

16th OIC Exchanges Forum Meeting



**BORSA
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Benchmark for Investment

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16th OIC Exchanges Forum - Overview

- **OIC Exchanges Statistics Report 2021** published
 - More details by Borsa İstanbul (presentation)
- **OIC Exchanges Newsletters** published quarterly
- **Best Practice Session** takes place as part of the Forum agenda, enabling OIC Exchanges to share their own experiences, success stories and lessons learned, facilitating peer to peer learning among OIC Exchanges.
- **Capacity Building Programs** aim to increase the knowledge of the members on specific issues related to the capital markets through trainings by qualified experts and academicians.

Task Force on Indices – Latest Decisions

15th OIC Exchanges Forum Decisions:

- The Forum appreciates the efforts of the Task Force on Indices towards the completion of custody and broker accounts in relevant OIC member states for the S&P/OIC COMCEC 50 Shariah Index Fund (the Fund). The Forum mandates the Task Force on Indices to ensure successful resolution of the operational issues to enable the issuance of the Fund units for investment before the 37th Session of the COMCEC.
- The Forum invites members of the Forum and OIC institutions including IsDB to find investors for the Fund and work on increasing the Fund's assets under management. The Forum mandates the Task Force on Indices to facilitate preparation and distribution of the marketing material to promote S&P OIC/COMCEC Shariah 50 Index and the Fund.

Task Force on Indices – Latest Decisions

37th COMCEC Ministerial Session Decisions:

- Welcomes the issuance of the S&P/OIC COMCEC 50 Shariah Index Fund (the Fund) and initiation of the investment, requests the Task Force on Indices to facilitate preparation and distribution of the marketing material to promote S&P OIC/COMCEC Shariah 50 Index and the Fund.
- Requests Member States to actively support promotion of the S&P OIC/COMCEC Shariah 50 Index and the Fund to the investors in their respective countries through public events, press releases, and one-on-one meetings.

Task Force on Indices – the Index

- S&P OIC COMCEC 50 Shariah Index, launched in June 2012 as a benchmark index.
- The Index is designed to provide investors with a Shariah-compliant benchmark that measures the performance of leading companies from the OIC member states.
- OIC exchanges are expected to promote the index in their jurisdictions.
- With the beginning of the calculation of the index, the focus has been shifted to develop a financial instrument based on the index in order to facilitate attracting further investments to OIC capital markets.

Task Force on Indices – the Fund

- After several years of efforts, an index fund based on S&P OIC COMCEC 50 Shariah Index has been launched by Ziraat Portfolio Management, the largest asset management company in Türkiye. The new Fund first announced in 2019 during the 13th OIC Exchanges Forum.
- Since then several steps have been taken to make the Fund operational. Custody and FX accounts are opened by Citibank and Clearstream in the countries covered by the Fund. Then Trading/Investment accounts are opened by Mubasher (Dubai based regional brokerage house) with the help of İş Invest (another Turkish asset management company).
- After becoming operational on October 25th, 2021, Ziraat Portföy tested the operational processes among international parties through its own investment as a founder.

Task Force on Indices – the Fund

- After successful test results, the Fund's participation shares have been issued and became available to all domestic and international investors on August 2nd, 2022.
- Because it involves seven countries, the operation of the Fund is sophisticated, it is necessary to increase the size of assets under management be able to cover the high operational costs and ensure its long term sustainability.
- In line with the decisions taken by COMCEC Office, Ziraat Portföy and Borsa İstanbul's senior executives initiated the marketing activities for the Fund:
 - Initial seed investment made by Ziraat Group – 10 million TL.
 - The letters with relevant information and invitation to invest in the Fund have been sent to the OIC Member States by COMCEC through Turkish Ministry of Foreign Affairs.
 - COMCEC Office is conducting meetings with IsDB to seek support for the Fund.
 - During the 38th COMCEC Follow-Up Committee Meeting (May 2022), the OIC Member States were invited to support the Forum's efforts in finding investors for the Fund and increasing the Fund's assets under management.
 - Borsa İstanbul initiated communications with the OICEF Members, especially the Exchanges at which the Fund's constituents are traded.

Task Force on Indices – the Fund - Marketing

- As the first investable product developed by COMCEC and OICEF, we would like to invite all relevant institutions of OIC Member States/OICEF Members to invest in the Fund to support further development of OIC capital markets.
- We would appreciate the thoughts and recommendations of OICEF Members regarding the active promotion of the Fund to potential investors and increase the AUM of the Fund.

More details about the Fund will be provided by Ziraat Portfoy in the related session of the Forum.

Task Force on Precious Metals – Latest Decisions

15th OIC Exchanges Forum Decision:

- The Forum mandates the Task Force on Precious Metals to continue to facilitate the assessment of the feasibility of the BIGA business model to operate in a multi-national setting among OIC member states with the ultimate aim of establishing a Gold Exchange.

Task Force on Precious Metals – Latest Decisions

37th COMCEC Ministerial Session Decisions:

- Takes note of the briefing by Secretariat of the OIC Exchanges Forum on the efforts towards establishing OIC Gold Exchange among the volunteering Member States and requests the Forum's Secretariat to advance the technical preparations for the establishment of the OIC Gold Exchange, the assessment of the feasibility of the business model and report to the 38th COMCEC Session and Follow-up Committee Meeting.
- Invites the interested member states to actively support Forum's Task Force on Precious Metals by finding counterparts and designating focal points in their respective countries to lead the OIC Gold Exchange Project.
- Also invites all Exchanges, Central Banks, OIC-COMCEC Central Banks Forum, and other relevant parties of interested Member States to contribute to the formulation of the business model for a well-functioning OIC Gold Market.

Task Force on Precious Metals

- Project had been initiated at the COMCEC meeting in 2014 to take steps towards the establishment of the OIC Gold Exchange.
- Two technical reports have been prepared to assess feasibility in 2015 and 2016. A series of discussions held over the years with OIC counterparts and other relevant institutions. It has become clear that one of the primary obstacles in front of multi-national spot gold trading among regulated markets of OIC countries is the financial and operational inefficiencies that would arise in case of physical transfer of gold.
- To overcome the physical transfer problem; the OIC Exchanges Forum evaluates whether the BiGA gold transfer system, which provides 24/7 transfer between banks in Türkiye, may be also implemented in a multi-national setting among OIC member states.

Task Force on Precious Metals – BiGA

- In order for the BiGA digital gold transfer system to be implemented in OIC countries, central banks of the member countries may need to participate in the system as essential solution partners.
- Several C-level and technical meetings were held among COMCEC, Ministry of Treasury and Finance, CBRT, Borsa İstanbul and Takasbank during the year. Specific task force has been established with the authorized personnel of above mentioned institutions.
- Feasibility of the BiGA business model is under consideration by the Central Bank of the Republic of Türkiye (CBRT), Borsa İstanbul, Takasbank and other relevant institutions in terms of legal, technical and operational details.
- As soon as the work on business model is completed, BiGA system is planned to be initialized with certain OIC countries' central banks and related institutions.

Task Force on Sustainability – Latest Decisions

15th OIC Exchanges Forum Decision:

- The Forum welcomes the training provided on sustainability with a focus on Islamic impact, social and green investing. The Forum mandates the Task Force on Sustainability to continue to work on the assessment of the feasibility of an OIC sustainability index.

Task Force on Sustainability – Latest Decisions

37th COMCEC Ministerial Session Decision:

- Taking note of the briefing by Secretariat of the OIC Exchanges Forum on the efforts towards advancing the sustainability agenda in the exchanges of the Member States, requests the Forum's Secretariat to work on technical preparations for the projects that may help support OIC Exchanges to take further action in sustainability, including working on assessing the feasibility of a sustainability index for the OIC Exchanges Forum.

Task Force on Sustainability

- A presentation on sustainability practices in OIC Exchanges has been delivered at the 14th Forum meeting which depicted clearly the need in OIC exchanges to do more on sustainability.
- A Task Force has been established which identified calculation of an OIC sustainability index as its first priority.
- Given the close cooperation in previous years, S&P has been identified as the preferred index calculator for the OIC Sustainability Index. Several rounds of interactions have taken place with S&P on defining the criteria and the methodology for the calculation of the Index. It has become clear that S&P would not be able to calculate such index, then efforts focused on Refinitiv and several meetings were held with Refinitiv. However Refinitiv was also hesitant in calculation of the index due to cost considerations and high demand on sustainability indexes worldwide.
- Task Force has then focused on awareness raising and capacity building, instead of spending efforts to create a common sustainability index among the OIC Exchanges.

Capacity Building Programs – Training jointly organized with SESRIC

- The OIC Exchanges Forum organized a training course on “Capital Market Operations” on 11-12 May 2022 in collaboration with The Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC).
- OIC Exchanges Forum arranged competent trainers from the relevant departments of Borsa İstanbul as well as its subsidiaries Takasbank and MKK. Trainers delivered invaluable presentations and facilitated exchange of experiences with their counterparts throughout the training course.
- It was attended by 98 participants from the Stock Exchanges and relevant Ministries of 20 OIC Member States as well as 4 OIC and International Institutions namely; AAOIFI, IIFM, IsDB Group and S&P Global.

Capacity Building Programs - Academic Conference

- As suggested by the Sustainability Task Force, the Forum is focused on awareness raising to contribute to the efforts towards sustainability among OIC Exchanges Forum Members.
- An academic conference titled “Sustainability and Islamic Finance in OIC countries” will be held tomorrow (October 12th, 2022).
 - The purpose of this conference is to facilitate academic analysis, discussion and learning on this important topic in line with the goals and efforts of OICEF Sustainability Task Force.
 - Borsa İstanbul, as the Forum secretariat, invited all OICEF Members to submit academic papers with a detailed Call for Papers.
 - The articles presented in the academic conference will be published on Borsa İstanbul Review (<https://www.journals.elsevier.com/borsa-istanbul-review>), a highly prestigious SSCI indexed academic journal focusing on capital markets and relevant topics.

Next Steps

- Two of the three Task Forces seems to be coming to a close.
- For future efforts of the Forum it would be sensible to have discussion on next steps.
- We are keen on facilitating a more dynamic Forum, encouraging more ownership and leadership on task forces to other member exchanges.
- We are open to ideas and suggestions of members on future activities of the Forum
- We plan to organize a workshop during the year to discuss next steps for Forum activities



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Thank you

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