

The Activity Report for the Task Force for Post-Trade Services

Third Working Committee Meeting of the OIC Member States' Stock Exchanges Forum

**April 26-28, 2010
Abu Dhabi**

In the framework of the OIC Member States' Stock Exchanges Forum efforts, a dedicated Task Force for post-trade services (TFPTS), with the coordination of Takasbank, was set up with the participation of post-trade service institution members on October 2008. TFPTS was formed with the aim of providing an efficient and productive working platform, sharing the experience and knowledge in the areas of clearing, settlement and custody, which are the key components of organized securities markets and better understanding the needs and goals of the post-trade institutions within the OIC member states.

As of April 2010, the number of the members of TFPTS is twelve and they are listed below;

- ◆ ISE Settlement and Custody Bank (Takasbank), Turkey - Coordinator
- ◆ Bursa Malaysia Bhd, Malaysia
- ◆ Central Depository Company of Pakistan, Pakistan
- ◆ Central Registry Agency - CRA, Turkey
- ◆ Central Securities Depository of Iran, Iran
- ◆ Doha Securities Market, Qatar
- ◆ Dubai Financial Market, UAE
- ◆ Misr for Central Clearing Depository & Registry – MCDR, Egypt
- ◆ Muscat Depository and Securities Registration Company, Oman
- ◆ National Depository Center of Azerbaijan, Azerbaijan
- ◆ Tadawul Saudi Stock Market, Saudi Arabia
- ◆ Securities Depository Center of Jordan, Jordan

In the framework of studying issues that will create added value to OIC post-trade industry, as a first step, the current structures of the post-trade institutions in OIC member countries was evaluated via questionnaires. A questionnaire was prepared and sent to TFPTS members on March 30, 2009. This questionnaire covered the topics of;

- ◆ General information
- ◆ Legal framework & supervision activities
- ◆ Services offered
- ◆ Implication of the international settlement principles
- ◆ Compliance to international recommendations for clearing and settlement
- ◆ Account structures & record keeping
- ◆ Business continuity
- ◆ Financial figures

◆ Numbers

The questionnaire was re-sent several times and as of March 2010, eight institutions answered the questionnaire. The members that answered the questionnaire are listed below;

- ◆ Central Depository Company of Pakistan, Pakistan
- ◆ Central Registry Agency - CRA, Turkey
- ◆ Central Securities Depository of Iran, Iran
- ◆ ISE Settlement and Custody Bank (Takasbank), Turkey - Coordinator
- ◆ Misr for Central Clearing Depository & Registry – MCDR, Egypt
- ◆ National Depository Center of Azerbaijan, Azerbaijan
- ◆ Tadawul Saudi Stock Market, Saudi Arabia
- ◆ Securities Depository Center of Jordan, Jordan

A leaflet comprising all answers as well as a summary of the answers for cross-analysis was prepared by Takasbank and distributed to all TFPTS members in the third working committee meeting.

As a summary of the analysis of the results, it is evaluated that majority of the institutions that answered the questionnaire have similar infra-structures in terms of ownership, participants, legal framework, services offered and account structures as well as business continuity planning. This similar structure can easily pave the way to more cooperation among themselves. However, lack of default procedures, non-usage of SWIFT network, presence of physical securities in circulation, lack of multilateral netting as well as Central Counterparty and securities lending practice are the subjects needed to be studied on.

Another working subject of the Task Force was the establishment of correspondent business relations among post-trade institutions through mutual opening of securities accounts among post-trade institutions operating in the OIC member countries. Takasbank initiated cooperation for this purpose and approached Muscat Depository and Securities Registration Company, Oman and Dubai Financial Market, UAE.

There is no doubt that all of us are aware of the role and the importance of the participation of the members to Task Force studies. Post-trade institutions should cooperate in raising levels of harmonization, quality and interoperability as well as in increasing the volume of the cross border trades among the OIC member states' capital markets. In this context, contributions of each member of this task force have a crucial importance to be able to succeed the aims of TFPTS.

The working subjects to be discussed in Task Force Meetings are;

- 1) Analysis of the cross-border transaction appetite in the region. Measuring the extent of the need to develop mutual relations in OIC countries. As an end-result, mutual opening of securities accounts among post-trade institutions operating in the OIC member countries as well as making agreements for mutual exchange of information, know-how and training activities and powerful linkages among post-trade institutions in the OIC member countries

2) Cooperation in efficient disclosure and corporate governance via questionnaires among post-trade institutions

3) Working on the adoption of international standards and also international securities identification numbers in the individual securities markets

4) Analysis of possible cross-border securities transactions within OIC region in terms of post trade infrastructure;

- Determination of the barriers causing obstacles to cross-border transactions
- Determination of the means to remove these barriers
- Harmonization of OIC member states' post-trade operations
- Harmonization of OIC member states' post-trade regulations
- Endeavouring to harmonize OIC member states Capital Market Instruments tax regime

5) Improving the infrastructure of the post trade services offered in the OIC countries in order to enable market participants to trade on exchange traded funds (ETF) or depository receipts comprising of Islamic finance instruments

In the light of the above-mentioned issues, Task Force for Post-Trade Services will continue its studies on subjects which will aim to improve the operational and procedural infrastructure for facilitating a dynamic, reliable and well-established settlement and custody system for both local and international market participants operating in OIC member countries. Hence, TFPTS will contribute to the mission of the OIC Member States' Stock Exchanges Forum for future development and promotions of both the individual markets and interrelations among these markets in the OIC countries.

Emin S. CATANA, PhD
President and CEO, Takasbank
Coordinator of TFPTS