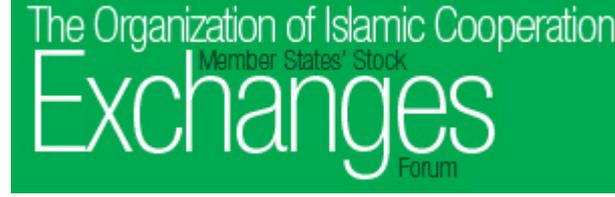




**İSTANBUL**  
MENKUL KIYMETLER  
**BORSASI**



# Customized Indices and Exchange Traded Islamic Financial Products Task Force

September 27th, 2012, Istanbul

Şenay Pehlivanoğlu, İstanbul Borsası, Assistant Director

# Task Force Members

- Coordinator: Istanbul Stock Exchange, Turkey

## Participants:

Amman Stock Exchange  
Bursa Malaysia Berhad  
Dhaka Securities Market  
Doha Securities Market  
Dubai Financial Market  
Egyptian Exchange  
Islamabad Stock Exchange  
Kyrgyz Stock Exchange  
Lahore Stock Exchange  
Muscat Securities Market  
Saudi Arabian Stock Exchange (Tadawul)  
Tehran Stock Exchange

# The 3rd Forum Meeting Decisions (Istanbul, October 24-25, 2009)

- At the 3rd OIC Member States' Stock Exchanges Forum Meeting, *“Customized Indices and Exchange Traded Islamic Financial Products”* Task Force was mandated to communicate with various index providers to determine alternative types of investable indices.

# Roadmap for the OIC Index

## The Last Stage - Launch ✓

June 22nd, 2012

## Stage 4 - Decision ✓

Discussing costs and revenues, deciding on index provider, setting the rules

## Stage 3 - Consult ✓

Consulting with index providers

## Stage 2 - Analyse ✓

Getting information about members' capital markets,  
Analysing FEAS and GT-30 customized indices as models

## Stage 1 – Start ✓

Establishing “Customized Indices and Exchange Traded Islamic Financial Products” Task Force

# Index Providers

- In accordance with the decisions taken at the 3rd Forum Meeting in Istanbul, we consulted with the reputable index providers:



**S&P DOW JONES  
INDICES**

# Consultations with the Index Providers

- **Paradox:**
  - Numerous Islamic Indices/Non-Islamic Countries' Equities
- **Purpose:**
  - To include Shariah-compliant equities from OIC Member States' Stock Exchanges
- **Priorities:**
  - Facilitating the collaboration among the OIC Exchanges
  - Promoting the OIC Member States' Stock Exchanges Forum
  - Creating different investment alternatives

# The 5th and 6th Forum Meeting Decisions

- Having reviewed the proposals of the index providers, the Forum has chosen **S&P** as the index provider for the OIC Stock Exchanges.
- S&P is supposed to create benchmark and tradable indices and to suggest sectorial, regional and other types of indices for further consideration.
- The Task Force is mandated to continue coordinating the creation and the promotion of the OIC indices.

# Launch Ceremony, June 22nd, 2012

- In accordance with these decisions and our consultations, the index agreement was finalized and sent to the member exchanges on December 13th, 2011.
- On June 22nd, 2012, the **S&P/OIC COMCEC 50 Shariah Index**, which is designed to measure the performance of 50 leading Shariah-compliant companies from OIC Exchanges has been launched with a ceremony in Istanbul.
- Alongside the key media in Turkey, the high level representatives of OIC, COMCEC, S&P, OIC Member Exchanges and banks/brokerage houses have participated in the ceremony.
- The event was also **broadcasted live** both on the Forum ([www.oicexchanges.org](http://www.oicexchanges.org)) and İMKB's ([www.ise.org](http://www.ise.org)) websites.

# Launch Ceremony, June 22nd, 2012



# S&P/OIC COMCEC 50 Shariah Index

- **Index Eligibility:**

- All countries/territories whose exchanges are members of the OIC Exchanges and are covered by S&P Indices are eligible for the index. As of June 2012, this included:

Bahrain, Bangladesh, Cote d'Ivoire, Egypt, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Malaysia, Morocco, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, Turkey and the United Arab Emirates.

- All eligible stocks must pass Shariah compliance screenings per S&P Shariah Indices Methodology.
- All eligible stocks must have a minimum three-month average daily value traded (ADVT) of USD 1 million, the liquidity threshold, as of the rebalancing reference date.

# S&P/OIC COMCEC 50 Shariah Index

- **Constituent Selection:**

- The index comprises **the largest 50 stocks** from the eligible universe, as measured by float-adjusted market capitalization, subject to the following additional rules:

- **At least one stock from** each country/territory must be included in the index.

If there is no stock within a country/territory that meets the liquidity threshold, then the most actively traded stock within that country/territory (based on three-month ADVT) is selected.

- **No country/territory can have more than eight stocks** in the index.

- **Constituent Weighting:**
  - Based on float-adjusted market capitalization with modifications made to reduce single-stock and country concentration.
  - At each quarterly rebalancing:
    - no stock can have a weight in excess of 5% and,
    - no country can have a weight in excess of 20%.

# S&P/OIC COMCEC 50 Shariah Index

- **Index Maintenance:**
  - The Index is rebalanced for additions, deletions, and share changes quarterly in January, April, July and October.
  - No stocks are added between rebalancings.
  - However, stocks can be deleted at any time due to non-compliance with Shariah screening.

# S&P/OIC COMCEC 50 Shariah Index

## Shariah Screening

- Index constituents are screened for compliance with Shariah law and those that comply are included in the Index.
- The S&P Index Committee collaborates with Ratings Intelligence Partners and Shariah Supervisory Board for Shariah screening.
- Shariah Compliance Screenings (ongoing basis):
  - Sector based

*(certain businesses like gambling, advertising and media, tobacco, alcohol are considered unacceptable)*
  - Accounting based

*(certain company financial ratios may violate compliance thresholds. Leverage, cash and the share of revenues derived from non-compliant business activities)*

# S&P/OIC COMCEC 50 Shariah Index

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**INDICES**

## Country Composition

Country	Index Weight	Stock Count
Bahrain	0.1%	1
Bangladesh	0.3%	1
Cote d'Ivoire	0.4%	1
Egypt	0.6%	1
Indonesia	19.7%	8
Jordan	0.1%	1
Kazakhstan	3.6%	2
Kuwait	9.0%	3
Lebanon	1.1%	1
Malaysia	20.4%	7
Morocco	2.4%	2
Nigeria	0.6%	1
Oman	0.6%	1
Pakistan	0.9%	1
Qatar	7.5%	3
Saudi Arabia	20.7%	8
Tunisia	0.1%	1
Turkey	11.7%	6
U.A.E.	0.3%	1
<b>Total</b>	<b>100.0%</b>	<b>50</b>

As of each quarterly rebalancing:

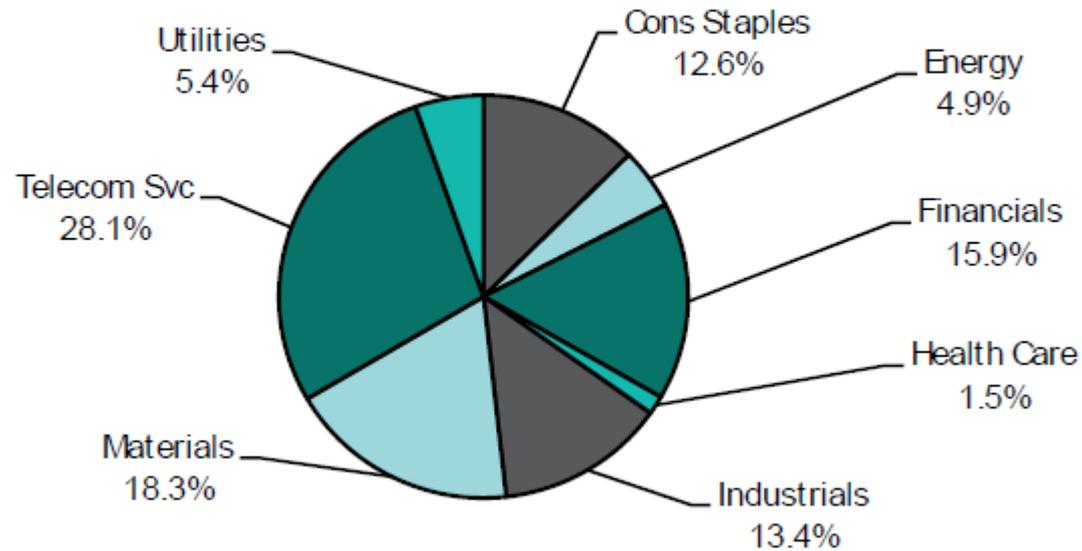
- Max number of stocks per country: 8
- Min number of stocks per country: 1
- Max weight per country: 20%

Source: S&P Indices. Data as of May 31, 2012. Charts and graphs are provided for illustrative purposes.

# S&P/OIC COMCEC 50 Shariah Index

## Sector Composition

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Source: S&P Indices. Data as of May 31, 2012. Charts and graphs are provided for illustrative purposes. Sector composition is based on the Global Industry Classification Standard (GICS).

# S&P/OIC COMCEC 50 Shariah Index

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## Top 10 Constituents

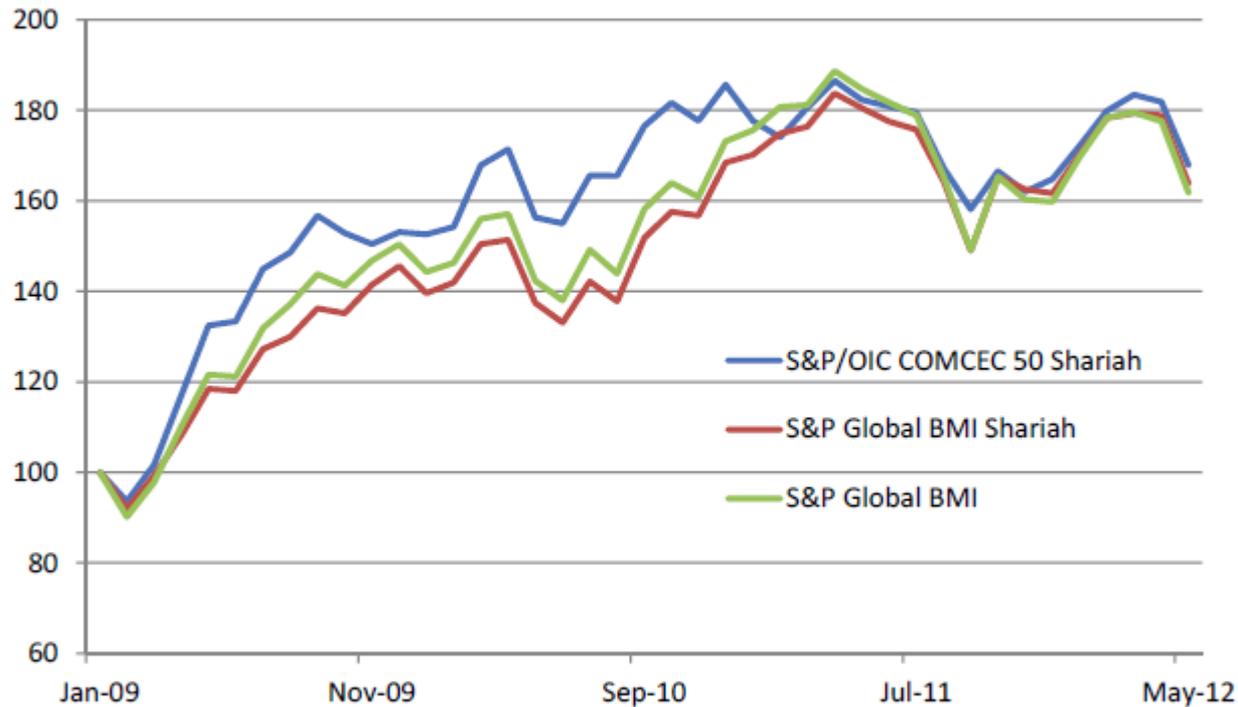
Country	Company	Index Weight	GICS® Sector
Indonesia	Telekomunikasi Indonesia Tbk PT	5.3%	Telecom Svc
Saudi Arabia	Al Rajhi Banking & Investment Corp.	5.1%	Financials
Kuwait	Mobile Telecommunications Company	5.1%	Telecom Svc
Saudi Arabia	SAUDI BASIC INDUSTRIES CORP	5.1%	Materials
Malaysia	Sime Darby Bhd	4.5%	Industrials
Qatar	Industries Qatar	4.2%	Industrials
Malaysia	IOI Corp Bhd	3.5%	Cons Staples
Turkey	BIM Birlesik Magazalar AS	3.3%	Cons Staples
Kuwait	Kuwait Finance House	3.2%	Financials
Malaysia	Maxis Bhd	3.1%	Telecom Svc
<b>Total</b>		<b>42.4%</b>	

Source: S&P Indices. Data as of May 31, 2012. Charts and graphs are provided for illustrative purposes.

# S&P/OIC COMCEC 50 Shariah Index

**S&P**  
**INDICES**

## Historical Performance Comparison



Source: S&P Indices. Data as of May 31, 2012. Index performance based on total return index levels in USD. Charts and graphs are for illustrative purposes. Charts and graphs may reflective hypothetical historical performance. Please see the Performance Disclosure for more information regarding the inherent limitations associated with back-tested performance.

# S&P/OIC COMCEC 50 Shariah Index

**S&P**  
**INDICES**

## Comparative Risk/Return Statistics

	S&P/OIC COMCEC 50 Shariah	S&P Global BMI Shariah	S&P Global BMI
<b>Returns</b>			
1 Month	-7.71%	-8.45%	-8.92%
3 Month	-6.70%	-8.16%	-9.30%
YTD	1.84%	1.31%	1.24%
1 Year	-7.96%	-9.26%	-12.43%
<b>Annualized Returns</b>			
Since Jan 31 2009	16.35%	15.52%	15.10%
<b>Annualized Risk (Std Dev)</b>			
Since Jan 31, 2009	18.54%	18.67%	20.59%

Source: S&P Indices. Data as of May 31, 2012. Index performance based on total return index levels in USD. Charts and graphs are for illustrative purposes. Charts and graphs may reflect hypothetical historical performance. Please see the Performance Disclosure for more information regarding the inherent limitations associated with back-tested performance.

# S&P/OIC COMCEC 50 Shariah Index

## The Way Forward – Promotion Efforts

- On September 3rd, 2012, an introductory meeting was organized with the Turkish banks, brokerage houses and portfolio management companies and the participants were informed on the OIC, COMCEC, OIC Stock Exchanges Forum and the Index.
- From the technical and commercial points of view, creating a sub-index with 3-5 countries could be the next step of the Project.
- The Task Force will also consult the Forum members in order to create structured products (such as ETFs) on the OIC indices.