



**5th COMCEC CAPITAL MARKET REGULATORS
FORUM MEETING**

REAL ESTATE WORKING GROUP REPORT

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Istanbul



MANDATE

* 31st COMCEC decision (2015) mandated the *COMCEC Capital Market Regulators Forum* to further explore benefits of establishing a joint real estate securities exchange following the Forum's first report within the context of the COMCEC.



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REAL ESTATE WORKING GROUP

* In order to execute the Mandate, COMCEC CMR Forum has called its member authorities to join a Working Group under Capacity Building Task Force.

* Upon this call, Cameroon, Cote d'Ivoire, Dubai, Gambia, Maldives, Iran, Kuwait, Malaysia, Gabon, Oman, Pakistan, Palestine, Saudi Arabia, Turkey and United Arab Emirates relevant authorities have indicated their interest to participate the COMCEC CMR Forum Capacity Building Task Force Real Estate Working Group.



REAL ESTATE QUESTIONNAIRE

- * Chair of Capacity Building Task Force, *Capital Market Board of Turkey* has prepared a Real Estate Questionnaire to further explore the current level playing field and possibilities of setting up a Real Estate Exchange by resorting the views of WG member authorities and other COMCEC CMR Forum member authorities.
- * 9 Forum Member Authorities (Cameroon, Dubai, Iran, Malaysia, Oman, Palestine, Saudi Arabia, Turkey and United Arab Emirates) have responded the Questionnaire.
- * Based on the findings of the survey, CMB has drafted a Report on the Real Estate Exchange Initiative.



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REAL ESTATE QUESTIONNAIRE

* takes stock of the following issues at the COMCEC member authorities.

- I. EXCHANGE MODEL TRADING PLATFORM FOR PHYSICAL REAL ESTATE
- II. REAL ESTATE SECURITIES
- III. TRADING VENUE FOR REAL ESTATE SECURITIES and SETTLEMENT PROCEDURES



REAL ESTATE QUESTIONNAIRE

* Questions on Physical Real Estate Trading Platform

Do COMCEC Member States have a Regulated Trading Venue for Physical Real Estate (such as website or electronic trading platform)?								
Cameroon	Dubai	Iran	Malaysia	Oman	Palestine	Saudi Arabia	Turkey	UAE
No	No	Yes*	No				Yes**	

* Iran Mercantile Exchange

** Turkey Tapu Takas



REAL ESTATE QUESTIONNAIRE - Questions on Physical Real Estate Trading Platform

*** Legal Restriction for the Trading of Real Estate to the Foreign Buyers or Sellers**

There are limits as to

- size of the land, (Cameroon, Turkey)
- volume of the transaction value (Malaysia)
- quality of land such as trading on designated areas, prohibition on trading agricultural, industrial, borderline land, integrated tourism complex, prohibition in Mecca city and Almadinah Almunawarah city , military zone (Dubai, Iran, Cameroon, Oman, Saudi Arabia, Turkey respectively)
 - residential requirement, (Iran)
 - bilateral or multilateral agreement requirement (Iran),
 - discrimination as to nationality (Oman, Saudi Arabia),
 - authorization (Saudi Arabia, Iran)



REAL ESTATE QUESTIONNAIRE - Questions on Physical Real Estate Trading Platform

Any Prerequisite for Trading Physical Real Estate, such as a legal requirement for appraisal services

- Appraisal service requirement is valid for financial institutions (Malaysia, Saudi Arabia, Turkey (real estate investment trust transactions))
- Appraisal service requirement is valid for real estate transactions via banks
Banks (Oman)
- Appraisal service requirement is valid for legal entities' transactions (Iran)



REAL ESTATE QUESTIONNAIRE - Questions on Physical Real Estate Trading Platform

*** Utilizing technology a website or an electronic trading platform for trading physical real estate would ease the tradability of real estate at the COMCEC level and support a better functioning market**

7 out of 9 respondents support utilizing a website or an electronic trading platform for trading physical real estate on the basis of

* enhancing accesibility, reducing distances, harmonizing process, ease of trading, supporting liquidity and fair price discovery



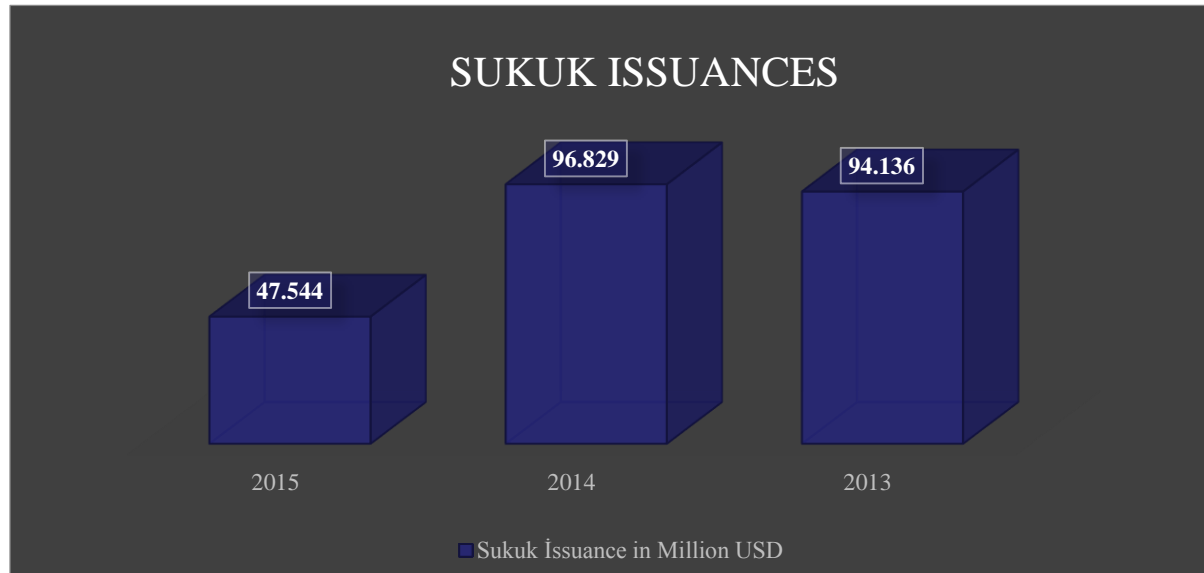
REAL ESTATE QUESTIONNAIRE

Real Estate Securities

SUKUK



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REAL ESTATE QUESTIONNAIRE

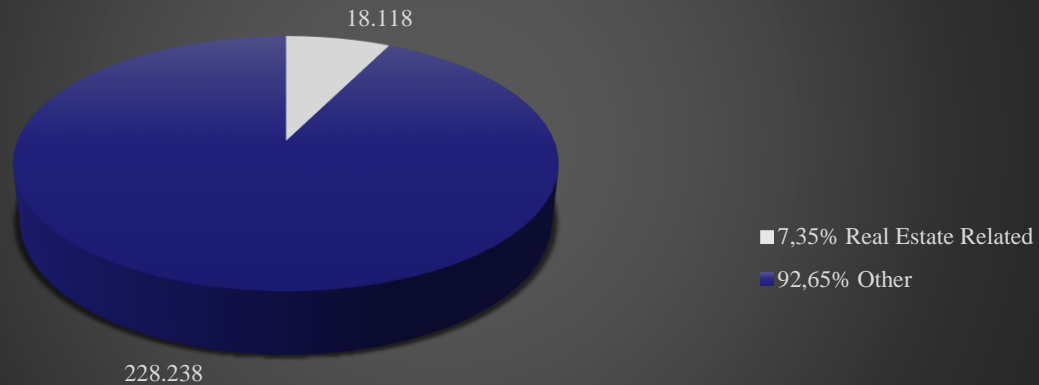
Real Estate Securities - SUKUK

- * With constraints on liquidity in the banking sector, the Sukuk market is expected to be a key factor that will finance many corporations and governments in the future.
- * Ability of Sukuk to trade freely has critical role in terms of liquidity and depth, which lead issuers to tap into greater investor universe, that call forth develop and in turn strengthen capital markets.
- * 8 out of 9 jurisdictions think that the initiative for a common Sukuk trading platform among COMCEC member states would bring efficiency in terms of liquidity and depth for Sukuk.



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Percentage of Funds Raised for Real Estate Sector (in million USD)





REAL ESTATE QUESTIONNAIRE

Real Estate Securities - SUKUK

* With a Sukuk trading platform initiative among COMCEC member states, a large number of independent yet interconnected trades could occur and the secondary market would drive the price of securities toward their actual value.

* Secondary market would create additional economic value by allowing more transactions and almost all market prices would be more efficiently allocated.



REAL ESTATE QUESTIONNAIRE

Real Estate Securities

COLLECTIVE INVESTMENT SCHEMES (CIS)



REAL ESTATE QUESTIONNAIRE

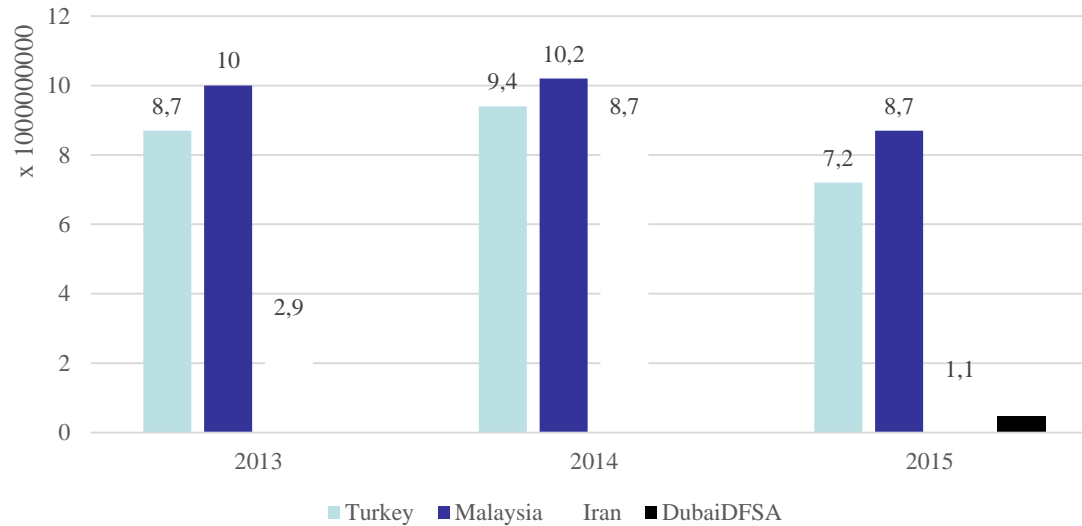
Real Estate Securities – CIS

- * The term CIS is used in the context of real estate investments such as real estate investment trusts and property funds, which are well-known schemes around the world.
- * Compared to direct real estate investment, CIS which are investing in real estate offer greater opportunities to investors in terms of diversified investment in real estate.
- * Either in the form of corporate, trust or mutual fund depending upon countries' legal framework, real estate funding and investment through CIS enhances securitization of real estates, provide transparency and liquidity to large scale real estate and bring together investors and real estate owners.



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Net Asset Value/Market Capitalization/Market Value (USD) for Collective Investment Schemes





REAL ESTATE QUESTIONNAIRE

Real Estate Securities – CIS - COMCEC Countries Overview

- * Specific regulation for Islamic CIS exist in Malaysia and Dubai.
- * All products must to be fully compatible with Islamic rules in Iran's capital market.
- * Islamic complied funds have to meet disclosure requirements in Saudi Arabia.
- * Participation mutual funds that are investing interest free capital market instruments are regulated in Turkey.



REAL ESTATE QUESTIONNAIRE

Real Estate Securities – CIS - COMCEC Countries Overview

- * In UAE, Oman and Cameroon, currently there are no specific regulations for Islamic Collective Investment Schemes.
- * Some CIS can only be sold to qualified investors, whereas some can only be sold to public in Dubai and Turkey.
- * CIS can only be sold to qualified and retail investors in UAE.
- * There are no restrictions on the sale of shares/units to foreign investors in Dubai, Iran, Malaysia, Palestine, Turkey, UAE and Oman.



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REAL ESTATE QUESTIONNAIRE

**POSSIBLE TRADING VENUES FOR REAL ESTATE
SECURITIES**



REAL ESTATE 2015 Report and REAL ESTATE QUESTIONNAIRE - Trading Venue Options

- 1. Establishing an OIC/COMCEC Level Exchange For Real Estate Related Capital Market Instruments**
- 2. Opening a Real Estate Securities Market in a Regulated Exchange**
- 3. Establishing an Alternative Trading System**



Based on the findings of the Report and Real Estate Questionnaire Responses, establishing an Alternative Trading System approach is favoured on the basis of following issues.

- * ATS option is convenient with respect to operational workings since there is no cross listing procedure in this model therefore settlement, custody and disclosure requirements are executed in accordance with the legislation where the real estate securities are traded.
- * Investors would be able to make a direct connection via an ATS, to COMCEC member states real estate capital market instruments. Following the entry of investor orders to the system, ensuring that the orders transmitted via the ATS to the relevant country market, will increase the liquidity and international demand for real estate based capital market instruments.



Based on the findings of the Report and Real Estate Questionnaire Responses, establishing an Alternative Trading System approach is favoured on the basis of following issues.

- * With respect to the feasibility of realizing a secondary market for real estate securities establishing an electronic trading platform represents a convenient model with its practicalities for essential requirements of securities trading on disclosure, listing, clearing and settlement rules.
- * In case of consensus, next steps could be creating a working group consisting of the Member States securities exchanges to determine the general rules of the platform and following to this, the COMCEC Member regulatory and supervisory government agencies should gather for assessing the operational side of the platform. Also it is vital to sign a protocol for formalizing the establishment and operations rules of the ATS.



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THANK YOU...