

SECOND MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM

FINAL REPORT OF THE
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ISTANBUL, OCTOBER 18-19, 2008

The Marmara Hotel
Istanbul, October 2008

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Stock Exchanges Forum

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OF THE
SECOND MEETING OF THE OIC MEMBER STATES' STOCK EXCHANGES FORUM
(Istanbul, October 18-19, 2008)

1. The Second Meeting of the OIC Member States' Stock Exchanges Forum convened in Istanbul on October 18-19, 2008.

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. Baku Stock Exchange, Azerbaijan
3. Bursa Malaysia Berhad, Malaysia
4. Chittagong Stock Exchange, Bangladesh
5. Dhaka Stock Exchange, Bangladesh
6. Doha Securities Market, Qatar
7. Dubai Financial Market, United Arab Emirates
8. Egyptian Exchange, Egypt
9. Islamabad Stock Exchange, Pakistan
10. Istanbul Stock Exchange, Turkey
11. Kyrgyz Stock Exchange, Kyrgyz Republic
12. Lahore Stock Exchange, Pakistan
13. Muscat Securities Market, Oman
14. Palestine Securities Exchange, Palestine
15. Tadawul-Saudi Stock Market, Saudi Arabia
16. Tehran Stock Exchange, Iran

17. Tashkent Republican Stock Exchange, Uzbekistan

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

1. Central Depository Company of Pakistan, Pakistan
2. Central Securities Depository of Iran, Iran
3. Central Registry Agency of Turkey, Turkey
4. ISE Settlement and Custody Bank (Takasbank), Turkey
5. Securities Depository Center of Jordan, Jordan
6. Misr for Central Clearing Depository & Registry, Egypt
7. Muscat Depository & Securities Registration Company, Oman

C. OTHER ORGANIZATIONS

1. Organization of Islamic Conference (OIC)
2. COMCEC Coordination Office (State Planning Organization of Turkey)
3. The Islamic Center for Development of Trade (ICDT)
4. Islamic Development Bank (IDB)
5. Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC)
6. Capital Markets Board of Turkey (CMB), Turkey
7. Privatization Administration of Turkey
8. Islamic Financial Services Board (IFSB)
9. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
10. Citibank EMEA
11. Dow Jones Indexes

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 second 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 delegates from fourteen (14) members states are present at today's meeting, displaying the enthusiasm to continue this initiative. Mr. Erkan mentioned the World Federation of Exchanges (WFE) General Assembly meeting he attended in Milan in the previous week, where stock exchange leaders stressed the importance of the transparency and continuous liquidity offered by organized markets. Mr. Erkan noted the high potential of the OIC Member States' Stock Exchanges with a total market capitalization of USD 2.1 trillion and 4,100 listed companies. The recent surge in demand for Shariah compliant investment instruments has also added to this potential. Mr. ERKAN strongly emphasized the increased importance of cooperation among OIC Member States' Stock Exchanges at a time when the global credit crunch has tremendously affected the financial markets.

4. Dr. Ahmet TIKTIK, Undersecretary of State Planning Organization, Turkey, welcomed the audience and thanked the Istanbul Stock Exchange for organizing this meeting. Dr. TIKTIK reminded the audience of the initiative the ISE has taken in order to bring together the stock exchanges of the OIC member states. Dr. TIKTIK stressed the increasing importance of Islamic investment instruments in face of the recent turmoil in the international markets and invited the participant institutions to enrich and diversify their cooperation.

5. Mr. Emin OZER, Board Member of the Capital Markets Board of Turkey, talked about the role of the Capital Markets Board of Turkey and gave brief information about the recent progress in the Turkish capital markets. In face of the recent financial crisis, Mr. OZER highlighted the fact that it is indeed very important for OIC members to let this financial challenge to become a good opportunity, and emphasized that the growing interest in Islamic financial instruments should be considered within this perspective.

6. Mr. Jakhongir KHASANOV, Professional Officer in Economic Affairs Department of OIC, read the message of H.E. Prof. Ekmeleddin IHSANOGLU, Secretary General of the OIC. In his message, H.E. IHSANOGLU thanked the Istanbul Stock Exchange for its leadership and enthusiasm in making this forum permanent. Mr. IHSANOGLU touched upon the multiple role of the stock exchanges in the economy, and hence, making stock market development an important engine for economic growth. The recent financial crisis has underlined the need for closer cooperation and the Forum provides a unique opportunity for sharing experience in dealing with such phenomena, while also serving to further promote Islamic financial instruments worldwide.

(A copy of H.E. Prof. IHSANOGLU's message is herewith attached as Annex 1).

7. Mr. Hüseyin ERKAN, ISE Chairman & CEO, touched upon the recent financial crisis and said that the governments of USA, UK and the rest of Europe took measures to help build confidence. Mr. ERKAN mentioned the World Federation of Exchanges (WFE) General Assembly meeting he participated in Milan in the previous week and repeated the message of the world stock exchange leaders, that “as organized markets, the stock exchanges continued to serve as transparent market places, facilitating fair and efficient price discovery during the recent financial crisis, and that stock markets should remain open throughout this period”. Stricter regulation and more conservative surveillance in the financial markets may be expected in the period ahead. In this environment, Islamic financial products present new opportunities.

(A copy of the Istanbul Stock Exchange’s presentation is herewith attached as Annex 2).

8. Mr. Rushdi SIDDIQUI, Global Director of Dow Jones Islamic Market Index Group, said in his presentation that the financial crisis has provided a unique, one-time opportunity to explain Islamic finance to the world at large, from a holistic point of view, and not religious.

(A copy of Dow Jones Islamic Market Index Group’s presentation is herewith attached as Annex 3).

9. Mr. Mohamad Nedal ALCHAAR, Secretary General of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) gave an overview of AAOIFI Standards, and an overview of Islamic Securitisation / Sukuk Market. Mr. ALCHAAR touched upon the standards on Sukuk and went on to make an evaluation of the benefits of Islamic Securitisation / Sukuk. In the final part of his presentation, Mr. ALCHAAR talked about the key drivers for further growth of Islamic Securitisation / Sukuk Market.

(A copy of AAOIFI’s presentation is herewith attached as Annex 4).

10. Mr. Abdullah HARON, Assistant Secretary General of the Islamic Financial Services Board (IFSB) introduced the Islamic capital market in general, through concepts, structures and statistics. Mr. HARON then went on to talk about the challenges in globalizing the Islamic capital market instruments. Mr. HARON also touched upon the role of the IFSB in the globalization of Islamic capital market instruments.

(A copy of IFSB’s presentation is herewith attached as Annex 5).

11. Mr. Andrew MULLEY, Issuer Services EMEA Business Head of Citibank, gave a market update, referring to the four phases of the global financial crisis. Mr. MULLEY stated that an enormous amount of liquidity has already drained from the market and this lack of liquidity leaves room for new opportunities for market players. Mr. MULLEY then gave general information about the role and activities of issuer services in global banks. Mr. MULLEY introduced depositary receipts, referring to the solutions, capital raising capacity, trading value, etc. they offer, and also gave an overview of Islamic debt markets, while emphasizing the benefits of a depositary receipt program for sukuks.

(A copy of Citibank EMEA’s presentation is herewith attached as Annex 6).

12. Dr. Emin ÇATANA, President and CEO of the ISE Settlement and Custody Bank (Takasbank), started his presentation by making a brief evaluation of the financial turmoil. Dr. ÇATANA offered a brief layout of the global trends in the financial markets and described the characteristics of an ideal securities settlement system in such atmosphere. Dr. ÇATANA talked about the significance and subjects of cooperation among post-trade institutions and also touched upon the corporate governance issues concerning securities clearing and settlement systems.

(A copy of Takasbank's (the ISE Settlement and Custody Bank) presentation is herewith attached as Annex 7).

13. PROPOSALS, RECOMMENDATIONS AND DECISIONS

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

1. Standardization is vital for Islamic capital markets development. Therefore, the regulatory authorities should be encouraged to recognize standards issued by institutions such as AAOIFI, IFSB, and recommendations offered by IIFM.
2. AAOIFI, IFSB, and IIFM have been included as members and advisors of the Forum.
3. The establishment of a similar forum among the capital markets' regulatory authorities should be encouraged.
4. Post-trade services institutions shall be incorporated into this Forum as members.
5. The secretariat and coordination job for the Forum should continue to be carried out by the Istanbul Stock Exchange.
6. The number of committees is reduced to one (1), under the name "Working Committee", which shall study and propose the fields of cooperation to the Forum. Members of the Working Committee are as follows:

1. Istanbul Stock Exchange, Turkey
2. Tehran Stock Exchange, Iran
3. Dubai Financial Market, UAE
4. Bursa Malaysia Berhad, Malaysia
5. Amman Stock Exchange, Jordan
6. Muscat Securities Market, Oman
7. Tadawul Saudi Stock Market, Saudi Arabia
8. Palestine Stock Exchange, Palestine
9. Dhaka Stock Exchange, Bangladesh

10. Egyptian Exchange, Egypt
11. Islamabad Stock Exchange, Pakistan
12. Chittagong Stock Exchange, Bangladesh
13. Doha Securities Market, Qatar

In the scope of the Working Committee, the following four task forces have been established and the members thereof are below:

Task Force for Customized Indices, ETFs, and Islamic Depository Receipts

- Istanbul Stock Exchange, Turkey (*Coordinator)
- Bursa Malaysia Berhad, Malaysia
- Tehran Stock Exchange, Iran
- Muscat Securities Market, Oman
- Amman Stock Exchange, Jordan
- Kyrgyz Stock Exchange, Kyrgyzstan
- Islamabad Stock Exchange, Pakistan
- Dubai Financial Market, UAE
- Doha Securities Market, Qatar

Task Force for Post - Trade Services

- Takasbank, Turkey (*Coordinator)
- Central Registry Agency (CRA), Turkey
- Tadawul Saudi Stock Market, Saudi Arabia
- Securities Depository Center of Jordan, Jordan
- Muscat Depository and Securities Registration Company, Oman
- Dubai Financial Market, UAE
- Central Depository Company of Pakistan, Pakistan
- Misr for Central Clearing Depository & Registry – MCDR, Egypt
- Doha Securities Market, Qatar

Task Force for the Promotion of Awareness and Education of Investors about Islamic Capital Markets

- Bursa Malaysia Berhad, Malaysia (*Coordinator)
- Istanbul Stock Exchange, Turkey
- Karachi Stock Exchange, Pakistan
- Kyrgyz Stock Exchange, Kyrgyzstan
- Egyptian Stock Exchange, Egypt
- Toshkent Stock Exchange, Uzbekistan
- Baku Stock Exchange
- Doha Securities Market, Qatar

Task Force for Studying the Feasibility of an Islamic Securities Exchange

- Tehran Stock Exchange, Iran (*Coordinator)
- Dhaka Stock Exchange, Bangladesh
- Lahore Stock Exchange, Pakistan
- Istanbul Stock Exchange, Turkey
- Muscat Securities Market, Oman
- Dubai Financial Market, UAE
- Bursa Malaysia, Malaysia

Stock exchanges shall be represented by senior executives in Working Committee meetings, whereas they shall be represented by specialists in Task Force meetings.

Index Task Force should finalize its activities no later than 2009 year-end.

Task Forces should provide semi-annual reports to the Working Committee.

Working Committee and Task Force members should hold meetings whenever they feel necessary, and report to the Working Committee semi-annually. The coordinators of the Task Forces should call for the meetings.

7. Promoting the privatization through the stock exchanges in the OIC Member Countries (to be included in the final Communique).

8. Call upon the IDB to raise the allocation of funds for equity investments in the OIC stock markets.
9. Encourage the allocation of the funds in Islamic Countries to the promising companies operating in the OIC member economies through Islamic Equity Funds.
10. Call upon the members of OIC to consider the establishment of a joint Contingency Fund within the framework of the IDB.
11. Encourage closer cooperation and collaboration between the activities of the task forces of the Forum and the IDB work program in the area of promoting Islamic capital markets. In particular, the Forum appreciated the organization and recommendations of the 19th Annual Symposium, held in conjunction with the IDB Annual meeting in Jeddah in June 2008, which aimed at energizing a broad based development of Islamic capital markets in OIC member states.
12. Establish a web site to share data, information and best practices among OIC Member States' Stock Exchanges.
13. A time table and road map should be prepared & pursued for determined activities and projects and to this end, the Istanbul Stock Exchange will provide the secretariat work and act as the focal point with the members of the Forum.
14. The date of the next meeting of the OIC Member States' Stock Exchanges Forum meeting shall be announced and the said meeting shall be hosted in Istanbul by the Istanbul Stock Exchange.