

THIRD MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM

DRAFT REPORT OF THE
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ISTANBUL, OCTOBER 24-25, 2009

The Marmara Hotel
Istanbul, October 2009

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OF THE
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(Istanbul, October 24-25, 2009)

1. The Third Meeting of the OIC Member States' Stock Exchanges Forum convened in Istanbul on October 24-25, 2009.

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. Abu-Dhabi Securities Exchange, United Arab Emirates
2. Amman Stock Exchange, Jordan
3. The Bourse Régionale des Valeurs Mobilières SA (BRVM), Niger
4. Bursa Malaysia Berhad, Malaysia
5. Chittagong Stock Exchange, Bangladesh
6. Dhaka Stock Exchange, Bangladesh
7. Dubai Financial Market, United Arab Emirates
8. The Egyptian Exchange, Egypt
9. Indonesia Stock Exchange, Indonesia
10. Istanbul Stock Exchange, Turkey
11. Kyrgyz Stock Exchange, Kyrgyz Republic
12. Lahore Stock Exchange, Pakistan
13. Mozambique Stock Exchange, Mozambique
14. Muscat Securities Market, Oman
15. Nasdaq-Dubai Ltd., United Arab Emirates
16. Palestine Securities Exchange, Palestine

17. Qatar Exchange, Qatar
18. Saudi Arabian Stock Exchange (Tadawul), Saudi Arabia
19. Tehran Stock Exchange, Iran
20. Tirana Stock Exchange, Albania
21. Tunisia Stock Exchange, Tunisia

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

1. Central Depository Company of Pakistan Ltd., Pakistan
2. Central Registry Agency of Turkey, Turkey
3. Central Securities Depository of Iran, Iran
4. Indonesian Central Securities Depository, Indonesia
5. ISE Settlement and Custody Bank (Takasbank), Turkey
6. National Clearing Company of Pakistan Ltd. (NCCPL), Pakistan
7. National Depository Center of the Azerbaijan, Azerbaijan
8. Securities Depository Center (SDC) of Jordan, Jordan

C. OTHER ORGANIZATIONS

1. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
2. Capital Markets Board of Turkey (CMB), Turkey
3. Citibank
4. Developing 8 Countries (D8) Organization for Economic Cooperation
5. ECSDA
6. Federation of Euro-Asian Stock Exchanges (FEAS)
7. International Islamic Financial Market
8. Islamic Chamber of Commerce and Industry (ICCI)
9. Islamic Development Bank (IDB)
10. Islamic Financial Services Board (IFSB)

11. Organization of the Islamic Conference (OIC)
12. State Planning Organization, Turkey
13. Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC)
14. TBWA Agency
15. Thomson Reuters, USA

Opening Session

3. Following recitation from the Holy Koran, the meeting was opened by Mr. Hüseyin Erkan, Chairman and CEO of the Istanbul Stock Exchange. Mr. Erkan welcomed all the delegates to Istanbul on the occasion of the third meeting of the OIC Member States' Stock Exchanges Forum. Mr. Erkan reminded the participants that the OIC Member States' Stock Exchanges Forum was established in 2005 with a view to encouraging cooperation among the stock exchanges of the OIC member countries with the participation of eleven (11) stock exchanges and seven (7) other related organizations and institutions, while over 90 delegates are present at today's meeting, displaying the rising awareness of the importance of cooperation among Islamic countries and financial markets. Mr. Erkan thanked the Secretariat for their efforts in the organization of the meeting. Mr. Erkan mentioned the global financial turmoil of the previous year and the fact that stock markets continued to function properly in face of the wild volatility created by the financial turmoil. Mr. Erkan went on to say that the value of the global banking assets had reached 785 billion USD, while the sukuk market continued to expand with a total issuance of 10 billion USD in the first three-quarters of 2009, compared to 15 billion USD in 2008. He also mentioned the increase in the value of Sharia – compliant funds; that the value of 531 funds that rose to 33.5 billion USD. Mr. Erkan gave a brief summary of the development of the OIC Member States' Stock Exchanges Forum and also the issues that the four Task Forces studied on, and on which they will present their reports in this meeting. Finally, Mr. Erkan thanked the speakers and introduced them briefly.

4. Prof. Vedat Akgiray, Chairman of the Capital Markets Board (CMB) of Turkey, welcomed the delegates and emphasized the importance of cooperation that brings practical results, beyond just signing agreements. Prof. Akgiray noted the eagerness of the ISE to establish the necessary infrastructure to ensure the cooperation of all financial institutions. Prof. Akgiray went on to say that sukuk-based instruments had been on the agenda recently, and that especially Malaysia had done a great job in this respect, from which we all have a lot to learn. Prof. Akgiray noted two Turkish proverbs, “with one hand, you cannot produce any sound, but with two, you can”, emphasizing the importance of cooperation, and “tell me who your friend is, and I will tell you who you are”, meaning that if one institution in this Forum is successful, then all the members will be deemed as successful. Prof. Akgiray also highlighted the cooperation of other international bodies such as WFE and FEAS, and invited the Forum members to be courageous and cooperative, which, in the long run, will produce desirable results for all members. Prof. Akgiray went on to say that the financial crisis taught us lessons, including the fact that information is best shared among friends. As a regulatory body, the Capital Markets Board of

Turkey is after closer cooperation between regulatory bodies, due to the fact that, when regulation is coherent, the job of the stock exchanges will be much easier. Prof. Akgiray emphasized the importance of knowledge based cooperation. Prof. Akgiray also said that the Capital Markets Board of Turkey intends to take the initiative to bring together the capital markets regulatory authorities of the OIC countries.

5. Mr. Ferruh Tıǧlı, General Director, Foreign Economic Relations of the State Planning Organization of Turkey, mentioned that the COMCEC, established in order to strengthen economic and commercial cooperation among the Islamic countries, is celebrating its 25th anniversary this year. COMCEC has taken a long way in enhancing trade among the member States and should also be searching ways for increasing intra-OIC investments and capital flows. Mr. Tıǧlı reminded the audience that the recommendations of the 2nd meeting of the Forum were adopted in the 24th session of COMCEC. Mr. Tıǧlı said that he is optimistic that concrete steps will be taken, including the calculation of a special index. Mr. Tıǧlı called to the attention of the audience that the progress in the meeting shall be reflected in the Declaration of COMCEC Economic Summit to be held in November 2009. Mr. Tıǧlı noted that the unprecedented financial crisis of the previous year has started to ease, but nevertheless displayed the need for a new global financial architecture. Mr. Tıǧlı noted that, as instruments encouraging real economic activity, Islamic investments instruments are more immune and resistant to crises, and will therefore gain more importance.

(A copy of Mr. Ferruh Tıǧlı's message is herewith attached as Annex 1).

6. Dr. Savaş Alpay, Director General of the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) first read the message that Prof. Ekmeleddin Ihsanoǧlu has sent to the OIC Member States' Stock Exchanges Forum.

Prof. Ekmeleddin Ihsanoǧlu stated in his message that this meeting is timely since it coincides with the 25th anniversary of COMCEC and the 40th anniversary of the Organization of the Islamic Conference as an intergovernmental forum. Prof. Ihsanoǧlu thanked the Istanbul Stock Exchange for its leadership of the Forum and mentioned the increasing number of participants since the first meeting in 2005, displaying the recognition of the OIC Member States that strategic alliances provide access to new technologies and innovative financial instruments. Prof. Ihsanoǧlu noted that closer cooperation and even integration of the stock exchanges of the OIC is part of the new OIC vision. Prof. Ihsanoǧlu touched upon the fact that cooperation will help the member exchanges to turn the global crisis into an opportunity through pooling their resources. Prof. Ihsanoǧlu also indicated that the size of the Islamic assets is estimated to have reached US \$ 1 trillion globally, with an annual growth rate of 15-20 per cent, while the share of the OIC Member States' stock exchanges in the total world market capitalization has tripled in the last eight years. Prof. Ihsanoǧlu said that the Forum made an impressive progress and invited the Forum to sustain the momentum.

(A copy of Prof. Ekmeleddin Ihsanoǧlu's message is herewith attached as Annex 2).

Dr. Alpay then went on to say that the successful progress of this Forum gives SESRIC a sound reason for fostering their enthusiasm to keep their members up-to-date of each other's capacities, needs, challenges and potentials. Dr. Alpay explained two recent SESRIC activities which may have certain connection to the work of the Forum; namely, a series of monthly reports on the current global financial crisis and its impacts on the developing countries including the OIC

members, and the extension of the Capacity Building Program (CBP) (which, until recently mainly concerned the needs and capacities of the National Statistical Organisations (NSOs) of the member countries), to include other national institutions in the member countries such as the central banks. Dr. Alpay expressed that SESRIC is ready to strengthen its cooperation with the stock exchanges of the member countries in the area of capacity building and informed the audience that SESRIC is ready to assume the role of OIC coordinator for technical cooperation and training activities. Dr. Alpay also pointed out that it is very timely to extend the strong ties accomplished among stock markets to the capital market authorities of OIC member countries, and that SESRIC is ready to facilitate such efforts.

(A copy of Dr. Savaş Alpay's message is herewith attached as Annex 3)

7. Mr. Hüseyin ERKAN, ISE Chairman & CEO, delivered a presentation on the background of the Forum and the tasks accomplished since the 2nd Forum meeting in October 2008.

(A copy of Mr. Hüseyin Erkan's presentation is herewith attached as Annex 4)

8. Ms. Şenay Pehlivanoğlu, Assistant Director, Foreign Securities Market, Istanbul Stock Exchange, presented the report of the Task Force for Customized Indices, ETFs, and Islamic Depository Receipts

(A copy of the presentation of the Task Force for Customized Indices, ETFs, and Islamic Depository Receipts is herewith attached as Annex 5)

9. Dr. Emin Çatana, President & CEO of the ISE Settlement and Custody Bank Inc. (Takasbank) presented the report of the Task Force for Post-Trade Services

(A copy of Mr. Çatana's speech on behalf of the Task Force for Post-Trade Services is herewith attached as Annex 6)

10. Mr. Joel Merere, Chairman of the European Central Securities Depository Association (ECSDA) delivered a presentation entitled "Link-up Markets and Potential Benefits & Development, Challenges and the Future Outlook of the Clearing and Settlement Industry"

(A copy of Mr. Joel Merere's presentation is herewith attached as Annex 7)

11. Mr. Norfadelizan bin Abdul Rahman, Vice President, Head, Islamic Services of Bursa Malaysia Berhad, and Mr. Datuk Tim Garland, Senior Vice President, Brand Engagement of TBWA TEQUILA, together presented the report of the Task Force for the Promotion of Awareness and Education of Investors about Islamic Capital Markets.

(A copy of the report of the Task Force for the Promotion of Awareness and Education of Investors about Islamic Capital Markets is herewith attached as Annex 8)

12. Mr. Abolfazl Shahrabadi, Public Relations and International Director of the Tehran Stock Exchange, presented the report of the Task Force for Studying the Feasibility of an Islamic Securities Exchange

(A copy of the report of the Task Force for Studying the Feasibility of an Islamic Securities Exchange is herewith attached as Annex 9)

13. Mr. Chua Kong Khai, Deputy Chief, Market Operations, Information Services of Bursa

Malaysia Berhad, delivered a presentation on the ASEAN Gateway Initiative.

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

14. Mr. Rushdi Siddiqui, Esq., Global Head of Islamic Finance, Thomson Reuters, delivered a presentation on the Islamic Gateway developed by Thomson Reuters and gave information about the recent trends in Islamic finance.

(A copy of Mr. Siddiqui's presentation is herewith attached as Annex 11)

15. Dr. Mohamad Nedal Alchaar, Secretary General of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) delivered a speech on the recent trends and developing liquidity in Islamic capital market instruments tradable on the exchanges.

(A copy of Dr. Alchaar's presentation is herewith attached as Annex 12)

16. Mr. Ijlal Alvi, CEO of International Islamic Financial Market (IIFM), delivered a speech on the IIFM Activities and recent trends in Islamic financial industry, in particular, Islamic repo.

(A copy of Mr. Alvi's presentation is herewith attached as Annex 13)

17. Mr. Norfadelizan bin Abdul Rahman, Vice President, Head, Islamic Services of Bursa Malaysia Berhad, delivered a speech on Bursa Malaysia and Commodity Murabahah House.

(A copy of Mr. bin Abdul Rahman'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. The name of the Task Force for “Customized Indices, ETFs and Islamic Depository Receipts” is converted to “Customized Indices and Exchange Traded Islamic Financial Products”. The Forum appreciates the work done by the Task Force.
2. The Task Force for “Customized Indices and Exchange Traded Islamic Financial Products” together with IDB, shall communicate with various index providers to determine alternative types of investable indices (e.g. corporate governance index, regional index, sectoral index), by the next Working Committee meeting.
3. The Task Force for “Customized Indices and Exchange Traded Islamic Financial Products” shall consult with IIFM and AAOIFI to determine ways to offer practical, easily comprehensible and cost effective financial instruments, particularly exchange traded commodity contracts and Islamic repos and shall make recommendations to the Working Committee.
4. The name of the Task Force for “Feasibility of Islamic Securities Exchange” is converted to “OIC Capital Markets Linkages”. The Forum appreciates the information provided on ASEAN Gateway. The Forum encourages and supports such initiatives. Members of the

Forum may participate in such linkage gateways at their own options. Cross-border models of linkages, in particular, multilateral modalities of simulated trades should be further studied by the Task Force.

5. The name of the Task Force for “Promotion of Awareness and Education of Investors about Islamic Capital Markets” is converted to Task Force for the “Promotion, Awareness and Investor Education about Islamic Financial Markets”. The efforts of the Task Force are appreciated and the promotional material presented has been well received. The Task Force shall prepare an annual publication covering research, articles, advertisements and educational materials while the member exchanges of the Forum shall provide links to the Forum web site.
6. Training programs organized by the OIC capital markets institutions shall be announced on the OIC exchanges web site <http://www.oicexchanges.org>. The Forum welcomes the offer made by SESRIC that the Center is ready to assume the role of Forum’s Training Activities Coordinator in capacity building for the Forum members.
7. The Forum appreciates the work done by the Task Force for Post-Trade Services. Bilateral cooperation among post trade institutions to facilitate more efficient cross-border trading should be encouraged and such efforts shall be reported to the Working Committee. As an initial step, bilateral correspondent accounts will be opened between the interested members of the Forum.
8. The next Working Committee meeting of the Forum shall be hosted by the Abu-Dhabi Securities Exchange on a date to be further announced by the Secretariat.
9. The Fourth meeting of the OIC Member States’ Stock Exchanges Forum shall be held in Istanbul on a date to be further announced by the Secretariat.
10. The following stock exchanges are included in the Task Force for Customized Indices and Exchange Traded Islamic Financial Products:
 - Saudi Arabian Stock Exchange (Tadawul), Saudi Arabia;
 - Dhaka Stock Exchange, Bangladesh,
 - Lahore Stock Exchange, Pakistan
 - Tehran Stock Exchange, Iran
11. The following post-trade services institutions are included in the Task Force for Post-Trade Services:
 - Central Securities Depository of Iran, Iran
 - National Clearing Company of Pakistan, Pakistan
 - Abu Dhabi Securities Exchange, UAE