





COMCEC REAL ESTATE SECURITIES TRADING LINK

COMCEC Capital Market Regulators Forum
Capital Markets Board, Turkey
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The COMCEC Real Estate Securities CENTralized Trading Link


The CRESCENT Link
The COMCEC Real Estate Securities CENTralized Trading Link



- Hub and spoke
- Mutual recognition
- Home-rules-apply

ETP

24.09.2019
Conrad Istanbul
Bosphorus

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COMCEC Real Estate Securities Trading Link (CRESCENT Link)

CRESCENT Trading Link

- Exclusive trading venue,
- for Sukuk and COMCEC *alternative asset classes in real estate, Collective Investment Schemes, cross border securities.*
- A niche market for non-interest investors,
- Offers portfolio diversification with easier access at lower costs.



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- Forum's Capacity Building Task Force, CMB initiative since 2015.
- TF has performed R&D work with the Forum members by
 - Surveys,
 - Feasibility reports,
 - Workshop and
 - Policy recommendations.
- The initiative builds on financial innovation, FinTECH and serves for the efficiency of markets and new options for capital market investors.



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Rationale of the Project for COMCEC Countries (I)

- The growing demand is the major common driver for real estate markets in COMCEC member countries against considerable diversities.
- Favourable demographics (young population, population growth, labour force expansion, wealth improvement etc.) is accompanied with rapid urbanization in the COMCEC member countries.
- In order to cope with this surging demand, governments continuously try to implement sound policies on proper city planning and required infrastructure (*e.g. railway infrastructures, port and airports*).



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Rationale of the CRESCENT Trading Link for COMCEC Countries (II)

- Expansion in the real estate sector would require funding due to excess demand. Existing financial systems, mainly relying on banks, in many countries might not be sufficient as expected to provide affordable finance in the primary market.
- Although Islamic finance is getting its share in the financial system with rapid growth rates, it is still modest in size relative to conventional finance schemes.
- Secondary market for real estate securities would be a desirable development for any country in promoting real estate investments. Due to the fact that real estate securities markets are currently underpenetrated (PwC, 2018), a common COMCEC-wide secondary market, would be a major milestone in achieving financial integration following the footsteps of well-known regional experiences.



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COMCEC Countries Real Estate Secondary Markets Outline

Regulatory Features

- In many countries, real estate securities are regulated.
- Sukuk and REIT regulations are prominent.
- Most securities have the notion of tradability.
- They all may be structured as Shariah-compliant as well.
- In some countries, no regulations exist.
- Underdeveloped primary markets
- Inexperienced financial institutions
- Legal issues concerning property ownership

Institutional framework

- Efficient trading mechanisms and relevant authorities are in place.
- But, secondary markets have been underdeveloped
- Insufficient liquidity.
- High transaction costs
- Inadequate post-trade facilities.



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Strengths

- Portfolio Diversification
- Cost Reduction
- Lower Latency
- Liquidity Improvement
- Mutual Recognition



Weaknesses

- Inadequate Financial Markets
- Technological Coherence
- Inability to Make a Difference
- Lack of Human Capital
- Real Estate Security Characteristics
- Lacking Centralized Post-Trade Services

Opportunities

- Financial Integration, Development and More Visibility
- Investor Appetite
- FinTech Developments
- Room for Harmonization

Threats

- Development Costs
- Lack of Demand
- Off-Venue Trading
- Small Market Fears
- Political Uncertainty



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International Experience

Exchange-based venues

- ↔ Nasdaq Dubai
- ↔ Bursa Malaysia-i
- ↔ Labuan International Financial Exchange
- ↔ Bourse Régionale des Valeurs Mobilière

Platform-based venues

- ↔ ATS
- ↔ MTF
- ↔ ASEAN Trading Link
- ↔ Latin American Integrated Market
- ↔ Stock Connect & Bond Connect
- ↔ The Central and Eastern Europe Stock Exchange Group
- ↔ The South Eastern Europe Link
- ↔ The African Exchanges Linkage Project



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- Based on the earlier feasibility research, the CMB has drafted an **Action Plan** in 2020 in order to gradually realise the initiative.
- Borsa İstanbul, stock market infrastructure institutions are supporting the Project and currently working on the technicalities.
- Possible international partnerships alongside the technical work also continues.



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Action Plan lays out -3 phases for 3-years-

Phase I. An electronic information platform for Sukuk & Real Estate securities listed in Borsa İstanbul. Filtering/aggregation of the instruments and relevant information to be determined by the Stock Exchange and the Regulator.

Phase II. Investment firm access to the electronic platform, international cooperation between financial institutions, exchanges and the regulators.

Phase III. Trading via link, administrative and technical infrastructure for post-trade requirements.



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THANK YOU

Seçil Sayın Kutluca

CMB, Turkey