members of a functioning electronic trading platform that enables international trading



Infrastructure Options

Establishing a Gold Exchange as a company

- Establishment by the representatives of the OIC Member States
- The report has 2 parts:
 - Legislative provisions and possible difficulties that will be experienced during the establishment phase
 - How these difficulties can be overcome
- e. g. Joint stock company can be established



Infrastructure Options

Establishment of a Wholesale Islamic Bullion Gold Bank

- Establishing a Bullion Bank at international level, considering the current market is a dealer market rather than a broker market.



Infrastructure Options

Mutual Membership / Platform (Cross Membership / Platform)

- Offer Trade and physical exchange to the members of the OIC or members that have been determined by the OIC.



Workshop Decision – Services by Borsa İstanbul

- **Policy Recommendation**

Extending Borsa İstanbul's Precious Metals services to integrate OIC Member States should be considered as a starting point.

- **Draft Decision**

The Forum mandates that the Task Force on Precious Metals to measure and evaluate the level of supply and demand of the gold market in the OIC Member States by utilizing the infrastructure of Borsa İstanbul's Precious Metals and Stones Market (or a functioning electronic trading platform as a secondary alternative) before allocating its resources into establishing a Gold Exchange Company.



Workshop Decision – Gold Exchange / Bullion Bank

- **Policy Recommendation**

Establishing a Gold Exchange Company/Wholesale Islamic Bullion Bank, which requires thorough research and extensive development, should be the ultimate yet a long-term goal.

- **Draft Decision**

The Forum mandates that the Task Force on Precious Metals to reschedule the studies and execution regarding the establishment of a Gold Exchange Company/Wholesale Islamic Bullion Bank until the relative indicators are signaled and discussed conditions are met.



Workshop Decision – Mutual Membership

- **Policy Recommendation**

Establishing a cross platform between OIC Member States' Exchanges should not be considered until the abovementioned options are exhausted.

- **Draft Decision**

The Forum mandates that the Task Force on Precious Metals to consider establishing a cross platform between OIC Member States' Exchanges after the abovementioned options are exhausted.





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Thank You