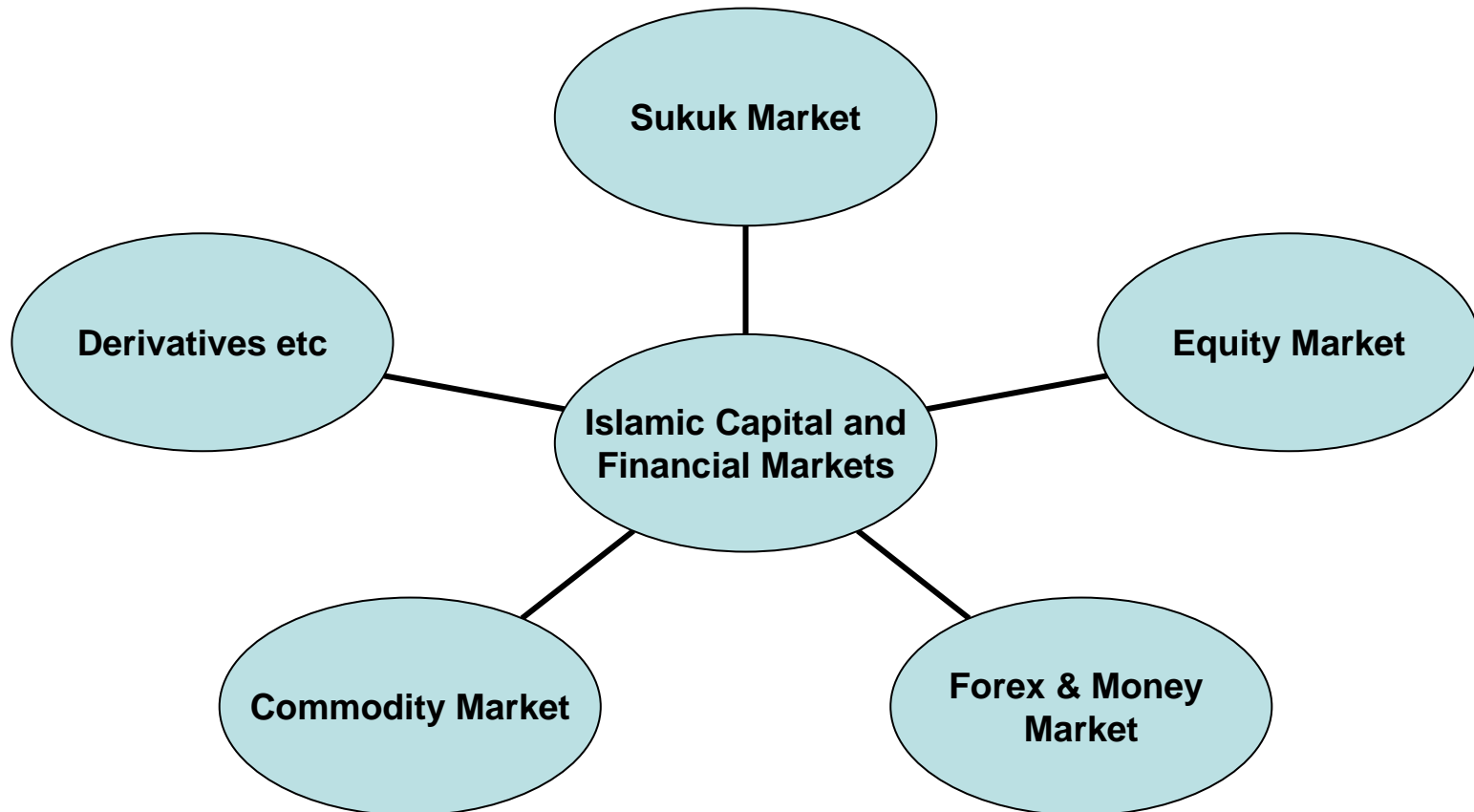


Islamic Capital and Financial Markets – *moving forward*

OIC Stock Exchanges Forum
Istanbul, Turkey, October 2009



Major components of Islamic Capital and Financial Markets



Moving forward ...

Sukuk Market

- Requires increase in sovereign benchmark issuances – as market-makers and to build yield curves.
- Huge potential to fund governmental infrastructure projects.
- Standardised transaction structures can facilitate new issuances.
- Application of AAOIFI standards can ensure Sukuk issuances are accepted by international markets.

Moving forward ...

Sukuk Market *(cont'd)*

- Regulations including on tax-neutrality are required to promote issuances in new markets.
- At the same time, it is critical that regulatory arbitrage must be prevented.
- Issuances must be rated by globally-accepted rating agencies.
- Active secondary market also calls for high no. of issuances including by mid-tier corporates.

Moving forward ...

Equity Market

- Well-accepted criteria – based on AAOIFI standards – for screening of Shari’a-compliant equities and ‘cleansing’ of prohibited income.
- Trading of listed equities has been driven also by Shari’a-compliant investment funds.
- Potential for stock exchanges to identify and cross-list Shari’a-compliant stocks.

Moving forward ...

Forex & Money Market

- Mechanisms for Shari'a-compliant forex trading and swaps need to be standardised.
- Shari'a-compliant money market activities currently largely based on commodity transactions.
- There exists a need for robust money market liquidity facilities – including repos – between Islamic financial institutions and central bank in each jurisdiction.



Moving forward ...

Commodity Market

- Islamic financial institutions' involvement in commodity market is only for money market / liquidity purposes.
- Potential for *bona fide* commodity trading or hedging?

Moving forward ...

Derivatives etc

- Shari'a compliance issues on structuring derivative products.
- Valid case of applying derivative mechanisms for risk management tools?
- Requires standardised and easy-to-understand structures.

Thank You

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