

The background features a dark blue gradient with several overlapping circular patterns. These patterns include concentric circles, dashed lines, and solid lines, some with arrows indicating direction. Numbers are scattered throughout the background, including 40, 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, and 260, which appear to be part of a larger scale or chart.

# Assessment of COMCEC Real Estate Securities Markets and Regulatory Landscapes for Strengthening Capital Markets

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# Real Estate Securities Markets

- Notable differences in COMCEC member nations in terms of their economic, financial sector and real estate market characteristics have been reflected in legal and institutional frameworks regarding real estate securities.
  - ◆ In many countries, real estate securities are regulated.
  - ◆ In some countries, no regulations exist.

# Real Estate Securities Markets

## 🇲🇾 Malaysia:

- ◆ Sukuk market is considered as a matured developing one.
- ◆ Pioneering country for Green Sustainable and Responsible Investment Sukuk issuances.
- ◆ An emerging REIT market.

## 🇹🇷 Turkey:

- ◆ Sukuk market is considered as a beginner developing one.
- ◆ An emerging REIT market.
- ◆ Mortgage and asset backed securities and covered bonds have gained popularity.



# Real Estate Securities Markets

## 🇵🇰 Pakistan:

- ◆ Sukuks are generally privately placed in the OTC market; recently approved regulations to encourage and facilitate listing of such Sukuks.
- ◆ REIT scheme as listed closed-ended trust with three types: Developmental REIT, Rental REIT and Hybrid REIT.

## 🇮🇷 Iran:

- ◆ A functioning secondary market for Sukuks, MBS, real estate certificates, and real estate CIS units/shares.

# Real Estate Securities Markets

## 🇰🇼 Kuwait:

- ◆ A functioning secondary market for Sukuks and Real Estate CIS.
- ◆ A new electronic OTC platform for trading unlisted securities as the only one in the GCC region.

## 🇵🇸 Palestine:

- ◆ A functioning secondary market where Sukuks, CIS shares/units, MBS etc. can trade when available.
- ◆ CIS regulations have been in force for quite some time (2004)

Criteria/Country	Kuwait	Malaysia	Palestine	S. Arabia	Tunisia	Turkey	Nigeria	Bahrain	Indonesia	Pakistan	Egypt	Morocco
<strong>Market and Regulatory Environment</strong>												
Formal stock market regulatory authorities actively monitor market	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Restricted	Pass	Pass	Pass
Fair and non-prejudicial treatment of minority shareholders	Pass	Pass	Restricted	Not Met	Restricted	Pass	Restricted	Not Met	Not Met	Pass	Pass	Pass
No or selective incidence of foreign ownership restrictions	Pass	Restricted	Pass	Restricted	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Developed equity market	Restricted	Pass	Not Met	Not Met	Not Met	Pass	Restricted	Not Met	Pass	Pass	Pass	Not Met
Developed foreign exchange market	Restricted	Restricted	Restricted	Not Met	Not Met	Pass	Not Met	Not Met	Restricted	Restricted	Not Met	Restricted
No or simple registration process for foreign investors	Restricted	Pass	Pass	Pass	Pass	Pass	Restricted	Restricted	Pass	Restricted	Restricted	Pass
<strong>Custody and Settlement</strong>												
Settlement - Rare incidence of failed trades	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Custody-Sufficient competition to ensure high quality custodian services	Pass	Pass	Not Met	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Clearing & Settlement - T+2 / T+ 3	T+3	T+3	T+2	T+2	T+3	T+2	T+3	T+2	T+2	T+2	T+2	T+3
Settlement - Free delivery available	Not Met	Restricted	Restricted	Not Met	Restricted	Pass	Not Met	Not Met	Restricted	Restricted	Restricted	Restricted
Custody - Omnibus and segregated account facilities available to international investors	Not Met	Pass	Not Met	Not Met	Not Met	Restricted	Not Met	Not Met	Pass	Restricted	Restricted	Pass
<strong>Dealing Landscape</strong>												
Brokerage - Sufficient competition to ensure high quality broker services	Pass	Pass	Restricted	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Liquidity - Sufficient broad market liquidity to support sizeable global investment	Pass	Pass	Restricted	Pass	Restricted	Pass	Restricted	Not Met	Pass	Pass	Pass	Not Met
Transaction costs - implicit and explicit costs to be reasonable and competitive	Pass	Pass	Restricted	Pass	Pass	Pass	Not Met	Pass	Pass	Pass	Pass	Pass
Stock Lending is permitted	Restricted	Restricted	Not Met	Restricted	Not Met	Pass	Not Met	Not Met	Restricted	Restricted	Not Met	Restricted
Short sales permitted	Restricted	Restricted	Not Met	Restricted	Not Met	Pass	Not Met	Not Met	Restricted	Restricted	Not Met	Not Met
Off-exchange transactions permitted	Not Met	Pass	Not Met	Not Met	Not Met	Pass	Restricted	Not Met	Pass	Pass	Not Met	Not Met
Efficient trading mechanism	Pass	Pass	Pass	Pass	Pass	Pass	Restricted	Pass	Pass	Pass	Pass	Pass
Transparency - market depth information / visibility and timely trade reporting process	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
<strong>Derivatives</strong>												
Developed Derivatives Market	Restricted	Restricted	Not Met	Not Met	Not Met	Restricted	Not Met	Not Met	Not Met	Not Met	Not Met	Not Met

# Real Estate Securities Markets

- Strong and effective regulation is necessary for secondary markets.

Why?

- ◆ investor protection,
- ◆ market fairness,
- ◆ efficiency and transparency, and
- ◆ systemic risk reduction.



# Real Estate Securities Markets

- Different frameworks and different levels of secondary market development.
  - ◆ legislative, tax and Shariah governance framework are main challenges with respect to Sukuks.
  - ◆ distinctive nature of legal and tax jurisdictions implies that there is still a broad discrepancy in what appears to be a REIT in different regimes as well.



# Real Estate Securities Markets

- Secondary market for real estate securities would be a desirable development for any country in promoting their real estate investment strategies.

**Would it be possible to melt all such differences in a single pot?**

- But all these secondary market potentials would differ as well.

**The answer lies in the phrase**

- So, the main question is:

**“financial integration”**

**...but to what extent?**

# A Secondary Market Initiative

## ■ Financial integration has many facets.

- ◆ It can be achieved by means of enforcement of a formal international treaty relying on a stringent harmonization framework.

## ◆ It might also involve

- ✗ the entry of foreign banks into domestic markets,
- ✗ foreign involvement in insurance and pension fund markets,
- ✗ direct borrowing on global markets by domestic firms, and...

- ✗ **cross-border securities trading**

# A Secondary Market Initiative

- Cross-border trading facilities might be accomplished under various infrastructures.
  - ◆ Founding a regulated real estate securities exchange
  - ◆ Opening a real estate securities market in an existing regulated exchange
  - ◆ Establishing an electronic trading platform

Flexibility
Low
Moderate
High



# A Secondary Market Initiative

- Employing a concept of strict harmonization regarding real estate securities regulations among member countries would be too complicated and too slow to achieve, if not an unrealistic option.
- A simple electronic trading platform would be a feasible option based on a mutual recognition approach under which member countries reach an agreement to recognize their regulatory schemes.



# International Experience

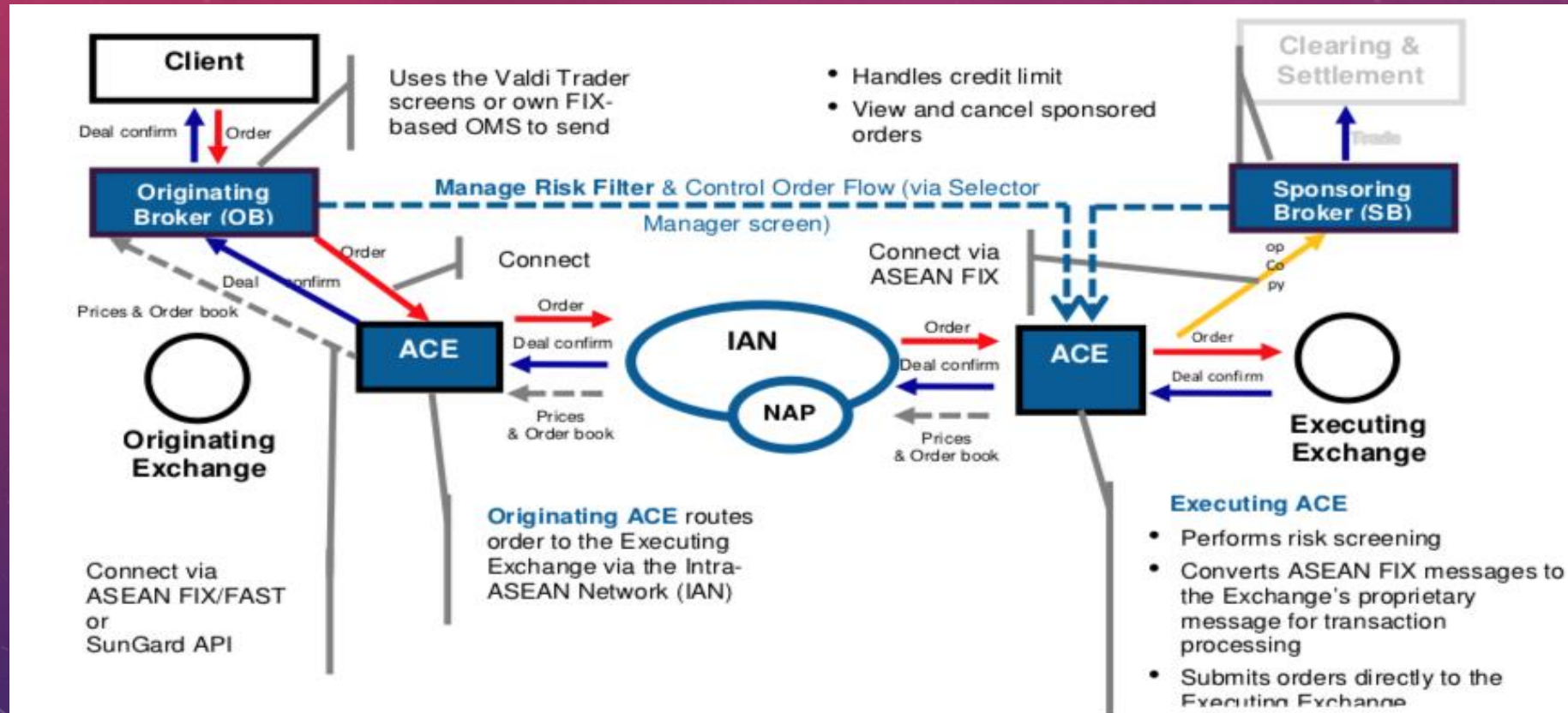
## Exchange-based venues

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

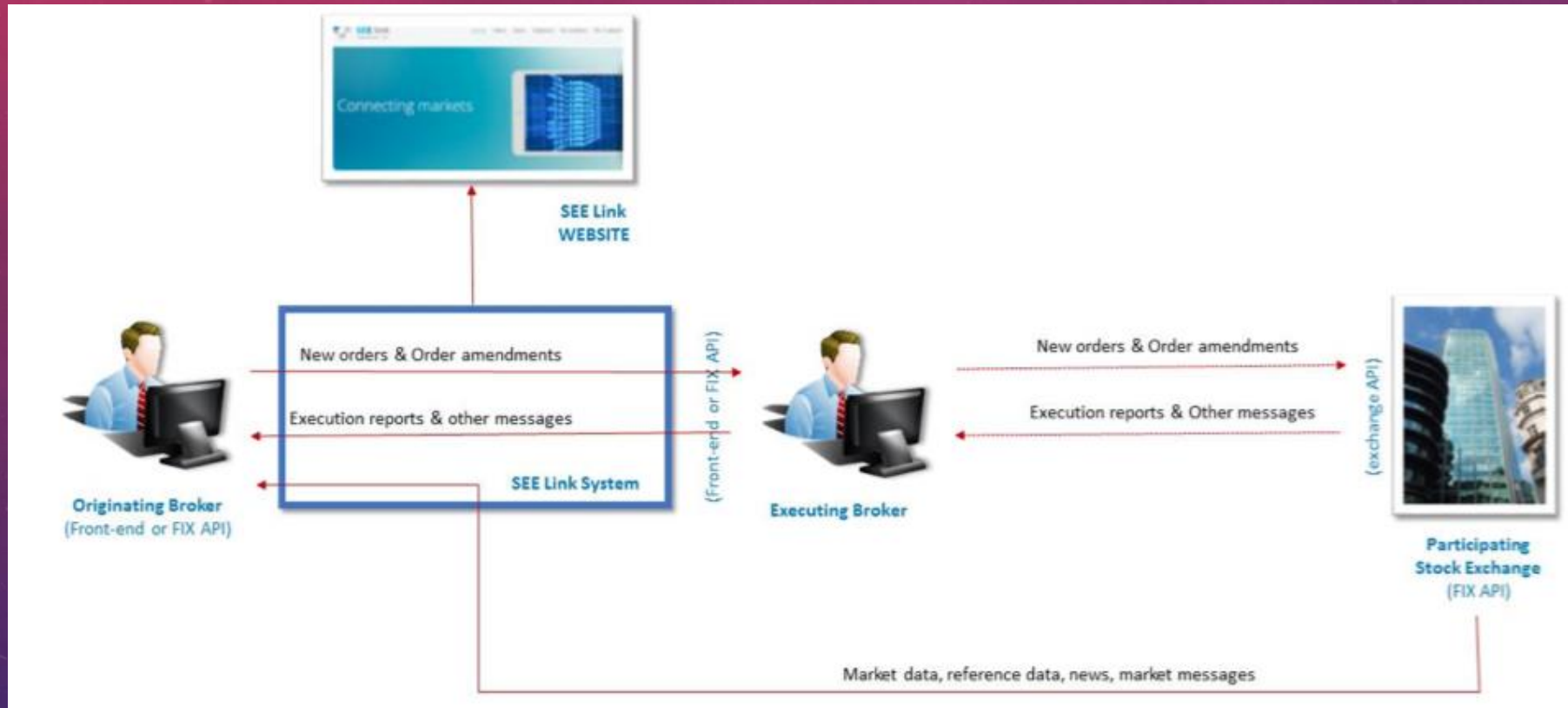
## Platform-based venues

- ◆ 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

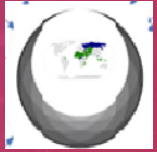
# International Experience



# International Experience







# The **CRESCENT** Link

The **COMCEC** Real Estate **Securities** **CEN**tralized **T**rading Link



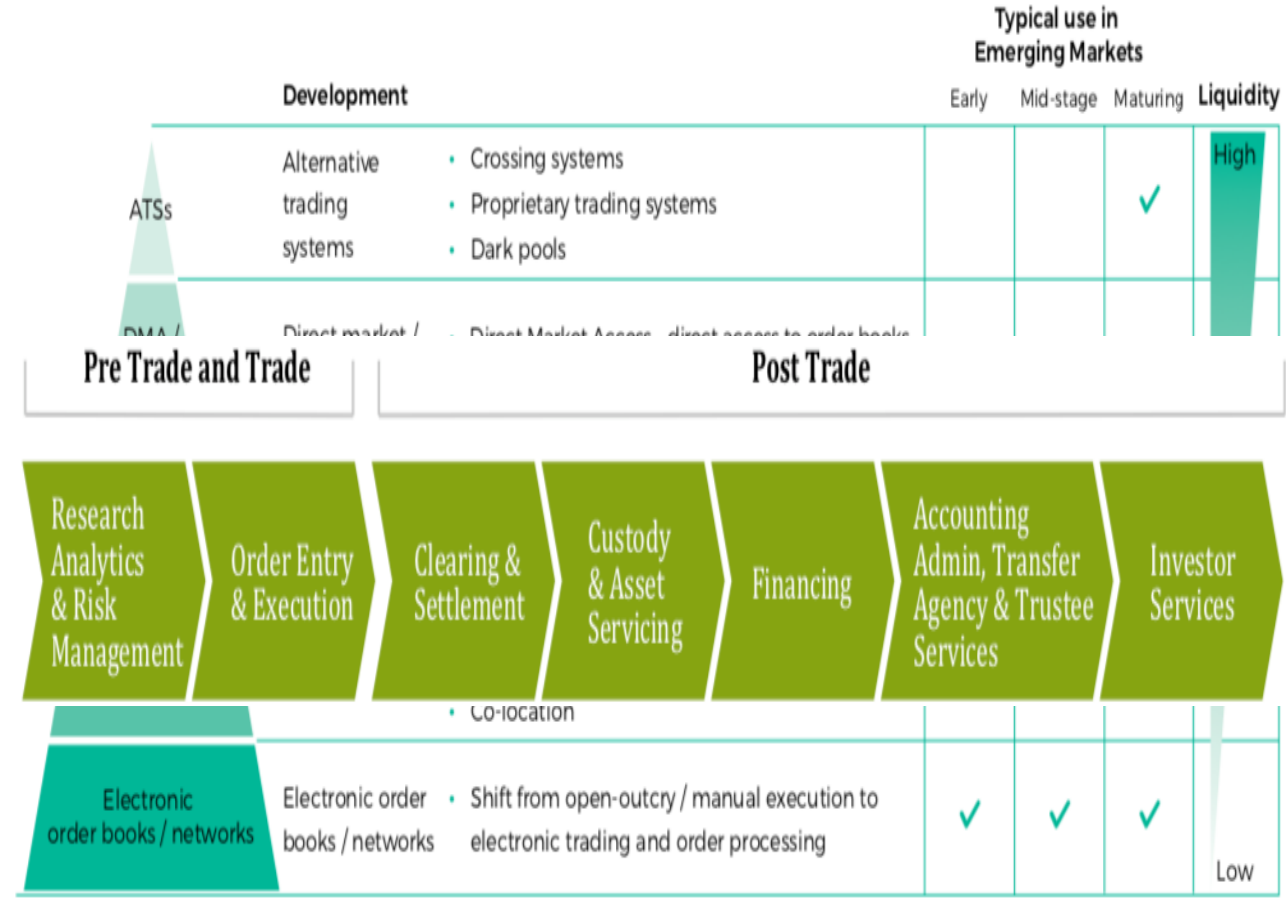


# Trading Technologies

**Electronic Trading**

**Automated Trading**

High Frequency  
Trading







Trading



Clearing



Settlement

- Cross-border trading is done by partnering sponsored brokers
- Orders are executed through local systems
- Home rules apply

Trading



Clearing



Settlement

- Cross-border trading is done by partnering sponsored brokers
- A hub and spoken model is used
- Orders are executed by originating broker via the CRESCENT Link
- Clearing and settlement remains the same

Trading



Clearing



Settlement

- Cross-border trading is done by partnering sponsored brokers
- Orders are executed by originating broker via the CRESCENT Link
- A bank as global custodian performs settlement
- Sponsor banks still do the clearing

Trading



Clearing



Settlement

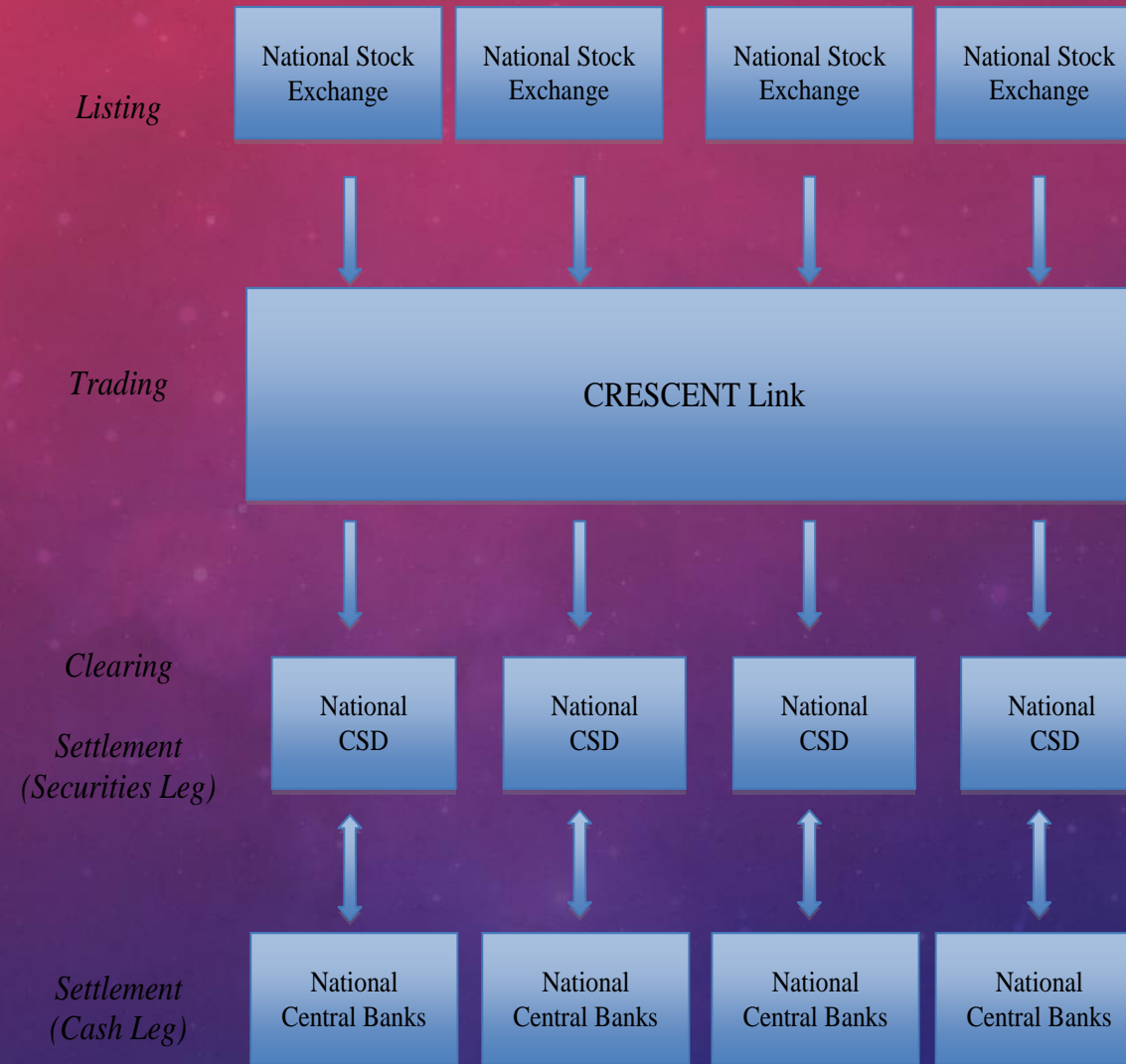
- Cross-border trading is done by partnering sponsored brokers
- Orders are executed by originating broker via the CRESCENT Link
- The COMCEC clearing houses become members of each other, and handles clearing and settlement

## 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



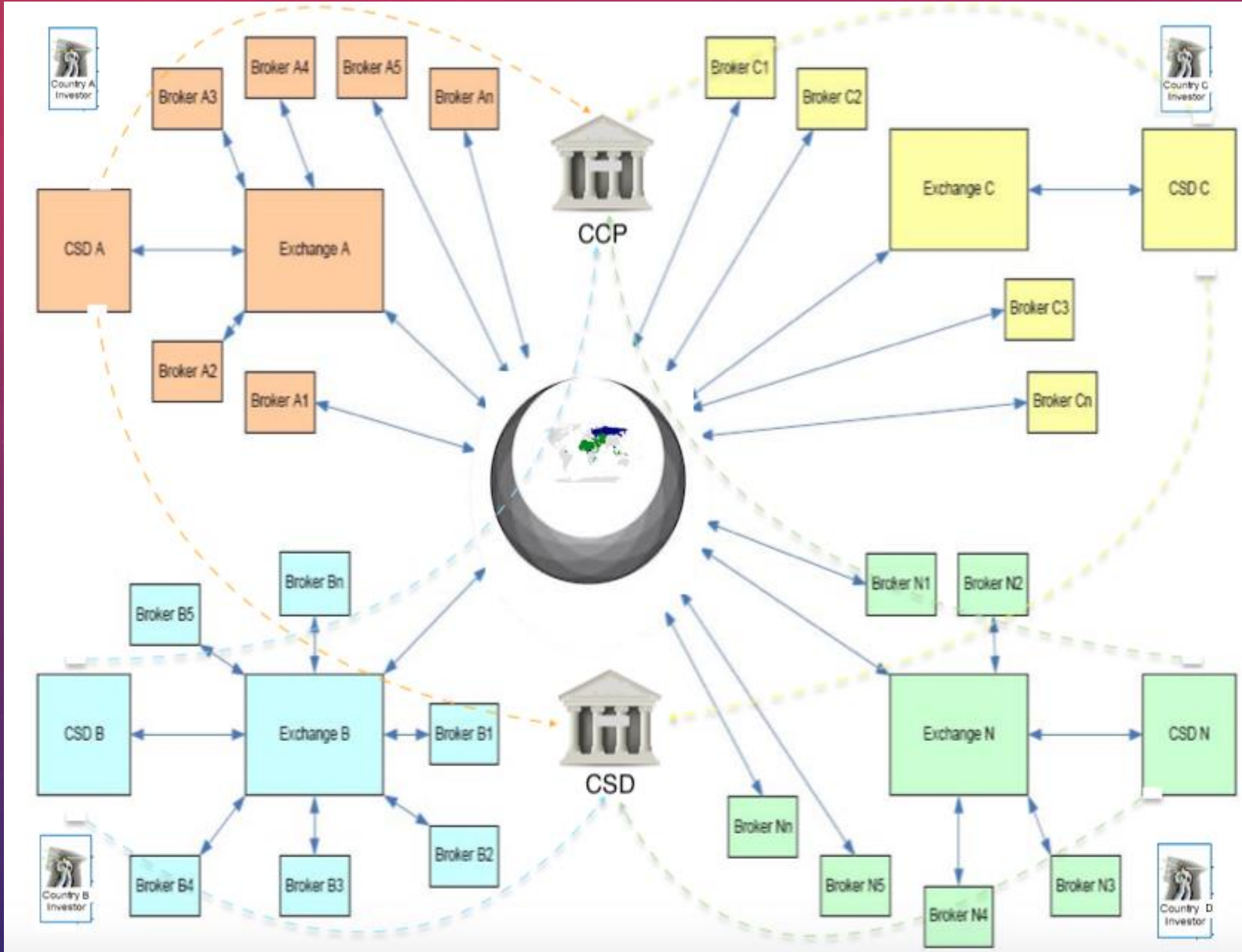
## Opportunities

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





# Summary

- While various initiatives take place throughout the world in order to achieve financial integration, ETPs based on the interconnectivity of stock exchanges via a hub and spoke model, wherein the hub is the platform and spokes are the national exchanges, is gaining traction especially in emerging markets.
- For such a massive technological undertaking, the order router network systems require a fit with existing technological systems in use in stock exchanges; compliance with the global standards for pre-trade orders (*FIX protocol*); and the existing networks already used by local and foreign investment institutions and stockbrokers.
- Clearing and settlement should be handled with care as most of the initiatives aiming financial integration have suffered from the lack of inadequate post-trade facilities.

# Summary

- The rollout of the CRESCENT Link should be designed in a way that considers robustness, flexibility, cost and performance issues along with any potential constraints on resources, capabilities, and infrastructure.
- A technically simple trading model for real estate securities for the COMCEC member countries is highly recommended in order to bring its strengths and opportunities forward and to keep away from its weaknesses and threats as far as possible.
- The CRESCENT Link should be positioned as going concern and a milestone for further financial integration among the COMCEC member countries,



**THANK YOU!**

**WE WILL BE BACK  
SOON!!**