



# CONTENT CONTRIBUTORS



## IGGI H. ACHSIEN

### Independent Islamic Finance Advisor

Iggi H. Achsien is an Independent Commissioner at Bank Muamalat Indonesia, the first Shari'a-compliant bank in the country. He is also a member of National Shari'a Board of Indonesia, in addition to being involved in Working Team of Committee for Development of Shari'a Financial Services in Otoritas Jasa Keuangan (OJK in short, and which stands for Financial Services Authority). Prior to that, he served as an Independent Commissioner for AJB Bumiputera, the oldest and the only mutual insurance company in Indonesia.

Mr. Achsien has actively been involved in Islamic finance industry, and has earned reputation for his pioneering role in the development of sukuk market in Indonesia. He was instrumental in providing structuring advice on the first Shari'a bond of Indosat in 2002. He was also involved with Ministry of Finance in structuring of the first Sukuk Negara.

With an investment management license, Mr. Achsien has extensive experience in the fields of investment banking, fund management, insurance and Islamic banking advisory.

He has run award-winning Islamic fixed-income mutual funds while working as Managing Director at PT Insight Investment Management.

He holds a bachelor degree in Financial Management from Faculty of Economics, University of Indonesia, with cum laude honour. He contributed in Islamic Financial Policy in Indonesia, as part of Chapter 6.



## AJMAL BHATTY

### Tokio Marine Middle East

Ajmal Bhatti is passionately committed to promoting ethical values of takaful both at macro and micro levels. He is a well-known takaful industry thought leader as its promoter and developer. Currently, a member of the Board of Directors of Tokio Marine Middle East, and advisory member on the board of United Kingdom's Islamic Finance Council, he has held C-level and senior management positions with Tokio Marine, HSBC, Arab Insurance Group, and various companies in the United Kingdom, Bahrain, Malaysia, Saudi Arabia, Egypt and Dubai.

He has pioneered research in Takaful, working with regulators in several countries as well as standard setting bodies and Islamic Development Bank.

He is a registered actuary in the UAE and Bahrain and a member of Actuaries Without Borders.

Ajmal Bhatti is founder of Masses Global, engaged in developing ethical and sustainable micro-financial solutions for Africa and South Asia. He contributed to Chapter 9: Growth and Development of the Takaful Industry



## IJLAL AHMED ALVI

### Chief Executive Officer, International Islamic Financial Market (IIFM)

Mr. Ijlal Ahmed Alvi has extensive experience in the financial services sector spanning over 25 years with international and middle-eastern financial institutions, with the last decade focusing on standard-setting in the Islamic Financial Services Industry as the Chief Executive Officer and Secretary to the Board of IIFM where he has been influential in initiating standardization of Islamic financial contracts & product templates globally.

Mr. Alvi manages IIFM's market consultations, global working groups, Shari'ah guidance and legal reforms towards developing unified Islamic standard agreements and guidance notes for specific products covering Islamic hedging, liquidity management, capital market, trade finance and corporate finance. He also manages IIFM's market awareness programs by organizing various specialized seminars and technical workshops across the globe.

Mr. Alvi has been part of several international working committees/task-forces and currently is a member of the IMF External Advisory Group on Islamic finance, OIC Member States Stock Exchanges Forum, Center for Islamic Finance at COMSATS Institute of Information Technology etc.

Mr. Alvi also participates as an expert in technical events hosted by regulators & others such as Securities Commission Malaysia, Central Bank of Bahrain, Bank Indonesia, State Bank of Pakistan, Central Bank of Turkey, The World Bank, Islamic Development Bank etc. He has contributed a number of articles/papers and commented on various topics in financial news, magazines and forums such as Harvard/LSE Workshops. He has also reviewed books and papers on Islamic finance and is a regular speaker at major Islamic finance conferences worldwide.

During his tenure so far, IIFM has signed MoU's with international organisations such as ISDA, ICMA, IRTI, ISRA, IBRD (The World Bank), Borsa Istanbul etc. which have resulted into a number of Islamic market unification initiatives. Mr. Alvi holds a Master's in Finance from Golden Gate University, California, USA. He contributed to Chapter 4; Role of Multilateral Institutions in the Formation of Islamic Financial Policy.



## NADIR BURNASHEV

### Financial Institutions Association of Kazakhstan

Mr. Nadir Burnashev is Advisor to Chairman of the Financial Institutions Association of Kazakhstan - the largest non-profit association that unites 167 financial institutions and organisations in Kazakhstan. He is coordinating Islamic Finance activities of the members, in particular the activities aimed at developing and adopting Islamic Finance legislation.

He is a seasoned finance professional with over 20 years experience in public policy, finance and economic development. He started his career in the National bank of Kazakhstan then worked in the Government of Kazakhstan as macroeconomic policy advisor to the first Deputy Prime Minister of Kazakhstan. In 1999-2001 he served as Kazakhstan's representative to the IMF and the World Bank Group. In 2006-2011 as a member of the joint Russian-Kazakh team he worked to establish and develop Eurasian Development Bank – multilateral development bank set up to foster and promote economic development and cooperation among the member states of the Eurasian Economic Union. Mr. Burnashev is the graduate of the Kazakh State University, the Central European University and the Georgetown University. He contributed in Islamic Financial Policy in Kazakhstan, as part of Chapter 6.

The author greatly benefited from excellent feedback and assistance of many Islamic Finance professionals and market participants both in Kazakhstan and abroad. He would like to express his gratitude to the National Bank of Kazakhstan's Islamic Finance team, and particularly to Messrs. Kussainov, Nurgaliyev, Nurbekov, Omarov and Ms Tukulova. The NBK team was instrumental in passing many legislation in 2014-2015. The friendly team at the Financial Institutions' Association of Kazakhstan (FIAK) and the full support of two Chairmen, Messrs Akhanov and Yelemessov contributed to the timely completion of the endeavor. Passionate and dedicated colleagues at the Association for Development of Islamic Finance (ADIF) helped the author to understand better educational and Shariah related issues.



## ASSIST. PROF. DR. MUSTAFA ÇAKIR

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Dr. Mustafa Çakır is an assistant professor in the Department of Economics, Istanbul Sabahattin Zaim University, Turkey. He is working as a Deputy Director at the International Research Center for Islamic Economics and Finance and currently acting as Co-Editor of the Journal of Islamic Economic and Finance. Mustafa received his BA in International Trade and Finance from Beykent University in 2005, MCom in Economic Development from the University of Johannesburg in 2009. He obtained his PhD in Economics from the University of Johannesburg in 2013. His thesis, entitled "South Africa's Economic Integration with BRIC Countries", which analyses four channels of interdependence across countries, such as trade, investment, business cycle and supply and demand. Mustafa has published several articles in refereed academic journals such as Economic Modeling, Applied Economics and also published and contributed in the books on Islamic Economics and contribute chapters in the Global Islamic Finance Reports. His research areas are macroeconomics, monetary policy, applied econometrics, Islamic economics and finance and emerging market economies. He contributed in Islamic Financial Policy in Turkey, as part of Chapter 6.



## DR. MANSOOR DURRANI

### Senior Vice President & Head of Project Finance, NCB

NCB is the largest bank in the Middle East. Mansoor joined in early 2005 and built the project finance team and business from scratch. In his current role, he led business/financial due diligence and Islamic structuring across a range of core infrastructure sectors like petrochemicals, water & power, oil & gas, metals & mining, roads & ports, among others. The list includes Shuaibah IWPP, Marafiq IWPP, Rabigh IPP (1 & 2), Riyadh IPP, Qurayyah IPP, Saudi Kayan Petrochemical, Chevron Philips, Total/Aramco, Alcoa/Ma'aden Smelter, Aramco/Dow Petrochemical Project, Gebze-Izmir Highway, Madinah International Airport, Jazan ASU, Dubai Solar IPP, Oman Refinery, among many others. The enterprise value of his project finance portfolio exceeds US\$120 billion with NCB's own commitment of over US\$12 billion.

Mansoor also played a key role in large equity capital market deals in Saudi Arabia including Sipchem, SRMG (Arab News), Emaar and Saudi Paper IPOs. Prior to NCB, Mansoor held various positions in private equity, corporate finance, acquisition finance and the investment banking space for over 12 years. He has worked/advised on a number of prominent organisations in India, the UK, Bahrain and Saudi Arabia including Lazard, Essar Group, International Investment Bank and IDB.

Recipient of "New Voice in Islamic Finance" Award from the Prime Minister of UAE in 2002, Mansoor figured in World's top-20 Islamic Finance professionals in 2012 by the British magazine, Global Islamic Finance. In 2008, MEED magazine listed him as one of the six most prominent project finance bankers in the Gulf region. A business graduate from Bhopal University, he received MBA from TIU, Missouri, PhD from Loughborough University, and completed an extensive Executive Leadership program at INSEAD, Singapore. He is author of a widely applauded book "Venture Capital, Islamic Finance and SMEs" which is published by MacMillan, UK and selling in over 70 countries. He contributed in Chapter 8; Islamic Project Finance.



## EZZEDINE GHLAMALLAH

### Executive Director of SAAFI

Ezzedine Ghlamallah is a business manager and Executive Director of SAAFI, an insurance brokerage firm, specialized in Islamic finance solutions for the French market. He is graduated from The University of Law and Political Sciences of Strasbourg, where he got his Executive MBA in 2013. He is also an alumnus of the National School of Insurance, graduated in 2010 in Banking and Insurance. He gained five years of experience in banking and then headed to the insurance industry where he worked for six years. He teaches Islamic finance for the French market at the Universities of Law of Cergy Pontoise and Mulhouse and provides a Takaful course at the University of Law of Strasbourg. He regularly publishes articles in journals such as Islamic Finance News, l'Argus de l'Assurance and SaphirNews.com. He is the provider of the Islamic Banking Qualification (IBQ) and the Islamic Takaful Qualification (ITQ) on the French market. He contributed in Islamic Financial Policy in France, as part of Chapter 6.



## DR. NIHAT GÜMÜŞ

Financial Sector Specialist, Finance and Markets,  
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Dr. Nihat Gümüş, having an undergraduate degree in Business Administration from Marmara University, İstanbul, took an MBA degree from Bogazici University in 2006. He completed the PhD program on Finance at Bogazici University with the thesis named as “Regulatory Implications of 2007 Financial Crisis and the Effect of Financial Regulation Structures on the Soundness of Banking Sector: A Cross-Country Perspective”. Between 2007 and 2012 he coordinated Economics and Statistics courses at İstanbul Bilgi University MBA and e-MBA Programs together with advising graduation projects. He attended Borsa İstanbul in March, 2012 as an Advisor to Chairman. He, then, took the positions of Economist and Assistant Director at the Chairman Office. In July 2013 he was assigned as the Assistant Director of the Research Department. During his studies at Borsa İstanbul, he became member of Strategic Partnership teams involving within processes of demutualization and establishment of Borsa Istanbul, vertical integration of Turkish Capital Market Institutions, and strategic partnership with Nasdaq OMX. He also followed the World Bank Global Islamic Development Center Project and coordinated events and conferences such as IFSB, SESRIC, and OIC COMCEC Stock Exchanges Forum at the Chairman’s Office side. Since August, 2014, he has been assigned as Financial Sector Specialist at World Bank Global Islamic Finance Development Center, Istanbul under World Bank Secondment Program. Dr Nihat Gumus, along with his colleague Dr Zamir Iqbal, contributed to Chapter 4: Role of Multilateral Institutions in the Formation of Islamic Financial Policy



## ASSIST. PROF. DR. ZEYNEB HAFSA ORHAN

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Ms. Zeyneb Hafsa got her undergraduate degree in economics from Bahcesehir University, Turkey in 2005. Then, she got her master degree in international and European relations from Linköping University, Sweden in 2008. Lastly, she got her PhD degree in economics from International University of Sarajevo, Bosnia in 2012. Her PhD entitles Risk Analysis for Profit and Loss Sharing Instruments (in Islamic Banking). Throughout her academic life, she lived in Sweden and Bosnia for 8 years. Currently, she is Assist. Prof. Dr. at International Trade and Finance Department in Istanbul Sabahattin Zaim University, Turkey. Her research interests are; Islamic economics, Islamic banking and finance, and banking and finance in general. She is conducting research in these subjects and teaches courses related to finance and Islamic finance. She co-authored a piece on Islamic Financial Policy in Turkey, as part of Chapter 6.



## **PROF. DR ASHRAF BIN MD HASHIM**

### **Chief Executive Officer, ISRA Consultancy**

Prof. Dr Ashraf Bin Md Hashim is the Chief Executive Officer of ISRA Consultancy. He is also a Senior Researcher at International Research Academy for Islamic Finance (ISRA) and a Professor at International Centre of Education in Islamic Finance (INCEIF).

Dr Ashraf currently sits on the Central Bank of Malaysia's Shariah Advisory Council (SAC BNM) and the Securities Commission of Malaysia's Shariah Advisory Council (SAC SC). He is also the Chairman of Shariah Committee of Bursa Malaysia (Malaysia Exchange House). In addition, he also serves as member of National Fatwa Council of Malaysia, a registered Shariah adviser of Security Commission, advising a few REIT companies particularly in Singapore. He is also a member of Shariah Committee for Association of Islamic Banking Association Malaysia (AIBIM). He is actively involved in many consultation works related to Islamic finance in Malaysia and abroad, among others the Islamic Bank of Australia (Project) and Noor Takaful Nigeria.

Dr Ashraf obtained his PhD (Islamic Law) from University of Birmingham, United Kingdom. His Masters in Fiqh and Usul Fiqh from University of Jordan and his BA in Shariah from Islamic University in Medina, Saudi Arabia. He provided an analysis of Islamic Financial Policy in Malaysia, as part of Chapter 6.



## **DR. ZAMIR IQBAL**

### **Head of World Bank Global Islamic Finance Development Center**

Lead Financial Sector Specialist at the Finance and Markets Global Practice of the World Bank. He heads the World Bank Global Islamic Finance Development Center in Istanbul. He has more than 20 years of experience of risk management, capital markets, and asset management at the World Bank Treasury. Islamic finance is his research focus and he has co-authored several books on Islamic finance on the topics of banking risk, financial stability, and risk-sharing. His latest co-edited book, "Economic Development and Islamic Finance" was published by the World Bank in 2013. He earned his Ph. D. in international finance from the George Washington University and serves as Professional faculty at Carey Business School of Johns Hopkins University.(including financing by way of commercial loans, Islamic financing instruments and export credit from US Ex-Im Bank). Dr Zamir Iqbal, along with his colleague Dr Nihat Gumus, contributed to Chapter 4: Role of Multilateral Institutions in the Formation of Islamic Financial Policy.



## SAJJAD KHOSHROO

### Senior Associate, White & Case LLP

Sajjad Khoshroo is a senior associate in White & Case's London office and a DPhil (PhD) candidate at the Faculty of Law, University of Oxford. His thesis is entitled 'Islamic Finance: The Convergence of Faith, Capital and Power'. He holds an LLM in international finance from Harvard Law School and an LLB in Islamic law from Shahid Beheshti University, Iran's top law school. He is a qualified lawyer in England & Wales, New York and Iran. Chambers ranked him as an Associate to Watch for Banking and Finance: Islamic Finance in 2013 and 2014. Sajjad specialises in international project finance transactions, focused on the power, oil and gas and petrochemical sectors. He has worked on many of the Middle East's market-leading Islamic project finance transactions, including the US\$20 billion Sadara project (with its US\$2 billion project sukuk) and the US\$10.3 billion Barzan gas project. He is a certified Islamic finance executive (CIFE) and holds the Islamic finance qualification (IFQ). He frequently publishes on Islamic law and finance and provides lectures and training on the topic. He partially authored Chapter 8; Islamic Project Finance



## DR. JARMO KOTILAINE

### Bahrain Economic Development Board

Dr. Jarmo Kotilaine joined the Bahrain Economic Development Board as Chief Economist in September 2012. He previously served as Chief Economist of the National Commercial Bank (NCB) of Saudi Arabia since 2010, preceded by two years as Chief Economist of NCB Capital, the investment arm of the NCB Group. Dr. Kotilaine has built a high profile amongst the GCC business community and with the regional and international media. Dr. Kotilaine previously worked for a number of years as an economic and financial consultant with a primary focus on emerging markets. He advised the Spanish stock exchange, Bolsas y Mercados Españoles (BME), headed the financial services consultancy of Oxford Analytica, a global strategic consultancy firm, and subsequently of Control Risks Group (CRG), a London-based international business risk consultancy. During this time, Dr Kotilaine's main clientele consisted of banks, stock exchanges and financial regulators, some of which he has continued to serve as an external advisor. Dr Kotilaine studied economics and economic history at Oxford, Cambridge, and Harvard. He subsequently joined the faculty at Harvard where his primary research focus was on the long-term economic and institutional development of Eurasia as well as on international trade and finance. He contributed in Islamic Financial Policy in Bahrain, as part of Chapter 6.



## DR. MOHAMMED R. KROESSIN

### Islamic Relief Worldwide

Mohammed R. Kroessin (MA, PhD) is a development economist with over 15 years of experience of working with Islamic development and financial institutions. He has formerly worked for Chambers of Commerce in the UK, was Asst. CEO of Muslim Aid, a visiting research fellow at Aston Business School (UK), a research associate at the University of Birmingham (UK), where he has also completed his PhD on the political economy of Islamic finance.

Heading Islamic Relief's Global Islamic Microfinance Unit, he is leading on the strategic transformation of global microfinance portfolio spanning 12 countries towards sustainability and social investment grade. He currently serves on the board of two Islamic microfinance institutions in Bosnia and Kosovo and also has worked with and researched Islamic financial institutions in Africa, Asia, the Middle East and Europe. He contributed to Chapter 7; Islamic Microfinance.



## AMMAN MUHAMMAD

### CEO, FNB Islamic Banking

Mr. Amman Muhammad is a seasoned Islamic banker, currently serving as CEO of FNB Islamic Banking in South Africa. Prior to that he was Managing Director of Absa Islamic Banking, which for three consecutive years was ranked as the world's best Islamic financial institution in the non-Gulf Middle East and Africa by the publication Global Finance. Under his leadership FNB - the retail arm of FirstRand, the second largest banking group in South Africa - plans to expand its Islamic finance operations to a number of African countries.

Mr. Muhammad has been involved in a number of Islamic banking initiatives in South Africa and the wider African markets, and is considered as a strong advocate of Islamic banking and finance in the continent. He contributed Islamic Financial Policy in South Africa, as part of Chapter 6.



## DR. ASMADI MOHAMED NAIM

Associate Professor, CIIF

Dr. Asmadi Mohamed Naim currently is an Associate Professor at Islamic Business School (IBS), College of Business, Universiti Utara Malaysia (UUM), and a member of both Shariah Advisory Council of Central Bank of Malaysia (BNM) from 2013 to 2016, and Securities Commission of Malaysia from 2014 to 2017. Apart from that, he is also Securities Commission of Malaysia Registered Shariah Advisor for Islamic capital market since 2013, a member of Grand Council of Chartered Institute of Islamic Finance Professionals (CIIF) from 2015. Among the highest achievements of his career are being selected as a recipient of Education Leadership Award by CMO Asia and World Education Congress at the 5th. Asia Education Excellent Award in 2014. He also actively involves in researches and academic textbooks writing funded either by UUM or other institutions such as IRTI, GIFR, ISRA, OUM and Asia e-University. He contributed to Chapter 10 on Shari'a Analysis on Tawaruq based Products.



## DR. SHARIQ NISAR

Taqwa Advisory and Shari'a Investment Solutions

Dr. Shariq Nisar is among the prominent advocates of the Alternative Finance in India with nearly 15 years of experience in Indian finance industry. He has been involved in several high profile ventures including the launch of India's first Shariah index at the Bombay Stock Exchange (BSE TASI Shariah 50). He propounded shariah screening of equities listed at the Indian stock exchanges. He has also been part of structuring and marketing India's first shariah compliant mutual fund and venture capital fund schemes approved by the Securities and Exchange Board of India. On academic side Dr. Shariq is credited with the start of India's first PG Diploma on Islamic Banking and Finance at the Aligarh Muslim University and online Islamic Finance Certification Program at the BSE Institute, Mumbai. He joined Harvard Law School as Senior Visiting Fellow at the Islamic Legal Studies Program (ILSP) for academic year 2013-2014. He is currently Visiting Professor at various universities and colleges in the country. Dr Shariq also works as Adjunct Professor at ITM Business School, Navi Mumbai with the responsibility of Establishing India's first Centre for Alternative Finance. As academician Dr Shariq has been invited at more than 5 dozen national and international conferences and seminars. He has spoken at Harvard Law School, Fletcher School, London School of Economics, University of Liechtenstein and Qatar Foundation. In addition he has conducted several workshops for corporate sectors and academic institutions. He was invited to share his views on the New Insurance Bill introduced by the Indian Parliament in 2015. He is Academic Steering Committee Member of International Cooperative Mutual Insurance Federation (ICMIF) and Member Academic Council, Asean Institute of Insurance and Risk Management, India. He has authored 3 books and published 60 research papers and articles in reputed national and international journals. Dr. Shariq holds a PhD in Economics from the Aligarh Muslim University and a Certificate in Capital Market from the University of Mumbai and the BSE Institute. He contributed to chapter 11; Performance of Shari'a based Equities in India.



## DR. AIDA OTHMAN

**Partner at Zaid Ibrahim & Co. and a Director with ZICO Shari'a Advisory Services Sdn Bhd.**

Dr. Aida Othman is a Partner at Zaid Ibrahim & Co. and a Director with ZICO Shariah Advisory Services Sdn Bhd. She specialises in Islamic banking and finance, with a special focus on Islamic capital market transactions and takaful products and operations. She also advises on Shari'a compliance and governance, including on the legal and regulatory framework for Islamic finance. In particular, she has advised on (1) structures and documentation for Islamic corporate and retail financing; (2) sukuk; (3) private equity; (4) unit trust funds; and (5) Islamic wealth management and planning.

Dr. Othman holds a PhD in Corporate Law and Middle Eastern Studies from Harvard University. Prior to that, she earned a LLM degree from the University of Cambridge. She is a graduate of International Islamic University Malaysia from where she obtained a Bachelor of Laws and Bachelor of Islamic Law (Shari'a), both with First Class Honours.

Given her legal background and Shari'a expertise, she is a member of the Shari'a Advisory Board of Syarikat Takaful Malaysia Berhad.

As a prolific writer, she has contributed numerous scholarly articles to academic and professional journals and publications. She has also contributed to Global Islamic Finance Report previously. For this edition of GIFR, she co-authored a piece on Islamic Financial Policy in Malaysia, as part of chapter 6.



## CARINA RADFORD

**Partner, White & Case LLP**

Carina is a partner in the Energy, Infrastructure, Project and Asset Finance Practice in London. She advises clients on highly complex financings, with a particular focus on project financings, and structured financings including on refinancings and restructurings many of which involve Islamic financing.

Carina has advised a range of financial institutions, including (conventional and Islamic) commercial banks, ECAs and development finance institutions, as well as sponsors and developers on complex multi-sourced project financings and Islamic financings.

In 2015, Carina advised Saudi Aramco as sponsor on the development and financing of the US\$8 billion expansion of the Rabigh Refinery and Petrochemical project in Saudi Arabia. The financing was secured from almost thirty financial institutions including a US\$850 million Islamic Finance tranche. Carina's other recent experience includes advising the commercial banks in connection with the financing for Phase II of the EMAL project, including conventional and Islamic tranches totalling US\$3.4 billion, as well as four ECAs (US Export-Import Bank, Hermes, Coface and the Export-Import Bank of Korea (K-EXIM)) with respect to direct and export credit agency (ECA)-supported tranches totalling US\$600 million. Carina also advised the financiers on the US\$2.2 billion Riyadh PP11 independent power project in the Kingdom of Saudi Arabia (including financing by way of commercial loans, Islamic financing instruments and export credit from US Ex-Im Bank). She helped Sajjad Kahosro in writing their part of Chapter 8; Islamic Project Finance



## DR. AHMAD RUFAI

### Head of Compliance, IIFM

Dr. Ahmad Rufai is currently the Head of Compliance at the International Islamic Financial Market (IIFM) in Bahrain. Prior to this he was a Shari'ah Advisor to Crescent Financing Company in Hamilton, New Zealand, Advisor to the Waikato Muslim Association as well as the community in Hamilton and Islamic jurisprudence lecturer at the Saudi Arabia International School in Kuala Lumpur, Malaysia. He has played a significant and key role in the dissemination of key standard master agreements for IIFM as well as in the dissemination of its Sukuk research reports (first to fifth editions).

He has written numerous related articles among which "The Adverse Impact of Riba (Interest) on Individual and Society: A Concise and Comprehensive Study" published by Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia (Journal of Social Sciences and Humanities). "The sources of Islamic legislation and the complete recognition of the independence of thought in Islam" and "Islamic Economic System: Basic Principles and Fundamentals" both articles were published in the 'Alim Journal, "Sukuk Al-Istithmar (An 'Arabic Term of Investment Sukuk) Meaning and Types" published in the IIFM Sukuk Report 3rd edition, "Theory and Application of Islamic Insurance", "Getting Rid of Interest (Riba) Money Received from a Riba-Based Bank", Zakah Payment: What Should be Done", "Exposing 'Awrah for the purpose of Medical Treatment: The Islamic Guidelines" published by International Islamic Information & Daawah Centre (IIDAC) Malaysia, etc.

He completed his Ph.D. in Islamic Law of Transactions and Islamic Insurance at the University of Malaya, Malaysia in 2006. He obtained his Bachelors degree in Shari'ah (Islamic Law) at the Islamic University of Madinah, Kingdom of Saudi Arabia. Prior to that, he studied Islamic jurisprudence and Islamic history at Al-Azhar University in Cairo, Egypt in 1981 to 1989. He contributed to chapter 4; Role of Multilateral Institutions in the Formation of Islamic Financial Policy.



## LUQYAN TAMANNI

### PhD Student

Luqyan Tamanni is currently PhD Student at the Adam Smith Business School, University of Glasgow working on a doctoral research related to the impact of commercialization on Islamic microfinance institutions. Previously he was microfinance researcher for Islamic Relief Worldwide and Islamic Finance Council, UK; Associate Operations Officer for Advisory Services of International Finance Corporation, the World Bank Group, Indonesia; and Head of Research for Tazkia Institute, Indonesia. He has also served as consultant for several Islamic financial institutions in Indonesia and Islamic Development Bank. He has published works on Islamic microfinance, banking, and family financial management. Luqyan holds degrees in Economics from the International Islamic University Malaysia (IIUM) and University of Malaya, Kuala Lumpur. He contributed to Chapter 7; Islamic Microfinance



## Islamic Financial Policy in Turkey

Islamic finance has half a century long history worldwide. Islamic financial policies carried out during this period have played an important role in such development including the establishment of global Islamic finance institutions such as the Islamic Financial Services Board, promotion of regulatory policies regarding money markets especially in Malaysia, and so on. When it comes to Turkey, Islamic finance has a shorter historical experience due to various reasons. One of the main reasons is the lack of supportive policies. Turkish Islamic finance industry depends predominantly on Islamic banking or known as participation banking. Therefore, policies related to the Islamic finance industry has paced through the way of participation banking policies.

## Past Experiences of Islamic Financial Policies in Turkey

Since the establishment of the first modern Islamic bank, Mit Ghamr in 1963, Islamic finance and banking industry has been expanding both outwardly and in depth. Turkey's inclusion in such development is a more recent phenomenon, which started with the establishment of Al Baraka Turk in the mid-1980s. The main reason why Turkey was a latecomer in the development of Islamic finance is rooted in the country's long-run secular tradition and economic and financial policies based upon this tradition since the foundation of the Republic of Turkey in 1923. Contrary to what it generally suggests, this ideology did not cause separation between 'mosque' and 'state' but established a state hegemony over religion and religion-based structures.<sup>1</sup> In this context, the ideological nature of the principle of secularism had shaped Turkish modern economy. In consequence, as a sub-branch of economic policy; financial policy of Turkey has also been shaped through the same ideology having the aforementioned idiosyncratic character. The 1980s was a turning point for many countries including Turkey as this era was marked with openness and liberalisation. Thus, making it possible for Turkey to pursue Islamic financial policy.

### From 1980s till 2001

Turgut Ozal, who was the Prime Minister of Turkey between 1983 and 1989, and the President from 1989 to 1993, opened up new possibilities for the roles of Islam and the Ottoman heritage. The rising Islamism (meaning political Islam) since 1970s created more demand for Islamic economic investment alternatives. Even in secular states such as Turkey, the promotion of Islamic banking was not simply a respond to such demands but also to send a political message to Islamic constituencies and receive their support.<sup>2</sup> Such a policy produced its first fruits through the establishment of Islamic banks called 'special finance houses' or SFHs by the Decree of Ministry of Councils numbered (83/7506) but without any direct reference to Islam or religion. These SFHs were established with large foreign capital (see Table 1).

The main motivation behind the allowance for the opening of Islamic banks under the name of special finance houses was to attract capital into the financial system, especially foreign direct investment from the Gulf Cooperation Council (GCC) namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. Under the pressure of severe foreign currency needs,

1. Brown, 2015.

2. Demiralp, 2014

**Table 1:**  
**ESTABLISHMENT OF FIRST ISLAMIC BANKS IN TURKEY**

Bank	Establishment Year	TR Group	FDI Group	Ownership Structure
<b>Albaraka Turk</b>	1985	Public	Albaraka-Bahrain	66% ownership belongs to foreign investors
<b>Kuveyt Turk</b>	1989	General Directorate for Foundations	KFH-Kuwait	KFH owns 62% of the Bank shares

Source: Alsenan (2014)

the government at that time treated Islamic banks as a safe pool of foreign currency resources.<sup>3</sup> However, it cannot be said that such a goal was substantially achieved. It can be seen from Table 2 that assets, deposits and financing of Islamic banks in Turkey were of small amounts. This was primarily due to the moderate policy pursued towards Islamic financial institutions during the early years. Although SFHs were given license to provide all banking services according to principles of Islamic law (Usul al-Fiqh), they were subjected to restraining financial policies.

Due to the secular political system in Turkey, strict rules were imposed against the political use of religion. This included the use of 'Islamic' as a descriptive label despite the fact that SFHs offered Shari'a-compliant financial products and services. Secondly, at the time of their establishments in 1985 and until 1999, SFHs were subjected to the Interest-free Banking Decree No. 83/7506 and were monitored and supervised by the Undersecretariat of the Treasury and Central Bank of the Republic of Turkey (CBRT). Although they were highly regulated by sceptical bureaucracy, SFHs did not have the same status as conventional banks.<sup>4</sup> The decree not only gave conventional banks unfair competitive advantages over SFHs,<sup>5</sup> but informal restrictions limited the size of Islamic banks' branch network; prevented their expansion; and reduced the ability to attract deposits.<sup>6</sup>

Shortly after the decree, Al-Baraka Turk and Faisal Finance House became the first SFHs. This was followed by the establishment of Kuveyt Turk Finance in 1988. By 1991, three new SFHs were set up - Anadolu Finance House, Ihlas Finance House, and Asya Finance House. Unlike the earlier SFHs which were foreign owned, these SFHs were all 100% domestic capital. By 1999, five more had been established. The SFHs were required to keep only 10% of their current accounts and only 1% of their much larger provision accounts as reserves with the CBRT in contrast to the 10-15% reserve requirement that conventional banks were subjected to. Although Islamic finance grew progressively during the 1980s and 1990s, it constituted a small portion of the total banking sector, offering basic services such as retail banking and

3. Aysan et. al. 2013

4. Hardy, 2012

5. El-Gamal and Inanoglu, 2000

6. Brown, 2015

**Table 2:**  
**SELECTED VARIABLES OF PARTICIPATION BANKS IN TURKEY DURING THEIR  
EARLY PERIOD**

Variable	Year	Amount
Branches of Islamic Banks	1990	19
Total Assets of Islamic Banks	1990	2 million TL
Equity Funds of Islamic Banks	1990	0.14 million TL
Total Deposits of Islamic Banks	1995	66 million TL
Loan Funds of Islamic Banks	1995	63 million TL

Source: Participation Banks Association of Turkey

deposit accounts. During this era, Islamic finance was viewed with suspicious by state bureaucracy, military and leading business figures due to their strong secular values. Nonetheless, a growing class of religiously-observant businessmen and non-governmental organisations began to push for reforms of Islamic financial policies in Turkey.

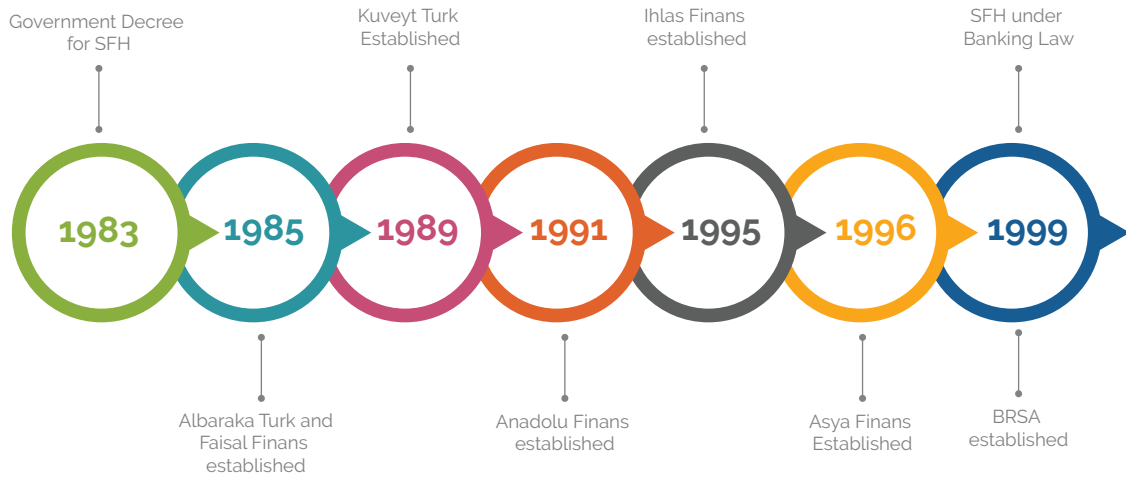
Since SFHs were governed by a government decree instead of a law, they faced great uncertainty as to their regulatory status. Prior to 1999, SFHs were not governed by any proper legislative framework. However, effective December 1999, SFHs became subject to the new Banking Act No: 4389 and 4491, which effectively means that SFHs would be under the same regulatory umbrella as conventional banks. Within this framework, the legislation aimed at integrating SFHs into the domestic banking system. However, this could not be achieved completely because SFHs were not part of the system of deposit insurance. Their deposits were not protected by the Central Bank's insurance system with the rationale that Shari'a-compliant profit and loss participation accounts do not guarantee return on the principal. Furthermore, by virtue of being an Islamic bank, SFH could not invest in government securities given the absence of Shari'a-compliant securities issued by the Turkish government. This deprived SFHs of a critical source of liquidity.<sup>7</sup> In the end, the aforementioned structural weaknesses became apparent in 2001 with the collapse of Ihlas Finance, the then biggest SFH in Turkey.

### From 2001 till 2008

Turkey had been experiencing high budget deficits and inflation throughout the 1990s, which ultimately led to a banking crisis and followed by a political crisis between 2000 and 2001. The fragility of the Turkish banking system was pinned on 4 main factors: (1) deregulation and deposit insurance were without effective supervision; (2) Turkish banks were vulnerable to sudden capital reversals as the banking system was highly reliant on foreign funding, (3)

<sup>7</sup> Brown, 2015

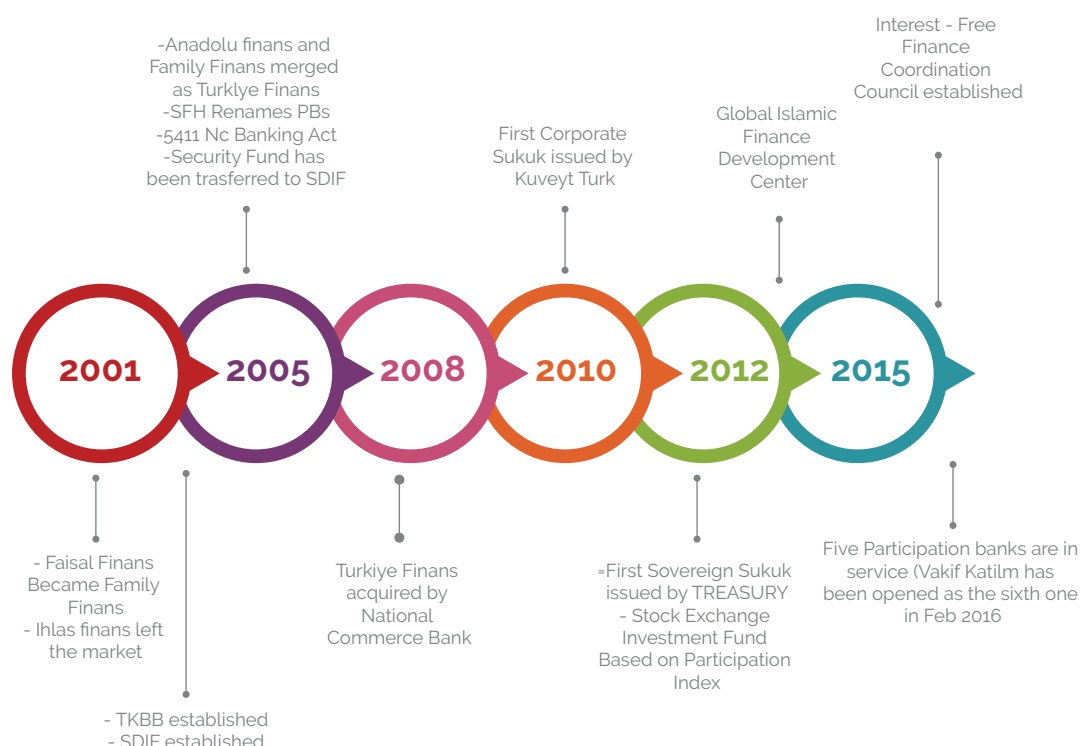
**PARTICIPATION BANKING HISTORY IN TURKEY (1983 - 2015)**



**Table 3:  
PERCENTAGE DECLINE IN DEPOSITS OF SPECIAL FINANCE HOUSES  
FROM 31 DECEMBER, 2000 TO 30 JUNE, 2001**

Special Finance House	Percentage Decline
<b>Al Baraka Turkish Finance House</b>	42.1
<b>Family Finance House</b>	29.4
<b>Kuwait Turkish Evkaf Finance House</b>	22.3
<b>Anadolu Finance House</b>	55.0
<b>Ihlas Finance House</b>	100.0
<b>Asya Finance House</b>	34.2

Source: Starr and Yilmaz, 2007



the prevalence of politically motivated lending and lending to connected businesses;<sup>8</sup> and (4) Turkish banking sector was severely exposed to exchange rate risk. In the wake of the banking crisis, Ihlas Finance House faced a run on its deposits amounting to US\$270 million out of the total deposit base of US\$1.17 billion. When the Banking Regulation and Supervision Agency (BRSA)<sup>9</sup> stepped in and cancelled the license of Ihlas Finance House, it was forced to liquidate. As a result, other SFHs faced sizeable loss of deposits as loss of confidence in them heightened. Assets of all SFHs recorded a sharp decline of 63% in 2001 as many depositors withdrew their funds before maturity (Table 3).

In response to the crisis, wide-ranging policy reforms to the country's Islamic banking industry were initiated. Two major regulatory developments for Islamic banks were the establishment of Special Finance Houses Association (SFHA) and the introduction of Deposit Insurance Fund for SFHs. The Fund shall guarantee deposits at the SFHs in a manner similar to that of conventional banks and is administered by the SFHA. Meanwhile, the conventional deposit insurance fund is managed by the state. Another major difference is that while the Fund provided insurance up to TL50,000 for each deposit ownership in each SFH, the conventional insurance at that time had an unlimited coverage. Regulations on the principles and procedures relating to the establishment and activities of SFHs were published in September 2001 and the SFHA status was put into force with a Cabinet Decision published a month later. With this, membership to the SFHA was made compulsory for all licensed SFHs.

8. Syed Ali, 2007

9. Special Finance Houses came under the supervision of the Banking Regulation and Supervision Agency.

With the enactment of the Banking Act No. 5411 in December 2005, the “dual” deposit insurance system was revised and the management of the Islamic deposit insurance fund was transferred to the Savings Deposit Insurance Fund (SDIF). Of equal importance, following 15 amendments made to the banking law, SFHs were renamed as “Participation Banks”, which allowed them to integrate fully into the financial system. With this reform, SFHA was given a new name – The Participation Banks Association of Turkey (PBAT). The banking sector was composed of three types of banks: (i) commercial banks, (ii) development and investment banks, and (iii) participation (Islamic) banks. These amendments had also resulted in a fairer treatment to SFHs and were taken as an official acknowledgment of similar treatment to be given to Islamic banks vis-à-vis their conventional counterparts. This, however, had several vital implications. Any uncertainty and qualms about these institutions with regards to their names was ameliorated. With the status as “participation banks”, these institutions, from a regulatory perspective, started to operate just like other banks in the industry.<sup>10</sup> Furthermore, any confusion in cross border operations due to its previous name was laid to rest. With the transfer of deposit insurance from SFHA to SDIF, the new law had explicitly guaranteed customers of participation banks the same rights of that of the conventional banks.

But, such a solution has trade-off between risk mitigation and Shari’a-compatibility since a possible problem of a country-wide deposit insurance scheme is that the paid capital of the Islamic Deposit Insurance (IDI) fund could be contaminated with conventional funds where conventional and Islamic banks co-exist together.<sup>11</sup> This is exactly the situation in Turkey due to the current Turkish banking system where participation funds of Islamic banks and savings deposits of conventional banks are insured by the same institution and according to the same principles. Moreover, participation funds are insured generally without taking into account the differences among risk types.<sup>12</sup> Such a risk differentiation approach is important because capital can only be assured if there is negligence or misconduct by the agent (mudarib) regarding the participation accounts.

### After the Crisis in 2008

With the onset of the 2008 global financial crisis, Turkey experienced destabilizing impacts of the crisis although it was not severely affected as some other countries. On the other hand, the financial crisis became a milestone for the increasing popularity of Islamic financial institutions as Islamic banks appear to have weathered the financial crisis more resiliently than their conventional counterparts and had also contributed to financial and economic stability during the crisis. This had a positive impact on the development of Islamic financial policies in Turkey. One of the notable regulatory changes post global financial crisis was the enabling of various issuance of Shari’a-compliant financial products, including the issuance of sukuk to finance government spending as well as for corporate financing.

The participation banking has also been strengthened with other instruments such as takaful, participation funds, income indexed bonds (IIB) and a participation index on the Istanbul stock exchange market (ISEM). These are examples of diversifying Islamic financial products and are seen as important tools in resolving the capital adequacy ratio problem of participation banks. However, sukuk is seen by the Turkish government as an important financing tool for the realization of high growth targets.

The first formal provisions for sukuk in Turkey were laid out in the Sukuk Communiqué entitled ‘Principles Pertaining on Lease Certificates and Asset Leasing Companies’ (referred

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10. Aysan et al, 2013

11. El-Gari, 2003

12. Alici, 2008

to as First Legislation) issued by the Capital Markets Board of Turkey (CMB) in April, 2010. In Turkey, sukuk issuance are based on ijara structure and hence, the terminology 'asset leasing companies' (ALCs) are used for Turkish sukuk structures as opposed to 'sukuk trustees' in other jurisdictions. The asset-based as opposed to asset-backed ijara structure was originally the only type of structure allowed under the First Legislation. The ALCs are typically special purpose vehicles, which are incorporated specifically to be able to issue certificates bought by investors (known as "certificate holders") so as to purchase assets and lease them back to the originator. In essence, the special purpose vehicle finances the acquisition of assets using funds raised by the issue of certificates, and the lease rental payments from the originator mirror the profit distributions due under the certificates.<sup>13</sup> The cash flows from the lease rentals are therefore used to service such profit distributions to certificate holders.

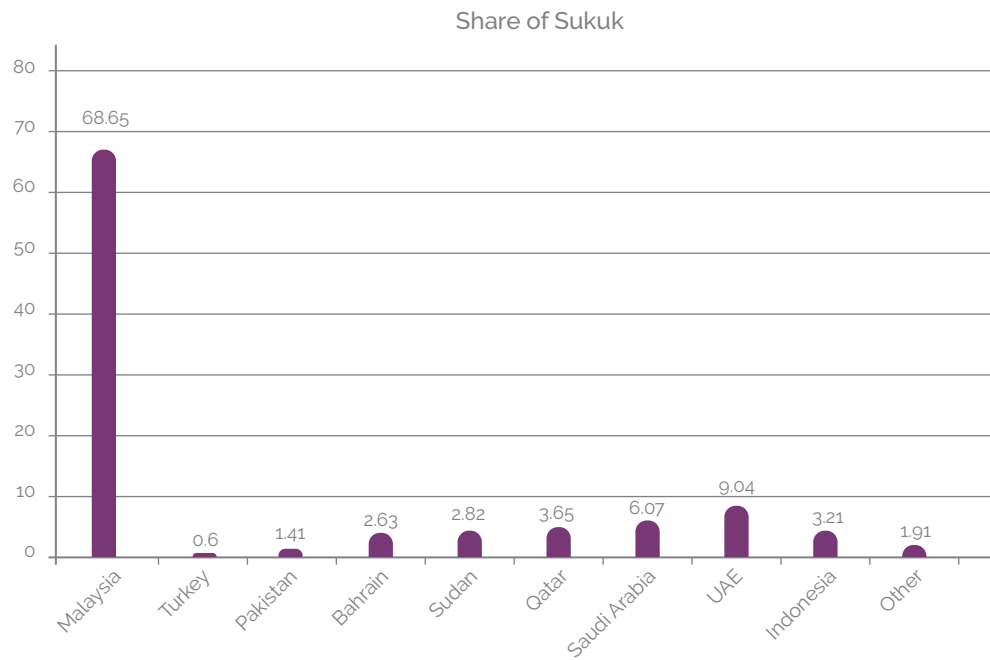
Pursuant to the newly enacted First Legislation, Kuveyt Türk issued the country's pioneering sukuk in 2010 and a second sukuk was issued a year later after refinements in the tax regime related to sukuk was introduced. In June 2012, the government amended the Public Finance Law No 4749 to support sukuk issuance by the state, and Turkey made its maiden issuance with its first US\$1.5 billion sovereign sukuk in September 2012. Another major milestone in the Turkish sukuk market was the issuance of Turkish Lira denominated sukuk of TL1.6 billion in the same year, which was followed by three more issuance two years later. As these Turkish denominated treasury sukuk issuances is accepted as a collateral asset in open market operations by the CBRT, this latest development in the sukuk market had the effect of minimizing the barriers and deepening the liquidity of Islamic banking in Turkey.

A new Capital Markets Law was introduced in December 2012, which clarified details of ALCs and their capital market instruments. This was followed by a new sukuk communiqué (Communiqué on Lease Certificates (III-61)) or the Second Legislation issued in June 2013, which defined and enabled ALCs to issue lease certificates based on mudaraba, murabaha, musharaka and istisna structures. Through these legislative changes, the opportunity to finance a much wider range of projects and businesses are now made possible. However, the ALCs, unlike other special purpose vehicles, remain heavily regulated by the CMB. For example, the Second Legislation states that ALCs can issue multiple sukuk as well as certificates for companies other than the company which was incorporated to issue them. However, ALCs can only be established by (1) real estate investment trusts listed on the stock exchange; (2) public companies in the first and second groups determined in accordance with corporate governance regulations of the CMB; (3) companies issued with a long term investment grade rating; and (4) companies of which 51% or more is owned by the Undersecretariat of the Treasury; so long as these entities are actual fund users and the ALCs are not set up on behalf of third parties.

In March 2013, Bank Asya Katılım Bankası A.S. (Bank Asya) became the first Turkish Islamic bank to issue a domestic sukuk of TL125 million and a 10-year US\$250 million sukuk that was also the first Shari'a-compliant Tier 2 issuance from Europe. Other banks soon followed. In October 2013, the Republic of Turkey made another landmark international sukuk issuance of US\$1.25 billion. The same month also saw the establishment of the Global Islamic Finance Center in Borsa Istanbul by the World Bank, which is envisaged to be the knowledge hub for developing Islamic finance in Turkey and globally. As shown in Figure 1, despite the latest developments concerning sukuk, compared to some other outstanding markets, sukuk issuances have stayed rather limited in Turkey. During 2010-2015 period, total sukuk issued in Turkey was TL32.9 billion of which TL18.1 million was corporate sukuk and the balance was sovereign sukuk (Figure 2).

13. Yegin, 2015

**Figure 1:**  
**SHARE OF TOTAL SUKUK ISSUANCES OF DIFFERENT COUNTRIES BETWEEN 2001-2013**



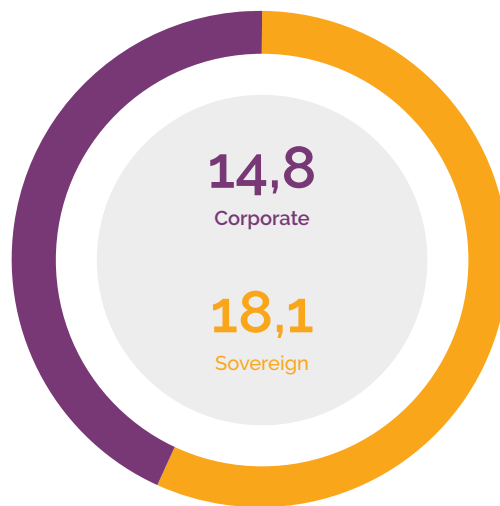
Source: Yardimcioglu, et al. (2014).

Along with the First Legislation and Second Legislation, amendments in the tax legislation have also afforded certain tax advantages on sukuk, enabling a more efficient and competitive way of raising funds in the sukuk market. These significant tax exemptions are expected to facilitate growth of the sukuk market in Turkey. However, it should be noted that the current tax legislation is mainly applied to the ijara structured sukuk. Hence, further tax legislation will need to be enacted to encourage the use of the other structures that have been introduced in the Second Legislation. Some of the key tax advantages of the sukuk that have been recently passed pursuant to Turkish tax legislation are presented as follows:<sup>14</sup>

- ▶ Pursuant to the Corporate Tax Law (Law No 5520), any capital gains derived by an originator from the sale of an asset portfolio to and from an ALC are exempted from corporate tax on the condition that such sales are only made for the issuance of the

<sup>14</sup>. Yegin, 2015

Figure 2:  
TOTAL SUKUK ISSUANCE IN TURKEY IN TL BILLION (2010 – 2015)



Source: Central Bank of the Republic of Turkey

certificates by the ALC. In order to benefit from such exemption, the capital gains derived from such sales must be reserved in equity as a fund that is not to be distributed for five years and the sale proceeds must be collected in cash within a two-year period.

- ▶ The VAT Law (Law No 3065) exempts the delivery of certificates from VAT. Other VAT exemptions include the transfer of assets to an ALC and the lease of assets by an ALC as well as transfer of assets to the originator.
- ▶ Pursuant to the Charges Law (Law No 492), the sale of the asset portfolio in a sukuk is exempt from the Title Deed RegisTL Fee and other fees.
- ▶ The Income Tax Law (Law No 193) requires withholding tax from the interest income received under the certificates issued abroad. However, the rate of such withholding tax is reduced to 0% for such certificates with a maturity of five years.
- ▶ Pursuant to the Stamp Tax Law (Law No 488), the transfer of assets to an ALC, the transfer of such assets by an ALC to the originator, and documents issued with respect to the lease and the certificates are all exempt from Turkish stamp tax. A non-resident

**Table 4:  
SHARE OF PARTICIPATION BANKS IN THE TURKISH BANKING SYSTEM**

Participation Banks' Asset Share in the Banking Sector (2012-2015F;%)								
Participation Banks	2012		2013		2014		2015F	
	In PBs Sector	In Total Banking Sector	In PBs Sector	In Total Banking Sector	In PBs Sector	In Total Banking Sector	In PBs Sector	In Total Banking Sector
Al Baraka	18%	0.9%	18%	0.9%	22%	1.2%	25%	1.3%
Bank Asya	30%	1.6%	29%	1.6%	13%	0.7%	6%	0.3%
Kuveyt Türk	27%	1.4%	27%	1.5%	33%	1.7%	35%	1.8%
Türkiye Finance House	25%	1.3%	26%	1.5%	32%	1.7%	32%	1.6%
Ziraat Katilim*	–	–	–	–	–	–	2%	0.1%

\*Opened on 29th May 2015

Source: BRSA and PBAT Reports

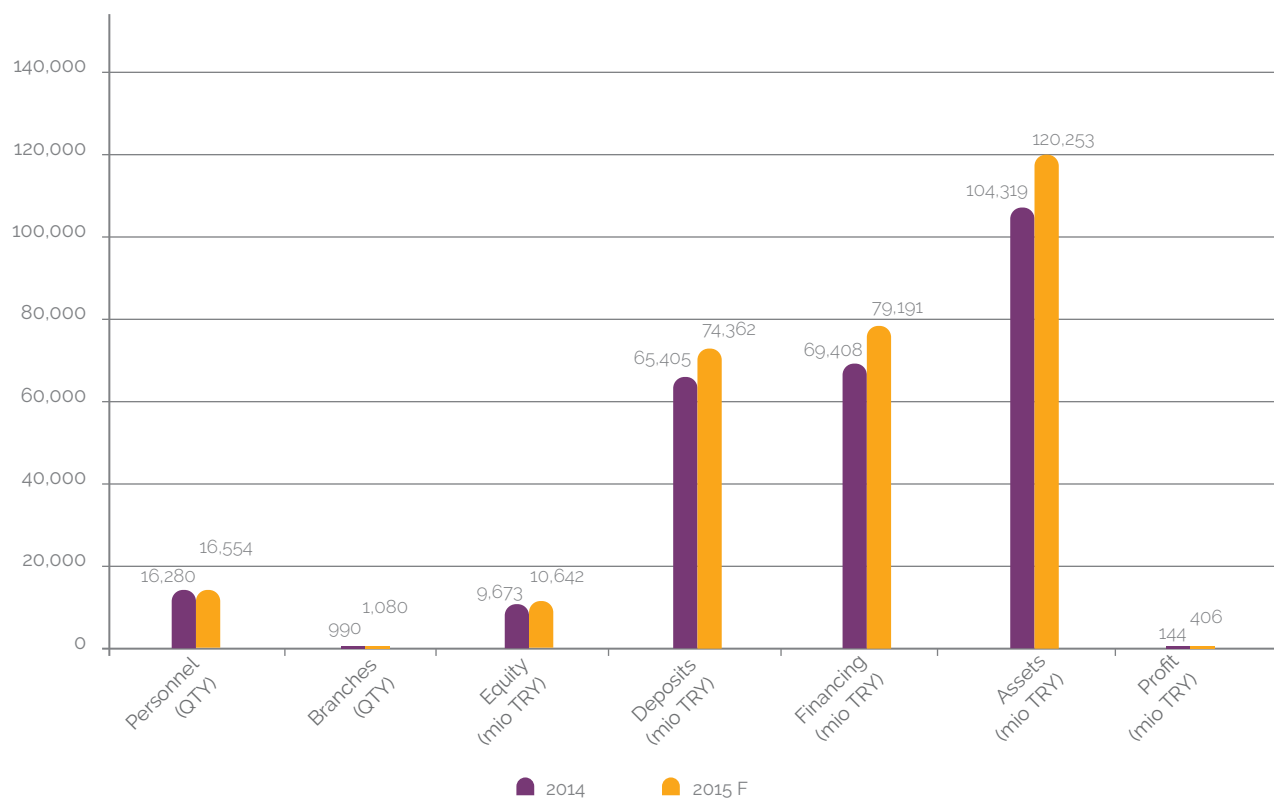
holder will also not be liable for Turkish inheritance, registration or similar tax or duty with respect to its investment in lease certificates.

The growth of the sukuk market had contributed to the development of the Islamic capital markets. On the back of this, Borsa Istanbul Participation Index was launched in January 2011. In February of the same year, the Turkish parliament passed legislation for an international deal to “promote Islamic finance and improve access to funding based on religious rules.” The Turkish government aims to establish Istanbul as a regional financial center and then as a global financial hub by 2023.

### Current State of Islamic Financial Policy in Turkey

Islamic finance in Turkey has been growing rapidly over the last decade. By the end of 2015, the growth of Islamic finance in Turkey has been driven by the four participation banks, namely Albaraka Turk Participation Bank, Kuveyt Turk Participation Bank, Türkiye Finance House Participation Bank and Bank Asya. While the market share of the participation banks represents a small portion of the Turkish banking industry, they have experienced double-digit rates of average annual growth over the 2009-2014 period. By the end of 2014, the four participation banking total assets were approximately US\$40 billion, which constituted around 5.2% of the Turkish banking industry. Although this share corresponds to a small share of the sector,

**Figure 3:**  
**KEY FINANCIAL AND NON-FINANCIAL VARIABLES OF ISLAMIC BANKING  
INDUSTRY IN TURKEY**



Source: BRSA and PBAT Reports

the participation banking sector has shown an average annual growth of 25% in its assets in recent years, which is well above the industry average of 12% (Table 4).

If Turkey reach its full potential in Islamic finance, it is foreseen that the country will take first place in the world with US\$775 billion in the medium term.<sup>15</sup> Today, the market share of the participation banking sector is close to 6%, but it is anticipated to increase to 15% by 2023. In order to achieve this, it is essential to have more banks operating in the participation banking sector. In this respect, a state-run bank, Ziraat Bank, has entered the market under the name

15. Thomson Reuters, 2014

Ziraat Participation Bank at the end of 2015 after receiving approval from the CBRT to offer Islamic banking services. With this recent development, other state-run banks such as Halkbank and Vakifbank have also planned to launch Islamic windows later this year.

Once the political and economic stability in Turkey was achieved, participation banks exhibited significant growth with wider outreach throughout the counTL. It has been observed that penetration in branches, financial growth and increasing shares, improvements in financial regulations, product developments, the cooperative mutual efforts with sovereign and private partners, and the development of the Istanbul Finance Center Strategy have been the main corners and focused areas in 2015 (Figure 3).

### Strategic Road Map to Develop Istanbul as a Global Finance Center

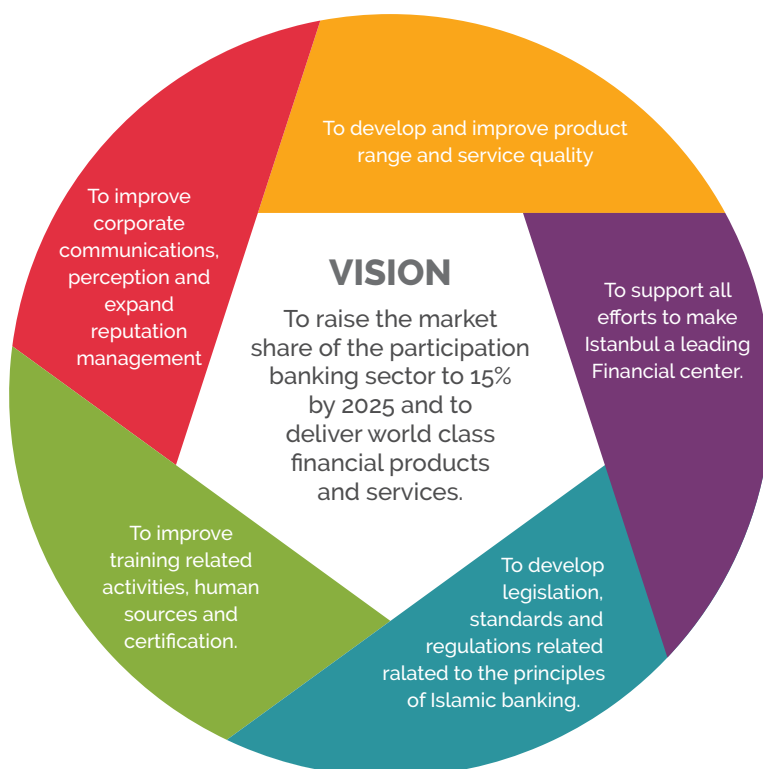
The Turkish government announced its aspiration to develop Turkey, specifically Istanbul as international financial hub known as the Istanbul International Financial Center (IIFC). This aspiration was motivated by Turkey's strong presence in terms of economic and financial development in Eastern Europe, Middle East and Central Asia. Positive developments in the Turkish economy in the last decade have brought the counTL and namely Istanbul to the forefront. Its strategic geographical location coupled with its strategic advantages such as rich resources, proximity to important markets, labour force, competitive and diversified sectors; make Istanbul an attractive financial center. It is envisaged that Istanbul will become a regional financial center in the next 10 years and an international financial center in 30 years. In this respect, Islamic finance and participation banking was identified as a potential sector to support this main goal.

The IIFC Strategy and Action Plan (Strategy and Action Plan) was approved by the Supreme Planning Board's decision no. 2009/31 dated September 29, 2009, and went into force after being published in the Official Gazette no. 27364, on October 2, 2009. The Strategy and Action Plan consisting of 71 articles was prepared within the framework of Istanbul Financial Center Project and is to be carried out under the coordination of the Republic of Turkey MinisTL of Development. The Plan amongst others states priorities and actions aimed at developing a legal infrastructure up to international standards, increasing the diversity of financial products and services, simplifying and increasing the efficiency of the taxation system, improving the regulatory and supervisory framework, strengthening the physical and technological infrastructure, providing a training infrastructure to meet the requirement for qualified human resources, and creating an organisational structure that will realize promotional and monitoring activities worldwide.

The "Strategy and Action Plan for İstanbul International Financial Center" was published by the MinisTL of Development in December 2014 as part of the 10th development plan. One of the relevant subcomponents was the paper on "Improving the Participation Banking and Islamic Financial System". The actions plan for developing Islamic finance and banking were identified and classified as shown in Figure 4:

- a. Improving the existing perception of Islamic finance system,
- b. Development of the human resources and enrichment of the literature in the field of Islamic finance,
- c. Development of institutional structure and legal system of Islamic finance infrastructure,

Figure 4:  
TURKISH PARTICIPATION BANKING STRATEGY DOCUMENT 2015-2025



Source: PBAT Strategy Document

- d. Increasing the diversity of Islamic finance products and services,
- e. Foundation of institutional and legal infrastructure Islamic insurance (takaful) system.

A workshop was organised and hosted by BRSA and PBAT in 2013 to determine the basic dynamics of the Islamic banking industry and to put forward concrete proposals to contribute to the Strategy and Action Plan for the establishment of necessary infrastructure to support the industry's growth and development in line with making aspirations put forth under the IIFC. Subsequent to this, the "Turkish Participation Banking Strategy Document" was published, which outlined a total of 17 strategies, 42 action steps and 84 actions that will allow the development and the growth of the industry.

## Conclusion

The year 2016 is expected to be a year in which government support for the development of Islamic banking and finance intensifies and can be seen through IIFC action plans. More collaborative areas are expected in capital markets especially in Islamic securities. Growth of participation banks are expected to remain above the industry average supported by new entrants as well as increase penetration. The Turkish government's efforts to support the Islamic finance industry including issuance of sukuk by the Treasury and the introduction of new regulations to allow for more Shari'a-compliant instruments are seen as favourable to growth. With all these positive developments taking place, the share of Islamic banking in the country's banking sector is expected to increase from 5% to 15% by 2023 as envisaged in Turkey's strategic plan.