

FOURTH MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM

FINAL REPORT OF THE  
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ISTANBUL, OCTOBER 2-3, 2010

The Marmara Hotel  
Istanbul, October 2010

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Original: English

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OF THE  
FOURTH MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM  
(Istanbul, October 2-3, 2010)

1. The Fourth Meeting of the OIC Member States' Stock Exchanges Forum convened in Istanbul on October 2-3, 2010.

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. Amman Stock Exchange, Jordan
2. Bursa Malaysia Berhad, Malaysia
3. Casablanca Stock Exchange, Morocco
4. Dhaka Stock Exchange, Bangladesh
5. Dubai Financial Market, United Arab Emirates
6. The Egyptian Exchange, Egypt
7. Istanbul Stock Exchange, Turkey
8. Mozambique Stock Exchange, Mozambique
9. Muscat Securities Market, Oman
10. Qatar Exchange, Qatar
11. Tadawul Saudi Stock Market, Saudi Arabia
12. Tehran Stock Exchange, Iran
13. Uganda Securities Exchange, Uganda

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

1. Central Registry Agency of Turkey, Turkey
2. Central Securities Depository of Iran, Iran

3. Central Securities Depository of Pakistan, Pakistan
4. ISE Settlement and Custody Bank (Takasbank), Turkey
5. Muscat Clearing and Depository, Oman
6. National Clearing Company of Pakistan Ltd. (NCCPL), Pakistan

### **C. OTHER ORGANIZATIONS**

1. Capital Markets Board of Turkey (CMB), Turkey
2. Deutsche Boerse, Germany
3. Federation of Euro-Asian Stock Exchanges (FEAS)
4. International Islamic Financial Market (IIFM)
5. Muxlim Inc., Finland
6. Organization of the Islamic Conference (OIC)
7. Standard & Poor's
8. State Planning Organization, Turkey
9. Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC)
10. Thomson Reuters, USA

### **Opening Session**

3. Following recitation from the Holy Koran, the meeting was opened by Mr. Hüseyin Erkan, Forum Chairman and Chairman & CEO of the Istanbul Stock Exchange. Mr. Erkan welcomed all the delegates to Istanbul on the occasion of the fourth meeting of the OIC Member States' Stock Exchanges Forum. Mr. Erkan reminded the participants that the current state of the financial industry and the fast changing world requires a close partnership of countries, while the growing interest in Islamic finance presents many challenges, therefore making cooperation even more important in order to achieve mutual benefits. Mr. Erkan went on to say that as a result of the extensive work of the task forces, a remarkable progress has been made in many of the cooperation areas since the establishment of the Forum in 2005, and expressed his gratitude for this hard work. Mr. Erkan noted that the Forum started to operate in 2005 with 11 members, and membership has been increasing since then and added that the OIC is an extensive organization with 57 countries as members, and the Forum is supported by heads of state. Mr. Erkan noted that the mandate of cooperating, building cross border activity, and realizing flow of capital has been given to the Forum by the countries, who asked the Forum to come up with solid projects. Mr. Erkan said that the Forum has worked on many projects so far and shall go over this work during this two-day meeting. Mr. Erkan finally gave a summary of the program, along with brief information about the speakers.

4. H.E. Amb. Hameed A. Opeloyeru, Assistant Secretary General, Economic Affairs of the Organization of the Islamic Conference (OIC) read the message that Prof. Ekmeleddin Ihsanoğlu

has sent to the OIC Member States' Stock Exchanges Forum.

Prof. Ekmeleddin Ihsanoğlu thanked the Istanbul Stock Exchange for hosting the Forum and the participants for their commitment to the overall objectives of fostering active economic cooperation among OIC Member States. Prof. Ihsanoğlu stated in his message that the capital markets in OIC Member States, particularly the Shariah-compliant instruments have continued to grow along with increased awareness. Prof. Ihsanoğlu went on to say that despite being considered as 'emerging', the share of the OIC Stock Exchanges within the world's total market capitalization increased three-fold in the last seven years according to the World Bank reports. Prof. Ihsanoğlu also noted the rising popularity of Islamic sukuk, with a global amount of issuance of US\$120 billion and stated that the Forum needs to proceed rapidly to promoting cooperation for the purpose of sharing best practices, capacity-building, and regulatory frameworks, and also pooling resources to address the issue of stability and liquidity for the Islamic capital instruments. Prof. Ihsanoğlu also indicated that cooperation in the area of integrating national regulatory policies is increasingly popular in the agenda of the OIC, with the OIC Trade Preferential System (TPS-OIC) about to enter into force, the recent inauguration of the Standards and Metrology Institute for OIC Countries in Ankara, and the ongoing work on the Halal Food Standards. Prof. Ihsanoğlu assured the Forum of the OIC General Secretariat's intention to give adequate visibility to the outcome of the Forum's deliberations in a timely fashion, which will in turn ensure the involvement of the decision-makers for the popularization of the Islamic Capital Markets in their respective countries. Prof. Ihsanoğlu noted that the OIC's support is also within the framework of promoting privatization drive in OIC countries, including the progressive increase in the involvement of the Private Sector in the implementation of the OIC Ten Year Programme of Action.

*(A copy of Prof. Ekmeleddin Ihsanoğlu's message is herewith attached as Annex 1).*

5. Mr. Ahmet Yaman, Deputy Undersecretary of the State Planning Organization of Turkey, thanked the Istanbul Stock Exchange for hosting the meeting with such high level participation and went on to say that COMCEC has been offering a permanent cooperation platform for Islamic countries for more than twenty-five years and has been working to strengthen the cooperation among the fifty-seven member countries of the OIC. Mr. Yaman mentioned the Economic Summit organized by COMCEC in 2009, aimed at strengthening the economic cooperation among the member States, and added that the work of the Forum will be presented to the 26<sup>th</sup> Session of the COMCEC to be held in the following week, with the participation of 40 ministers of the member States. Mr. Yaman also gave brief information about the Istanbul International Financial Center. Mr. Yaman stated that, in consideration of the limited negative effects of the global financial turmoil on Turkey, its place as the seventeenth largest economy of the world, further strengthened by its regional location, and Istanbul, as its natural financial center, has the potential to become an important international financial center. Mr. Yaman summarized the work on the Istanbul International Financial Center project, initiated by an affirmative report of the Banks Association of Turkey, supported decisively by the Turkish government, and coordinated by the State Planning Organization of Turkey. Mr. Yaman added that a very important item for the project is the development of Islamic financial products, for which, the Forum provides significant support.

*(A copy of Mr. Ahmet Yaman's message is herewith attached as Annex 2)*

6. 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 3rd Forum meeting in October 2009.

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

7. 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 4)*

8. Mr. Charbel Azzi, Head of Client Coverage MENA Region, Index & Portfolio Services, Standard & Poor's delivered a presentation entitled "Progress on Creation of OIC Indices".

*(A copy of the presentation by Mr. Azzi is herewith attached as Annex 5)*

9. Mr. Rushdi Siddiqui, Global Head of Islamic Finance, Thomson Reuters, delivered a presentation entitled "OIC (Islamic Indexes and Finance – A Deep Dive)".

*(A copy of the report of Mr. Siddiqui's presentation is herewith attached as Annex 6)*

10. Mr. Ijlal Alvi, Chief Executive Officer, International Islamic Financial Market, delivered a presentation entitled "Progress on Islamic Repo".

*(A copy of the report of Mr. Alvi's presentation is herewith attached as Annex 7)*

11. Ms. Sairana Mohd Saad, Assistant Vice President & Head of Marketing and Communications, Islamic Markets, Bursa Malaysia Berhad, presented the report of the Task Force for the Promotion, Awareness and Investor Education about Islamic Capital Markets.

*(A copy of the presentation of the Task Force for the Promotion, Awareness and Investor Education about Islamic Capital Markets is herewith attached as Annex 8)*

12. Mr. Mohamed El-Fatraty, Founder and CEO, Muxlim Inc., delivered a presentation entitled "Branding and Promoting Islamic Capital Markets and Raising Awareness for the OIC Markets.

*(A copy of Mr. El-Fatraty's presentation is herewith attached as Annex 9)*

13. Mr. Sayd Farook, Global Head of Islamic Capital Markets, Thomson Reuters, delivered a presentation entitled "Islamic Corporate Social Responsibility".

*(A copy of Mr. Farook's presentation is herewith attached as Annex 10)*

14. Mr. Wan Rizaidy, Wan Mamat Saufi Head, Product Development, Islamic Market, on behalf of Ms. Raja Teh Maimunah, Global Head of Islamic Markets, Bursa Malaysia Berhad, delivered a presentation entitled "The Islamic Capital Markets – Opportunities from an Exchange's Perspective".

*(A copy of Mr. Wan Rizaidy, Wan Mamat Saufi's presentation is herewith attached as Annex 11)*

15. Mr. Abolfazl Shahrabadi, Public Relations and International Director, Tehran Stock Exchange, presented the joint report of the Task Force for Capital Market Linkages and the Task Force for Post-Trade Services on behalf of the Tehran Stock Exchange and the ISE Settlement and Custody Bank (Takasbank).

*(A copy of the joint report of the Task Force for Capital Market Linkages and the Task Force for Post-Trade Services is herewith attached as Annex 12)*

16. Mr. Hamed Soltanninejad, Deputy Managing Director (Operations), Central Securities

Depository of Iran, delivered a presentation entitled “OIC Capital Markets Interlinking Using SAMIP”.

*(A copy of Mr. Soltannejad’s presentation is herewith attached as Annex 13)*

17. Mr. Jochen Biedermann, Senior Vice President, Head of International Affairs, Deutsche Boerse AG, delivered a presentation entitled “Capital Market Linkages”.

*(A copy of Mr. Biedermann’s presentation is herewith attached as Annex 14)*

## 18. PROPOSALS, RECOMMENDATIONS AND DECISIONS

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

1. Having reviewed the proposals of various international index providers, the Forum has chosen S&P as the index provider for the OIC Stock Exchanges.
2. The Task Force for Customized Indices and Exchange Traded Islamic Financial Products will coordinate the work with the index provider; i.e. S&P, and will facilitate the signing of the master agreement between the index provider and the participating stock exchanges. S&P will create a benchmark index and tradable indices and will also suggest sectoral, regional and other types of indices for further consideration.
3. The Forum appreciates the work that has been presented by IIFM and will continue to work with IIFM on further projects. The Forum members acknowledge the Paper distributed by the Task Force recommending the development of the secondary sukuk market with market makers, in addition to the trading of Exchange Traded Funds, Exchange Traded Commodity Contracts, Islamic Real Estate Investment Trusts, and Islamic Depository Receipts, as well as other Islamic products to be traded on the OIC stock exchanges.
4. The Forum appreciates the work done by Bursa Malaysia Berhad with regard to the Task Force for the Promotion, Awareness and Investor Education about Islamic Capital Markets. The Task Force for the Promotion, Awareness and Investor Education about Islamic Capital Markets will continue to work on the development of awareness raising activities and projects. The Forum expects the contributions of the member stock exchanges for the development of the OIC members’ directory, the template of which has already been prepared by the Task Force. The web site should be re-structured and enriched to become interactive and to include more detailed information about the member Exchanges for reference purposes and for investor education.
5. The Forum is appreciative of the progress made by Thomson Reuters in developing a specialized section on OIC countries’ capital markets. The Forum recommends to the member stock exchanges to utilize the services provided by data vendors such as Thomson Reuters in facilitating cross border trading through the tools provided for broker dealers. The data vendors should be encouraged to provide competitive terms on their services in cooperation with the OIC Stock Exchanges.
6. The presentation jointly prepared by the Task Force for Capital Market Linkages and the

Task Force for Post-Trade Services is acknowledged by the Forum. Various modalities of linkages were discussed and the Task Force will prepare the format for a multilateral MoU for the Forum member Exchanges. The Forum encourages member exchanges to start bilateral linkage efforts based on the various modalities suggested to the Forum.

7. A one-day conference and exhibition on capital market linkages shall be organized prior to the 5<sup>th</sup> Forum meeting to be held in Istanbul in October 2011 (the exact date will be further announced by the Secretariat). The conference will bring together the institutional investors, post-trade service providers, intermediaries, technology providers and stock exchanges. The Task Force for Capital Market Linkages and the Task Force for Post-Trade Services will jointly work on this conference and exhibition.
8. The Forum requests the member Exchanges to promptly respond to the surveys and questionnaires prepared by the Task Forces.
9. The Forum appreciates SESRIC's willingness to undertake capacity-building, training and educational programs for the member Exchanges in coordination with the Forum.
10. The next Working Committee meeting will be held in April 2011 (the venue will be further announced by the Secretariat).