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Istanbul Stock Exchange

3rd Meeting of the OIC Member States' Stock Exchanges Forum

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Assalamu alaykum,

Esteemed Guests and Colleagues,

I would like to welcome you all to the 3rd meeting of the OIC Member States' Stock Exchanges Forum.

I know that many of you have traveled many miles to be here and I am pleased to see such great attendance from a vast geographic area –covering from Albania to Indonesia. As you might remember, last year, we gathered in Istanbul again, with over 70 participants. Today, we have more than 90 delegates here and I am sure that the next meeting will be even more populated. I am happy to say that, this underlies once more the rising awareness of the importance of cooperation among Islamic countries and financial markets.

I would like to thank the Forum Secretariat for their efforts in the organisation of this meeting. Inch Allah, we will have a productive meeting and you will also enjoy the social activities the ISE has organized for you.

To begin with, I would like to give a brief overview of the recent developments in the financial markets. As you all well know, the financial world was hit by a global turmoil last year, which shook the markets as a whole and we are still debating the ways of overcoming the effects of this crisis. The wild volatility in the capital markets, especially in the unregulated OTC traded products, highlights the role and importance of stock markets more than ever. Fortunately enough, exchanges have continued to properly function during this crisis, fulfilling their role as continuous, open markets for establishing and disseminating prices of exchange-traded instruments.

As to the Islamic financial market, it has continued to progress during this period despite difficult market conditions. The value of the global Islamic banking assets has reached 785 billion USD, while the sukuk market continued to expand, although at a slower pace, with a total issuance of 10 billion USD in the first three-quarters of 2009, compared to 15 billion USD in 2008. Led by Malaysia and Saudi Arabia, the government and related entities took the major part (74.6 %) in this market. There is also an increase in the value of Sharia – compliant funds from 27 billion USD at-end 2008 to 33.5 billion USD. A geographical breakdown shows that Malaysia takes the lead with 184 funds out of 531, followed by Saudi Arabia and Indonesia.

The major hurdles that remain on the path of Islamic finance market development are the difficult market conditions, the lack of standardization and the low liquidity of the market, especially for sukuk. The process encountered as a result of the default of two prominent Middle Eastern investment companies shaped up to be a test case for the Islamic finance industry on the settlement of sukuku. Thus, this development once more emphasized the importance of standardization by the regulatory authorities.

Finally, I am happy to note that some of the proposals taken by the OIC Forum last year have been put into effect on various platforms. The mega Islamic Investment Bank initiative launched by the Islamic Development Bank, with an initial capital of 1 billion USD, is one of them. This coincides with our proposal on *“encouraging the allocation of the funds in Islamic countries to the promising companies operating in the OIC members economies”* and I believe this new Bank will contribute to the financing of mega investments in the region and devise appropriate solutions to liquidity management..

Now, I would like to give a brief summary of the history of the OIC Member States’ Stock Exchanges Forum. The Forum aims to provide a dedicated platform and communication channel for representatives of the relevant OIC organizations and institutions to discuss international cooperation activities. The Forum was initiated in accordance with the decision of the 20th session of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC) to launch a framework of cooperation among the OIC stock

exchanges. The first round-table meeting was held in Istanbul in March 2005, with the participation of 11 OIC stock exchanges and 7 related institutions. The next meeting was convened in October 2008 with the attendance of 17 stock exchanges, 17 depositories, and 11 other organizations. I am happy to note once again that today, we have representatives from 22 stock exchanges, 7 settlement and depositories, and 11 other institutions, totaling over 90 participants. As you will remember, in the 2nd meeting of the Forum, one working committee and four task forces to operate under the Committee were established. The Working Committee held its first meeting in Tehran in May 2009.

With regard to the task forces, *“Task Force for Customized Indices, ETFs, and Islamic Depositary Receipts”*, led by the Istanbul Stock Exchange, aims to offer alternative instruments to the investors, to calculate a common benchmark index and encourage the creation of investable Islamic ETFs as well as depositary receipts based on Islamic financial products. Ms. Senay Pehlivanoglu from the Istanbul Stock Exchange will deliver their report.

“Task Force for Post - Trade Services” is led by Takasbank, Turkey. Task Force for Post-Trade Services prepared a questionnaire aimed at describing the current status of the clearing and settlement institutions of the member markets, and thereby determine the degree of harmonization, the barriers for cross border transactions, and any hurdles for cooperation among the OIC member states. We will hear more about their work from Dr. Emin Catana.

Next, *“Task Force for the Promotion of Awareness and Education of Investors about Islamic Capital Markets”*, led by Bursa Malaysia, aims to educate market participants and public policymakers about the opportunities and accessibility of the OIC members states capital markets; to sponsor high-quality conferences and educational programs; and to ensure the coordination and interaction among OIC members to promote the profiling and branding of Islamic Capital Market. Mr. Norfadelizan bin Abdul Rahman from Bursa Malaysia will present the report.

And last, but not least, *“Task Force for Studying the Feasibility of an Islamic Securities Exchange”*, led by the Tehran Stock Exchange, aims to create a common e-

link platform among the OIC member exchanges. The task force held its first meeting in Tehran, in May. Then, the Task Force members visited Bursa Malaysia in order to get further information on ASEAN Link, which is a recent model of e-links. Mr. Abolfazl SHAHRABADI from the Tehran Stock Exchange will tell us on their report and Mr. Chua Kong Khai from Bursa Malaysia will deliver a presentation on the details of the functioning of ASEAN Gateway Initiative.

I must also mention our well-known guests who have kindly accepted to be here and share their knowledge and experience with us today. Their biographies are available in your files, but I would like to introduce them to you even if very briefly.

Mr. Joel Merere is the Chairman of European Central Securities Depository. He will give us an overview of the clearing and settlement industry in the world focusing on the cross-border activities of the industry.

Mr. Datuk Tim Garland is Senior Vice President responsible for brand management with TBWA TEQUILA of Malaysia. He will tell us about the work they have done with regard to the promotion of OIC markets.

I believe that most of you are already familiar with Mr. Rushdi Siddiqui. He is the Global Head of Islamic Finance of Thomson Reuters. He will tell us about the Islamic Gateway developed by Thomson Reuters and the recent trends in Islamic finance.

Dr. Mohammed Nedal Alchaar is also well known to you all; he was with us last year as well. Dr. Alchaar is the Secretary General of AAOIFI, the Accounting and Auditing Organization for Islamic Financial Institutions. He will tell us about the recent trends and developing liquidity in Islamic capital market instruments tradable on the Exchanges.

Mr. Ijlal Alvi is the CEO of the International Islamic Financial Market. He will talk about the activities of the International Islamic Financial Market and the recent trends in the Islamic financial industry, particularly in Islamic repo.

Last, but not least, Mr. Norfadelizan bin Abdul Rahman, Vice President and Head of Islamic Markets, will deliver a presentation on Commodity Murabahah House of Bursa Malaysia.

Before we start, I would like to thank you all once again for being here and attending the Forum meeting. I wish us a successful and a fruitful meeting inch Allah.