

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

Third Meeting of the OIC Member States' Stock Exchanges Forum

October 24-25, 2009
Istanbul

During the course of the year 2009, being the coordinator of the Task Force for Post-trade Services (TFPTS), Takasbank endeavors to provide 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. In this respect, TFPTS continues its studies on clearing, settlement and custody issues which will bring enriched expertise and knowledge to post-trade institutions operating in the OIC region.

Currently, the number of the members of TFPTS is ten and the names 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
- ◆ Doha Securities Market, Qatar
- ◆ Dubai Financial Market, UAE
- ◆ Misr for Central Clearing Depository & Registry – MCDR, Egypt
- ◆ Muscat Depository and Securities Registration Company, Oman
- ◆ Tadawul Saudi Stock Market, Saudi Arabia
- ◆ Securities Depository Center of Jordan, Jordan

Within this framework, Takasbank started coordinating the studying of issues that will create added value to OIC post-trade industry. The first item of the prospective subjects to be discussed in Task Force meetings was the evaluation of the current structures of the post-trade institutions via questionnaires in OIC member countries. Within this context, 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

Because of a very few feedback to the questionnaire, we do not have sufficient information to accurately evaluate the current structures of the post-trade services and to do an analysis within the OIC member states in terms of the degree of harmonization, the barriers for cross border transactions, the obstacles for cooperation among the OIC member states etc. Takasbank, as the coordinator of this Task Force kindly invites all members to answer the questionnaire.

The second item of the prospective subjects to be discussed in Task Force meeting 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 continues to work on this issue with several institutions.

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 future actions for the way forward of this task force are below;

- ◆ Request from the members who did not answer the questionnaire to answer it
- ◆ After gathering all answers from our members, prepare a report based on these answers summarizing the current structures of the member states, stating barriers to cooperate among the members
- ◆ Publish both the answers and also the report on the OIC Website
- ◆ Continue to work on harmonization of rules and regulations and removing the barriers in establishing correspondent business relations among the post-trade institutions

TFPTS will continue its studies on prospective 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. Prospective Subjects to be discussed in Task Force Meetings are;

1) Establishment of correspondent business relations among post-trade institutions;

- Mutual opening of securities accounts among post-trade institutions operating in the OIC member countries in order to provide efficient post trade infrastructure for products to be developed in the each financial market of the OIC countries
- 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) 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
- Endeavoring 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

As the coordinator of this Task Force, Takasbank's main route will be the implementation of internationally accepted standards and recommendations in order to reduce the causes of fragmentation and inefficiencies based in market practice/regulatory requirements, tax procedures and issues of legal certainty. Task Force for Post-Trade Services will endeavor to 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.

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