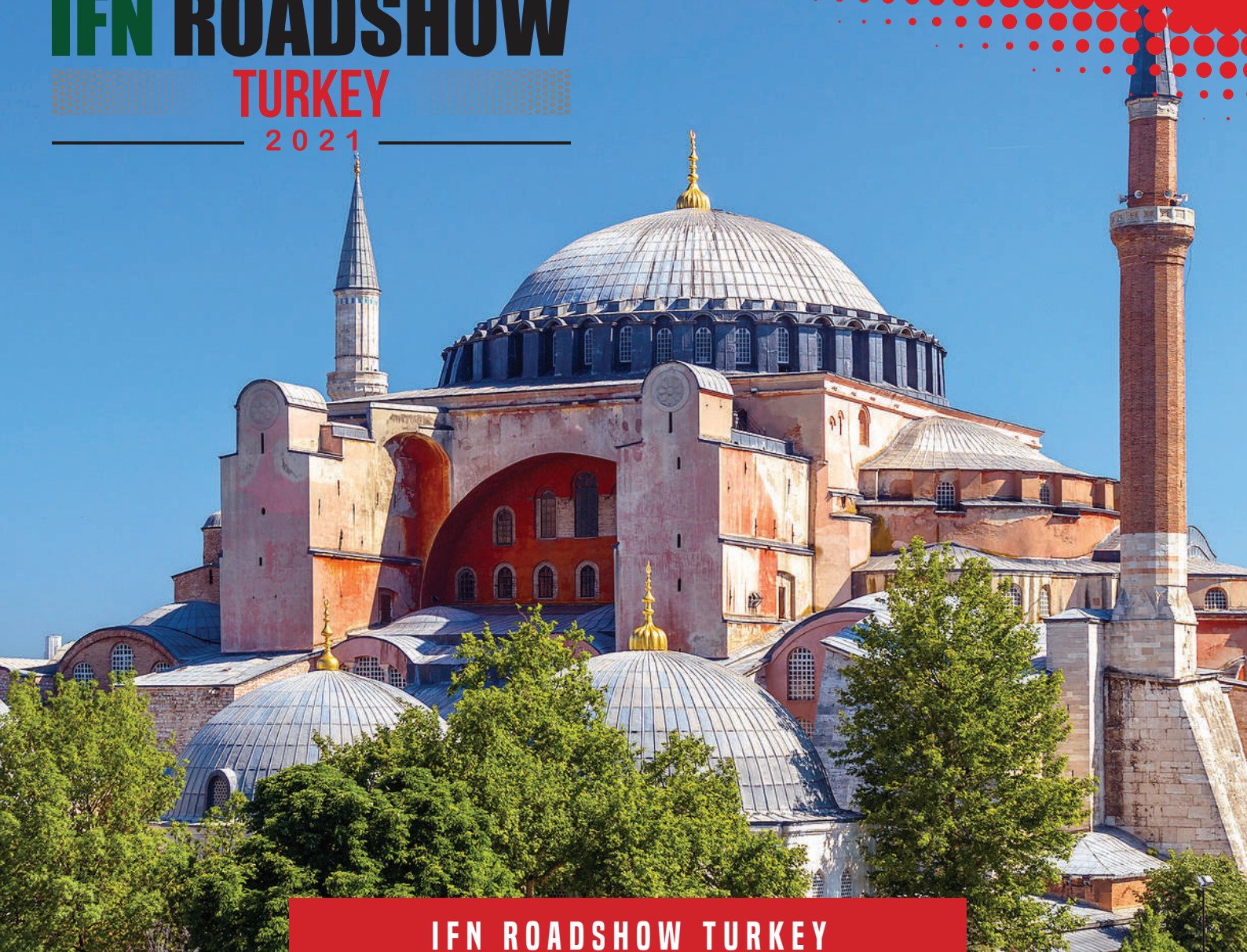


IFN ROADSHOW

TURKEY

2021



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21ST APRIL 2021

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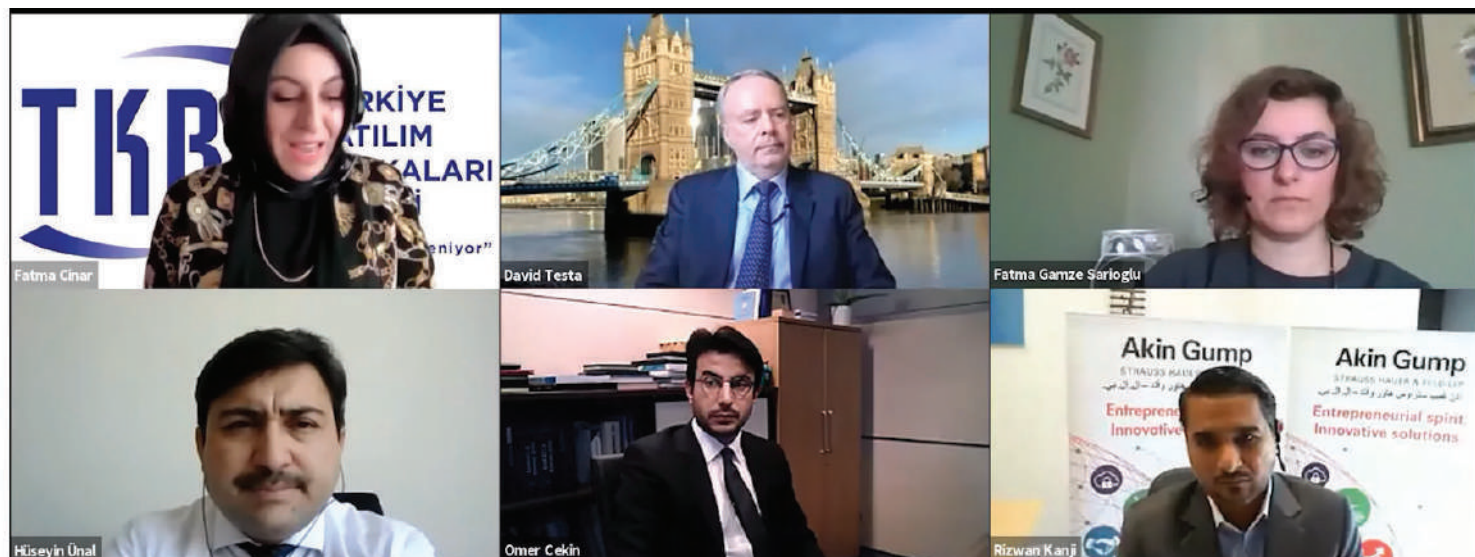
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Keynote Address:



Tarik Akin — Division Director
(Islamic Finance), Finance Office of the
Presidency of the Republic of Turkey

System Restart: Participation Finance in Turkey

Panelists:



Fatma Cinar — Manager, International
Relations, Participation Banks
Association of Turkey (*Moderator*)



David Testa — Executive Director, DDGI



Fatma Gamze Sarioglu — Senior
Country Manager, The Islamic
Corporation for the Insurance of
Investment and Export Credit



Hüseyin Ünal — Head of Department, Department
of Participation Finance (Insurance and Private
Pension), Insurance and Private Pension Regulation and
Supervision Agency of Turkey



Omer Çekin — Head of Participation
Banking Unit, Banking Regulation and
Supervision Agency



Rizwan Kanji — Partner, Akin Gump

IFN recognizes Turkey's position as a strong player in the global Islamic finance industry, especially with the strong commitment from the government, regulators and the participation banking industry.

To further progress in the areas of Islamic finance, the country has strategized to strengthen the market share of participation banks to 15% by 2025. Within the scope of the objective that was set, the actions to be taken for a healthy and sustainable development of participation banking in Turkey were planned under six main strategic objectives: communication; ecosystem; product range; standards and governance; digital; and competency-building. Overall, a holistic approach in financial inclusion with strong backing from the government would confirm the sustainable growth of the industry in the country for decades to come.



The contributions from the Islamic Corporation for the Insurance of Investment and Export Credit and the Turkish panelists provided fascinating insights into the legislative and regulatory initiatives to support participation banking and confirmed our views that the sector's future has the necessary legislative and institutional infrastructure to expand in

line with the ambitious targets set by the government. Additionally, the focused discussion on fintech outlined the strong potential for growth in this area with room for both disruptors as well as those with 'enabling' fintech.

David Testa is the executive director at DDGI.

Over the last couple of years, new participation banks were founded by the government such as Vakıf Katılım, Ziraat Katılım and Emlak Katılım. These banks expanded very quickly by opening many branches throughout the country and became active by launching many banking products in such a short time.



According to Fitch Ratings, the participation banking sector's share has increased to 7.2%. Six years ago, the same was recorded at 5%; the difference indicating an increase of approximately 40% is very significant.

In the current COVID-19 pandemic, foreign trade activities have become a priority for participation banks, with them especially concentrating on exports. Other than international trade, participation banks have also started to take part in the financing of infrastructure and health sector projects such as public-private partnership hospitals and the Canakkale Bridge.

Fatma Gamze Sarioglu is the senior country manager at the Islamic Corporation for the Insurance of Investment and Export Credit.



In his keynote address, Tarik Akin, the head of the Participation Finance Department at the Finance Office of the Presidency of the Republic of Turkey (CBFO), expressed the strong desire of preparation for a robust takeoff of participation finance in Turkey. The governance of the participation finance ecosystem will be covered with a holistic approach by the Participation Finance

Department of the CBFO. The projected activities policies and strategic development goals will be directed to banking, capital markets, insurance and social finance institutions.

Participation finance architecture excels with newly established institutions in the central bank, the CBFO and the Insurance and Private Pension Regulation and Supervision Agency of Turkey.

The updated strategy report for the participation banking industry by the Participation Banks Association of Turkey is a significant initiative for the development of the sector. The five pillars of the national strategy report for participation finance are highlighted as follows: holistic transformation; infrastructure and enabling environment; Shariah governance; human capital; and perception and literacy.

A declaration for the participation finance industry in the new economic reform package will carry Turkey as the Islamic finance center. The progressive development of participation banks, adaptation to digitalization, highly qualified human capital and strong government support are mainly highlighted as the competitive advantages of the industry.

The increasing market share of the participation banking industry in Turkey with its solid performance was acknowledged by the panelists. As real sector-driven institutions, participation banks actively engage in export and project financing deals.

With Turkey as a key market player in the Sukuk space, transaction efficiency and volume performance of Turkish participation banks are strongly emphasized.

In the insurance sector, Turkey's financial and legislative advantages will attract investors. A new draft law for participation finance is being studied actively by the Banking Regulation and Supervision Authority (BRSA) which will cover all institutions in the participation finance sector.

The BRSA is enhancing its activities to be compliant with international standards as much as possible. Liquidity management is one of the challenging issues of Islamic banks globally and the initiative by the president for the establishment of a megabank will relieve the sector players and contribute to the performance of Islamic financial institutions.

Turkey and the UK are closely connected with mutual collaborations in the fintech industry which will enable the solid and sustainable development of the sector to flourish.

Fatma Cinar is the head of international relations at the Participation Banks Association of Turkey.



The keynote speech focused on the grand strategy of participation finance from the lens of recent steps to carry participation finance forward to the next level.

It is important to understand the meaning and scope of participation finance, which covers all of the sectors, products and services that are compliant with the principles of Islamic finance. This means policies and strategy development goals have to address all of these sectors in a holistic way by considering inter-sectoral interlinkages and synergies.

Despite the detrimental impact of the COVID-19 pandemic on economies, societies and Islamic finance, the year 2021 has been fruitful regarding the concrete steps taken for the development of participation finance in Turkey.

The Department of Participation Finance has started preparing the Participation Finance Strategy Document covering 2021-25.

Turkey's economic reform package declared that the Participation Finance Act will be prepared and the International Islamic Arbitration Mechanism, the National Shariah Board and the Participation Finance Rating Mechanism will all be established by the end of this year.

Tarik Akin is the head of the Participation Finance Department at the Finance Office of the Presidency of the Republic of Turkey.



Turkey: Strong boost from regulators

With Turkish President Recep Tayyip Erdogan calling for more initiatives to push for Islamic finance in the country, the Republic of Turkey's participation finance sector has seen much progress in the last few years. NESSREEN TAMANO writes an overview of the thriving industry in a country with a Muslim population of 99.8%.

Regulatory landscape

The country's Islamic banking sector — widely known as participation banking — falls under the purview of the Banking Regulation and Supervision Agency (BRSA), which employs the Banking Law, and which published regulations for the operations of Islamic banks in 2018.

The Capital Markets Board (CMB) meanwhile first introduced Sukuk regulations in 2010. In 2012, sovereign Sukuk issuances were facilitated and the Capital Markets Law No 6362, which focuses on private lease certificates and asset-leasing companies, was implemented. The government soon allowed for lease certificates to be structured under various Islamic concepts and in 2015, a dedicated Islamic finance coordination committee was set up to focus on the development of the industry.

In early 2021, two dedicated Islamic finance units were launched: a participation banking division within the Central Bank of the Republic of Turkey, and a participation finance department within the Finance Office of the Turkish Presidency.

The Ministry of Treasury and Finance first brought up the establishment of a central Shariah advisory board in 2018; in 2020, the regulators collaborated with the Participation Banks Association of Turkey (TKBB) to complete a legal infrastructure on Islamic banking, under which the formation of the advisory board is also outlined.

Banking and finance

There are 53 banks in Turkey, out of which six are fully-fledged Islamic banks, listed with the BRSA. According to the TKBB, the total assets of participation banks in Turkey held a 5.1% share of the market in 2012 and a 6.3% share in 2019, reaching 7.1% by the end of the third quarter of 2020.

National bank Halkbank announced plans a few years back to open a participation window, and the country is in talks with the IsDB and Indonesia about establishing an Islamic bank, which was supposed to have been launched in 2018 but has yet to materialize. Also in 2018, AlBaraka Turk launched Insha, a digital Islamic bank, in Germany.

In mergers and acquisitions, the Turkish Treasury has expressed interest in taking over a controlling stake in Vakifbank, and in 2019, the UAE's Emirates NBD acquired

99.85% of Russia's Sberbank's stake in DenizBank.

In 2021, President Recep, in a meeting with D-8 developing nations, called for the establishment of an Islamic megabank in the country to address the financing needs and requirements of Shariah financial institutions and infrastructure projects alike.

Sukuk

The first Sukuk facility issued was in 2010 by Kuveyt Turk Katilim Bankasi, which raised US\$100 million in lease certificates. The Turkish government made its sovereign Sukuk debut in 2012, raising US\$1.5 billion. It regularly auctions gold-based Sukuk and issues Islamic lease certificates as well.

In May 2020, in response to demand, the Turkish Treasury announced that local currency-denominated fixed rent rate lease certificates will be issued to Islamic banks through direct sales.

Turkey is one of the top jurisdictions leading global Sukuk issuances (the others being powerhouses Malaysia, the UAE and Saudi Arabia). Regular issuers include Turkiye Finans, Vakif Katilim and AlBaraka Turk. As at the end of 2020, Sukuk issuances by the Ministry of Treasury and Finance reached TRY75 billion (US\$8.89 billion), while Sukuk offerings by participation banks amounted to TRY43 billion (US\$5.1 billion), the TKKB said.

Asset management

There are three fully-fledged Islamic asset managers in Turkey, but conventional asset managers are permitted to offer Islamic products on a window basis with no need to apply for separate Shariah approvals, making it difficult to ascertain the total number of Islamic funds in the country.

Popular in the country are Sukuk participation funds and participation pension funds, which are established and managed by portfolio management companies licensed by the CMB, and which together constitute around 5.5% of the total fund sector.

Outlook

Turkey is a key Islamic banking market that enjoys regulatory support, lending its Shariah compliant products resilience and allowing the industry to stay competitive despite economic challenges. Experts and industry players are optimistic about the participation finance industry's growth; Moody's Investors Service expects Turkish Islamic banking assets to double over the next five years, recording a 54% growth in 2020 that outpaced the conventional banking sector.

Overall Evaluation Online Event

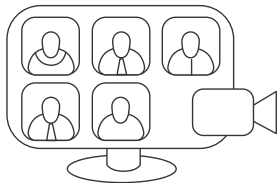


Speakers



Breakdown Delegate

97%
Delegates



■ ONLINE CONFERENCE ■

3%
Speakers

Job Title

13%
Board Level Management

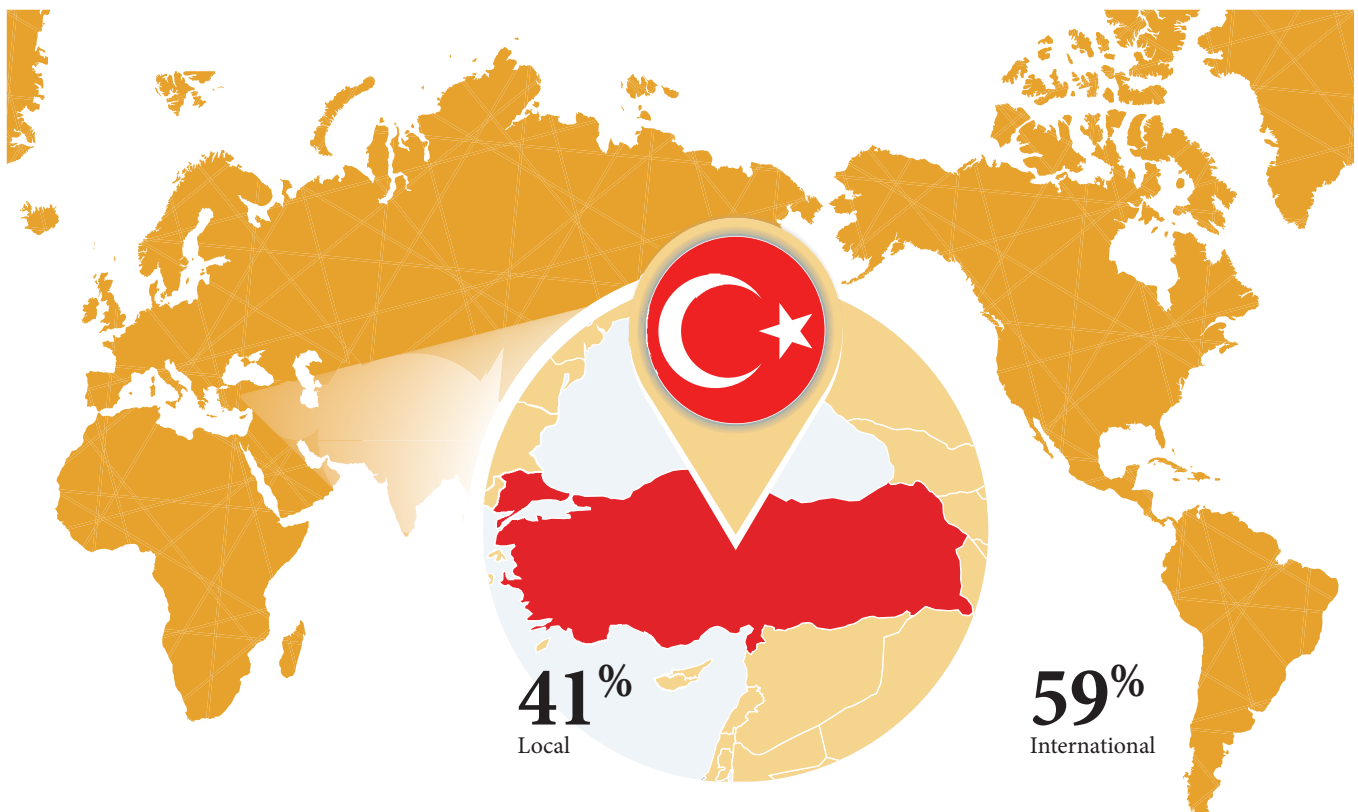
26%
Senior Management

49%
Management

7%
Executive

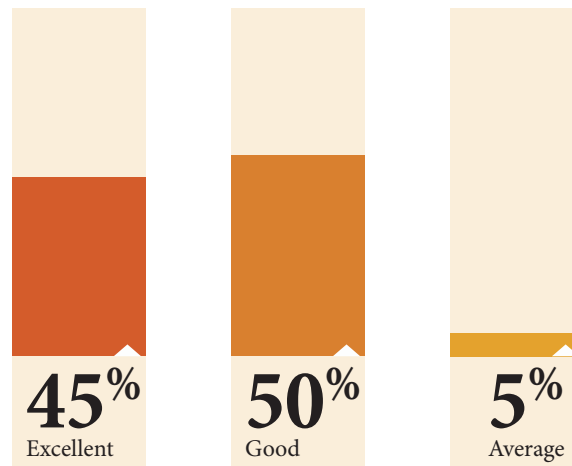
5%
Others

International & Local



Session Evaluation

System Restart: Participation Finance in Turkey



Delegates Who Would Like to Attend IFN Turkey OnAir Roadshow 2022



Viewership



Banking with Principles



#1 INTEREST-FREE FINANCE PRINCIPLE
Participation banking offers an interest-free financing model. It is based on commercial activities, not earning money from money.

#2 TRADE PRINCIPLE
Participation banking adopts an ethical understanding of trade that will improve the economy. Clarity is essential in purchases and sales.

#3 SHARING PRINCIPLE
Participation banking fairly shares the profit and loss of the financing provided through the methods of trade, agency, partnership and leasing among its participants as promised.

#4 SATISFACTION PRINCIPLE
Participation banking aims to provide a high level of customer satisfaction with a people-oriented approach. Maximum effort is spent to offer the best and most qualified services.

#5 AUDITING PRINCIPLE
In addition to standard audits, participation banking is subject to audits for compliance with participation banking principles. Any product or commercial activity that does not match our values or is deemed unhealthy is not financed.

#6 HELPING PRINCIPLE
Participation banking utilizes some of its earnings in social responsibility projects to support and ensure social balance.

#7 FULL SERVICE PRINCIPLE
Participation banking has a wide range of products and services to meet all the needs and expectations of its customers. It offers products that are specific to the sector, as well as all instruments and facilities provided by traditional banking, which do not contradict participation banking values.

#8 CONTRACT PRINCIPLE
Participation banking maintains the validity of all its contracts initially agreed with its customers. Loyalty to the contract is essential.

#9 SOCIAL BENEFIT PRINCIPLE
Participation banking prioritizes the financing of projects that support social development. It contributes to economic growth and social welfare.

#10 PARTNERSHIP PRINCIPLE
Participation banking is aware of the fact that every customer is a partner and adopts an approach based on winning together.

Participation banking rises on top of strong principles and Turkey gets stronger with participation.

Those who understand participation banking invests their well-earned savings to the economy with inner peace. As participation banking grows, both participants and Turkey succeed. As you get to know this rising value, that is devoted to its principles, you will participate wholeheartedly.

Africa Islamic Economic Foundation	Eminence Global Asset Management	NIS Rating
Airlangga University	European Bank for Reconstruction and Development (EBRD)	NN Group, Turkey
Akin Gump	Finance Office of the Presidency of the Republic of Turkey	OdeaBank
Albaraka Türk	Fineopolis	Old Mutual
Albaraka Türk Katılım Bankası	Franklin Templeton	Participation Banks Association of Turkey (TKBB)
Al-Quds University	GAP Bölge Kalkınma İdaresi	Prime Bank
Alternatif Bank	Gatehousebank	Prince Sultan University
Alwaseet Travel	Gateway Global	Private Pension Regulation and Supervision Agency (SEDDK)
Amundi Aalam	Ghana Institute of Islamic Finance and Economics	Psalm Fiduciary
Ankara Yıldırım Beyazıt University	Great Abelinco	PTT A.Ş.
Apcedesouth	Hagnus Group	Putra Business School
Artvin Çoruh Üniversitesi	Halk Invest	RMA Morocco
Association of National Development Finance Institutions in Member Countries of the IDB (ADFIMI)	HSBC	S & P Global Ratings
Astana International Financial Center (AIFC)	Huriya Gold	Sabah Eldin zaim university
Atatürk Üniversitesi	ICIEC	Sabahattin Zaim üniversitesi
Attorney General's Chambers, Malaysia	IICPSD	Sakarya Üniversitesi
Banca Monte dei Paschi di Siena	Ijara Capital	Sakeenah Group
Banco Sabadell	Ines	SAL Group
Bank Al Habib	Insurance and Private Pension Regulation and Supervision Agency of Turkey	Salim Megatama Group
Bank Negara Malaysia	Isbank AG	Saracens Solicitors
Banking Regulation and Supervision Agency (BRSA)	Islamic Corporation for the Development of the Private Sector (ICD)	Sarıbrahimoğlu Hukuk Bürosu
Barclays	Islamic Development Bank ICIEC	SberBank
Bedford Row Capital	Islamic Economics and Finance Research and Application Centre (ISEFAM)	Silk Bank
Bingöl Üniversitesi	Islamic Financial Services	Social Islami Bank
Blida 2 University	Istanbul Sabahattin Zaim University	Squire Patton Boggs
BML Istisharat SAL	Istanbul Zaim University	Standard Bank
Bursa Malaysia	Jaiz Bank	State Bank of Pakistan
Bylur GmbH	K & L Gates	SunTrust Bank Nigeria
CaixaBank	Katılım Emeklilik	Taif Digital Institute
CaixaBank, Turkey Representative Office	KTO Karatay University	Telenor Microfinance Bank
Cardiff Metropolitan University	Kuveyt Türk Katılım Bankası	The Islamic Corporation for the Insurance of Investment and Export Credit
Central Bank of the Republic of Turkey (CBRT)	Kuwait Turkish Participation Bank, Bahrain Branch	Treasury Dept Kwara State, Ministry of Finance
Cheok Advocates & Solicitors	Labuan IBFC	Trillion Exchange
Crédit Agricole Italia Spa	Licungo University	Turkish Participation Banks Association
Credit Europe Bank	Mal wa Halal	Türkiye Finans Katılım Bankası
DDCAP	Marmara University	Türkiye Hayat Emeklilik
DDGI	Maxima Markets	UAH
DenizBank	MEB	UBS AG Singapore
Dentons	MEC International	United Nations Development Programme (UNDP)
Deutsche Bank	Mukas Capital	University of Malaya
DigiAlly	Mutlu Avakatlilik Ortakligi	Vakif Katılım
Distinct Model Schools	Necmettin Erbakan University	Wafa Assurance
Dubai Islamic Bank	Nigerian Exchange	YIEA Institute, Indonesia
Eiger Trading Advisors		YOA Law Office
Emind Consultancy		Zorlu Enerji Elektrik Üretim

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