

Turkish Participation Banking Strategy Document 2015 - 2025



PARTICIPATION BANKS
ASSOCIATION OF TURKEY

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AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	IFSB	Islamic Financial Services Board
BIST	Istanbul Stock Exchange	IICRA	International Islamic Center for Reconciliation and Arbitration
BRSA	Banking Regulation and Supervision Institution	İİBF	Faculty of Economics and Administrative Sciences
CBRT	Central Bank of the Republic of Turkey	KGMSK	Public Oversight Accounting and Auditing Standards Agency
CIBAFI	General Council for Islamic Banks and Financial Institutions	MCT	Ministry of Customs and Trade
CIMA	Chartered Institute of Management Accountants	ÖFK	Special Finance Houses
CISI	Chartered Institute for Securities & Investment	PBAT	Participation Banks Association of Turkey
CMB	Capital Markets Board	RA	Revenue Administration
EMRA	Energy Market Regulatory Authority	SDIF	The Savings Deposit Insurance Fund
FAA	Finance Accreditation Agency	SPL	Capital Market Licensing and Registration Educational Organization
GDP	Gross Domestic Product	TKGM	General Directorate of Land Registry and Cadaster
GNAT	Grand National Assembly of Turkey	TÜBİTAK	The Scientific And Technological Research Council Of Turkey
HCRA	High Council of Religious Affairs	ULAKBİM	National Academic Network and Information Center
HR	Human Resources	UAE	United Arab Emirates
IDB	Islamic Development Bank	VKŞ	Special Purpose Vehicles (SPV's)
IFQ	Islamic Finance Qualification	YBBO	Compound Annual Growth Rate YÖK Council of Higher Education
IIFM	International Islamic Financial Market	YÖK	Council of Higher Education
IILM	International Islamic Liquidity Management Corporation		
INCEIF	International Center for Education in Islamic Finance		

Our Vision

To raise the market share of participation banking sector to 15% by 2025 and to deliver world-class financial products and services.

Our Mission

To ensure the development of participation banking sector in Turkey in a healthy and sustainable manner;

- To develop and improve product range and service quality,
- To improve corporate communication, perception and expand reputation management,
- To improve training related activities, human sources and certification,
- To develop legislation, standards and regulations related to the principles of Islamic banking,
- To support all efforts to make Istanbul a leading financial center.



Sector Organizations



The Special Finance Institution Association, which became operational in 2001 as a professional organization in the nature of public institution in line with the Banking Law, has been the umbrella organization of participation banks.

In accordance with the Banking Law published in issue 5411 of the Official Gazette dated 01/11/2005, the name of special finance institutions was changed to “participation banks” and the title of the association was changed into the Participation Banks Association of Turkey.

All participation banks operating in Turkey are members of the Association, which currently has 4 members.



Albaraka Turk Participation Bank, whose establishment was completed in 1984, became operational at the beginning of 1985.

Founded as a joint undertaking between the Albaraka Banking Group (ABG), the Islamic Development Bank (IDB) and a Turkish industrial group that has been serving the national economy for more than half a century, Albaraka Türk boasts a strong capital base. As of 30 June 2014, 66.10% of the Bank’s shares were held by foreign shareholders and 10.48% by local shareholders while the remaining 23.42% were publicly traded.



Asya Katılım Bankası A.Ş. commenced its activities on October 24th, 1996, as the sixth special finance institution of Turkey. The company’s name, which had been previously “Asya Finans Kurumu Anonim Şirketi”, was changed to “Asya Katılım Bankası Anonim Şirketi” on December 20th, 2005.

Bank Asya has a multi-partnered (195) structure based on domestic capital.



Kuveyt Turk, which was established in 1989 in the status of Special Financial Institution, became the third institution to join the sector.

62% of the capital of Kuveyt Turk is owned by Kuwait Finance House, 9% by the Public Institution for Social Security of Kuveyt, 9% by the Islamic Development Bank, 18% by General Directorate for Foundations and 2% by other shareholders.



Türkiye Finans Participation Bank was established in 2005 with the merger of the Anadolu Finans and Family Finance institutions.

60% of the shares in Türkiye Finans were purchased by the most important bank in the Middle East and the largest bank in Saudi Arabia, The National Commercial Bank (NCB), on March 31, 2008.

Executive Summary

The conventional banking system has started to be questioned as a result of the global financial crisis that took place in the last decade, encouraging some countries to bring the Islamic banking model to the agenda and accelerate the development of this sector.

The Global Islamic banking system, which has recorded an average annual growth rate of 17% in the last five years, is expected to maintain the same increasing growth trend throughout the next 5 year period with its total assets reaching US\$ 2 trillion by 2019. In Turkey,, the share of Islamic banks' total assets in the entire banking sector has increased from 2% to 5.2% over the last decade.

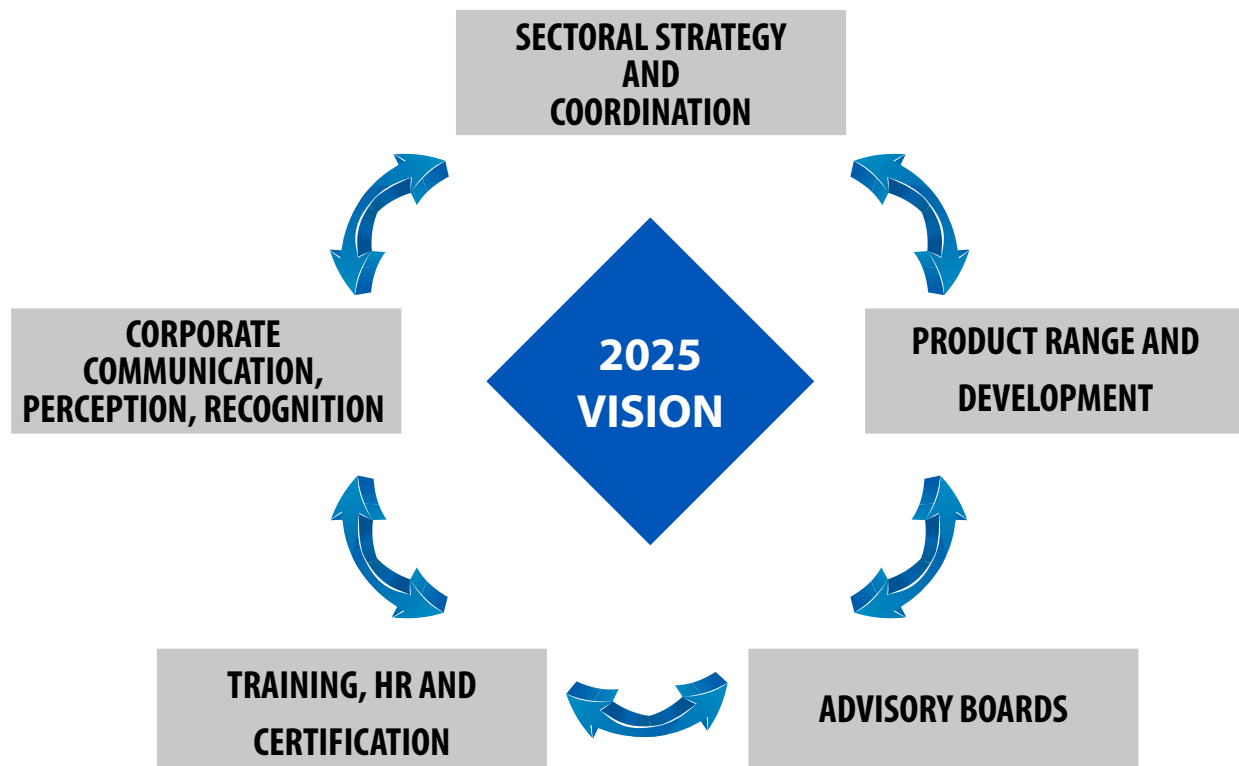
The development of Islamic banking is supported by the public sector. Sukuk issuance and investment in state-owned banks are among the topics that have recently gained importance. By the end of 2014, the Treasury's Sukuk issuances had exceeded US\$5.5 billion while Sukuk issuances by participation banks had exceeded US\$1.2 billion. The public sector took the required steps to establish Islamic banks in 2014.

In the Turkey's Participation Banking Strategy study, with the new players in the participation banking system, the

system's total assets' share in the total banking sector is expected to reach 15% in 2025.

With this growth rate, which is forecasted to exceed the historical rate, assets and participation funds are expected to reach US\$300 billion and US181 billion respectively in 2025. It is foreseen that it will be challenging for the system's own capital accumulation to support this growth. Therefore, capital increases will be required at regular intervals to ensure the official capital adequacy ratio prescribed by BRSA is reached, and it is estimated that the equity will need to reach US \$30 billion by 2025.

In relation to this prescribed target, all of the actions required to ensure the healthy and sustainable development of Islamic banking are planned and shared under five main strategic objectives. This study is developed in accordance with the "Kızılcahamam Participation Islamic Banking and Finance Workshop 2013", "Ministry of Development - Istanbul International Financial Center Program Action Plan", participation banking internal and external stakeholders, individual interviews within the Association and international advance applications.



Reaching strategic targets such as sectoral strategy and coordination, product range and development, advisory boards, training, human sources, and certification, corporate

communication, perception and recognition all depend on the timely efforts of all stakeholders in realizing the strategies and action steps set out below.

Strategic Goals	Strategies	Responsible Stakeholders
<p>1</p> <p>Sectoral Strategy and Coordination</p>	<p>1.1</p> <p>Determination of the tasks and responsibilities of stakeholders in line with sector strategies.</p>	<ul style="list-style-type: none"> • PBAT • BRSA • Treasury
<p>2</p> <p>Product Range and Development</p>	<p>2.1</p> <p>Increasing the effectiveness of currently used products in the sector.</p> <p>2.2</p> <p>Diversification of product placement structure of participation banking system</p> <p>2.3</p> <p>Implementation of products that are used in countries where Islamic banking is developed and the products used in Turkey in the past but currently not in use by participation banks</p> <p>2.4</p> <p>Expanding the variety of source in participation banks</p> <p>2.5</p> <p>Development of policies for the participation banking system in public institutions and establishment of an organizational structure that will follow and support the implementation of these policies</p>	<ul style="list-style-type: none"> • CMB • BRSA • Treasury • CBRT • BIST • Ministry of Finance • Ministry of Development • Public Oversight Accounting and Auditing Standards Agency
<p>3</p> <p>Advisory Boards</p>	<p>3.1</p> <p>Establishment of General Advisory Board for the participation banks</p> <p>3.2</p> <p>Standardizing advisory boards of participation banks</p>	<ul style="list-style-type: none"> • PBAT • BRSA • Participation Banks • HCRA

Strategic Goals	Strategies	Responsible Stakeholders
<p>4</p> <p>Training, HR and Certification</p>	<p>4.1 Developing distance learning along with undergraduate and graduate programs regarding the participation banking, and improvement activities to resolve lack of teaching staff</p> <p>4.2 Creation of a database of people and articles related with participation banking, and addressing the absence of textbooks</p> <p>4.3 Increasing the number of specialized staff and development of staff capabilities in participation banking</p> <p>4.4 Establishment of institutions and a research centers related with participation banking</p> <p>4.5 Promotion of awareness of participation banking terminology</p>	<ul style="list-style-type: none"> • YÖK • PBAT • Universities • SPL
<p>5</p> <p>Corporate Communication, Perception and Recognition</p>	<p>5.1 Increasing the level of knowledge concerning the philosophy of the system / Highlighting the differences with conventional banking</p> <p>5.2 Establishing the right marketing strategies</p> <p>5.3 Ensuring consistency in participation banking practices</p> <p>5.4 Attempts to increase the credibility of the system</p>	<ul style="list-style-type: none"> • PBAT • Participation Banks • HCRA • BRSA

Key actions that must be performed in accordance with each strategy and action determined, with detailed sub-steps, are

prioritized according to impact on the industry and the ease of application and are reflected in a road map.

1. Overview of Islamic Banking





1.1 Global Islamic Banking General Situation

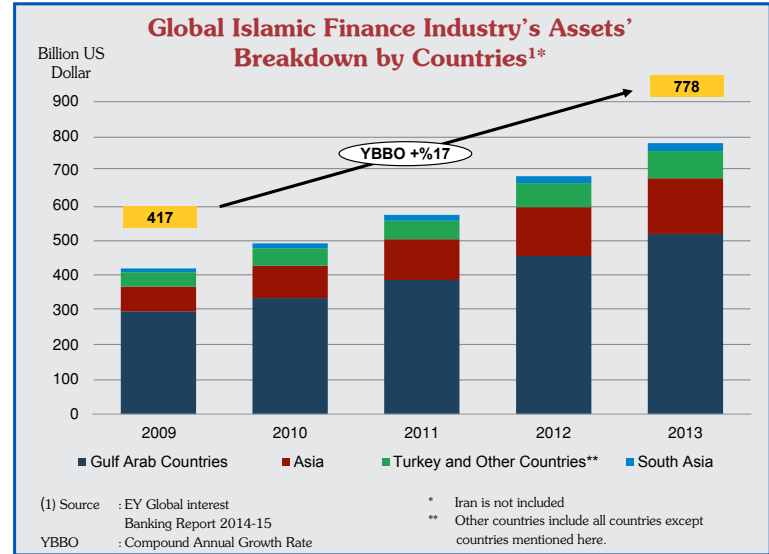
The interest-based infrastructure of the conventional banking sector in countries where the majority of the population is Muslim has been questioned since the 1950s and these issues have given rise to intense debate. As a result of these discussions, the first steps towards the Islamic banking system were taken in the mid-1970s; banks operating in accordance with the principles of Islamic banks were included in the system and began to operate in conjunction with conventional banks in countries where the majority of the population is Muslim.

Thus, Islamic banking system has gained weight in the financial system, and in the 1990s Islamic banking attracted the attention of international banks which started to provide services in accordance with Islamic principles in countries where the majority of the population is Muslim. As the sector started to grow and develop, a need for an organization that would govern the system's practices and support the industry through arose and one of the main institutions of the sector, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIF) was established.

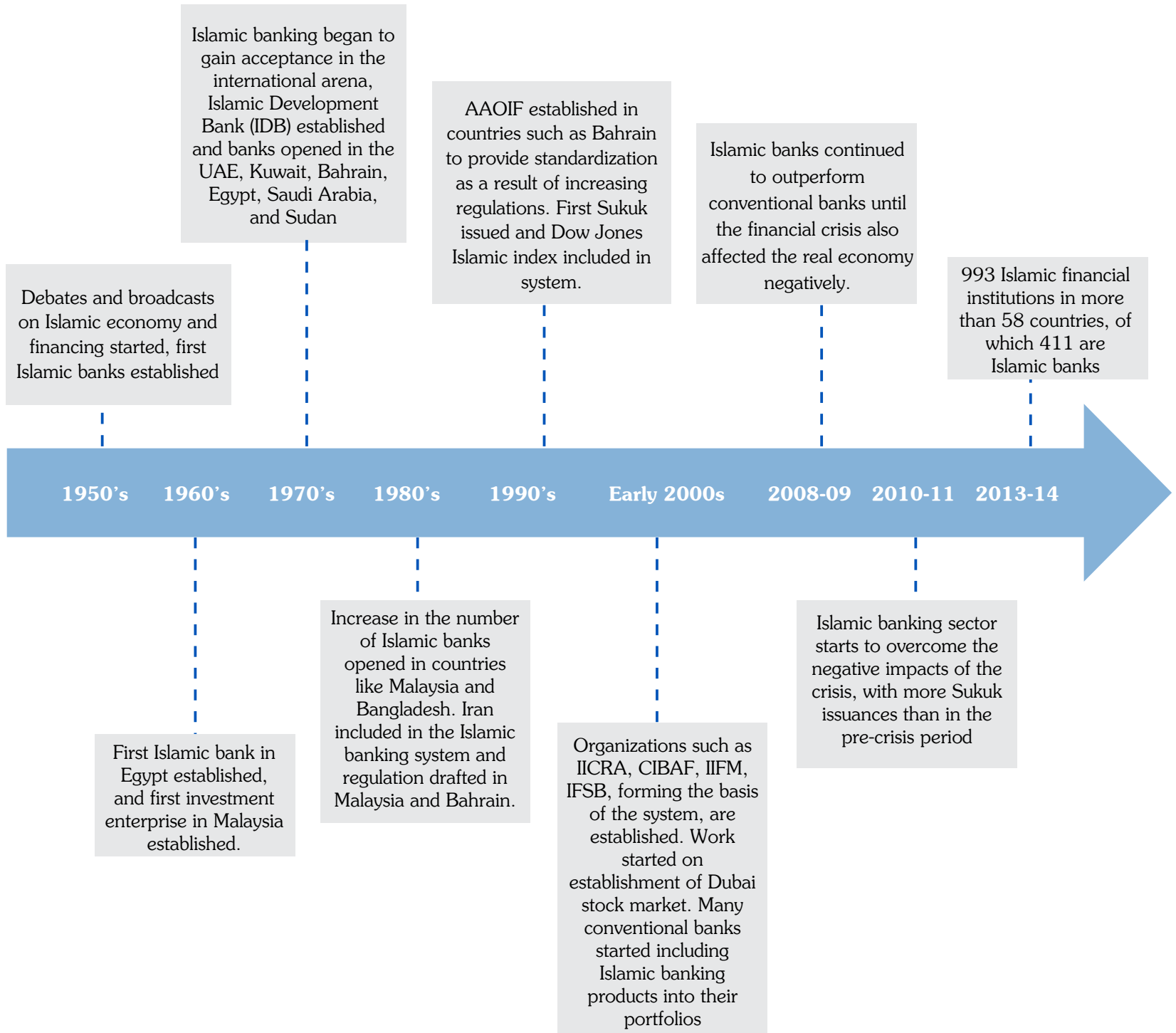
Asset Growth Figures and Market Shares for Islamic Banking

Growth in the sector started to accelerate and the sector started to attract international attention in the 2000s. The service offered by Islamic banking institutions began to be widely accepted and demanded in the international arena. However, the most important factor enabling the industry to reach today's figures was the economic crisis in 2008. During the economic crisis in 2008, while conventional banks suffered a loss of profitability, Islamic banks maintained their growth and profitability until the start of the negative impact of the crisis on the real sector.

In particular, when the crisis so deeply affected the economies of developed countries and the international financial system, the Islamic banking system, due to the operations intertwined with the real economy, was found to be more resistant. In the post-crisis period, the global Islamic banking sector's assets (excluding Iran) have grown at a CAGR of 17% in the last 5 years to reach US\$778 billion.



Milestones in Global Islamic Banking

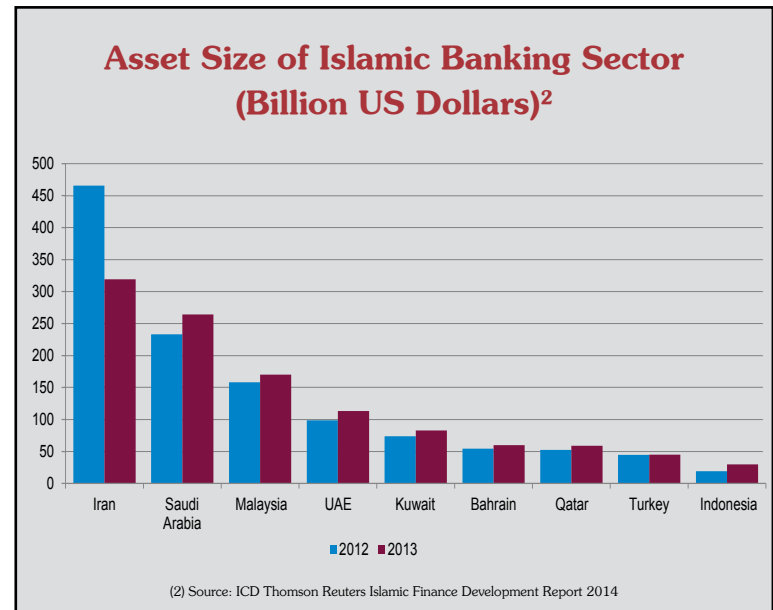


Profitability, Size and Growth Rate Comparisons between Islamic Banks and Conventional Banks

Headlines	Average Asset Sizes	Average Growth Rate 2008-2012 ¹
Top 20 Islamic bank	US\$ 21 billion	%15,8
Selected conventional banks	US\$ 75 billion	%13,8

(1) Source: EY World Islamic Banking Competitiveness Report 2014-15

Legislation has been strengthened in the Islamic banking sector to achieve the highest standardization needed, with an international authority established during the last 5 years. The Islamic banking sector has attracted the attention of the world’s leading financial centers, such as London, Dubai, Hong Kong and Luxembourg, while investment in the sector has increased gradually.



Islamic Banking Development in Selected Countries

Global Islamic banking assets had reached US\$1.2 trillion by the end of 2013. In terms of the country breakdown in the global Islamic banking system’s assets, Iran has the largest size, followed by Saudi Arabia and Malaysia. Turkey ranks 8th, offering great potential with its current population and economic indicators.

In Iran, the country with the largest volume of total assets, the sector has shrunk when compared to the previous year, but almost every other country saw significant growth in Islamic banking when compared to the previous year.

1. Overview of Islamic Banking

An analysis of the breakdown of the global Islamic banking system's assets finds Iran in 1st place with a 29.1% market share, followed by Saudi Arabia in 2nd place on a 24.1% market share and Malaysia 3rd, with a 15.5% share.

Indonesia posted the most rapid average annual growth in assets in the Islamic banking industry, with a CAGR of 43% between 2009 and 2013, followed by Turkey, with a CAGR of 30%.

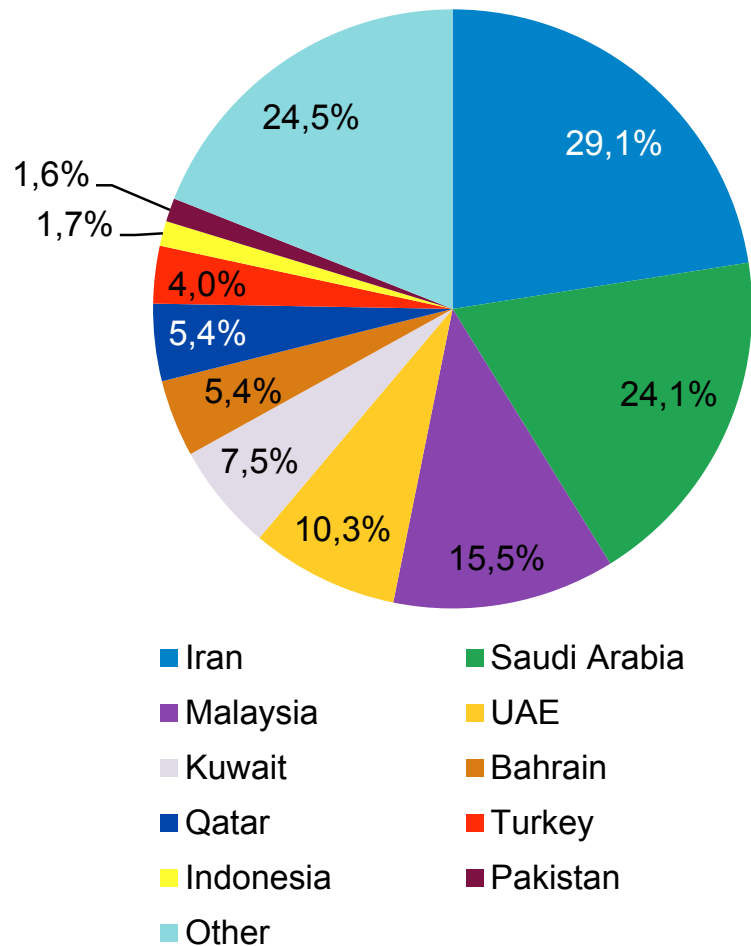
Annual Growth Rates of Islamic Banking Sector in Selected Countries (2009 - 13)¹

Indonesia	%43
Turkey	%30
Qatar	%26
Pakistan	%22
Malaysia	%19
Saudi Arabia	%17
UAE	%11

(1) Source: EY World Islamic Banking Competitiveness Report 2014-15 - PBAT

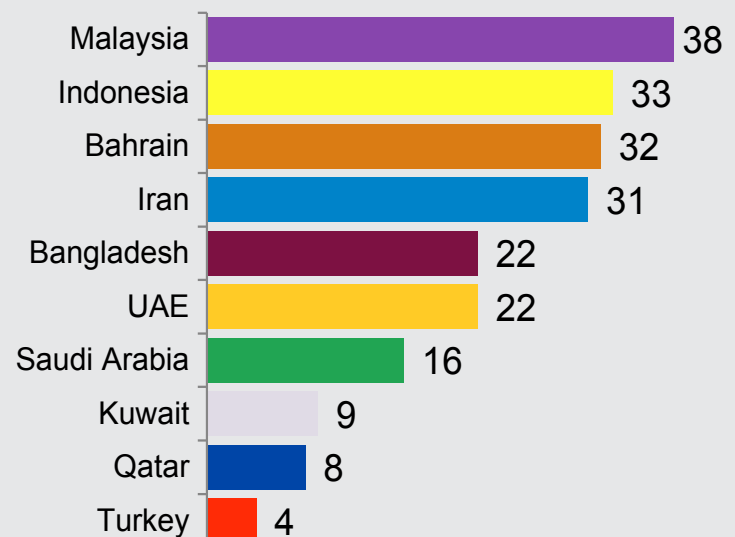
The asset volume seems to be correlated with the number of existing banks in the leading countries of the Islamic banking sector. The country with the most banks, Malaysia, ranks 3rd in active volume, followed by Indonesia, Bahrain and Iran. Turkey ranks 8th in asset size, while located near the bottom of the list in terms of number of banks, with just 4 participation banks.

Shares of Countries in Islamic Banking Assets¹



(1) Source: EY World Islamic Banking Competitiveness Report 2014-15 - PBAT

Number of Islamic Banks²



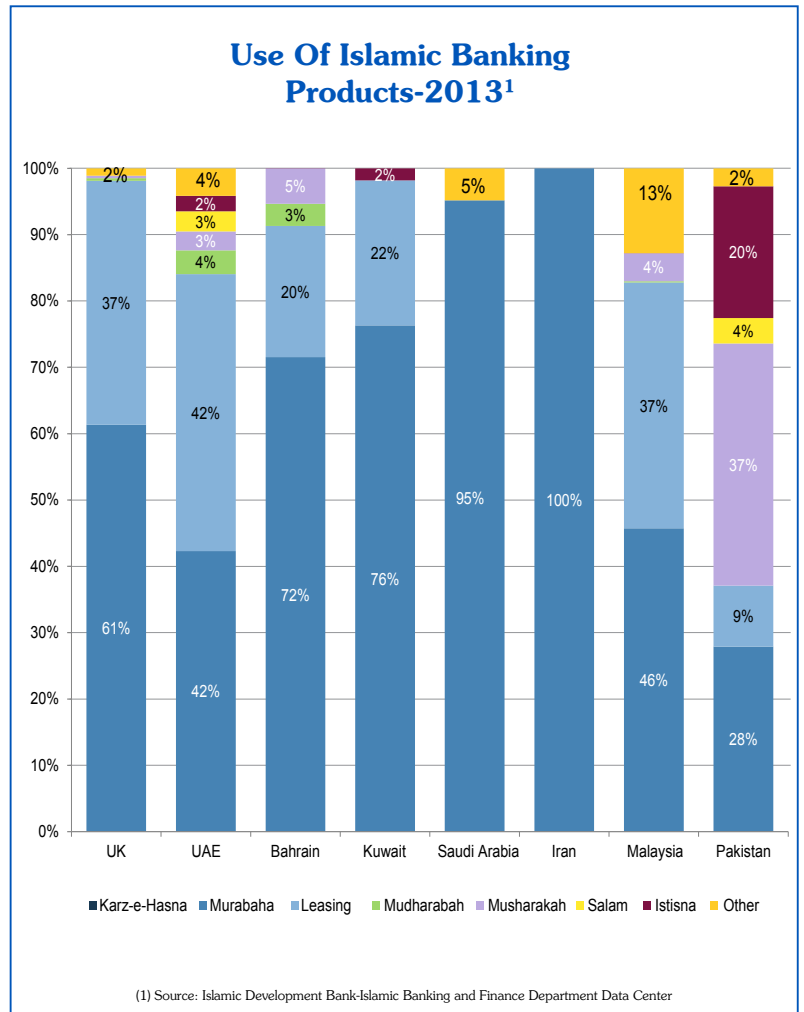
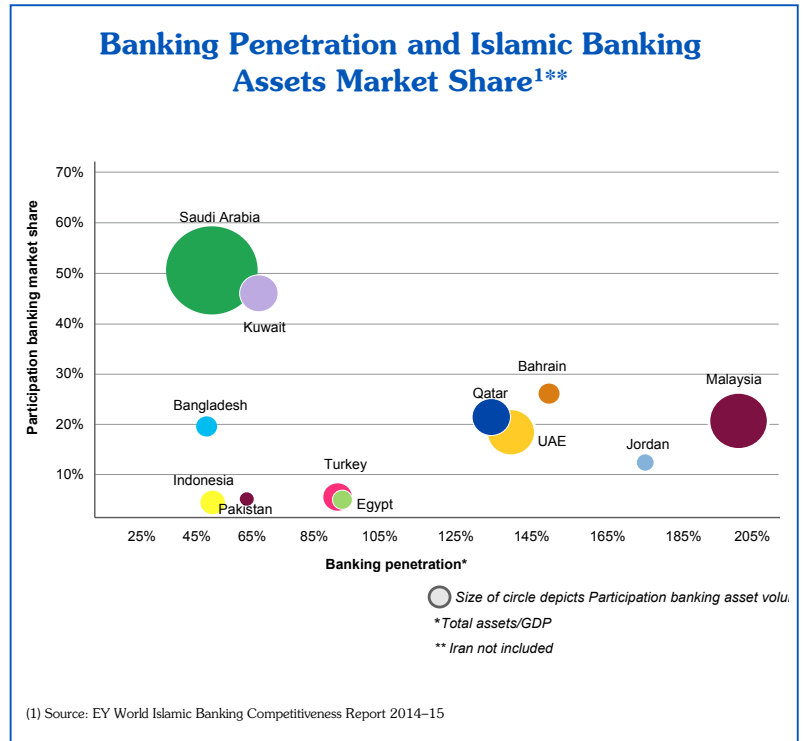
(2) Source: ICD Thomson Reuters Islamic Finance Development Report 2014

Countries and Products in the Islamic Banking Market

Today, Islamic banking institutions are active in more than 58 countries, with Qatar, Indonesia, Saudi Arabia, Malaysia, the UAE and Turkey standing out with the highest growth rates and existing potential in the field of Islamic banking. Islamic banking has become the mainstream industry in Saudi Arabia, Kuwait and Bahrain by market share. Murabaha products are mainly used in the product range of assets of Islamic banks.

In all countries operating in the Islamic banking sector (outside Malaysia, the UAE and Pakistan), the utilization rate of Murabaha products exceeds 50%, while use of Murabaha products in Iran and Saudi Arabia is over 90%. In the UK and Bahrain, this ratio stands above 50%.

In Malaysia and the UAE, the use of leasing is high, as well as Murabaha. Looking at the distribution of products in the assets of participation banks in our country, the use of Murabaha product is over 90%.



Islamic Banking Liability Structure

Participation Funds

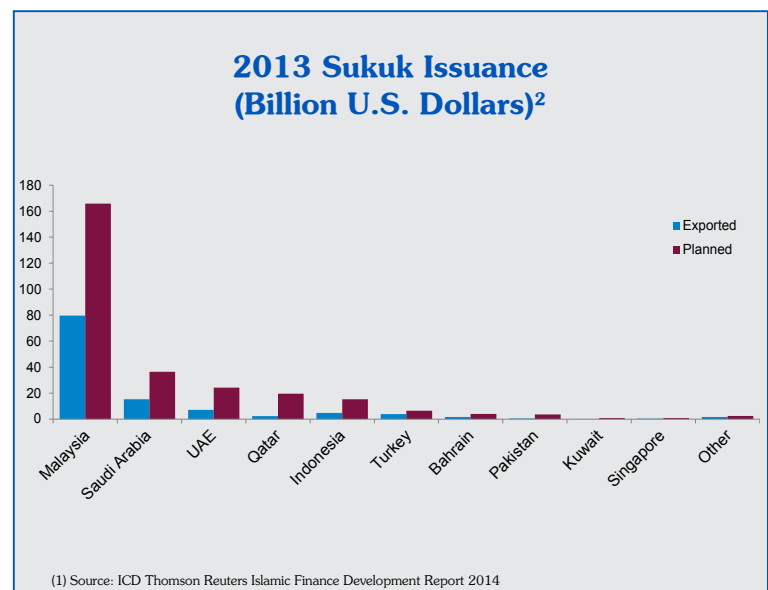
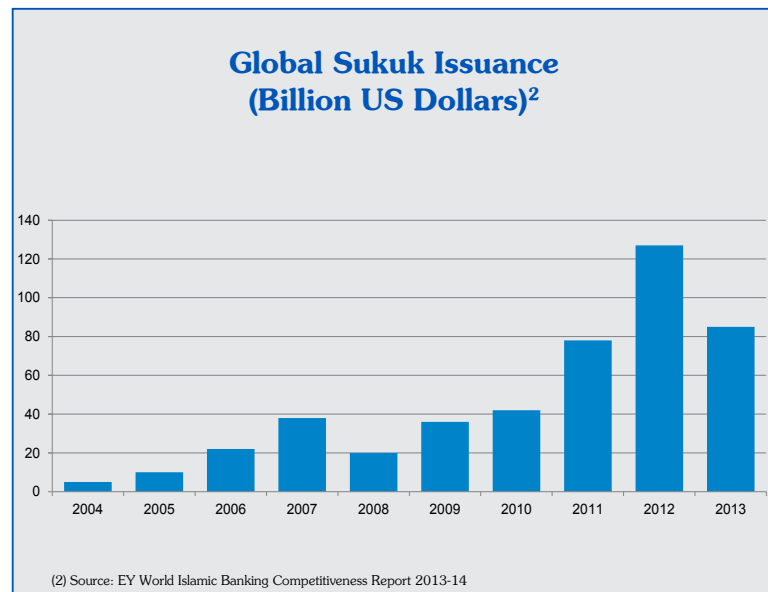
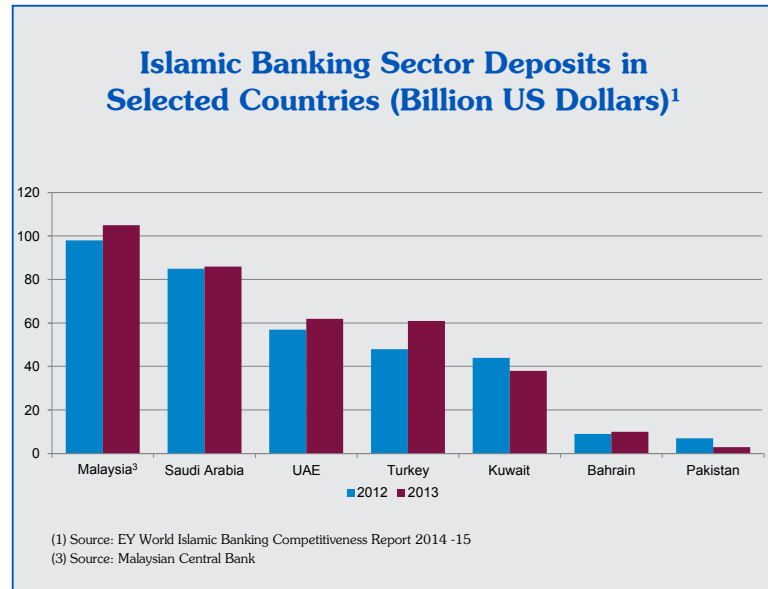
When we look at the distribution of the funds collected in Islamic banking by country, Malaysia ranks first, followed by Saudi Arabia. Turkey ranks 4th in terms of funds collected.

Development of Rent Certificates (Sukuk)

The weight of Sukuk has been increasing in the liabilities of Islamic banks, and Sukuk appears to have gained acceptance as an important financing tool in the international arena.

The growth in Banks' Sukuk issuances as well as the private sector has contributed to the growth of the market. Malaysia ranks first in terms of Sukuk issuance, followed by Saudi Arabia and the UAE. Carrying out its first Sukuk issuance in 2012, Turkey was ranked 6th in 2013, displaying a high performance.

Looking at countries in which the Muslim population is not in the majority, Singapore and the United States have exhibited significant growth in Sukuk issuances, and in those countries Sukuk is being adopted as an alternative financing tool. After these countries, other countries have been included in this new market in 2013 such as Hong Kong, Luxembourg, Tunisia and Morocco.

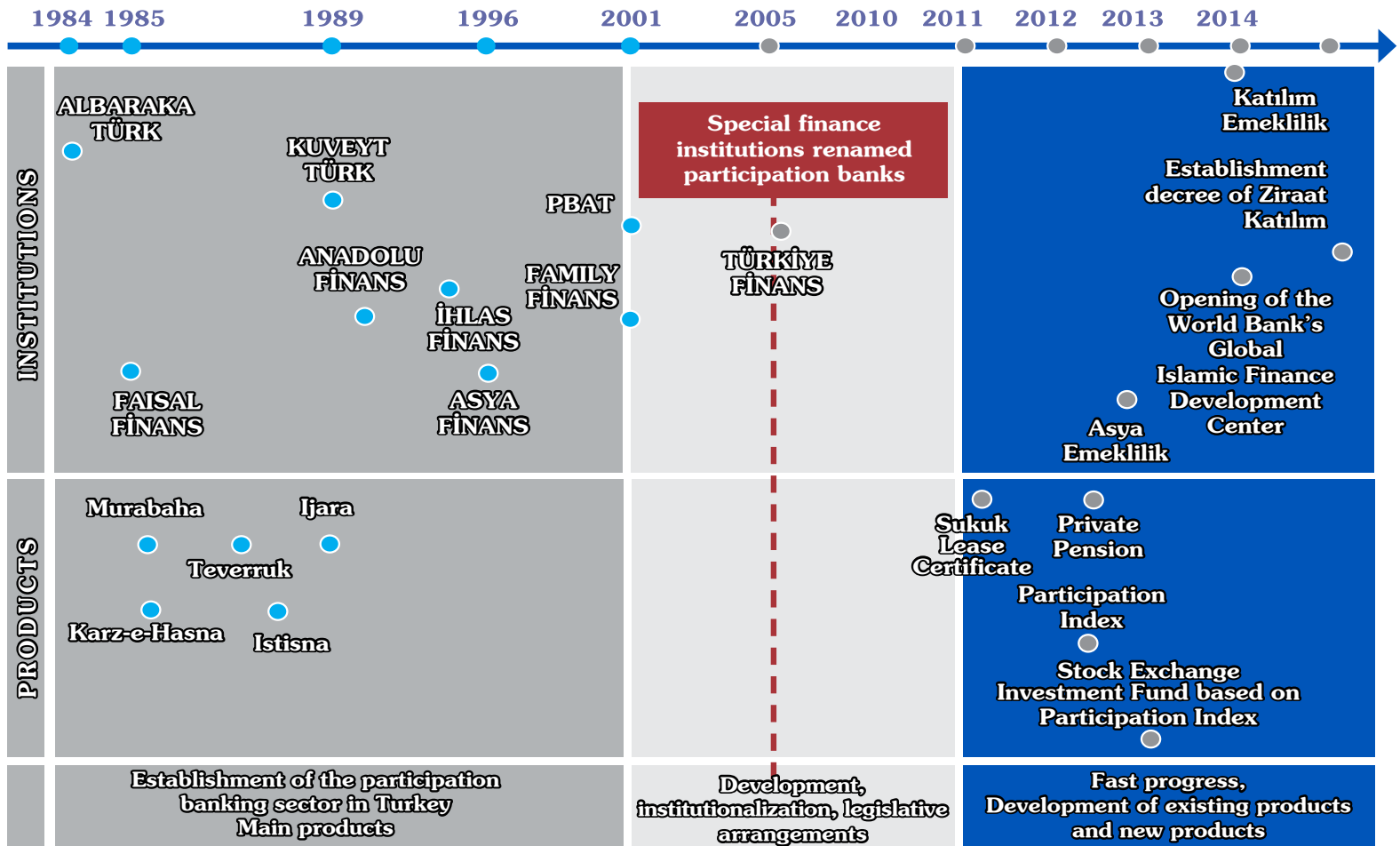


1.2 Development of Participation Banking in Turkey

The participation banking sector in our country was established 30 years ago. Albaraka Turk was the first such institution to be founded in 1984 as a Special Finance Institution (OFK), and Faisal Finance was founded immediately after. The Participation Banks Association of Turkey was established in 2001 to represent OFKs. The turning point for OFKs was receiving the 'Bank' status and replacing their names as 'Participation Banks' in 2005. Prior to 2005, Participation banks could not show any development, in terms of asset size and the variety of products due to the impact of economic crises and the lack of necessary legislation. Since 2005, however, legislation was drafted which has paved the way for the growth of the sector.



Development of The Participation Banking Sector in Turkey¹



Albaraka Türk Katılım Bankası
Asya Katılım Bankası
Kuveyt Türk Katılım Bankası

(1)Source: Banks web sites, BRSA data

Participation Banking Sector Growth Figures and Market Shares

Participation banks appear to have weathered the financial crisis more resiliently and the development of the sector in our country, as well as around the world, gained momentum after the 2008 economic crisis. Due to the making asset-backed transactions (instead of the debtor creditor relationship), participation banking has always been in the field of investment activity, and the spirit of partnerships based on risk sharing had a positive impact on perceptions of the system. With government support, the sector started to grow rapidly and the growth has accelerated since 2008.

The sector’s market share in the banking sector’s total assets, which was 4.0% in 2009, reached to 5.2% by the end of 2014, with 25% average annual growth in its assets between 2009-2014.

The effect of increasing growth since 2009 has been observed on participation fund accounts. Figures for collected participation funds increased by an average growth rate of 19% over the last 5 years due to the increase in both the volume of transactions and the number of customers in participation banks. In the coming period, the number of participation banks in the sector - and therefore the access to bank accounts through participation funds - is expected to increase significantly.

Profitability in the Turkish Participation Banking Sector

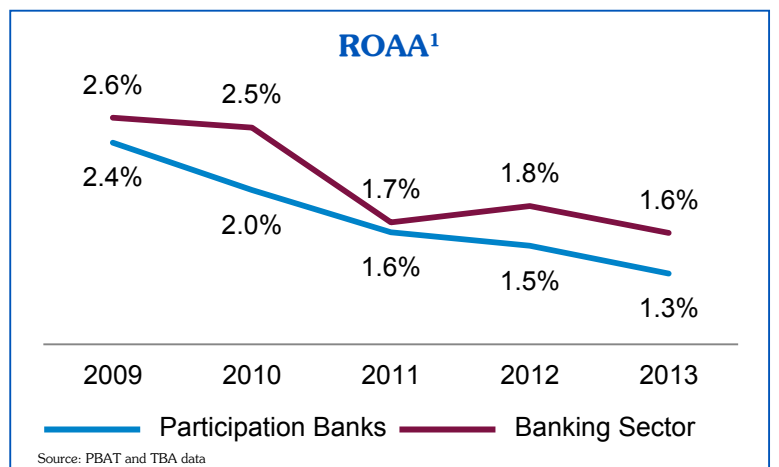
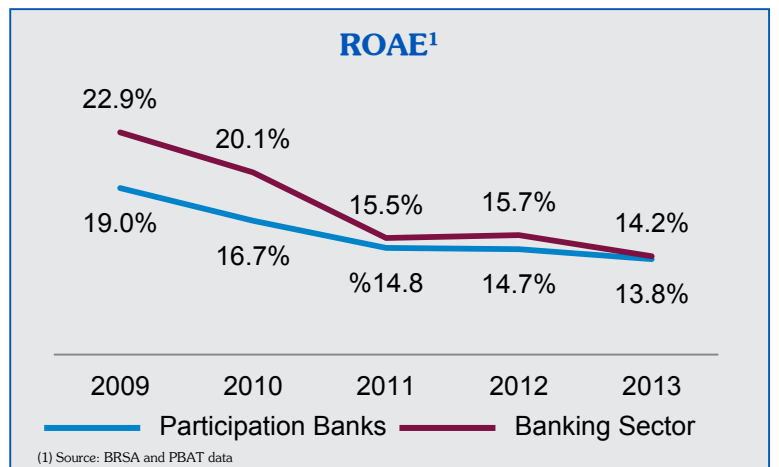
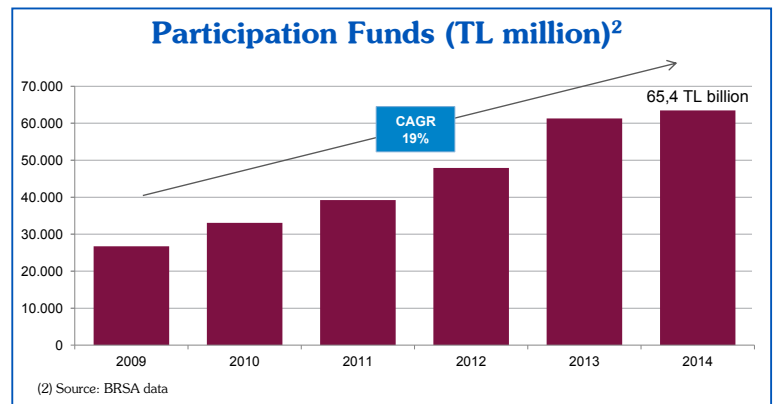
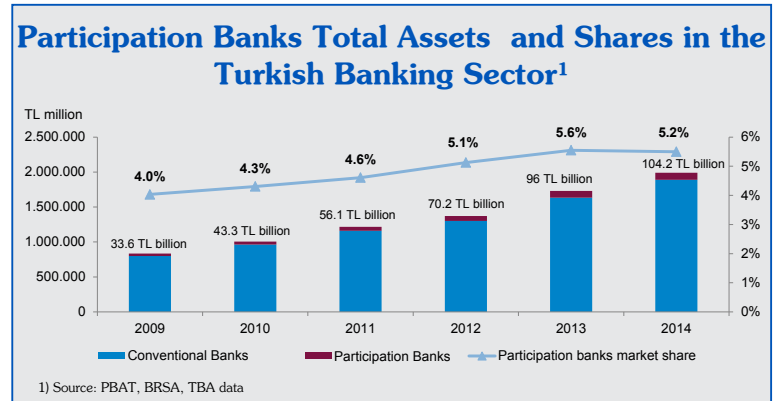
When we look at the sector’s profitability figures, the banking sector’s average rate of return on equity appears to be higher than that of the participation banks.

In 2011, the average return on equity was approximately the same as that of conventional banks, but the difference between the two widened slightly in 2012, before the return on equity of participation banks, at 13.8%, approached the banking sector’s average return on equity in 2013 - a noteworthy development.

Looking at the average return on assets, the banking sector and the participation banking sector were quite close to each other in 2011 (at 1.7% and 1.6% respectively), but the difference increased in 2012.

The return on assets of participation banks stood at 1.6% in 2013, while that of the banking sector was 1.3%.

As of the end of 2014 there were four participation banks in our country, which had a total of 990 branches.



Structural Evolution of Turkish Participation Banking

As of the end of 2014 there were four participation banks in our country, which had a total of 990 branches. Since 2009, the average annual increase of 12.1% has been seen in the sector. The number of branches is expected to increase significantly in the near term thanks to the state’s decision to establish participation banks and the disclosure that public participation banks would be included in the banking system. In the near future it is anticipated that conventional banks will have special interest in the participation banking sector and are expected to contribute significantly to the expansion of the branch network of participation banks. The number of employees in the sector has increased steadily since 2009, at average annual rate of 6.6%. A total of 16,249 people were employed by participation banks at the end of 2014.

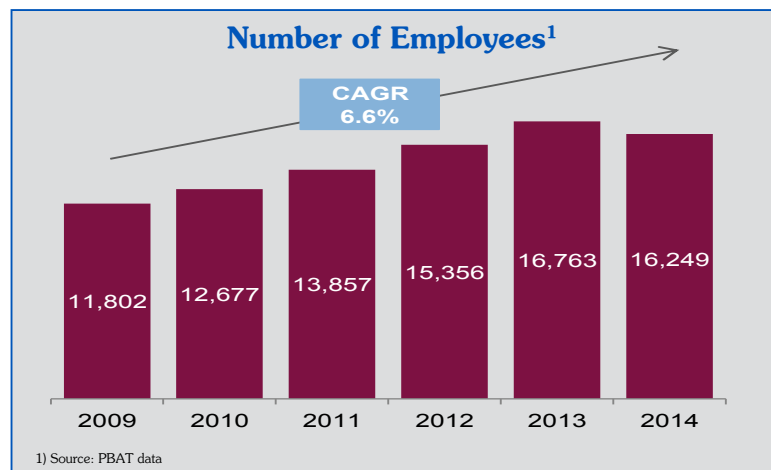
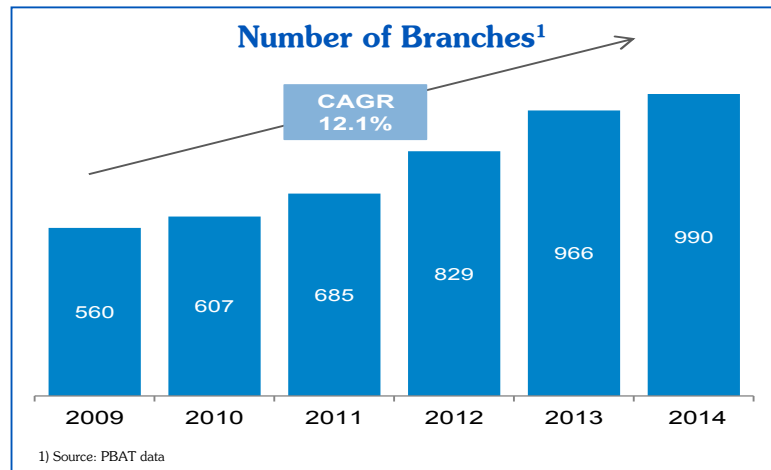
Structural Evolution of Turkish Participation Banking

There are 4 banks in the participation banking sector in Turkey - Albaraka Türk, Kuveyt Türk, Bank Asya and Türkiye Finans. As of 2014, the Kuveyt Türk Participation Bank had the largest market share in the sector at 33%, followed by the Türkiye Finans Participation Bank. These are followed by the Albaraka Turk Participation Bank and Asya Participation Bank.

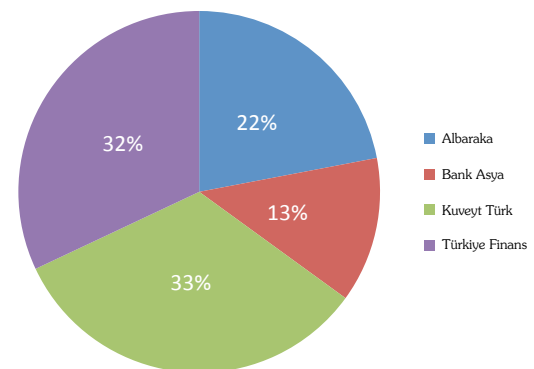


CAR RATIO ACCORDING TO BANK CATEGORIES (%) ¹	2012	2013
Banking Sector*	17.9	15.3
Private Bank	17.1	14.8
Public Banks	17.2	13.5
Participation Banks	13.9	14.0

1) Source: PBAT and TBA data
* Banks under the control of BRSA, and development and investment banks are included.



Participation banks – Market share as per asset size ¹



1) Source: PBAT data

Development of Sukuk Products in Turkey

In line with the growth of the Islamic banking industry, Sukuk issuances, which offer great development potential in our country, has begun to come to the fore. The absence of necessary legislation until 2010 and the disadvantages arising from price with tax problems with it had prevented the development of Sukuk issuance. In 2010, with the Capital Markets Board Communiqué Serial: III, No: 43 “Principles Regarding Lease Certificates and Special Purpose Vehicles (SPV’s) Communiqué”, regulations were drafted on the provision of sources with the issuance of Sukuk. In 2011, exemption from stamp duty, income taxes, notary fees and suchlike from taxes and fees was granted on transactions related to the issuance of Sukuk. In addition, the withholding tax rate was cut to 10% and exemption from tax revenue derived from lease certificate issuances with maturities of at least 5 years was provided. In 2013, Istisna, Murabaha, Musharaka and Mudharabah, Sukuk issuance were permitted.

Turkey’s first Sukuk issuance was performed by the Kuveyt Turk Participation Bank in 2010, with strong demand for the first issuance of a 3-year US\$100 million Sukuk. A year later, a 5-year US\$350 million Sukuk was issued by the Kuveyt Turk Participation Bank again, and it began trading on the London Stock Exchange.

In 2012, the Undersecretariat of Treasury issued a 2-year US\$1.5 billion Sukuk for the first time, with high demand collected from international markets. Following the Treasury’s Sukuk issuance, other participation banks raised their Sukuk issuances. The Public sector’s Sukuk issuance is of paramount importance in terms of offering guidance to the private sector. In addition to the banks, other private sector organizations also began to issue Sukuk. In particular, long-term and tier 2 capital structured Sukuk issuances are seen as an important tool in resolving the capital adequacy ratio problem of participation banks, which is lower than that of conventional banks.

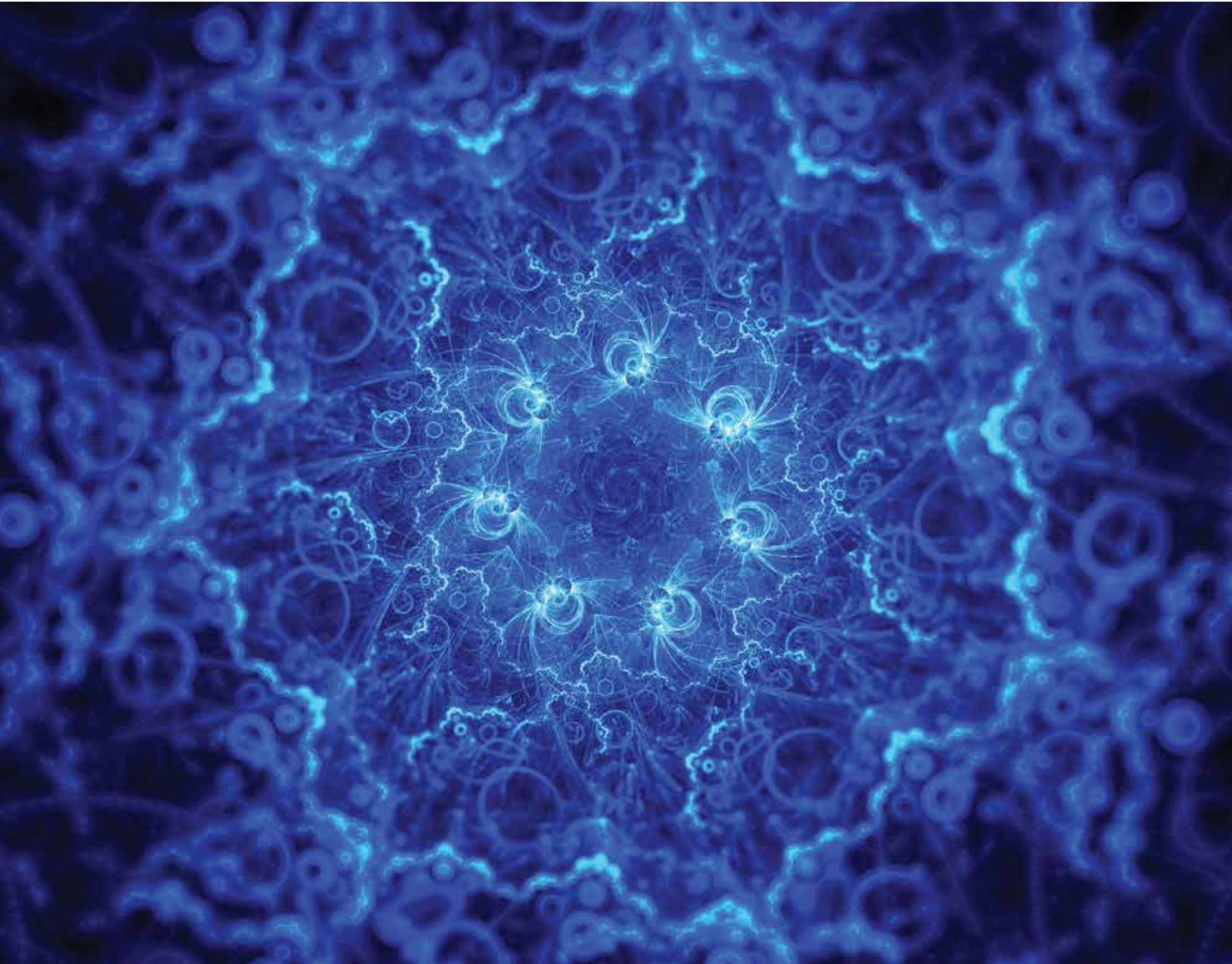
Titles	Kuveyt Turk Participation Bank	Kuveyt Turk Participation Bank	The Undersecretariat of Treasury	The Undersecretariat of Treasury	Asya Participation Bank	Türkiye Finans Participation Bank	Asya Participation Bank	Kuveyt Turk Participation Bank	The Undersecretariat of Treasury	Asya Participation Bank	Asya Participation Bank	Asya Participation Bank
Maturity (Year)	3	5	2	2	2	5	3 months	1	2	3 months	4 months	3.5 months
Date of issuance	August 2010	October 2011	October 2012	February 2013	March 2013	May 2013	November 2013	November 2013	August 2013	November 2013	December 2013	December 2013
Amount	100 mn USD	350 mn USD	1.5 bn USD	1.6 bn TL	125 mn TL	500 mn USD	75 mn TL	150 mn TL	1.8 bn TL	50 mn TL	50 mn TL	70 mn TL

(1) Source: PBAT and participation banks

The Capital adequacy ratio of the Bank Asya Participation Bank, which was 13% in 2013, increased to 16% after the issuance of the Sukuk. According to a statement issued by the Treasury, Sukuk is seen as an important financing tool for the realization of high growth targets, and Sukuk issuances are planned for large-scale investments.



2. Vision and Strategic Objectives of the Participation Banking sector in Turkey





2.1 Studies Carried out to Determine the Vision and Objectives

Several meetings and workshops were held in order to determine the vision and objectives of the participation banking sector in Turkey. The overall scope of these studies was to improve the perception of the sector, examine present and new applications as examples, to determine the steps to be taken in line with the development and growth of the sector, keeping the economic, social, and legal conditions in mind.

Participation Banking and Islamic Finance Workshop

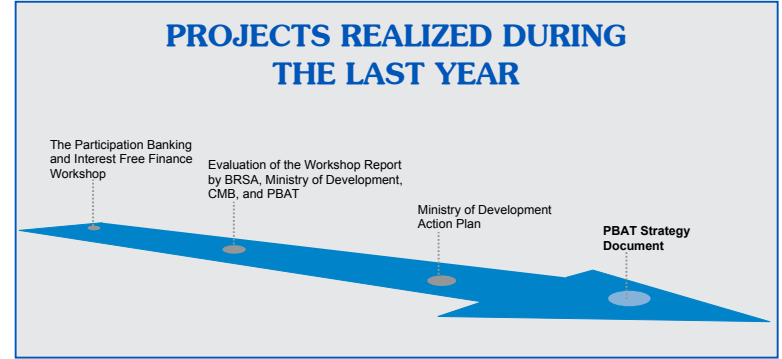
Among the meetings and work carried out last year, a “Participation Banking and Islamic Finance Workshop” was hosted the BRSA and PBAT, in which important results and findings were formed. The main objective of the workshop, held on 21-23 December 2013 in Ankara, was to determine the basic dynamics of the industry and to put forward concrete proposals to contribute to the strategy and action plan for the establishment of necessary infrastructure.

A total of 93 people, including representatives from the Treasury, the BRSA, the CBRT, the CMB, the Directorate of Religious Affairs, officials from the BIST and PBAT, academics, senior and middle level managers of participation banks, private sector representatives, and international representatives, especially from the World Bank and IDB, participated in the workshop.

Sector stakeholders participated in the workshop, exchanging views on the 9 study subjects including strategy, training, product range (source and placement), markets, insurance, regulation, corporate communications and perception and the advisory boards.

Ministry of Development Action Plan

Within the tenth development plan, which consists of seven sub-components, the “Strategy and Action Plan for İstanbul International Financial Center”, was published by the Ministry of Development in December 2014. One of the relevant sub-components, entitled “Improving the Participation Banking and Islamic Financial System” is comprised of four policy areas and 31 action steps.



This Plan of Action included the issues of “Improving the current perception against the participation banking sector”, “the development of human sources and the enrichment of the participation banking sector”, “improving the institutional structure and legal framework of the participation banking sector” and “widening participation banking product and service range”.

Kızılcahamam Workshop Sub-Working Groups

Education, HR, Certification Desk	Product Range Desk (Source)	Regulation Desk
Markets Desk	Product Range Desk (Placement)	Insurance Desk
Corporate Communication, Perception and Recognition Desk	Advisory Boards Desk	Strategy, Coordination, Innovation Desk



Turkish Participation Banking Strategy Document

After the Kızılcahamam Workshop, the need emerged for detailing and extending the action plan of the Ministry of Development and workshop results to issues such as vision and strategy.

It is understood that the topics identified in the Workshop report were defined in different levels. Thus, it was agreed that they needed to be aligned and approval of all critical stakeholders should be received, with the priority, ownership, time and dependence of each action identified in the Ministry of Development Action Plan being determined.

2.2 Vision, Mission and Strategic Objectives of Turkish Participation Banking

The sector's vision, mission and strategic goals are determined on the basis of the Kızılcahamam Workshop Report and the Ministry of Development action plan, in the light of foreign and local surveys, customer research reports carried out by participation banks, studies and research reports published by universities and discussions with all stakeholders of participation banking sector.

14 stakeholders from the public and private sector were interviewed. These include the Treasury, Ministry of Development, the BRSA, the CMB, the CBRT, the BIST, the HCRA and participation banks.

The vision and mission of the sector is determined with the stakeholders in "Turkish Participation Banking Strategy Document". In addition, strategic goals have been determined based on the subjects of the Kızılcahamam Workshop and actions defined by the Ministry of Development. In order to realize these goals, strategies and actions for the implementation of the identified strategies have been determined.

A total of 17 strategies, 42 action steps and 84 actions that will allow the development and the growth of the sector were identified. Finally, actions have been prioritized on the basis of applicability, impact on the industry and ownership, along with the strategic or actions providing and prerequisites.



Strategic Goals of the Turkish Participation Banking Sector

Five strategic objectives that constitute the framework of the actions and strategies of the "Participation Banking Strategy Document" have been set out.*

- Sectoral Strategy and Coordination, Product Range and Development of Advisory Boards
- Training, HR and Certification
- Corporate Communication, Perception and Recognition

Turkish Participation Banking Sector Vision and Mission

Our Vision

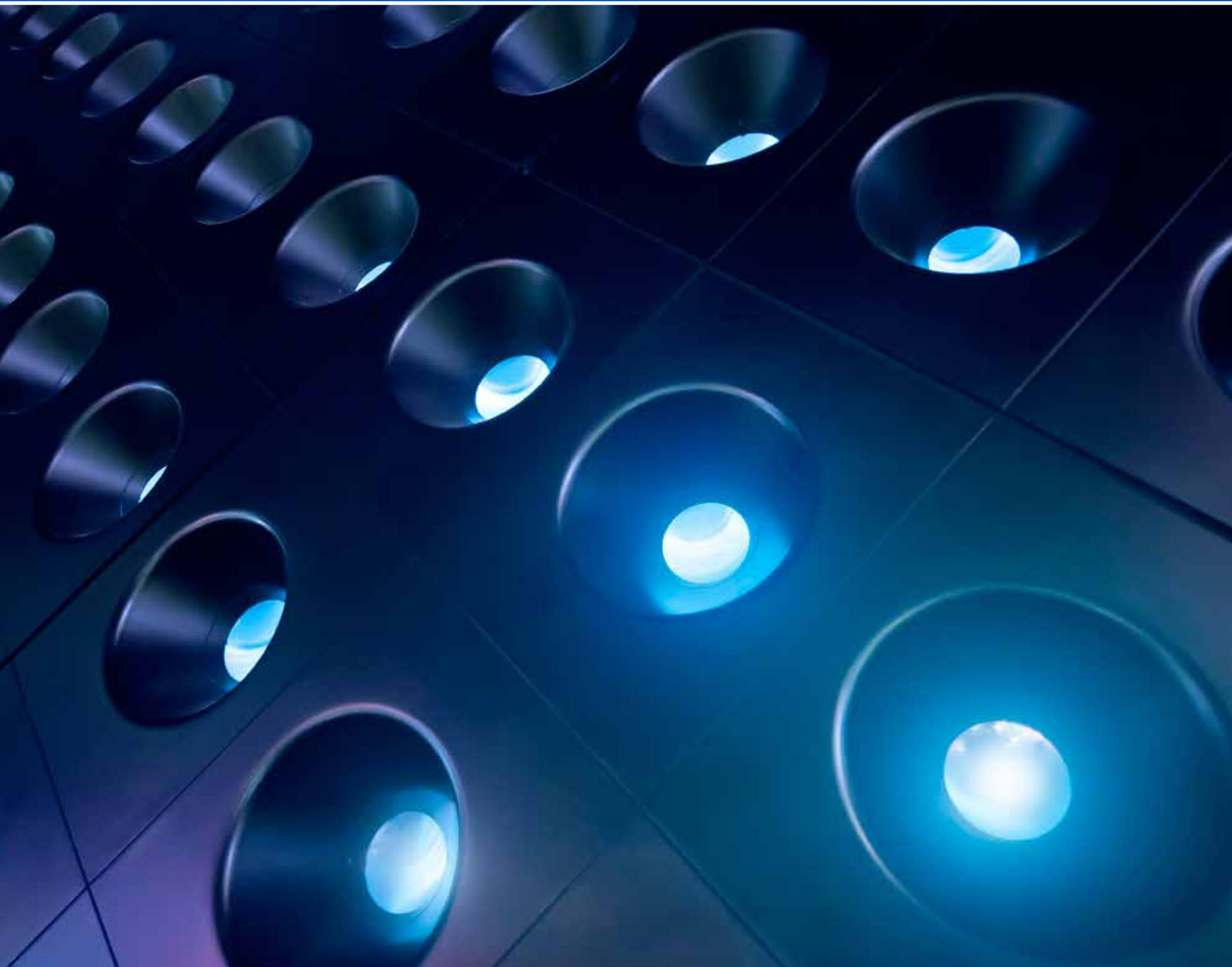
To raise the market share of participation banking sector to 15% by 2025 and to deliver world-class financial products and services.

Our Mission

To ensure the development of participation banking sector in Turkey in a healthy and sustainable manner;

- To develop and improve product range and service quality,
- To improve corporate communication, perception and expand reputation management,
- To improve training related activities, human sources and certification,
- To develop legislation, standards and regulations related to the principles of Islamic banking,
- To support all efforts to make Istanbul a leading financial center.

3. Participation Banking Growth Forecasts





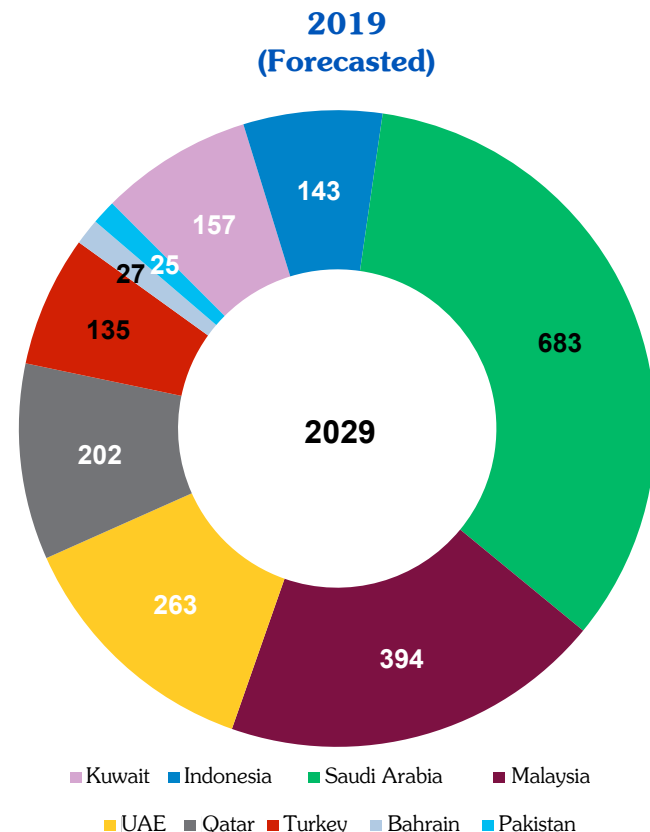
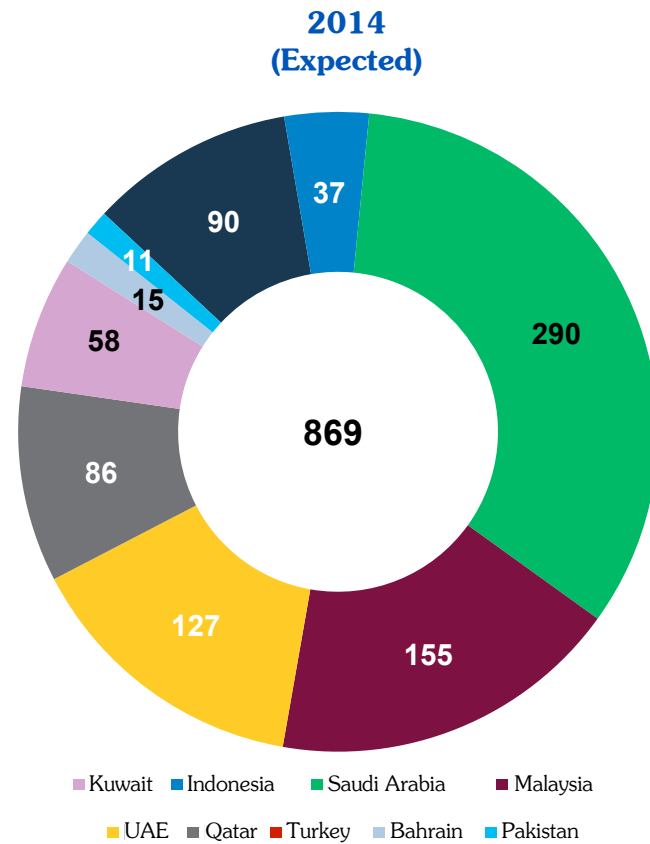
3.1 Global Islamic Banking Growth Forecasts

The shift in the weighting of overall economic growth to developing eastern countries on a global scale is expected to support the Islamic banking sector. Looking at some of the countries with a Muslim majority (Qatar, Kuwait, Indonesia, Saudi Arabia, Malaysia, the United Arab Emirates, Bahrain and Pakistan), Islamic banking is expected to grow significantly.

A potential scenario for the development of Islamic banking sector is set out on the right. Among the factors that will ensure this development are political and economic stability in certain markets, addressing the shortage of legislation, the development of capacity and competency on the path to growth, the transition to economies of scale, increased investments in technology and operational quality. Gradual progress is needed, especially on customer orientation, corporate governance and issues of technology for the leading Islamic banks to keep this level of performance and be global players. The total assets of the Islamic banking sector in countries where the Islamic finance industry is developed is expected to reach US\$869 billion in 2014, with the total assets expected to reach US\$2 trillion in these countries by 2019, marking an estimated compound annual growth rate of 18%.



Total Assets of Islamic Banks in Developed Countries (USD billion)¹



(1) Source: EY World Islamic Banking Competitiveness Report 2014-15

3.2 Growth Projections for Participation Banking in Turkey

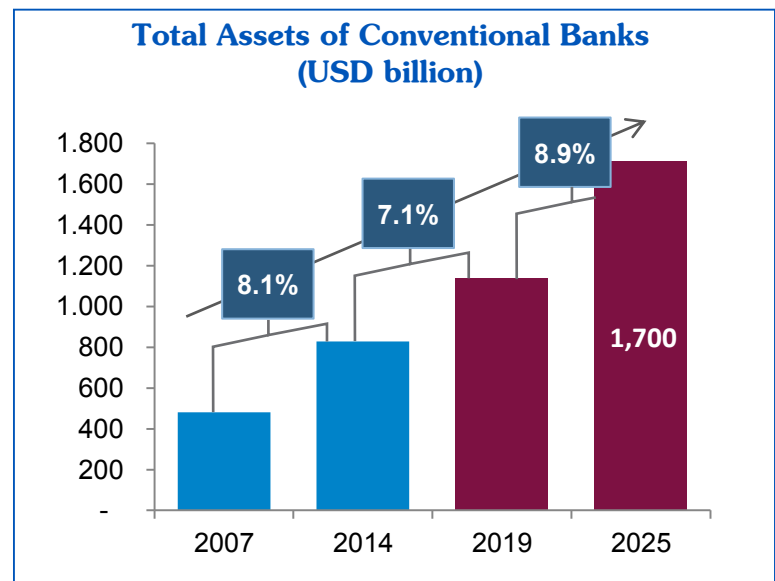
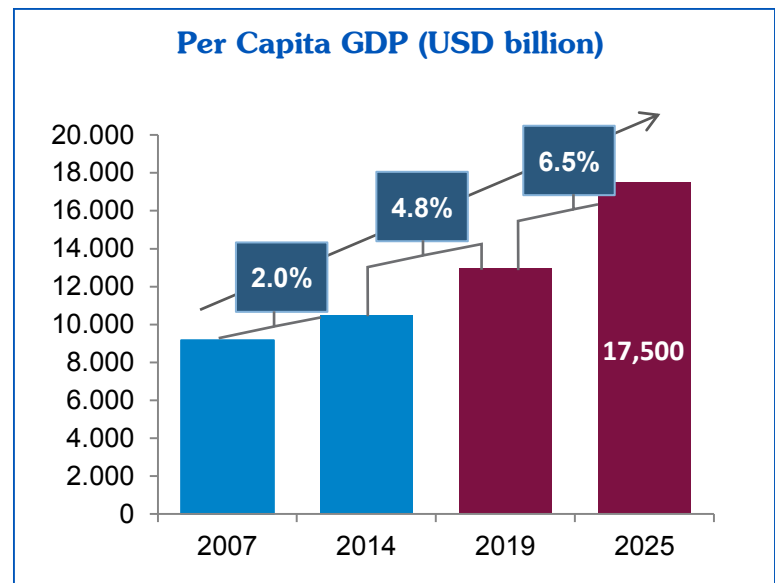
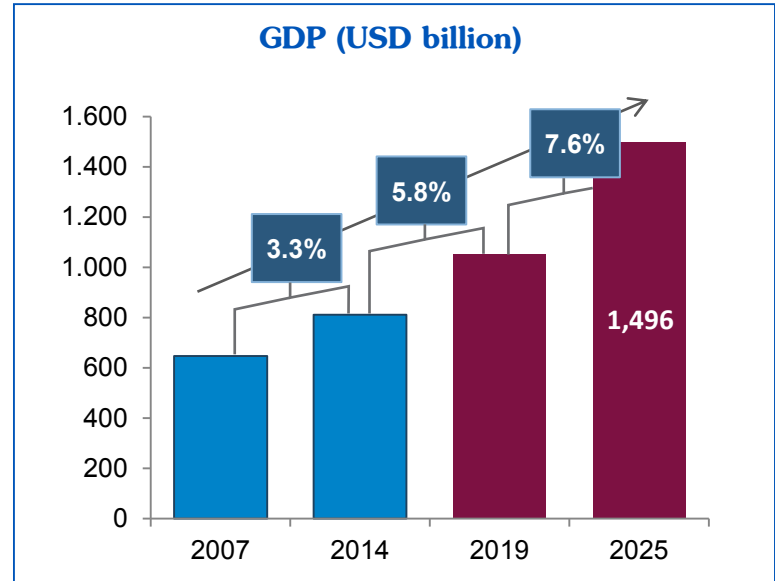
The future of Participation Banking in Turkey

Participation banks, which were known as ‘Special Financial Institutions’ in Turkey until 2005 when they switched to bank status, gained rapid growth momentum with the industry’s market share in the entire banking system increasing from 1% in 2005 to 5.2% in 2014. Considering the examples in the world and development of the participation banking in our country, the sector is expected to continue to grow and gain market share. In this context, the goal of “reaching a 15% market share in the total banking sector by 2025”, determined by our participation banks, was examined by the projection work. Primarily, the projection is modeled by estimating the development of the national economy and our conventional banking sector until 2025 in light of certain assumptions; the market shares and the values that the participation banking are expected to reach are then calculated based on the share in the current structure.

When the macro-economic indicators are examined, Turkey’s GDP is expected to grow by 5.1% annually between 2007-25. As a result, Turkey’s GDP is expected to reach US\$1,496 billion in 2025, and per capita GDP will reach around US\$ 17,500. The average rate of inflation is expected to be 6% per annum until 2019, and 5% between 2019-25.

Conventional Banking System - Future Projections

Looking at projections for Turkey’s conventional banking sector, we find that the system has enjoyed rapid growth. In the next 10 years, the share of total banking assets in GDP is expected to continue its increase, but at a slowing pace. In 2025, conventional banks are expected to have total assets of approximately US\$1.7 trillion. The loan volume of conventional banks is expected to reach US\$1.2 trillion by 2025, with deposits expected to reach US\$960 billion.

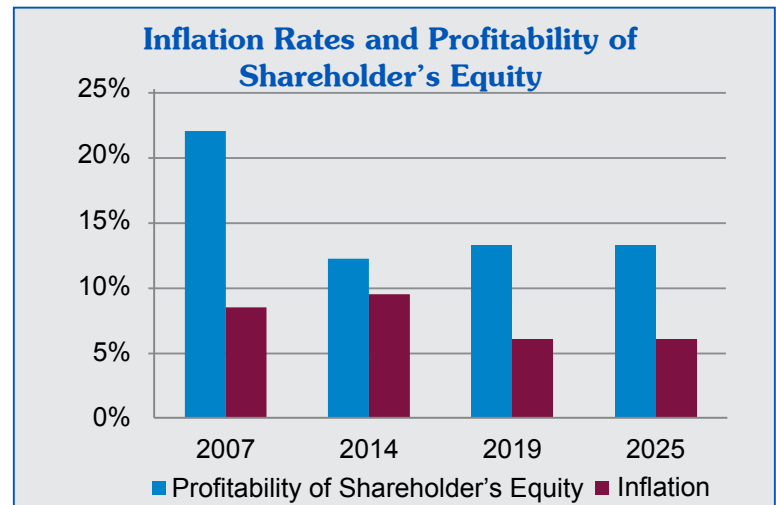
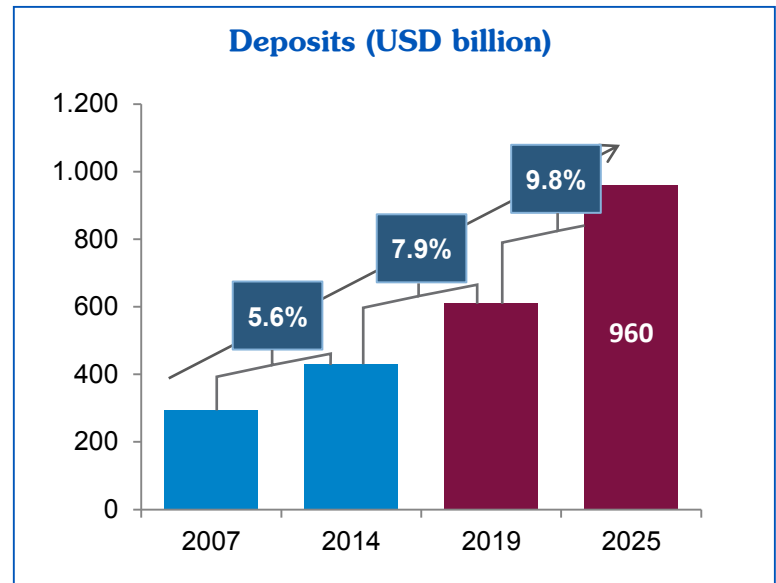
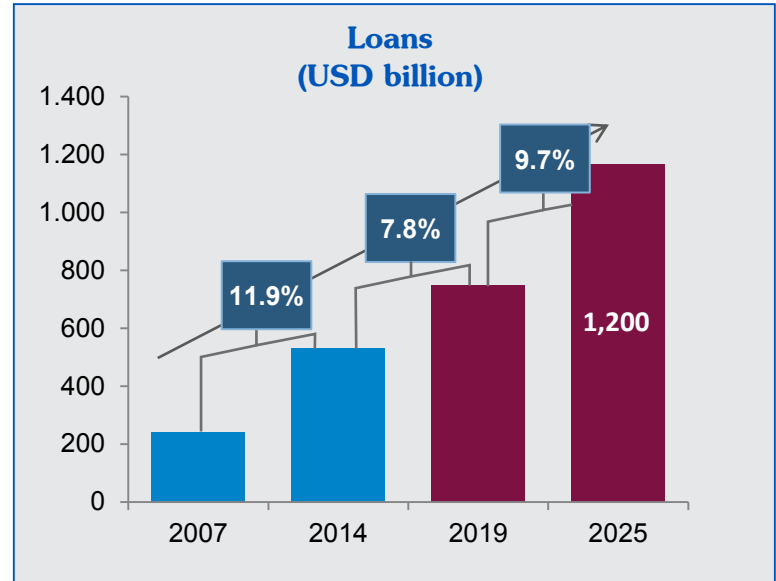


■ Compound annual growth rate

Source: EY analysis

3. Participation Banking Growth Forecasts

The gap between inflation and the return on equity of banks is expected to support banks' profits by expanding in the coming years, while the capital adequacy is expected to remain around 13%.



■ Compound annual growth rate

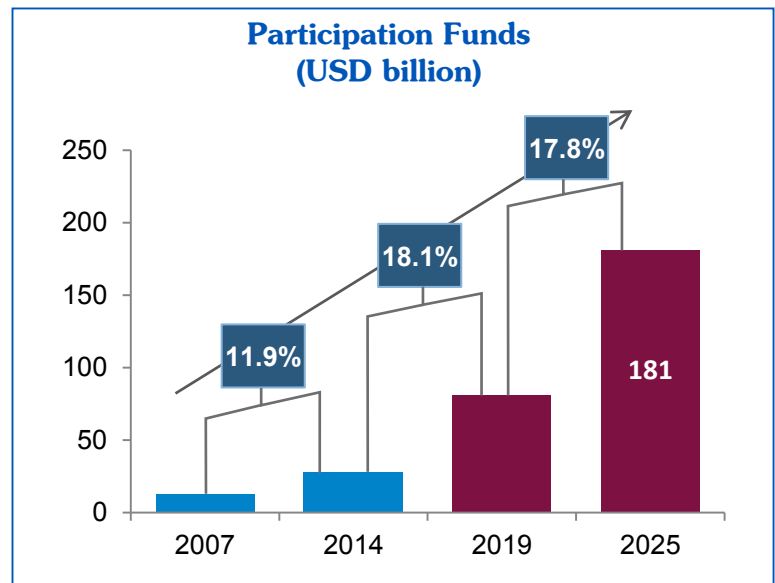
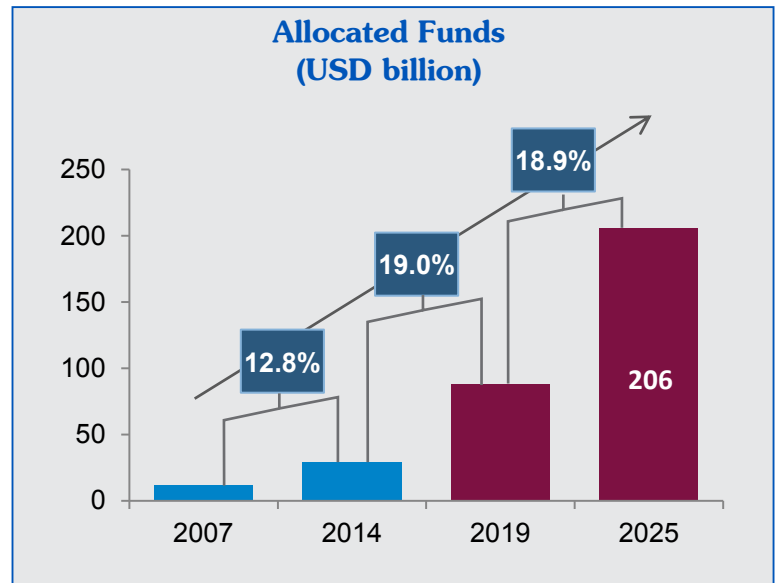
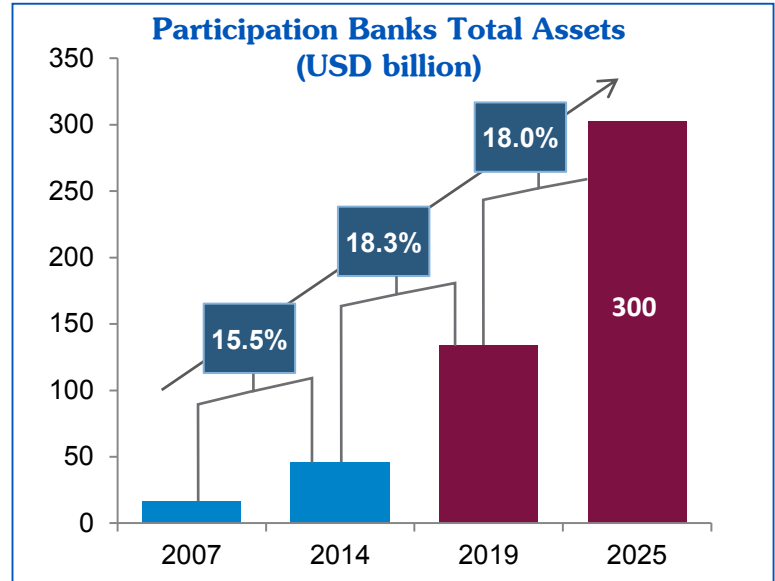
Source: EY analysis

The Participation Banking System reaches a 15% Market Share scenario

When we consider macro-economic indicators and the growth figures of the banking sector, in 2025 Turkey’s participation banking sector is expected to reach 15% market share.

In line with the projections, in order to reach the targeted market share, the total assets of participation banks should reach 20.5% of GDP. To achieve this ratio it is necessary to ensure an asset growth of 18.3% and 18.0%, over the historical growth rates in dollar terms, between the years 2015-19 and 2020-25 respectively. The assets of the participation banking system is expected to reach approximately US\$300 billion in 2025. The public participation banks which will be included into the system, are estimated to generate an additional US\$17 billion of assets in 2015 and 2016.

For the participation banking sector to reach a 15% market share in 2025, it is considered necessary that allocated funds should reach US\$206 billion, while participation banking funds should reach US\$181 billion in 2025.



■ Compound annual growth rate

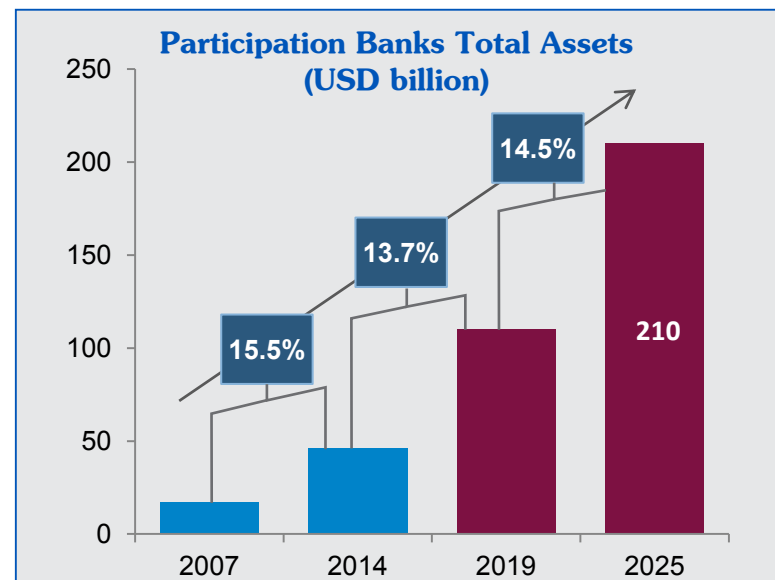
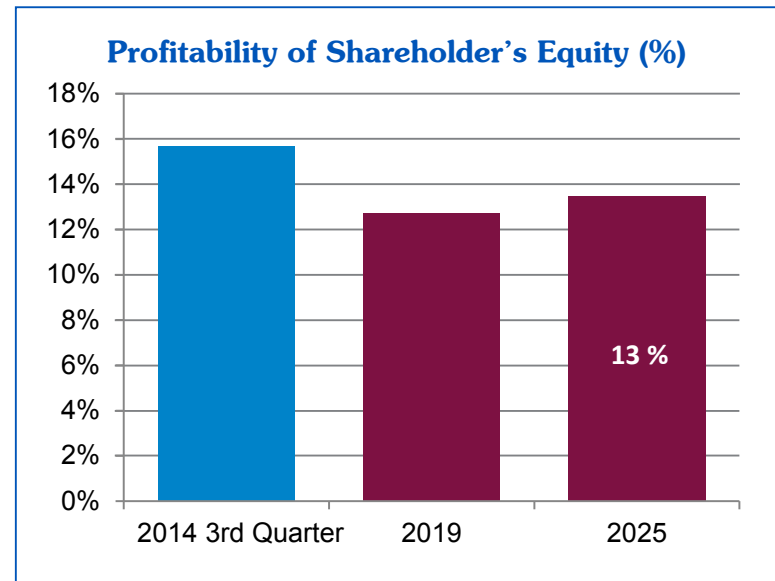
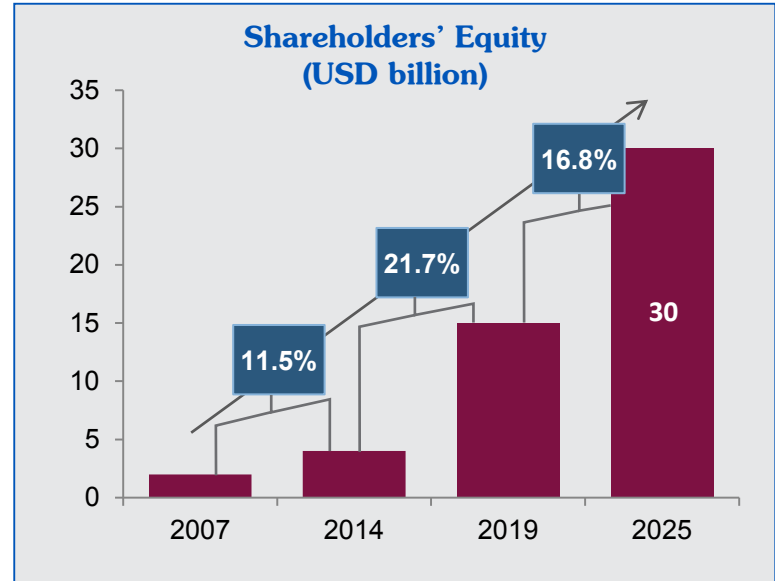
Source: EY analysis

Participation Banking System reaches a 15% market share Scenario

System’s own capital accumulation seems to have difficulty in supporting this growth. Therefore, in order to keep the capital ratio within the limits, capital increases of US\$2 billion in 2015 and 2016 and then of the same amount every three years (a total of US\$8 billion) would be needed by 2025, with the estimated amount of equity then needed being US\$30 billion.

Participation Banking System “Natural Growth Scenario”

Looking at the participation banking sector projections for 2025, under a natural growth scenario in light of the economic indicators in the Turkish banking system, the total assets of the participation banking sector are projected to reach US\$210 billion with the industry’s market share expected to reach approximately 11%. In other words, in case of a continuation of the natural tendency, the industry would reach a volume of US\$210 billion with an 11% market share. The sector is projected to grow at an annual average rate of 13.7% from 2015 to 2019, and 14.5% between 2019 and 2025.



■ Compound annual growth rate

Source: EY analysis

3. Participation Banking Growth Forecasts

The volume of allocated funds of participation banks, under this scenario, is anticipated to reach US\$143 billion by 2025, when it is projected that the sector will command an 11% market share in the banking sector. To keep the rate of allocated funds / participation funds ratio at a reasonable level, participation accounts are expected to grow to approximately US\$126 billion.

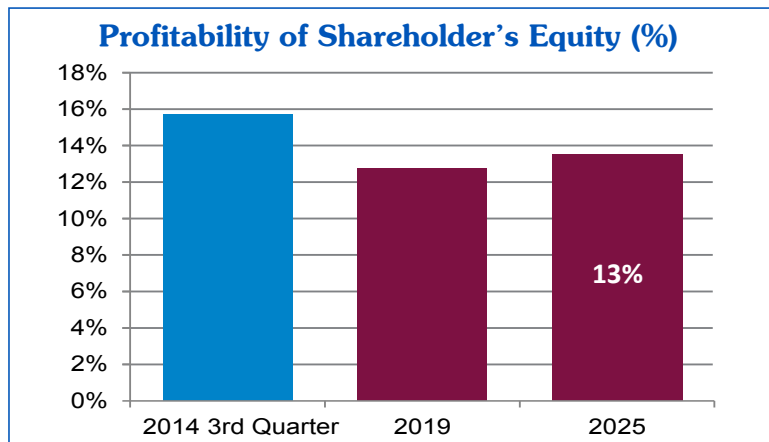
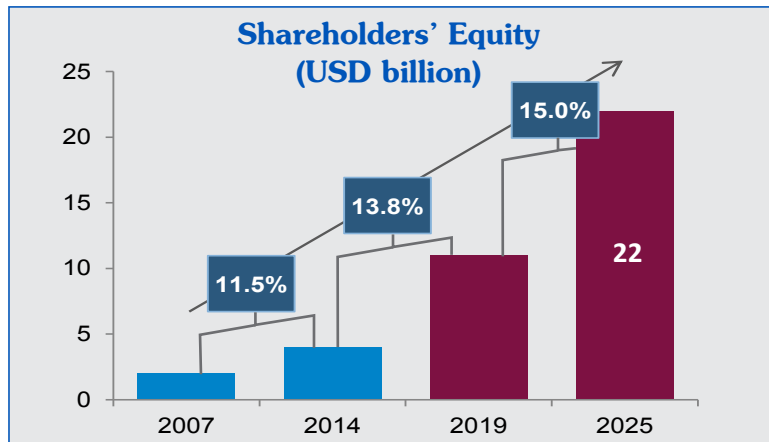
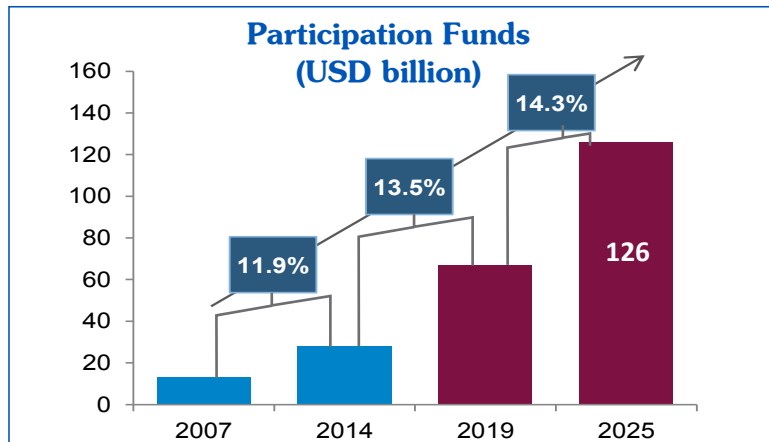
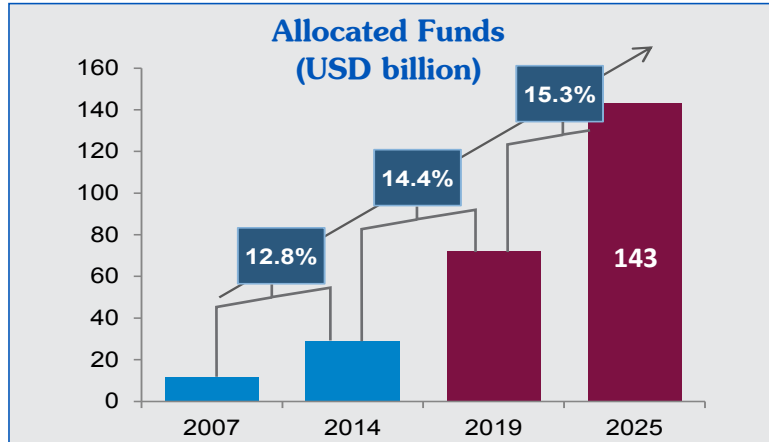
Participation Banking System “Natural Growth Scenario”

A US\$2 billion capital increase in 2015, followed by a US\$500 million increase every 3 years thereafter would be sufficient to maintain capital ratios. The addition of a total of US\$3.5 billion of capital and US\$22 billion of equity would be needed by 2025.

Asset Size: US\$210 billion

Market share in the banking sector: 11%

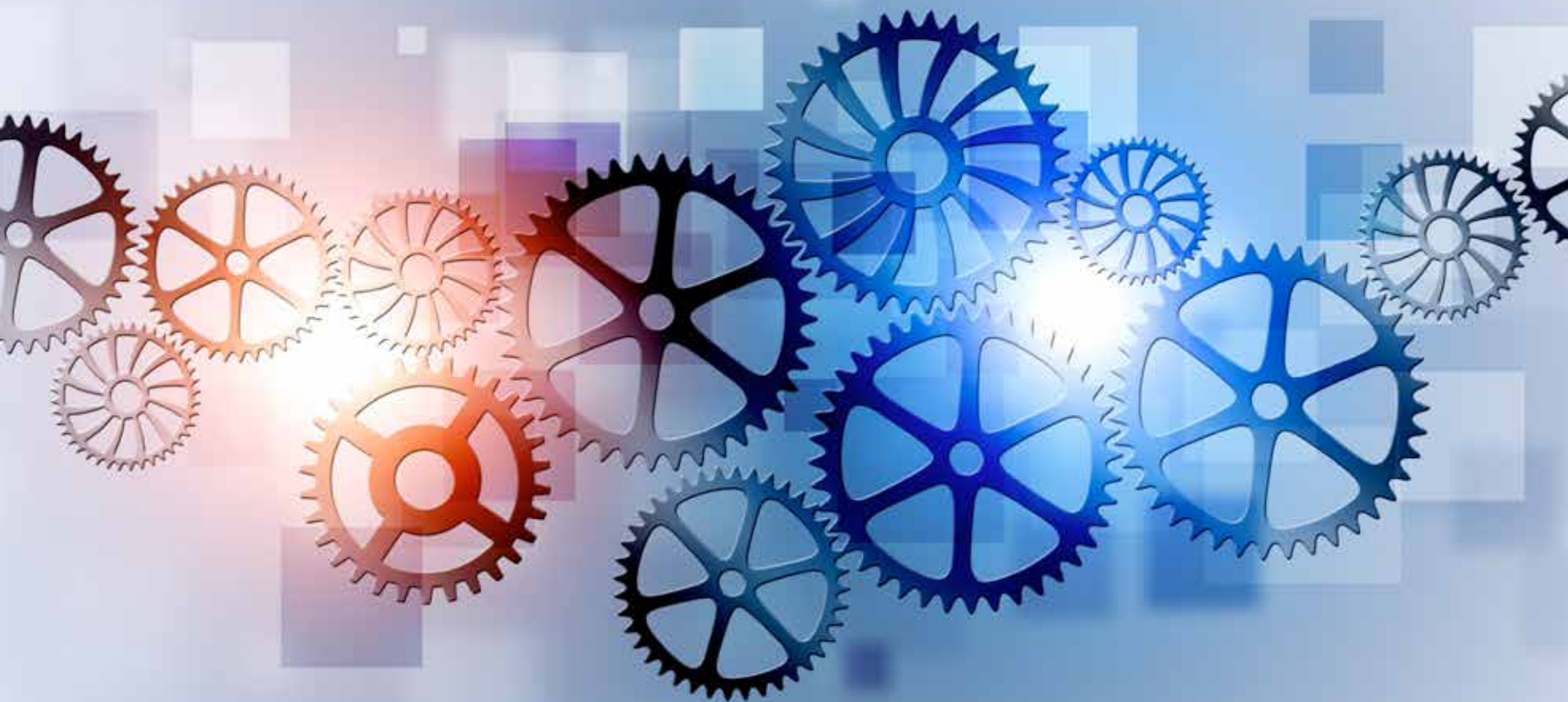
In line with this scenario and indicators; to achieve the objective of a 15% market share in 2014, there are actions that all stakeholders in the participation banking sector need to take in the fields of strategy, products, advisory boards, education and perception.



■ Compound annual growth rate

Source: EY analysis

4. Actions to Be Carried Out To Achieve Strategic Goals





4. Actions to Be Carried Out To Achieve Strategic Goals

Duration of Strategies and Number of Actions and Activities

	Strategy	Date of Start-Finish	Number of Actions	Number of Activities
1.1	Determination of the duties and responsibilities of stakeholders in line with sector strategies	2015 1Q 2015 4Q	3	7
2.1	Increasing the effectiveness of the products currently in use	2015 1Q 2020 2Q	9	29
2.2	Diversification of the product portfolio of participation banking system	2015 1Q 2018 4Q	3	7
2.3	Implementation of products used in countries where Islamic banking is developed and the products used in Turkey in the past, but which are not currently in use by participation banks	2015 3Q 2016 4Q	1	1
2.4	Increase fund range of participation banks	2015 1Q 2019 1Q	2	5
2.5	Development of policies for the participation banking system in public institutions and establishment of an organizational structure to follow the implementation of these policies	2017 1Q 2019 1Q	3	3
3.1	Establishment of General Advisory Board for the participation banks	2015 3Q 2019 4Q	3	3
3.2	Standardizing advisory boards of participation banks	2015 1Q 2016 4Q	2	2
4.1	Development of distance-learning, undergraduate and graduate programs regarding participation banking, improvement activities to address the shortage of teaching staff	2015 1Q 2019 1Q	3	8
4.2	Creation of an authors database for stakeholders related to participation banking and removing the lack of lesson books	2015 3Q 2018 4Q	1	2
4.3	Increasing the number of specialized employees and the development of employee competencies in participation banking	2015 1Q 2020 1Q	2	3
4.4	Establishment of an institute or research center for participation banking	2015 1Q 2018 4Q	1	1
4.5	Promotion of awareness of participation banking terminology	2017 1Q 2020 4Q	1	1
5.1	Increasing the level of knowledge concerning the philosophy of the system / conventional banking, and to explain the differences	2015 3Q 2018 4Q	3	5
5.2	Establishment of the right marketing strategies	2015 4Q 2018 4Q	1	3
5.3	Ensuring uniformity in participation banking operational principles	2015 4Q 2017 4Q	2	2
5.4	Attempts to increase the recognition of the system	2015 4Q 2017 1Q	2	2
TOTAL			42	84

4.1 Sectoral Strategy and Coordination

The Participation Banks Association of Turkey has definitions of the vision that they have set with a more general approach for the participation banking sector, rather than measurable goals. The vision and mission defined with an approach measurable and covering all industry stakeholders should be made public with the consent of all stakeholders. The PBAT, participation banks and public institutions have an important role to play in determining the vision of the sector and the fulfillment of the mission required to achieve this vision.

In countries where Islamic banking is developed, strategic plans have been implemented in order to achieve the vision defined for the sector. For example, in the 2014-18 Strategic Plan, prepared by the Central Bank of Pakistan, the duties and responsibilities of all stakeholders have been identified in detail and within a time plan. In our country, the Kızılcahamam Workshop held at the end of 2013 became a starting point , after which the Ministry of Development prepared a draft action plan for the development of the sector, on the basis of the 2013 Kızılcahamam Workshop.

All sector stakeholders have a duty and responsibilities in the implementation of actions to be taken to reach the participation banking sector’s target of raising the market share to 15% by 2025. In performing these duties and responsibilities, a structure is needed to ensure coordination. A formation is planned to be established under the PBAT for the execution of coordination and monitoring of those actions.



	Strategy	Action
1.1	Determination of the duties and responsibilities of stakeholders in line with sector strategies	1.1.1 Placing the PBAT at the center of coordination in accordance with sector strategies 1.1.2 Identify objectives of participation banks in line with sector strategies 1.1.3 Determination of the duties and responsibilities of public institutions in line with the sector strategies

Strategy 1.1: Determination of the duties and responsibilities of stakeholders in line with sector strategies

Action 1.1.1: PBAT becoming the center of coordination by increasing competence and capacity in line with sector strategies

Act 1: Relations between participation banks and public institutions will be developed in order to address the needs of the participation banks on a common platform, and to resolve the problems in the sector's development. Communication and coordination with industry stakeholders will be carried out by the PBAT. The PBAT, which will play an active role in this structure, will first of all be restructured so as to incorporate the necessary competence. A study will be initiated for the organizational restructuring of the Association. In this context;

- The PBAT will coordinate all relevant institutions in participation banking and will take on a proactive and supporting role to ensure coordination, in order to sustain the developments effectively,
- The role of the Association will be proactive in the face of changing conditions,
- The organizational structure of the Association will be developed in terms of competence and sources,
- More efficient work will be performed concerning the structural development of the scope of relationships with regulatory agencies, markets and customers.

Action 1.1.2: Determining the goals of participation banks in line with sector strategies and objectives

Act 2: A mechanism will be established by the Treasury in Islamic finance which will coordinate all relevant institutions and ensure the coordination of sustainable development. Besides determining a vision for Islamic finance and the coordination among related parties, the mechanism will lead to the establishment of systems which allow foreign investors to be attracted to Islamic finance in our country, pave the way for increased funding from international organizations and encourage the more effective use of IDB sources. In addition, periodic / permanent working committees will be established

under PBAT for participation banks to develop common strategies for the development of the sector. The working principles of the relevant committees will be determined and stakeholder participation will be carried out under the coordination of the PBAT. The agenda of the Committee's Meeting will be as follows:

- Increasing the quality of services by updating existing business models,
- To continue the innovation and development of products which will increase the range of products and raise customer satisfaction to the highest level,
- To ensure ease of access with the expansion of the branch network, by increasing investment in mobile banking,
- Cooperation between participation banks in the context of economies of scale.



Action 1.1.3: Determination of the duties and responsibilities of public institutions in line with sector strategies

Act 3: In the first stage, in order to develop an ideal reserve structure to tackle volatilities in dividends fluctuations, interviews with relevant stakeholders by the BRSA will be conducted to determine what needs to be done and alternative possibilities that can be referenced in this process to perfect the structure, while the second phase will aim to move to the preparation and implementation of the necessary arrangements.

Act 4: Studies will be performed to calculate the “Annual Branch Fee” for participation banks based on the asset size of the relevant branch instead of the population size to encourage the opening of branches in less populated or underdeveloped areas. For this purpose, a request in writing will be sent to the BRSA by the Association and, if necessary, discussions will be conducted.

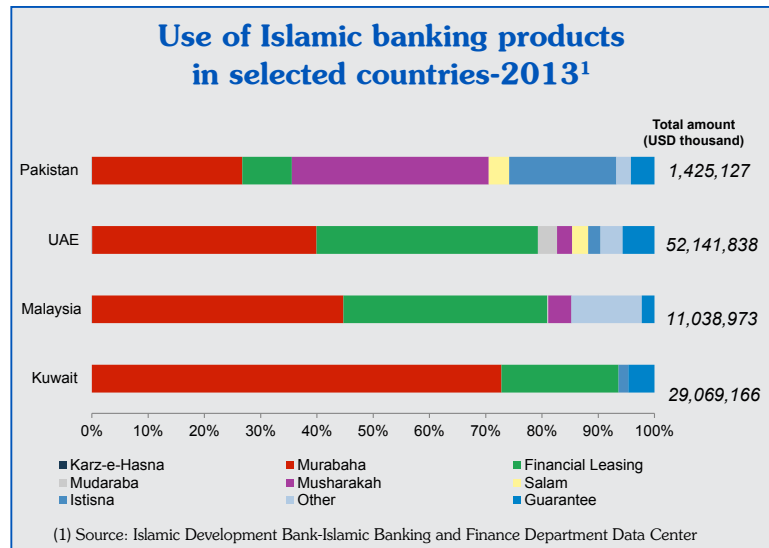
Act 5: After the studies that will take place in the related institutions, the transfer and implementation of international principles and standards to domestic regulation, which could increase Turkey’s weight in Islamic finance and its credibility in the eyes of the investors, will be provided. In areas deemed necessary, standards specific to Turkey will be determined.

Act 6: A “Regulatory Committee” will be established among the involved stakeholders under the coordination of the BRSA in order to ensure all relevant sector stakeholders are subject to the same regulations on common issues and to search for solutions if the regulations needed for Islamic finance diverge from the conventional system. This committee will carry out legislative infrastructure work through comprehensive regulation screening that will enable the development of the system.

Act 7: Work will be carried out on the establishment of a state-owned participation bank in order to support the development of the sector.

4.2 Product Range and Development

In the global Islamic banking sector, product range studies have gained pace in order to ensure the continuity of the rapid growth especially after the 2008 financial crisis and to establish a robust structure. Work on the development of alternative structures for the Murabaha weighted asset structure of the Islamic banks and products developed such as partnership-based Mudharabah and Musharaka began to be implemented. When it comes to providing sources, research was conducted for the development of Sukuk and other products on the liabilities side of the balance sheet, with the aim of extending the maturity of sources and managing the liquidity risk over time and the partnership based funds raising products were developed and diversified. In Turkey, Murabaha has a share of over 90% in the products forming asset structure of participation banks, which do raise a perception problem for some segments sensitive to the Islamic principle. In addition, in a sector where diversity of funding is more limited than it is for conventional banks, Sukuk constitutes a significant contribution.



The development and sustainability of growth of participation banking in Turkey, both a general expansion as well as widening the use of products made available both on the asset side and liabilities side are required. Disadvantageous situations can be seen while increasing and developing the sector’s product range under the scope of existing regulation. Therefore, for the development of the existing product range - which is mainly Murabaha and Sukuk weighted in our

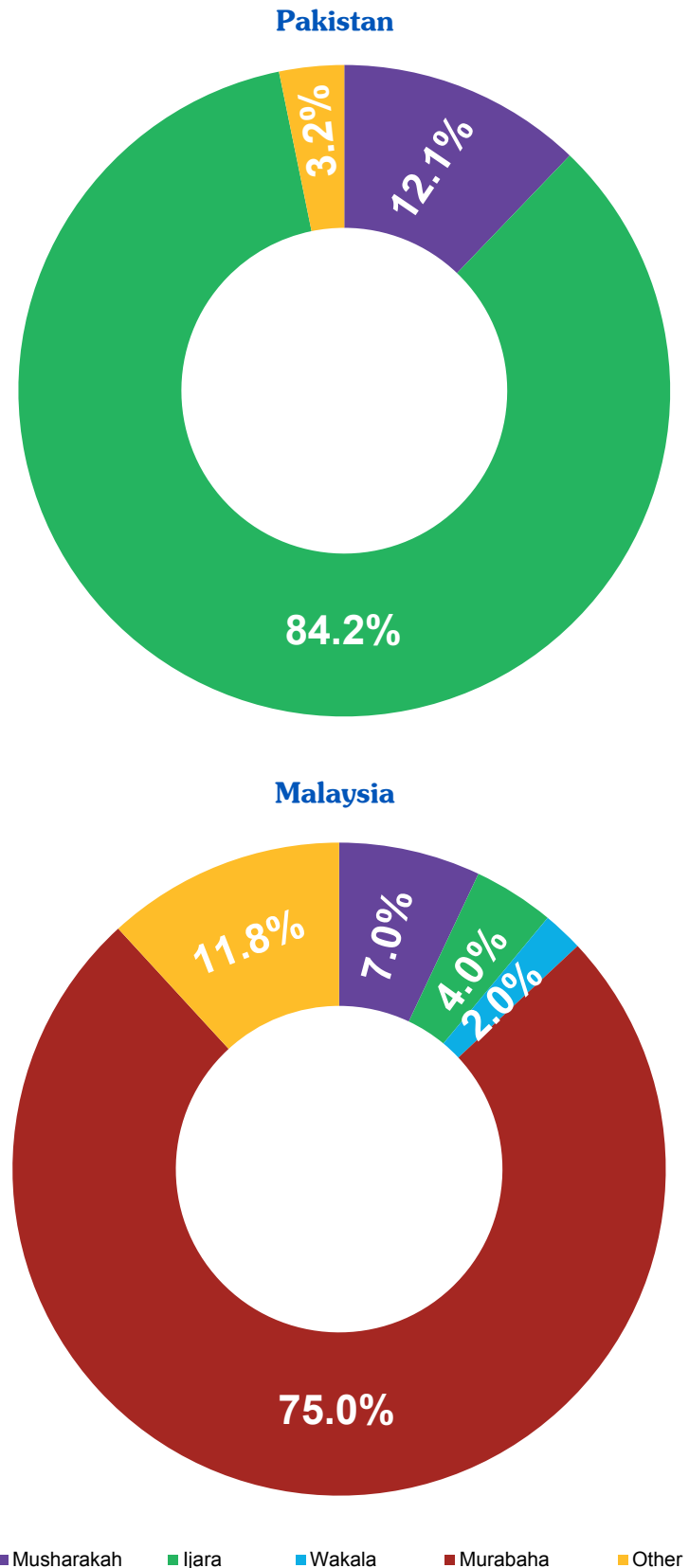
4. Actions to Be Carried Out To Achieve Strategic Goals

country, regulation is required to increase the effectiveness of the existing products primarily. When we look at the countries developed in the Islamic banking sector, we find that Murabaha has a share of over 90% of assets in countries such as Pakistan and the United Arab Emirates, where there is a higher proportion of products such as Musharaka, leasing, and Istisna products than in Turkey. Besides the majority of Sukuk issued in Turkey is Ijara Sukuk, while in countries like Malaysia and Pakistan a wide range is prominently present. In Turkey, the presence of an association that will lead in product development and setting-up of new business models, which requires deep study and research, and represents participation banking in a powerful way is necessary in parallel to the need to develop the products being used by participation banks. When the organizational structure of the current Association is observed, in terms of functional competencies necessary for the realization of these works, various areas of development are available. For this reason, as a first step towards the diversification of product structure of the participation banking system structure, it is necessary that a permanent and independent regulatory and legal function is established in the PBAT.

There are a number of products used abroad, but studies have not yet been performed to determine the legislative requirements and application areas of these products in our country. For example, the use of products such as Istijrar, Musavame and Salam is important in the development of participation banking. For this reason, the necessary work to launch such products, which are used in the countries where participation banking is applied but are not used in our country, should be made by the sector participants. For this reason, work needs to be done to implement the products used in countries where there is participation banking but the products are not yet used by Turkish participation banks.

There is a limited fund range of participation banking sector in Turkey, while there are no funding methods such as closed pool of sources and post financing. Detailed work needs to be carried out in terms of access to international sources such as the Islamic Development Bank and the European Investment Bank. Increasing the range of sources of participation banks will be resolved with the necessary work in this area.

Issuances of Local Lease Certificates as per their Types in Selected Countries -2013¹



1) Source: International Islamic Financial Market (IIFM), Sukuk Report 2014

4. Actions to Be Carried Out To Achieve Strategic Goals



The need for employees who are specialized in the field of participation banking within the structure of the public institutions, who have knowledge of issues such as product and regulations for products, law and fiqh has increased, together with all the necessary legislative work made concerning participation banking products. This need is expected to increase over the next 10 years in line with the growth targets.

However, it is thought that there is not a sufficient level of human sources and organizational structures in public institutions to provide solutions to the problems of the participation banks and participation banking institutions, and enable the development of the sector.

The need for employees who are specialized in Islamic banking, regulation, law and fiqh issues is expected to be resolved by establishing teams composed of staff focused on participation banking in the relevant institutions and by increasing sector information in the short term, and by the creation of a separate unit within the relevant institutions in the long term.

In this regard, under the BRSA, which is responsible for public institutions, the regulation and the auditing of the banking sector, specialized teams in the field of participation

banking do not exist; therefore, a working group or team should be established within the BRSA in the short term. The establishment of a separate unit within the BRSA is expected to be carried out in the long term.

In addition to the measures required in the BRSA, the points that stand out are that the team formed for the participation banking in the CMB is not sufficient; there is no organization to meet the regulatory requirements of the participation banks, and that teams should be established within the CMB for participation banking in the current structure, in line with the sector's needs.

Likewise, the current organization in the Public Oversight Accounting and Auditing Standards Agency is not sufficient. The development of a separate working group or team in this institution is expected due to the differences in accounting standards between participation banking and conventional banking.

The identification of strategies to meet the needs of product diversification and development in the sector, which is planned to continue to grow within the framework of the 2025 target, and taking actions towards these strategies and realizing relevant actions by the responsible people, is required. For this purpose, under the heading of product range and development, a total of five strategies have been identified, with 18 actions attached to these and a total of 45 activities.



4. Actions to Be Carried Out To Achieve Strategic Goals

	Strategy	Actions
2.1	Increasing the effectiveness of the products currently in use	<p>2.1.1 Establish necessary regulatory changes on Sukuk Issuances</p> <p>2.1.2 Implementation of steps taken to increase the Sukuk issuance</p> <p>2.1.3 Establish necessary regulatory changes on Murabaha</p> <p>2.1.4 Establish necessary regulatory changes on Teverruk</p> <p>2.1.5 Establish necessary regulatory changes on leasing products</p> <p>2.1.6 Establish necessary regulatory changes on Karz-ı Hasen</p> <p>2.1.7 Establish necessary regulatory changes on Wakala</p> <p>2.1.8 Establish necessary regulatory changes on Sell and Lease Back product</p> <p>2.1.9 Establish necessary regulatory changes on participation accounts</p>
2.2	Diversification of the product portfolio structure of the participation banking system	<p>2.2.1 Establishment of a permanent and independent regulatory function under the PBAT</p> <p>2.2.2 Development of a regulatory infrastructure for Musharaka - diminishing Musharaka - Mudharabah products</p> <p>2.2.3 Development of a business model sample</p>
2.3	Implementing products that are used in countries where Islamic banking is practiced and which were formerly used in Turkey, but not currently used by participation banks	<p>2.3.1 Determination of regulatory requirements and application areas of non-existing products</p>
2.4	Development of fund range of participation banks	<p>2.4.1 Increase access to international sources</p> <p>2.4.2 Increase range of the sources in the bank's structure</p>
2.5	Development of policies for the participation banking system in public institutions and the establishment of an organizational structure that will follow the implementation of these policies	<p>2.5.1 BRSA organizational structuring to be regulated in accordance with the sector requirements</p> <p>2.5.2 Establishing actual teams for participation banking in the CMB's current structure</p> <p>2.5.3 Creation of a working group or team within the Public Oversight Accounting and Auditing Standards Agency for the participation banking</p>

Strategy 2.1: Increasing the effectiveness of products currently in use

Action 2.1.1: Determine necessary regulatory and legislative changes on Sukuk Issuances

Act 1: Alternative sources and models based Sukuk issuance: Revisions need to be carried out to article 7 / A of the Law No. 4749. A provision adding Sukuk methods which are suitable for public project financing and other alternative sources will increase the depth of the aforementioned securities and pave the way in the market for private sector Sukuk issuance.

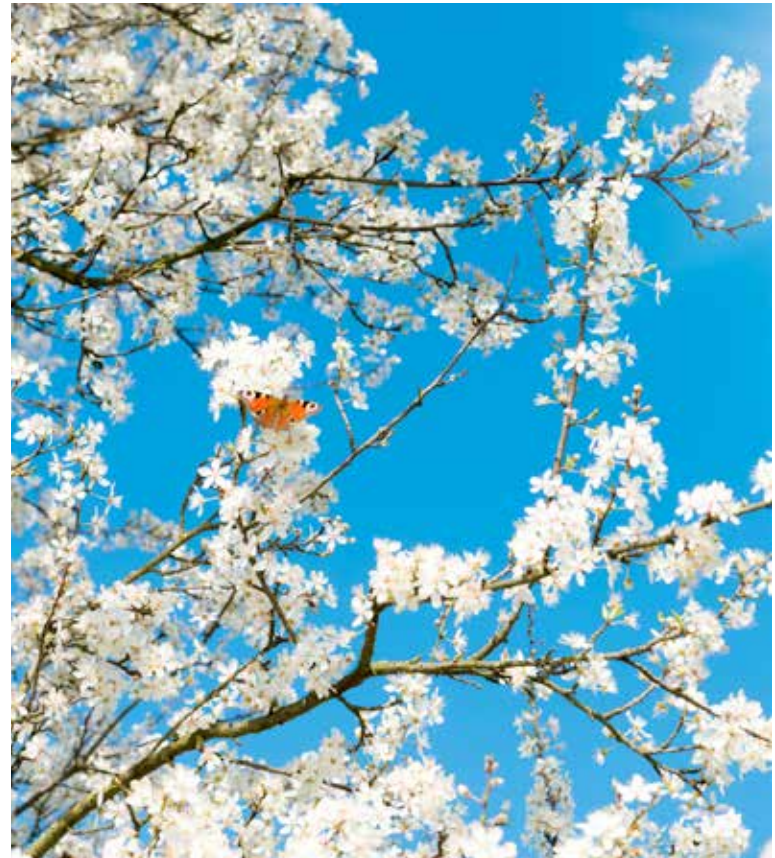
Act 2: Revisions of the restrictions placed on savings held outside collateral purposes: “The phrase located in the 3rd paragraph of the 61st article of the Capital Market Law “assets subject to Sukuk cannot be saved except for collateral purposes” must be defined clearly under draft regulation by the CMB. Changing this article to allow the sale of properties in the portfolio as well as in securities would be a positive development. In addition, guarantees should not be sought in the issuance of Sukuk as in the issuance of bonds.

Act 3: Increasing the share of leasing certificates in fund collection methods of participation banks - the resolving of the double taxation by the Ministry of Finance: Legal limits on tax arrangements and guarantees need to be drawn more precisely in all types of Sukuk, except for Ijara Sukuk. All types of Sukuk should be exempt from stamp duty and fees by changing the relevant tax laws. Besides facilitating the leasing process, particularly for in financing home buying to be made more straightforward within the scope of leasing, the process needs to be simplified; the double taxation problem will be resolved by the Ministry of Finance.

Act 4: Provision of the convenience provided for the public in the regulation on the issuance of Sukuk for the private sector: In the article 7/A of the Law No. 4749 regarding the Sukuk issuance of Undersecretariat of Treasury, exemptions granted to special purpose entities related to lease law, granted for the lease certificates issued by private sector as well will have a positive effect.

Act 5: Ensuring more efficient use of the precious metals market by participation banks: For Turkey to become an important regional storage center, a center will be established in Turkey where organizations operating abroad may store precious metals including gold and can offer these stocks in Turkey or neighboring countries when needed. The BIST shared this work, which will be performed in 2015. In this context,

- The current structure and regulations of the Precious Metals Lending Market will be reviewed within the framework of participation banking principles and procedures and participation banks will play more active role in this market
- Regional bonded warehouses for precious metals will be established by December 2015
- Work on VAT exemptions on the import of platinum and palladium by stock market members and on domestic stock market trading activities and the abolition of excise duties on traded precious stones, will be carried out.



Act 6: Securitization may be carried out to finance housing: Housing financing located in the assets of participation banks could create a pool of collateral and asset-backed securities may be issued based on this pool. Providing funds through securitization by establishing an appropriate structure for participation banks' principles would be useful in this regard.

The addition of real rights categories in the Civil Law in terms of ensuring ease in the application for special purpose entities of Turkey – beneficial ownership: A study should be conducted under the coordination of the CMB into whether there is a need in our country to fiduciary property and trust institutions. In this context;

Act 7: Proposals will be prepared for amendments to the Civil Law regarding the Special Purpose Entities in ensuring ease of application in the realization of transfer of economic rights and powers (beneficial ownership) without requiring changes to the land register

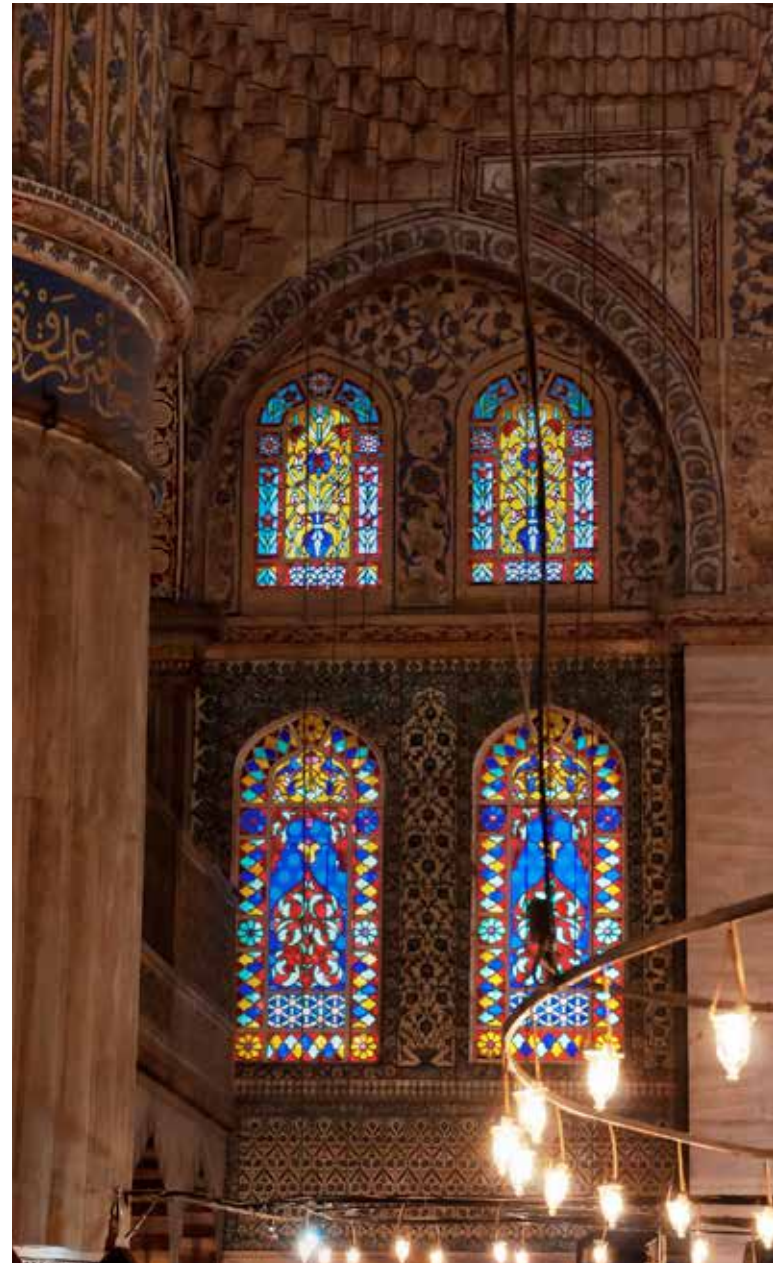
Act 8: In regulation, institutions based on trust (trust agency) that have a separate property from the person who set itself and working for the interest of investors, must be defined clearly. With the establishment of the trust institution, the right to “beneficial ownership” may be transferred without the land registry.

Act 9: Necessary incentive arrangements must be carried out to issue Mudharabah and Musharaka type Sukuk: The issuance of Mudharabah and Musharaka products, which are related to Sukuk, will have a positive effect on the development of the sector. For this purpose, participation banks and the Treasury will work on current tax regulations.

Act 10: Removing the need for permission from foreign-capital banks during the transfer of real estate in Sukuk issuances: As almost all leasing companies operating on the Sukuk issue are foreign-owned, the transfer of real estate transfer licenses are taken by governors through decisions taken by the chief of staff and the police. Before each issue, the 2-month permitting process for the transfer of property is monitored, creating an operational workload. With the introduction of the statement into Article 36 of the Land Registry Law that “foreigners and Turkish

owned Special Purpose Vehicles (SPV's) by foreign capital are not required to obtain permission for rental certificates”, the problem can be resolved.

Act 11: In the context of Sukuk Issuance, SPV's should be kept exempt from additional responsibilities and obligations: In property and vehicle based lease certificate issuance all legal responsibilities are on the bank as owner and therefore the bank can be held responsible for matters such as the applications for building permits, compulsory accident insurance. Particularly in Sukuk issuances, exempting SPV's from this responsibility and liability specifically related to real estate would be a key element in facilitating issuance.





Act 12: Modifications relating to the real estate valuation process in the event of default regarding the issuance of Sukuk: In case of a final market value which is less than the valuation undertaken by the CMB, additional procedures for the realization of the related real estate sales transactions should be examined by the CMB.

Act 13: The removal of valuation requirements required by the CMB on Sukuk issuances which take place abroad: The valuation of banks and assets would be sufficient to be considered in Sukuk issuances abroad. Therefore, the removal of additional valuation requirement as required by the CMB would be useful in this respect.

Act 14: Preparation of regulations on lease certificate through the process of the Sukuk mediated: Under the scope of the consolidation of SPV's used in issuance of Sukuk by the participation banks, a separate capital requirement has been placed on participation banks for assets received from the Sukuk that they or borrowers are not responsible for. Therefore the Sukuk regulation should be arranged in a manner that the SPV's used in the Sukuk

transactions are not subject to the consolidation under the scope of IFRS and IFRS 10. This regulation will further promote Sukuk issuances among real sector companies in the coming period.

Action 2.1.2: Implementation of steps to improve Sukuk issuance

Act 15: More Sukuk to be issued in different currencies, Sukuk issued abroad be quoted in the BIST

- Studies will be initiated by the Treasury to issue Sukuk at more frequent intervals, and in foreign currency other than USD (e.g. Malaysian Ringgit) for the deepening of the Sukuk market and formation of the second-hand Sukuk market.
- The secondary Sukuk market trading volume is targeted to increase. The Sukuk issued abroad by SPV's established by participation banks must be quoted on the BIST. Work will be carried out to ensure the issuance of Sukuk held by IDB member countries and IILM listed on the BIST.
- Structures will be established to allow participation banks to evaluate the excess liquidity they have through repurchase agreements and for the CBRT to have a sufficient number of Sukuk. Work on the legal and technical infrastructure necessary to create a market where participation banks are able to undertake mutual transactions with the CBRT through the BIST will be completed.

Act 16: Preparation of regulations for facilitating and encouraging private organizations to issue Sukuk and Islamic capital market instruments:

Regulations within the scope of CMB regulation to facilitate and encourage Sukuk and Islamic capital market instrument issuance of private entities other than participation banks in Turkey and listing of these instruments on the BIST will be useful both in terms of development of the Islamic product market in Turkey and the formation of secondary market. Policies of sales of Sukuk to qualified and foreign investors will be brought into line with the international practice by the CMB.

Act 17: Creation of market-making system in the Sukuk issuance and diversifying in the BIST:

Authorization of participation banks as “Market Maker” and especially introduction of requirements to trade in the secondary market transactions will increase the transaction volume. In this context, primarily proposals will be developed for analysis of the applicability of the system by the PBAT and these proposals will be submitted to the Treasury.

Action 2.1.3: Carrying out regulations relating to Murabaha

Act 18: Resolving the double taxation problems and setting up irresponsibility contracts in the power of attorney processes:

The clause stating “The transition to a common practice in respect of the appointment of an attorney on behalf of the bank in the customer’s goods - services purchases” causes a legal problem regarding the power of attorney process as the bank is held responsible for faulty goods. Necessary work will be initiated for the irresponsibility contracts in this area. In addition, the double taxation problems that may arise during the Murabaha transactions will be resolved.

Action 2.1.4: Carrying out regulations related to Teverruk

Act 19: Capital market instruments to be used in Teverruk process with the necessary legislative changes:

Transactions made through Teverruk applications should be undertaken in the stock exchange market or exchange traded funds rather than in the metals market. In this context, necessary revisions on the article 57/3 of the Capital Markets Law are required in the scope of transactions on the purchase of shares by the banks. There needs to be a clearer definition of which company’s shares will be bought in the banking law.

Act 20: Ensuring the physical exchange in the commodity transactions in the BIST markets:

The BIST has initiated a study on the issue, which will be put into practice in 2015.

Action 2.1.5: Carrying out regulation related to Financial Leasing Products

Act 21: Modifications to the Lease Law: Within the scope of the provision entitled “the leasing agreement cannot be transferred to another party other than leasing companies” of the Leasing Law, exemption for participation banks’ Sukuk transactions should be provided. Accordingly, Article 26 of the Capital Markets Law should be amended.

Act 22: Ensuring the reversibility of the licenses and use of licenses as collateral:

In the current regulation, energy licenses may not be transferred and the present value of the licenses cannot be used as collateral. For specified topics, the necessary revisions should be made in the Energy Market Law.



Act 23: Keeping leasing transactions of participation banks exempt from real estate restrictions in the regulation: Conventional banks are not subject to the 75% limit imposed by the BRSA in housing leasing transactions made through their subsidiaries. Competitive distortions arising from participation banks being subject to these limitations in the regulation should be avoided by exempting leasing transactions of participation banks from the real estate restrictions in the regulation.

Act 24: To prevent the provision of more than one fund being disbursed with the same bill: In order to prevent the provision of more than one fund being disbursed with the same bill, participation banks are required to establish a common infrastructure. In addition, amendments to the regulations that state “in case of transactions made with a proforma invoice, it is the buyer and vendor companies’ responsibility to complete the bill” should be made, and participation banks should refrain from carrying out the procedure until the bill is completed by the buyer or seller.



Action 2.1.6: Carrying out regulations relating to Karz-ı Hasen

Act 25: To grant Karz-ı Hasen to people who have perceived needs, and to the firms with the highest ratings within specific limits and the terms: The implementation of Karz-ı Hasen products by the participation banks will be made uniform by re-evaluation of certain aspects of these products by participation banks, the PBAT and advisory boards.

Action 2.1.7: Carrying out regulations relating to Wakala

Act 26: Changing the definition of participation funds in the banking regulation: Due to the lack of commitment to a predetermined rate of profit in existing banking regulation regarding participation funds, it is necessary to change the definition of participation funds in the regulations in order to put this product into practice.

Action 2.1.8: Carrying out regulations relating to the sell and lease back product

Act 27: In case of tax incentives including real persons: The existing tax incentives for the product only apply to commercial companies and in case of coverage of real persons, participation banks will expand financing opportunities for individual customers. The necessary work will be carried out for the creation of a coherent view between the Advisory Boards and for the development of standard applications on sell and lease back contracts.

Action 2.1.9: Carrying out regulations related to participation accounts

Act 28: Determining the risks of participation accounts, preparation of necessary regulations for the calculation of capital adequacy by the BRSA: In the study to be carried out, residual risks included in the participation accounts must be analyzed by the authorities on

the basis of both the banks and the sector. Work to be carried out will raise the transparency of the risk of participation accounts (liquidity, profit rate and other residual risks). The Alpha ratio, which will be determined by evaluating IFSB standards as a result of this study, will be used in an analysis of how the sources available from participation accounts will be included in the capital adequacy calculations.

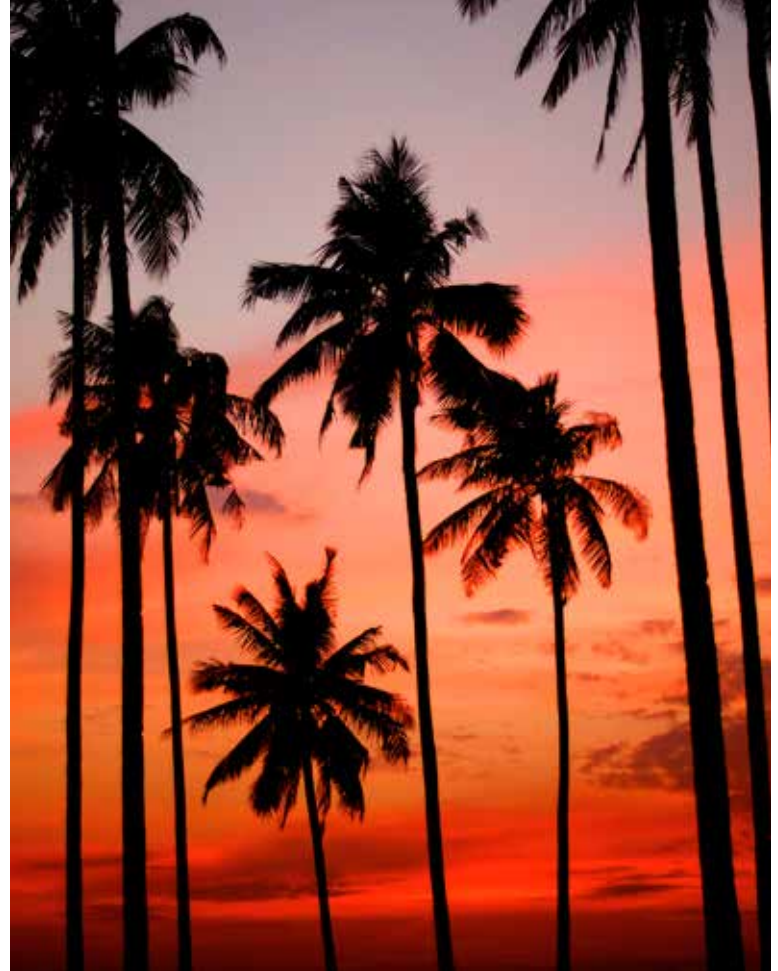
Act 29: Amendments to the regulation of in the SDIF premium calculation for the participation accounts of Participation Banks: In the current regulation, the SDIF premium calculations for participation sources with a term of up to 1 month, are taken into account in the calculation of the average maturity of the 15 day coefficient. To ensure that participation banks pay lower SDIF premiums, changes in the regulation may be undertaken such that the SDIF premium calculation may be carried out using the 30 day coefficient instead of 15 days.

Strategy 2.2: Diversification of product structure of the participation banking system

Action 2.2.1: Creation of a permanent and independent regulatory function within PBAT

Act 30: Within the Association, a permanent and independent team of experts specialized on law, finance and Islamic jurisprudence and a product / regulatory function which can be positioned under that team should be created. This structure should be established employing international academics who will serve the needs of the whole sector and closely follow domestic and international laws and regulations.

- The function in question and the committees that will be created will carry out a comprehensive regulatory scan that will enable the development of the legislative infrastructure work. All relevant sector organizations will be subject to the same regulations on common issues; when the required regulations on participation banking diverge from the conventional system, a search for solutions and measures will be carried out.
- Regulatory functions will ensure communication with government agencies and lobbying for legislative changes.



Act 31: The determination of the mandatory elements that must be included in contracts for products and establishment of the arbitration process, and the preparation of standard contract types should be carried out. While preparing the draft standards, international standards as well as the standards of other countries will be examined. The draft standards will be standardized according to a decision taken by the General Advisory Committee.

Action 2.2.2: The development of the regulatory infrastructure for Musharaka - Diminishing Musharaka - Mudarabah products

Act 32: Detailed identification of Article 48/2 of the banking law by the regulatory function created by the PBAT needs to be carried out, along with a detailed study on credit risk monitoring of such products, accounting methodology, and how these products will be included in stock exchange transactions. Currently, the “joint ventures” within the scope of the public offering are the only option, as problems are

4. Actions to Be Carried Out To Achieve Strategic Goals

experienced in long-term projects due to the obligation to carry out a share offering within seven years.

- There is an average 30-month completion period in long-term projects such as construction projects; matters such as when the project is completed, as products remain in inventory, or if the duration of the project grew, the profit and loss to be reflected in the interim balance sheet, how much reserve should be allocated and how many years the partnership transactions could be sustained must be defined clearly.
- In case of a loss in the project, questions such as how the legal process will be monitored and whether the bank will be evaluated as a funding organization or as an ordinary partnership must be defined. In case of a partnership, the question of whether or not the damage to third parties and tax liabilities should be shared by the bank must be identified. The establishment of the project management team within the bank will be possible after carrying out the identification.

Act 33: Studies for the development of decreasing the use of Musharaka products in housing and vehicles financing will be initiated, such that the Ministry of Finance takes the actions necessary to avoid the issues like double taxation and additional land costs during the transfer of property ownership between the customer and the bank.

Act 34: Work must be done by the Association related to the accruals and discounting to be done within the scope of periodic valuation reports prepared according to the progress of profit-and-loss sharing investments undertaken by participation banks and for these calculated accruals to be subject to profit distribution. Thus more demand creation and the collection of sources for projects will be provided.

Action 2.2.3: Development of sample business model

Act 35: Implementing a project similar to “Angel Investors” which was developed by the Undersecretariat of the Treasury, and the evaluation of entrepreneurial projects by the Treasury, the PBAT and international risk analysis teams to make use of Mudarabah and Musharaka products

will reduce the investment risk for banks. In this structure, in addition to the current platform between the Treasury and angel investors, a separate platform should be formed and the suitability of the project can be evaluated by creating a structure such as “crowd funding”. Likewise, action should be taken to ensure that participation banks benefit from income tax exemption and that a Credit Guarantee Fund is available under the Angel Investors project. Completion of the work to reduce the liabilities arising from general provisions held for these operations, etc. by BRSA would be useful in this regard.

Act 36: Creation of an index and index-based products similar to the current participation index intended to be set up for the purposes of diversity. The participation Index will be diversified as the Participation-30 and the Participation-50. However, investment funds and similar products on the participation index will be established and be included in banks’ distribution channels. Liquidity index calculations among listed shares are carried out by the BIST where the liquidity of the shares is classified as being high; a similar study will be performed on the Participation Index.



Strategy 2.3: Implementation of products used in countries where Islamic banking is practiced but not currently being used by participation banks in Turkey.

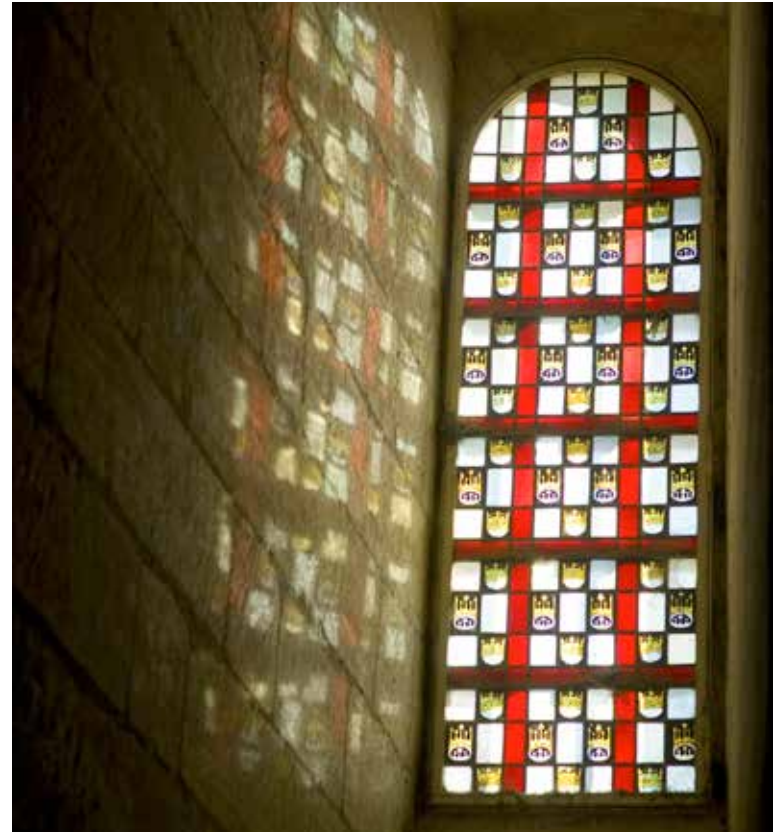
Action 2.3.1: Determination of legislative requirements and areas of application for non-existing products

Act 37: A “Participation Banking Products Development Committee” will be established within the PBAT. The committee will prepare a report investigating the feasibility of the concerned products in Turkey. Applications with regard to related products:

- Commitments by the buyer to the seller that a certain type of good will be taken at specific times is the subject of the Istijrar contract which is to be used for the purpose of financing the payment of the customers bills (such as electricity, water and gas) must be addressed and needs to be expanded in the context of the rules of Islamic financing.
- The dissemination and implementation of the method of Menafaa is required. The Menafaa, for which banks purchase the ownership rights (counter, ticket, etc.) of companies that operate in areas such as telecommunications and transportation in advance, is a financing model and constitutes an alternative to the direct borrowing system. In this method, the ownership of the company’s products is transferred to the bank through a certificate, such as Sukuk. The properties of the products belong to the bank. When the products are sold, income derived by the company is paid to the bank.
- Musavama, one of the most appropriate means of funding to Islamic finance, needs to be expanded. Musavama - which means increasing the price of a good by appraising and marketing - is defined in Islamic law as the method of selling goods by bargaining without declaring the cost or the rate of profit.
- The use of Salam and parallel Salam products would be beneficial, as they offer significant potential in financing of the agricultural sector and also in terms of funding companies that produce products which are

traded on the VOB (Futures and options market), have strong markets and have standard qualities such as iron, aluminum, and steel. In this sense, participation banks should enhance their Salam and Parallel Salam product offerings.

- Compliance of the Musaqah / Muzara’a products with the regulation and rules of participation banking finance to be addressed and the use of these products should be expanded. Musaqah can be defined as a kind of profit/loss investment partnership made on fruit trees. In this method, participation banks, as a partner to the capital, meet the costs of maintenance such as irrigation, fuel, machinery, etc. Owners of gardens and vineyards can be partners through capital, as well as the effort they put forth.
- The certification of participation products created by matching the asset and liability sides of the balance sheet through certifying Musharaka sources, used in commodity financing or project financing, liquidity problems on the investors’ side might occur. The liquidity issue may be resolved by listing the certificates on the stock exchange. In this way, participation banks will be able to issue and sell participation certificates quoted to the BIST within certain rules.





Strategy 2.4: Development of source range of participation banks

Action 2.4.1: Increasing access to international sources

Act 38: Within the framework of increased communication between relevant public institutions in Turkey and in other countries, and transfer of knowledge between the institutions, cooperation should be improved. The temporary employment of employees of these public institutions in Turkey, or employees of institutions such as the BRSA, CMB, and CBRT who are referred to permanent or temporary duties in countries which are developed in Islamic banking will contribute in the long term.

Act 39: Within the scope of the provision of funding from international organizations such as the Islamic Development Bank and the European Investment Bank, participation banks are required to act together in their dealings with such organizations. In addition, in order to increase the efficiency of the country in the context of its relationship with the Islamic Development Bank, work needs to be carried out under the leadership of the BRSA.

Action 2.4.2: Increasing the diversity of sources in the structure of banks

Act 40: Creating closed-end fund pools: Necessary work will be carried out to establish the private fund pools that works with model of transfer of the funds accumulated in the pool to specific projects in the asset side of the balance sheet, after the completion of the project actual profit is to be distributed directly to the relevant customers which can have a higher rate of return than the participation accounts.

Act 41: Providing sources with the post financing method: Necessary work will be carried out for the development of the model where the Participation Bank is positioned as the importer's bank; the cost of imported goods will be collected in advance and paid at the end of the term and the fee to maturity can be assessed.

Act 42: Implementation and expanding venture capital investment funds, real estate investment funds, real estate investment trusts of infrastructure, participation umbrella funds: The editing work will be completed by the CMB with respect to the products. In order to efficiently roll out the products, the work will be carried out in coordination with the participation banks.

Strategy 2.5: Development of policies for the participation banking system in public institutions and the establishment of an organizational structure that will follow up on the implementation of this policy

Action 2.5.1: Arranging BRSA organizational structure in line with the needs of the industry

Act 43: It is necessary to create formal working groups related to participation banking within the BRSA in the short term to meet the needs of the sector. In this context, the requirements for staff will be determined by the BRSA and human sources will be established. In the long run, in parallel with the sector's growth, a separate organization will be established within the BRSA in line with the requirements.



Action 2.5.2: Establishing actual teams for participation banking in the current structure within the CMB

Act 44: Suitable staff will be identified for the participation banking teams that are to be created within CMB; teams will also be set up to address the sector's needs. A separate unit is to be set up within the organization in line with the needs that will arise from the sector's long-term growth.

Action 2.5.3: Creation of a work group or team for the participation banking institutions within the Public Oversight Accounting and Auditing Standards Agency

Act 45: For the creation of a work group or team under the Agency in the Prime Minister's Office, the institution will be contacted by the PBAT. Staffing needs for the creation of teams will be determined within the institution. Recruitment of staff will be carried out if necessary.

4.3 Advisory Boards

In parallel with the development the Islamic banking sector in the world in recent years, to eliminate the current practice differences on a global scale and in order to make growth of the system sustainable, consultation mechanisms have been established, ensuring that participation banks comply with Islamic principles and make products and services standardized.

In the Turkish participation banking industry, there is no structure that will eliminate the differences in the application take into account the Islamic finance principles and standardize products and services. Conformity of products and services with the principles of Islamic financing are determined by bank advisory boards located on-site in the banks. Therefore, there may be inconsistency in the decision process taken by the banks and the presentation of products and services. These differences may be questioned by clients, which could adversely affect the credibility and reputation of the participation banking system.



4. Actions to Be Carried Out To Achieve Strategic Goals

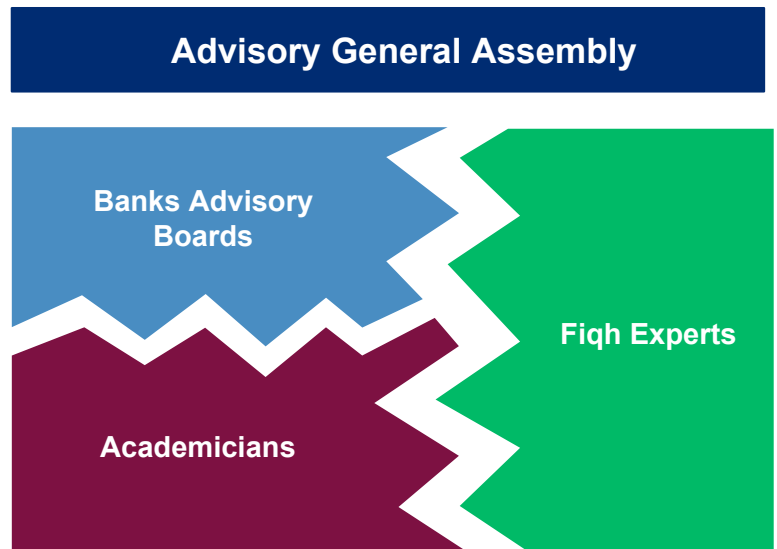
Countries such as Malaysia and Pakistan, where Islamic banking has developed, have eliminated this problem by standardizing products and services in a manner consistent with the principles of Islamic banking through the General Advisory Boards established within the Central Bank. The General Advisory Boards consists of elected members in advisory boards of banks, academics and experts in Islamic jurisprudence, who establish standards on products and services and provide general templates. The advisory boards of banks implement the product and service templates



provided by the General Advisory Board, and differentiate templates as needed. This ensures that all participation banks operate in accordance with the same standards.

General Advisory Boards need to be established in Turkey in order to eliminate the differences related application of participation banks and to ensure the sustainable development of the sector. With the establishment of the General Advisory Boards, the templates of products and services will be set forth, and decisions by the Board will be elaborated by the banks' advisory boards and implemented by the banks. When there is a lack of consistency between the advisory boards of the banks, policies will be developed by the General Advisory Boards to accelerate the decision-making process. Therefore, to gain a legal basis for the bank advisory committees is of paramount importance for the elimination of differences in the interpretation and offering of products and services.

Within the framework of the 2025 targets of the participation banking sector identified during the stakeholder interviews, identification of strategies towards participation banking principles to be standardized, and actions for the realization of the strategies, the steps needed to be taken by the party responsible for the realization of actions must be defined. For this purpose, under the title of the Advisory Board 2 strategies, 4 actions were attached to them and 5 acts are defined.



	Strategy	Action
3.1	Establishment of the General Advisory Board for the participation banks	<p>3.1.1 Determination of the organizational structure of the General Advisory Board</p> <p>3.1.2 The production of standards for products and services by the General Advisory Board</p> <p>3.1.3 In the case of participation banks with foreign shareholders, determination of possible solutions in areas where the standards of the country of the main shareholder is not compliant with Turkish standards</p>
3.2	Standardizing advisory boards of participation banks	3.2.1 Determination of the organizational structure and operating model for the participation banks' in-house Advisory Board

Strategy 3.1: Establishment of the General Advisory Board for the participation banks

Action 3.1.1: Determination of the organizational structure of the General Advisory Board

Act 1: A General Advisory Board will be established to ensure consistency in the participation banking sector's compliance with the principles of Islamic financing. It is observed that this structure may be established and executed within the public as seen in foreign examples. In Turkey, given the existing constitutional order and the presence of players that will participate in the system, the establishment of the General Advisory Board within the structure of the PBAT may be appropriate. The approval of all stakeholders will be sought in a general meeting to be held by the PBAT, while related public events will be held to provide information on such issues and the General Advisory Board will be established within the PBAT.

Determination of the organizational structure of the General Advisory Board:

- The General Advisory Board will consist of permanent and substitute delegates from the bank advisory committee, the Presidency of Religious Affairs – the High Council of Religious Affairs, academics from local universities (or theologians).

- Candidates for the member of the General Advisory Board will be determined in a meeting held with industry stakeholders and members of the Board will be determined with an election held. Candidates for membership of the Board shall be sought from academics in the field of Islamic law who are competent in transaction rules and participation banking matters. Alternatively, distinguished theologians competent in the matters specified may be chosen.
- Members of the General Advisory Board will consist of one delegate from the participation bank advisory committee, one delegate from the High Council of Religious Affairs and one academic from local universities (or theologians)
- The General Advisory Board will hold meetings periodically or in case they are needed. Decisions shall be taken by a majority vote in the Committee. The Board will include an official as a rapporteur from the PBAT who has the right to vote, for the coordination and moderation of the Board.

The working principles of the General Advisory Board to be established within the body of the PBAT will be determined by the members by majority vote. Examples of the working principles can be listed as not to adhere to a certain sect of jurisprudence; to search for a solution on the basis of the scientific criteria in terms of the legal structure, economic function, the accounting records of the product,

and the intention of the parties; and if necessary, to apply to the relevant experts. The General Advisory Board's authority and responsibilities will be determined by a majority vote in a meeting to be held with stakeholders in the sector under coordination with the PBAT. The responsibilities of the General Advisory Board shall, in the first stage, include commenting on decisions of the TOBB product/ regulatory function where participation banking products are discussed.

Action 3.1.2: The establishment of standards for products and services by the General Advisory Board

Act 2: The General Advisory Board will hold meetings periodically once every month or at the request of the banks. The Board consists of specialists in the fields of Islamic law, Finance, Economics, accounting, and law, and in its work takes models of fiqh academics in the world as an example. The General Advisory Board will establish standards for the implementation of the products and will notify the banks of these standards. New products to be included in the system will be examined in terms of eligibility and application standards at the request of the banks by the 'product development committee in PBAT and the views will be declared.

Action 3.1.3: In participation banks owned by foreign capital, determination of possible solutions in areas where the standards of the country of the main shareholder is not compliant with Turkish standards

Act 3: In participation banks owned by foreign capital, in areas where the standards of the country of the main shareholder are not compliant with Turkish standards, the advisory board of the bank may submit an application to the General Advisory Board. These standards will be reviewed by the General Advisory Board, and alternative solutions will be reported back to the advisory board of the bank.



Strategy 3.2: Standardizing bank advisory boards in participation banks

Action 3.2.1: Determination of the organizational structure and operating model for the participation banks' in-house Advisory Board

Act 4: Members of the advisory boards of the banks shall be determined by the board of directors of the bank. Members, within a certain period following the appointment, will be informed of the Advisory General Assembly. In matters where a decision cannot be reached by the bank's advisory board, the General Advisory Board will be consulted. In the structure to be established, independence from the executive committee of advisory boards of the banks will be ensured. They may be positioned as part of the internal systems units, fitting the existing regulation.

Deficiencies and problems in the current practice will be identified and good practices abroad will be examined. An appropriate advisory committee structure for Islamic financial institutions in Turkey will be determined. In this context, issues such as the advisory board, its place in the organizational structure of the Islamic financial institutions, the bodies, the duties and powers will be clarified. The following are examples of the duties and the responsibilities of the Bank's advisory boards;

- In line with the standards of the General Advisory Board, decisions taken at the corporate level and provision of opinions regarding compliance with the standards of the newly developed products,
- Decisions to be obligatory regarding the relevant participation bank,
- Periodic reports prepared regarding the decisions and the work done and these reports are presented to the board of directors

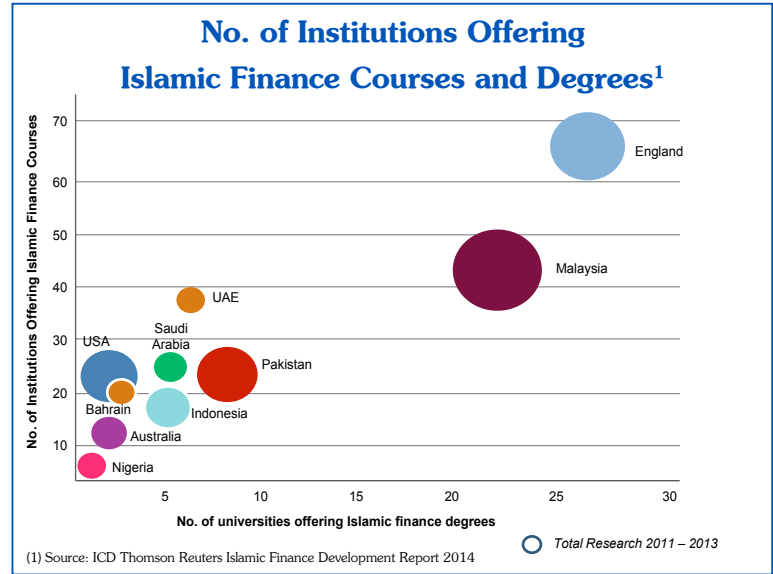
Act 5: With a petition to be written to the BRSA by the PBAT, banks will be required to set up advisory boards. Preparations for the inclusion of issues related to the advisory boards in the regulation will be conducted.

4.4 Training, HR and Certification

The global Islamic banking sector has grown with strong growth momentum in the past 10 years. Work is carried out to increase the level of knowledge among employees and the training of 50,000 new employees that will be needed with the expected growth in the next 10 years, providing the equipment necessary. In countries where the Islamic banking sector has developed, a comprehensive educational infrastructure has started to be established and research work is ongoing.

In the participation banking sector in Turkey, which has seen a higher level of growth in the last 5 years, the number of employees with the level of knowledge and competence needed to meet the requirements of the industry is insufficient. With the sector’s continued growth, there appears to be a lack of appropriate training programs in the field of participation banking for qualified candidates.

Participation banking training needs in Turkey are mainly covered by participation banks and the PBAT. In this context, conferences and workshops are held with the aim of increasing the level of information among industry stakeholders. With the rapid growth in the sector, training programs in this context have been organized at various universities. However, these programs appear to be a long way short of a standard format and the number of faculty members who have the necessary qualifications to teach at university seems to be inadequate. Therefore, to improve the training in the field of participation banking in Turkey, in the first stage, the development of undergraduate, graduate and doctoral programs is vital, along with the addressing the lack of faculty members. Ranking 8th in the world by asset size, Turkey cannot enter among the top 10 countries in the field of participation banking training, while Malaysia and the UK stand out as the most advanced countries in this field. When looking at the number of institutions which offer both Islamic banking lecturers and Islamic banking programs, the UK in first place, followed by Malaysia. The target is set for an evaluation of applications in the field of education in countries where Islamic banking is developed, such as Malaysia and Bahrain, and the development of training programs to be made available in Turkey.



The quality of participation banking programs in Turkey is inadequate, as is the quantity of academic research, and Turkish textbooks related to this field are also insufficient; and these sources cannot be accessed from a common platform. Therefore, work on establishing a central database related to people and works on participation banking is required, and it is also necessary to remedy the lack of textbooks. When we look at the number of articles published, more articles are published and more researches are done in countries where training models are advanced.

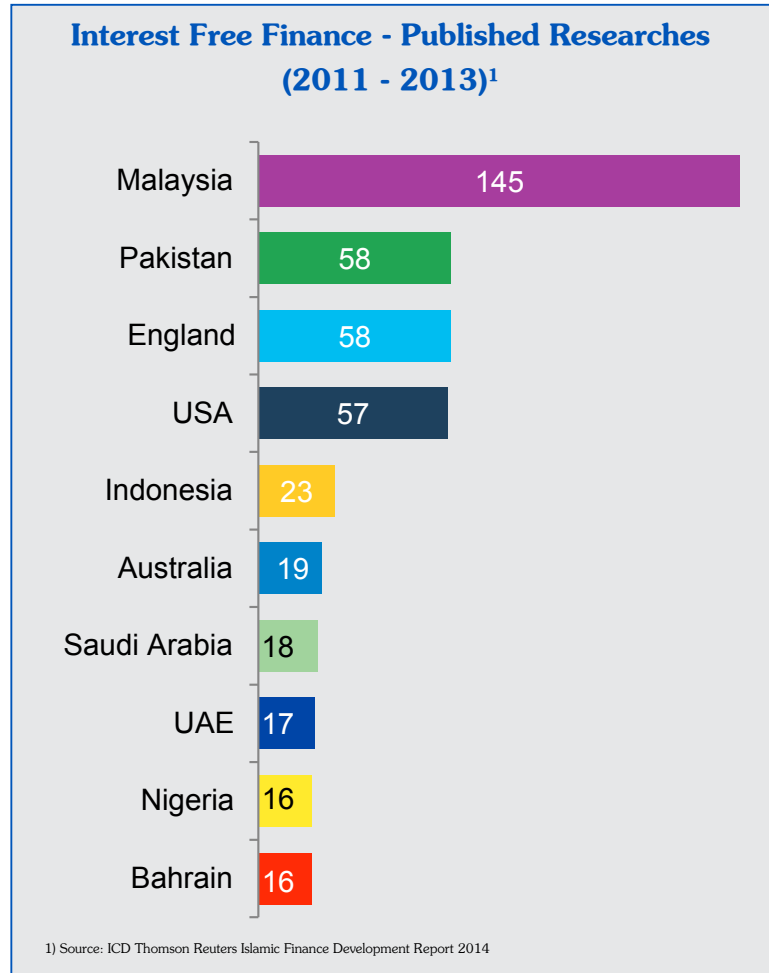


4. Actions to Be Carried Out To Achieve Strategic Goals

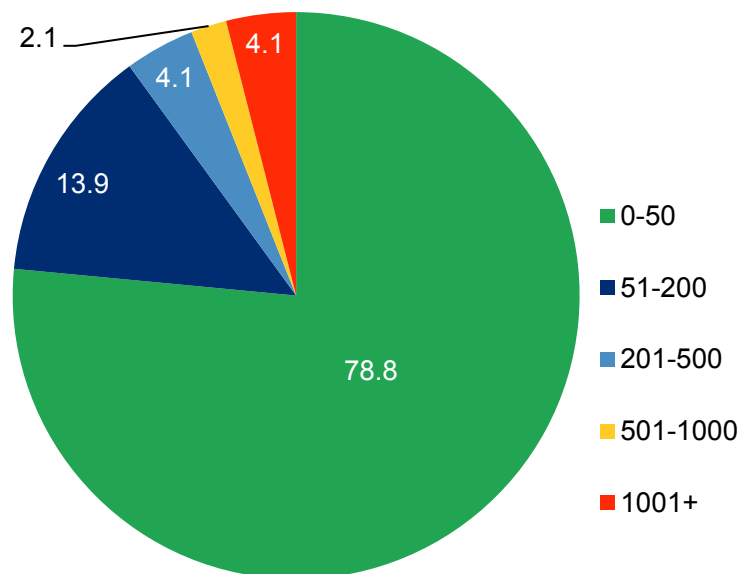
Along with the development of the participation banking sector in Turkey, participation banks have started to employ more workers. However, it is seen that this workforce has an insufficient level of knowledge about the principles and products of participation banking. For this reason, developing the competencies of existing staff and increasing the number of specialized personnel is targeted. According to the Talent Development Survey carried out in 2014 by the Financial Accreditation Agency, it was found that in Malaysia, one of the most advanced countries in the industry, Islamic banking institutions sent their existing staff to training programs to develop their competencies, with 78.8% of organizations planning to send up to 50 employees to training programs in the next 12 years.

Turkey does not have a research center to increase and coordinate participation banking studies. Researches are sustained on the initiative of universities or participation banks. In addition, there are no certification programs that participation banks could enroll their employees on in order to develop their competencies. Therefore, the establishment of a research center or Institute for participation banking and preparation of certification programs is planned. In the preparation of the domestic certification program, internationally recognized organizations, such as the CIMA, the INCEIF and the IFQ will benefit. The CIMA was selected as the best organization offering different levels of Islamic financial education programs in the field of Islamic finance education during 2013. The CIFI and IFQ also offer Islamic financing certification programs at different levels. These organizations provide training in areas such as Islamic trade law, Islamic banking and insurance, Islamic capital markets and products, and accounting for Islamic banking organizations. In Turkey, the creation of similar certification programs for the development of Islamic finance is planned.

The participation banking sector in Turkey has demonstrated rapid development in the last 10 years; but as a large proportion of employees in the participation banking sector is employed in conventional banks, a common language was



Number of Personnel Planned to Receive Education within the next 12 Years by Malaysian Interest Free Banking Institutions according to FAA Research²



(2) Source: FAA Talent Development Survey 2014

4. Actions to Be Carried Out To Achieve Strategic Goals

not formed and terms used in conventional banks are used in participation banking as well. This situation is seen to negatively affect the perception of customers. Therefore, it is important that the awareness of the terminology of participation banking is enhanced.

The 2025 targets set out the continued growth of the sector, raising the need to define strategies related to human sources and meeting the needs for training. Taking action in this strategy and the relevant measures need to be implemented by the party responsible for the realization of actions.

For this purpose, under title training, HR and certification, five strategies, 9 actions attached to them and a total of 16 measures have been defined.



CIMA Certification Program Levels ¹

- 1 CIMA Islamic Finance Certificate (Basic Level)
- 2 CIMA Islamic Finance Diploma (Intermediate Level)
- 3 CIMA Islamic Finance Advanced Diploma (Advanced Level)

* A prerequisite for participation in training is not required

IFQ Main Titles of Certification Program ²

- 1 Introduction to Islamic Finance
- 2 Introduction to Islamic Banking and Finance
- 3 Islamic Law
- 4 Financial Techniques Applied by Islamic Banks
- 5 Financial Tables for Islamic Banks
- 6 Corporate Governance on Islamic Finance
- 7 Islamic Assets and Fund Management
- 8 Islamic Bond Markets - Sukuk
- 9 Islamic Insurance Markets - Tekaful
- 10 Case Studies

Source (1): <http://www.cimaglobal.com/>

Source (2): <http://www.faizsizfinancequalification.co.uk/html/ifq.html>

4. Actions to Be Carried Out To Achieve Strategic Goals

	Strategy	Action
4.1	Developing long-distance learning, undergraduate, and graduate programs regarding the participation banking, and addressing the lack of faculties	4.1.1 Expanding the number of departments / courses offering participation banking in universities
		4.1.2 Introduction of participation banking in business and economics faculties' programs, and economy and finance elective/ compulsory courses in the faculty of theology
		4.1.3 Offering more prizes, scholarships and internships for participation banking
4.2	Creation of a database for the people and artifacts related to the participation banking and addressing of the lack of textbooks	4.2.1 Within the scope of increasing the number of Turkish academics publishing articles , a database will be created to identify the scholars who work in this area, and the books/articles published
4.3	Increasing the number of specialized staff and developing the competence of staff in participation banking.	Development of incentive policies for granting the necessary training and specialization of personnel in public institutions
		4.3.2 Development of incentive policies in order to offer the necessary training to participation bank staff
4.4	Establishing institutes and research centers related to participation banking	4.4.1 Examining the possibility of setting up, an institute / research center to work in participation banking and then planning its establishment
4.5	Promotion of awareness of participation banking terminology.	4.5.1 Use of educational technologies, such as simulation and e-learning in order to contribute to the accurate information and formation of a common language

Strategy 4.1: Developing long-distance learning, undergraduate and graduate programs regarding participation banking, and addressing the lack of faculties in this subject

Action 4.1.1: Expanding the number of departments/courses for participation banking in universities

Act 1: In the first phase in 2015, meetings will be held by the Council of Higher Education, universities, the PBAT and the representatives from the BRSA for the addition of such courses to programs in universities.

Act 2: As a result of the meetings, the faculty members and other needs of universities which shall offer the related courses will be determined.

Act 3: In the 2017-2018 academic year, economics and finance courses in at least two faculties of theology, participation banking and Islamic law courses in five faculties of economics and administrative sciences will be added to the curriculum.



Action 4.1.2: Introduction of participation banking in business and economics faculties' programs, and economy and finance elective/compulsory courses in the faculty of theology.

Act 4: Opportunities between secondary or double major studies in the departments of Theology, Law and Economics of universities should be provided and encouraged. For this purpose, universities will be contacted by the Association at the request of the participation banks. Incoming requests will be discussed at the university senate meeting agenda and then forwarded to the Council of Higher Education. The process will be started by the Council of Higher Education for the university concerned.

Act 5: The participation of officials of participation banks as guest lecturers in courses will be provided at regular intervals. In addition, the number of joint seminar conferences and other programs with universities will be increased.

Action 4.1.3: Increasing the prizes, scholarships and internships for the participation banking

Act 6: In order to meet the sector's demands for a qualified workforce in the first stage, a framework of an internship program will be created by the PBAT and participation banks. In the subsequent process, necessary measures for its implementation within the organizations will be carried out.

Act 7: In order to send students who graduated from related departments of universities abroad to graduate programs, a scholarship fund set up within the PBAT with the contributions of participation banks will be created. Each year, applications will be received until a specified date and these will be evaluated by the training department of the PBAT. Scholarships will be provided to at least 5 candidates to be chosen every year, who will attend graduate programs in countries leading in the field of education. The area of Islamic finance will be included in support programs by TÜBİTAK in the field of Social Sciences.

Act 8: In order to increase the number of written articles, an award shall be provided every year by the training function within the PBAT. In this context, the training function within the Association will communicate the awards to be given at the Universities and at the end of the year the best three articles as determined by the evaluation undertaken by the training department will receive an award in the amount specified.



Strategy 4.2: Creation of a database of people and articles related to the participation banking, and addressing the lack of textbooks

Action 4.2.1: Within the scope of increasing the number of Turkish academics publishing works, a database will be created listing all books/ articles and academics working in this field.

Act 9: The PBAT and BRSA will jointly apply to the Council of Higher Education and request that a database is set up listing scholars engaged in studies on participation banking and the work in this field. The Association will undertake ongoing management of the current and useful database, requesting that the Council of Higher Education and all stakeholders share content for the database to be set up. The database that will be created with the information from the Council of Higher Education will be offered to users over the Internet by the PBAT.

Act 10: To address the lack of information, important books in foreign language in the fields such as economics, participation banking and Islamic takaful will be translated and a mechanism to create copyright works will be implemented. This process will be initialized by the training function which will be established at the PBAT, and the framework will then be further expanded with the participation of all relevant stakeholders.

Strategy 4.3: Increasing the number of specialized staff and development of staff competence in participation banking

Action 4.3.1: Development of incentive policies for granting the necessary training and specialization of personnel in public institutions

Act 11: Within the scope of enhancing the information and infrastructures of market professionals concerning participation banking and encouraging specialization, definitions of the licensing and amendments of regulation for the organization of exams will be made by the CMB. Related modules will be created by the SPL. The action will help eliminate the shortage of skilled labor in this area with the aim of enhancing the information infrastructure and encouraging specialization. This work has already begun and the process is expected to be completed in 2015.

Action 4.3.2: Development of incentive policies in order to provide the necessary training to participation bank staff

Act 12: Organizing opportunities for successful staff in participation banks to attend training programs abroad through the implementation of the training function to be established within the Association. Similarly, the provision of on-line training and in-house English training courses for all employees of the banks will be planned.

Act 13: With the organization of the Association, academics from international advisory boards and / or from universities are planned to provide training to staff.

Strategy 4.4: Establishing Institutes and research centers related to participation banking

Action 4.4.1: Investigating the possibility of setting up an institute / research center to work in the area of participation banking and then planning the establishment

Act 14: A research center will be established in the scope of development and support of new scientific studies in the participation banking sector, the investigation of practices applied in the World and in our country, and determining the standards of practice. This center is planned to be established under the leadership of PBAT in a university. The Council of Higher Education will hold a meeting with universities, related organizations and the PBAT. The university will establish the research center and prepare action plans for the project by December 2015.



Within the framework of proposed action plan, the infrastructure and human sources of the research center and institute will be provided, and it will begin operations in accordance with curriculum to be determined.

Strategy 4.5: Promoting awareness of participation banking terminology

Action 4.5.1: Use of educational technologies, such as simulation and e-learning to contribute to accurate information and formation of a common language

Act 15: In addition to dictionary work initiated within PBAT;

- Visual presentation/training activities will be held,
- In connection with the product names of participation banks and processes, the new Turkish names and simulations will be shared on the website
- Online training will be prepared.

4.5 Corporate Communication, Perception and Recognition

As specified in the Kızılcahamam Workshop held in December 2013 with the participation of all sector stakeholders, researches show that there is a customer base which lacks sufficient information to clearly understand the working principles of participation banks and has a negative perception of the system. The main reason for this is that some customers are not informed clearly enough about the principles of participation banking and the differences between participation banking and conventional banking operations. However, the practical application creates barriers preventing clients from understanding the philosophy of the system correctly. Elimination of deficiencies in customer knowledge and a comprehensive perception management effort that is in line with this and involves the participation of all sector stakeholders will be crucial both to the sector's development and to its ability to achieve its market share targets.

We note the comprehensive perception management work done in countries where the Islamic banking sector is advanced, including increasing the level of customer information and explaining the differences between participation banking and



conventional banking operations with the aim of increasing the weight of Islamic banking. In Pakistan which is one of the countries aiming to increase its presence in the Islamic banking sector, the priority targets set out in the strategic plan prepared by the State Bank of Pakistan (SBP) for the sector's development including the prevention of different perceptions towards Islamic banking and addressing the lack of information. In this context, actions to be taken and the tasks and responsibilities of all sector stakeholders have been identified by the SBP. In Malaysia - one of the leading countries in the Islamic banking sector - comprehensive information campaigns are conducted using all media channels. Therefore, the increased awareness and credibility of Islamic banking is ensured, improving the perception of the sector.

In this context, in order to improve the perception of the participation banking sector in our country, addressing the lack of customer information and comprehensive work on perception management with the participation of all stakeholders will be important for the development of the sector. In the scope of perception management work, the primary task is to increase the customers' level of knowledge about the working principles of participation banking. The next task is to clearly explain the differences in the operating principles between conventional banks and participation banks. As such, the negative perceptions occurring as a result of the incomplete information will be eliminated, boosting confidence in the system. Participation banks should determine right marketing strategies with an overarching perspective to expand their customer portfolio, and are

State Bank of Pakistan 2014-2018 Actions Regarding Perceptions 2015-2018 Strategic Plan¹

Conduct an extensive outreach campaign across the country, in order to increase awareness of Islamic banking

Organize conferences under the management of the SBP to be given by the international Islamic banking and finance professionals

Organize training by sector experts in order to improve the perception of Islamic banking

Arrange training programs for educational institutions, employees in the banking industry, chambers of commerce and legal professionals in order to raise the perception of Islamic banking

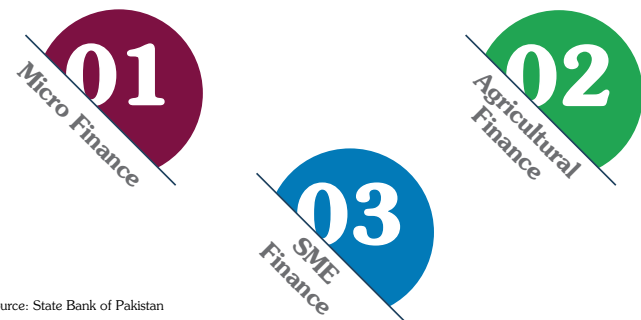
Organize promotional activities in Pakistan's major cities

* These actions will be realized by Islamic development Bank.
Source (1): State Bank of Pakistan 2014-18 Strategic Plan

required to implement these marketing strategies under the leadership of the PBAT with the participation of all stakeholders. In this context, ensuring that all stakeholders act in coordination is of great importance and national and international work should be carried out using all media channels. If they are to succeed in perception management, it is important to underline that the participation banking system relies on the real economy and is more resistant to crises.

All stakeholders have a duty and responsibility to ensure the success of the perception management work to be carried out under the leadership of the PBAT. Establishment of close communication channels between the Directorate of Religious Affairs (DIYK) and participation banks and closer work between these two institutions will improve communication between the community and the industry through the Directorate of Religious Affairs.

State Bank of Pakistan 2014-2018 Strategic Plan Targeted segments¹



(1): Source: State Bank of Pakistan

4. Actions to Be Carried Out To Achieve Strategic Goals

	Strategy	Action
5.1	Increasing the level of knowledge about the philosophy of system / determining the difference from conventional banking	<p>5.1.1 Identification of the factors causing a negative perception of the participation banking system, increasing transparency with regard to these factors and ensuring accurate information to the public</p> <p>5.1.2 Development of alternative proposals to the current perception of corruptive practices and the terms adopted in the participation banking system</p> <p>5.1.3 Raising the awareness of customers and the establishment of the contract will</p>
5.2	Determination of the right marketing strategies	5.2.1 Carrying out an extensive marketing campaign which sets out the philosophy and practices of the system, arranging events at national and international levels to encourage the promotion and recognition of the system
5.3	Ensuring uniformity in participation banking practices	<p>5.3.1 The creation of the ethical principles, corporate governance principles and practices, demonstration of compliance with religious principles other than restriction on interest in accordance with the principles that the system is based on,</p> <p>5.3.2 Perception management of the participation banking products</p>
5.4	Attempts to increase the credibility of the system	<p>5.4.1 Establishment of a communication channel between The Directorate of Religious Affairs (DIYK) and the participation banking institutions</p> <p>5.4.2 Development of cooperation between the Participation Banks Association of Turkey and participation banks</p>

Strategy 5.1: Increasing the level of knowledge about the philosophy of the system / determining the difference from conventional banking

Action 5.1.1: Identifying the factors that lead to a negative perception for participation banking system, increasing transparency with regard to these factors and ensuring accurate information to the public

Act 1: A research study representative of Turkey' population to determine perception and sector volume, customer segments, will be conducted in Turkey by the PBAT for the purpose of identifying the factors that lead to a negative perception for the participation banking system. As a result of the study, a report will be prepared about the current perception of participation banking and information and the application for which transparency required in the eyes of society.

Act 2: This report will be shared with industry stakeholders, and participation banks will provide information for their customers through Internet sites in this context. In addition, a section in the PBAT website will be created in which the differences between conventional banks and participation banks are explained in detail.



Action 5.1.2: Development of alternative proposals to the current perception of corruptive practices and the terms adopted in the participation banking system

Act 3: After the perception survey is carried out, practices and terms that lead to perception that the nature of the difference between the participation banking and conventional banking systems is only a formal one are identified. In order for this perception to be corrected alternative applications and set of terms will be developed by participation banks and the PBAT. At this stage, the appropriate terminology to use and the terms that constitute perception problems (e.g., loan, interest-free repo) will also be determined.

Act 4: In order to ensure that the created terms and practices regarding participation banking system are learned by the staff, training programs will be organized in the participation banks.

Action 5.1.3: Raising customer awareness and the establishment of the contract will

Act 5: The risks that customers may be exposed, the

declared rates of profit sharing are the actual rates that were realized in the past, and that there is also risk of loss will be shared with the customer in advance. After customers are fully informed during the negotiation phase, the deal will be done. In this context, participation banks will agree to share the information requested by the customers about the issue of transparency.

Strategy 5.2: Determination of the right marketing strategies

Action 5.2.1: Carrying out an extensive marketing campaign which subjects philosophy and practice of the system and arranging events at national and international levels for the promotion and recognition system

Act 6: Within the framework of the act, a marketing campaign will be carried out covering the year 2015 by PBAT based on the professional consulting services acquired, describing the philosophy of the system, with basic applications and audio/visual promotional activities to be carried out on a common ground. In the framework of act, it is emphasized that the system is based on the real economy, and the promotion of new initiatives and will focus on concrete economic contribution generated by the system. Furthermore, it will be focused on the social benefits of the system resulting from the participation banking ethical principles. In this context, a brief will be prepared that addresses the objectives of the campaign. As an example, the philosophy of the system, and the details of the practices that lead to negative perceptions will be announced to the public with 360 degree campaigns which will be held and the level of knowledge regarding the principles of the system will be increased. The main elements of the marketing campaign will include;

- Printed marketing materials
- Introductory meetings and competitions in schools
- Radio and TV programs without recalling the name of any institution
- Participation banking institutions' historical processes in our country and in the world, documentaries about the actual events and experiences
- Social media instruments

- A separate website to promote the participation banking system, brochures and periodic promotion campaigns, a national and international panel, workshops or conferences which will be organized by the BRSA, BIST, Secretariat to the Treasury, CBRT and the CMB.
- Lobbying activities in international conferences, and informative meetings to be held in collaboration with the BIST and CMB on different platforms concerning Islamic investment products for market players and guidelines to be prepared to handle Islamic investment products.

Act 7: In this context, participation banks will also extend support to the campaign work, carry out work through customer representatives, written sources and internet sites.

Act 8: The principles of the system will be transferred to the public by the Directorate of Religious Affairs through their publications and other communication channels / tools, publications and statements.





Strategy 5.3: Ensuring uniformity in the participation banking practices

Action 5.3.1: In accordance with the principles that the system is based on, the creation of the ethical principles, corporate governance principles and practices, demonstration of compliance with religious principles other than the restriction on interest.

Act 9: In this context, an ethical principles document with an emphasis on moral foundations will be prepared in accordance with participation banking principles. A working group of experts on the subject will be created within the PBAT, in order to prepare a statement of ethical principles for the organizations and institutions that provide participation banking services, as well as an Advisory Board. This group will be responsible for conducting research on sufficiency of national and international scientific sources and preparing a draft document. The document to be prepared will be a reference and basis for decisions to be taken in future periods by the relevant institutions.

Action 5.3.2: Perception management of participation banking products

Act 10: The responsibilities of the current and relevant agencies will be determined by creating corporate governance policies that reflect the qualities of the system itself. These policies will be prepared by the BRSA and open to the public, will positively affect perceptions towards the Islamic financial system and will represent an important step in creating a corporate structure.

Strategy 5.4: Attempts to increase the credibility of the system

Action 5.4.1: Establishment of a communication channel between The Supreme Council for Religious Affairs (DIYK) and the participation banking institutions

Act 11: A communication channel that allows for the regular flow of information between the banking institutions and DIYK shall be established. This structure will ensure that fatwa requests to the DIYK will be taken into consideration by participation banks while also ensuring that the necessary actions are implemented as soon as possible. Meetings will be arranged between participation banks and the DIYK in the PBAT leadership for additional discussions of the structure and other facilities to be established and developing the ideal solutions. A section will be included in the DIYK website describing the difference between conventional banks and participation banks and increasing customers' level of knowledge.

Action 5.4.2: Development of cooperation between Participation Banks Association of Turkey and participation banks

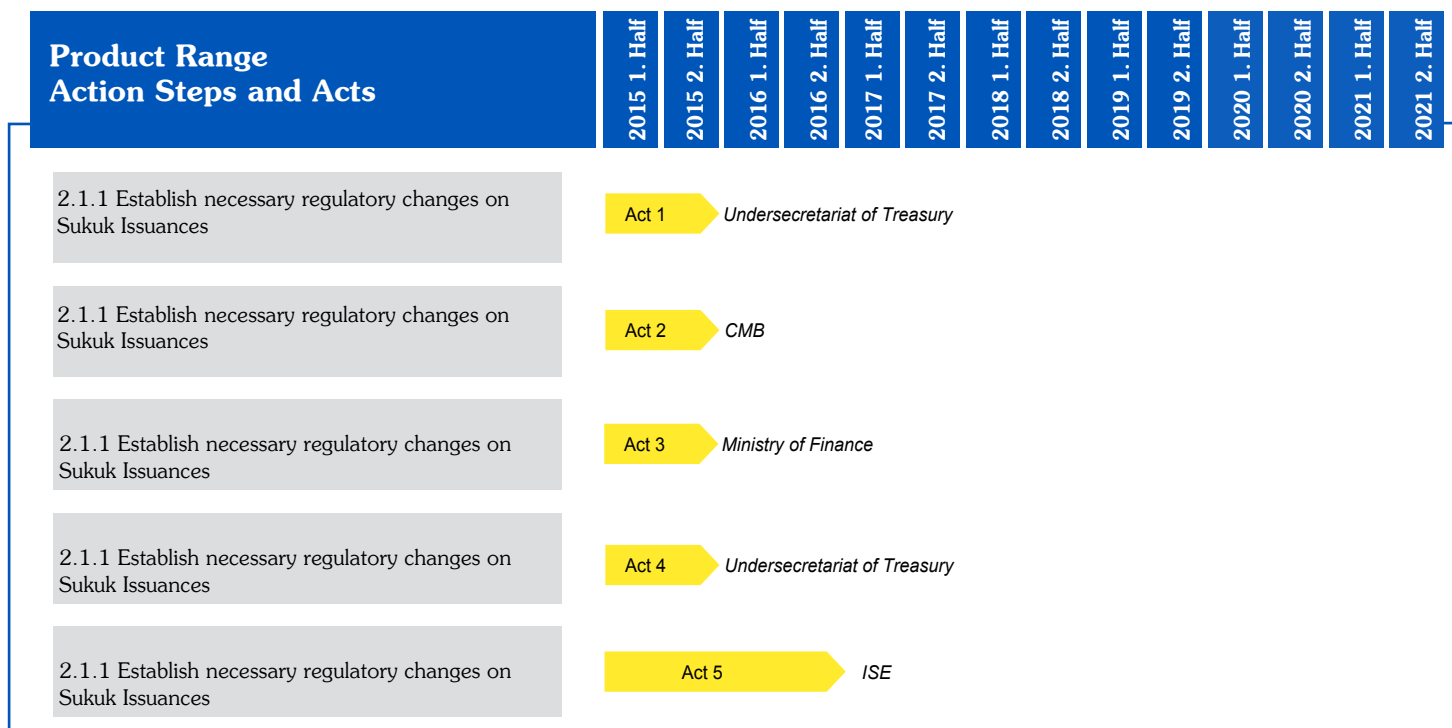
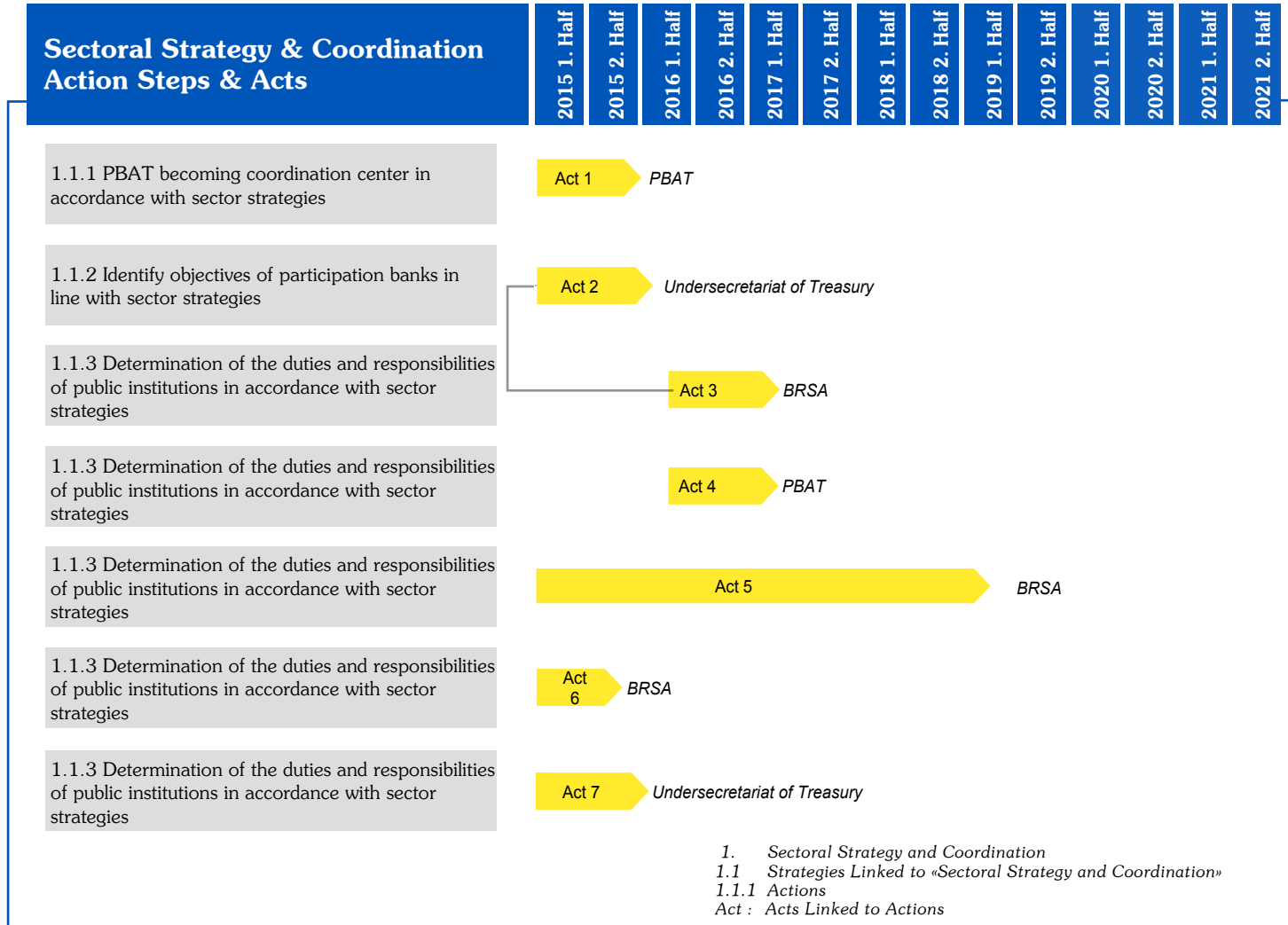
Act 12: Within the scope of the act, the Participation Banks Association of Turkey in collaboration with the participation banks will determine finance projects with social purposes eligible for the characteristics of the system and then these projects for analysis in conjunction with relevant stakeholders in terms of efficiency, and applicability criteria and a consensus will be achieved. An important stage in the implementation of the act is the public share of the above-mentioned applications by the participation banks in a comprehensive and effective manner.

5. Strategic Target Road Map





Timing of Acts and Responsibles



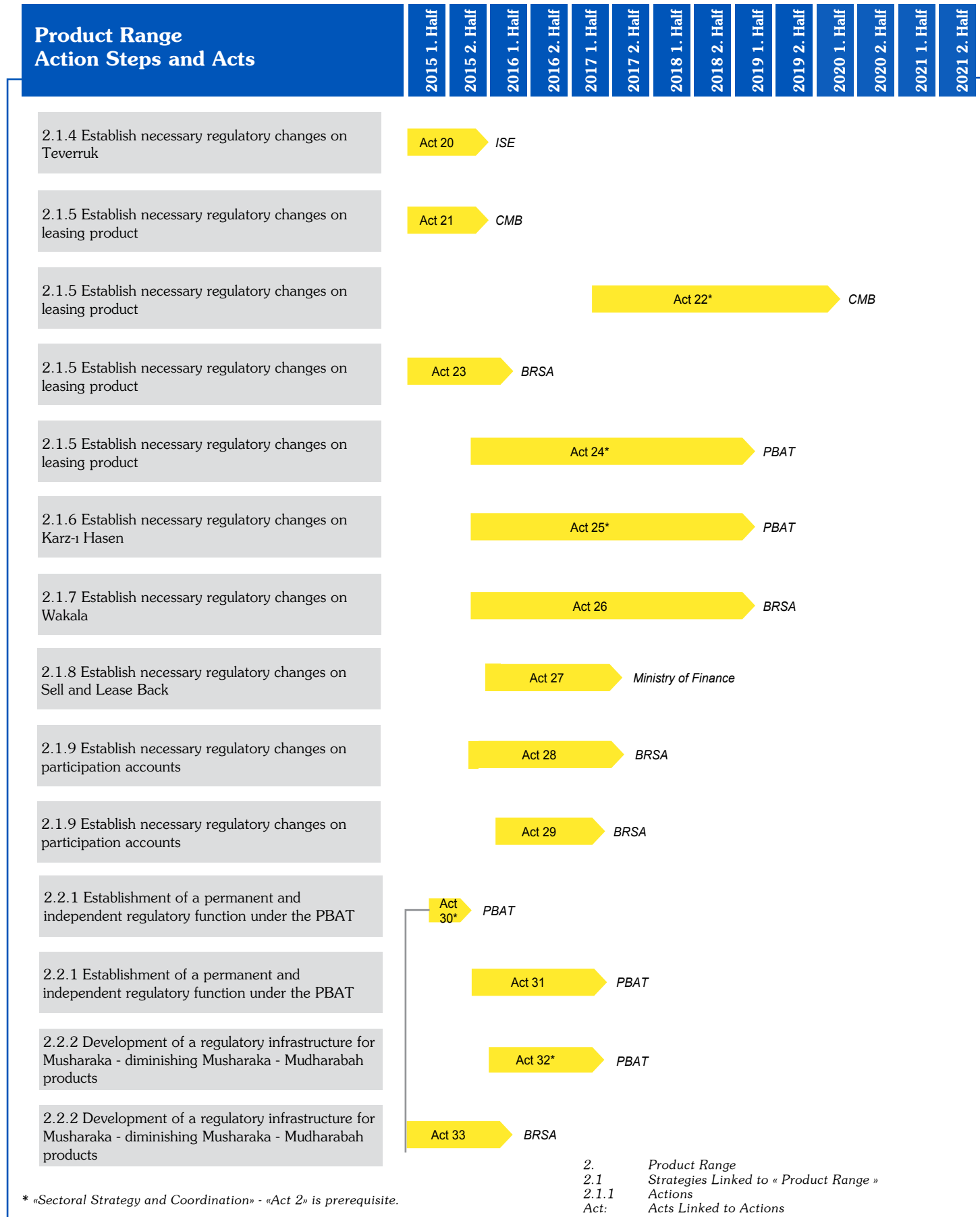
Timing of Acts and Responsibles

Product Range Action Steps and Acts	2015 1. Half	2015 2. Half	2016 1. Half	2016 2. Half	2017 1. Half	2017 2. Half	2018 1. Half	2018 2. Half	2019 1. Half	2019 2. Half	2020 1. Half	2020 2. Half	2021 1. Half	2021 2. Half	
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 6* → PBAT
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 7* → CMB
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 8* → CMB
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 9* → PBAT
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 10 → PBAT
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Eylem 11* → CMB
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 12* → CMB
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 13* → CMB
2.1.1 Establish necessary regulatory changes on Sukuk Issuances															Act 14* → CMB
2.1.2 Implementation of steps taken to increase the Sukuk issuance															Act 15* → Undersecretariat of Treasury
2.1.2 Implementation of steps taken to increase the Sukuk issuance															Act 16 → CMB
2.1.2 Implementation of steps taken to increase the Sukuk issuance															Act 17 → Undersecretariat of Treasury
2.1.3 Establish necessary regulatory changes on Murabaha															Act 18* → ISE
2.1.4 Establish necessary regulatory changes on Teverruk															Act 19 → CMB

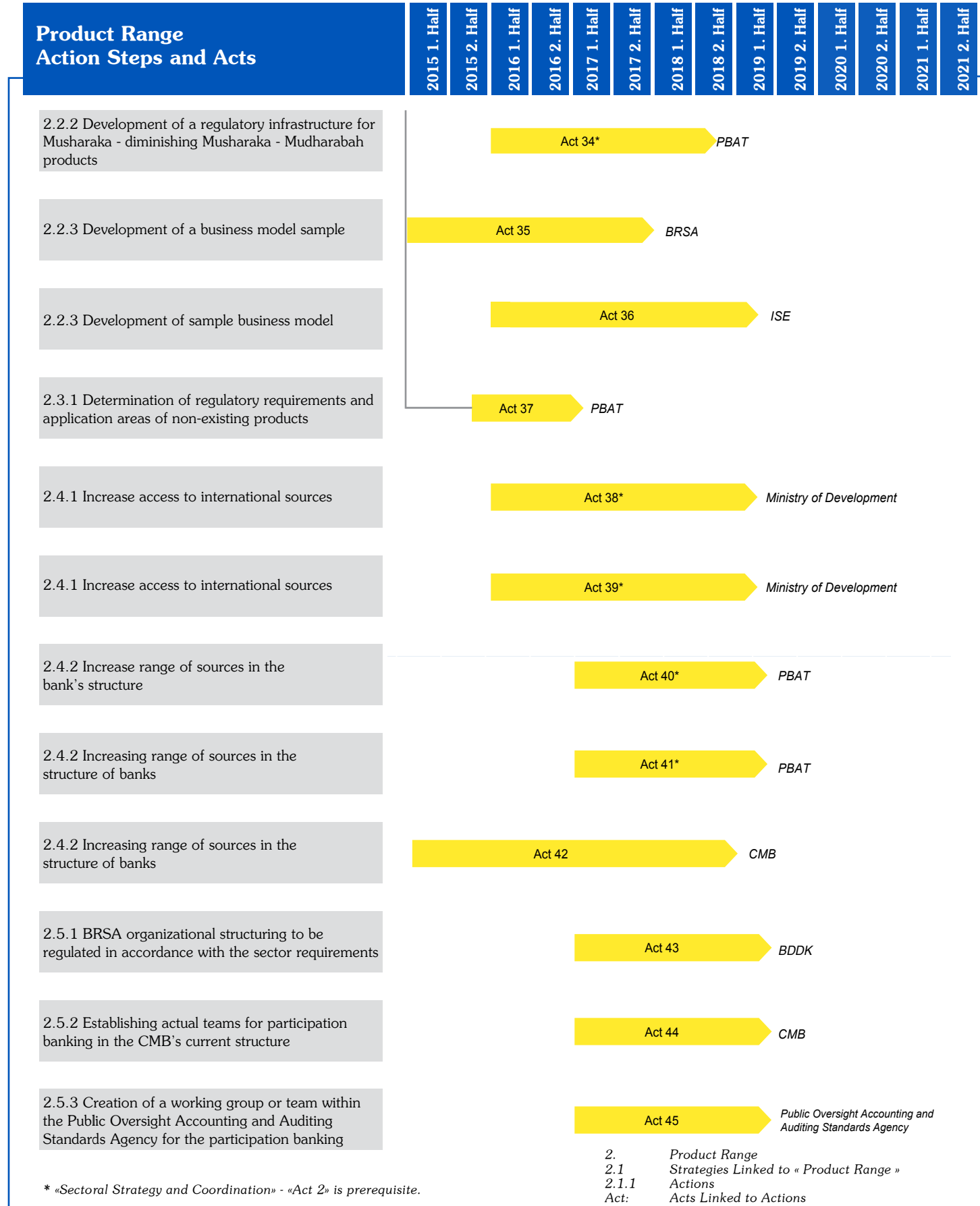
* Sectoral Strategy and Coordination» - «Act 2» is prerequisite.

2. Product Range
2.1 Strategies Linked to « Product Range »
2.1.1 Actions
Act: Acts Linked to Actions

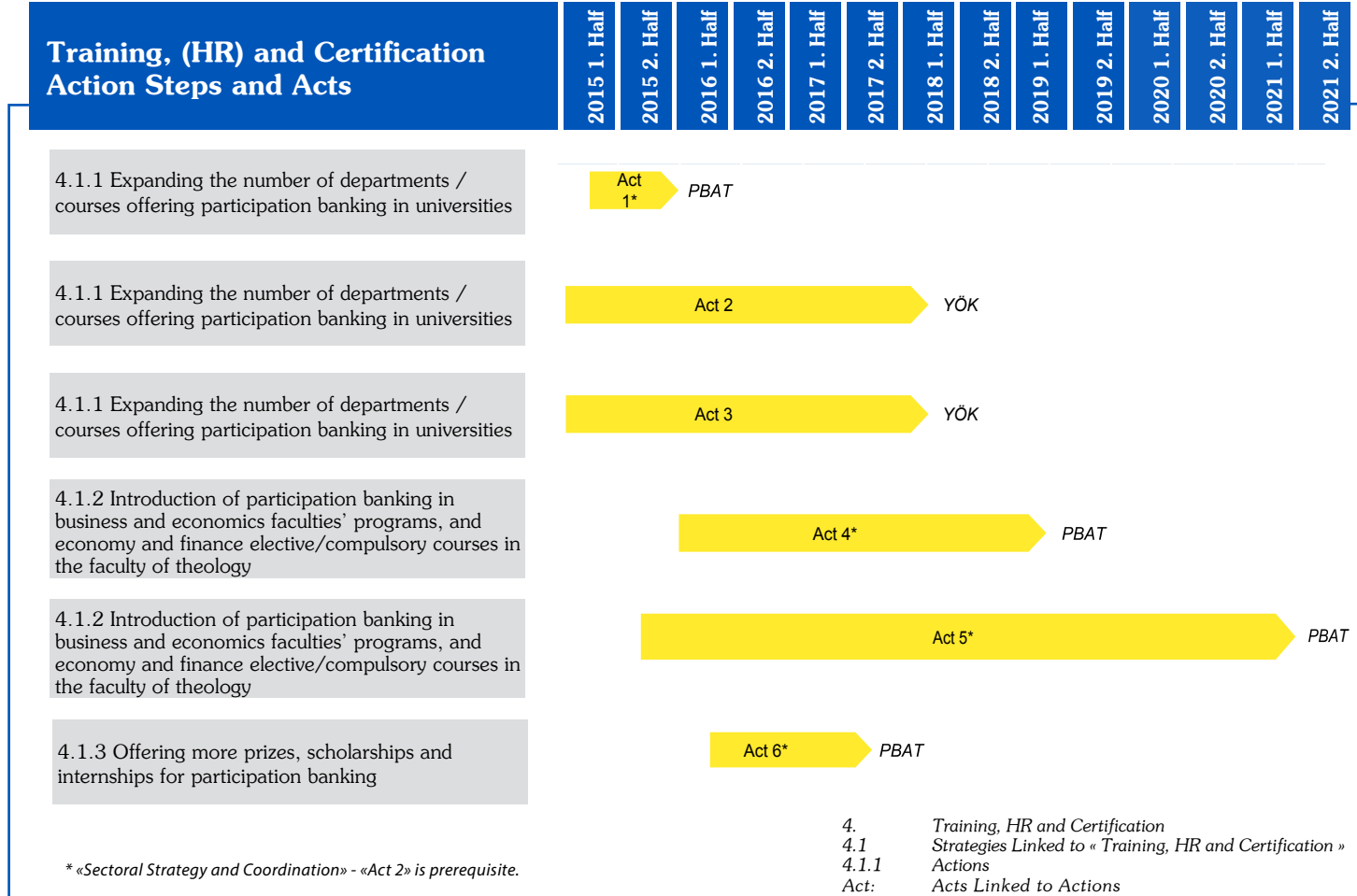
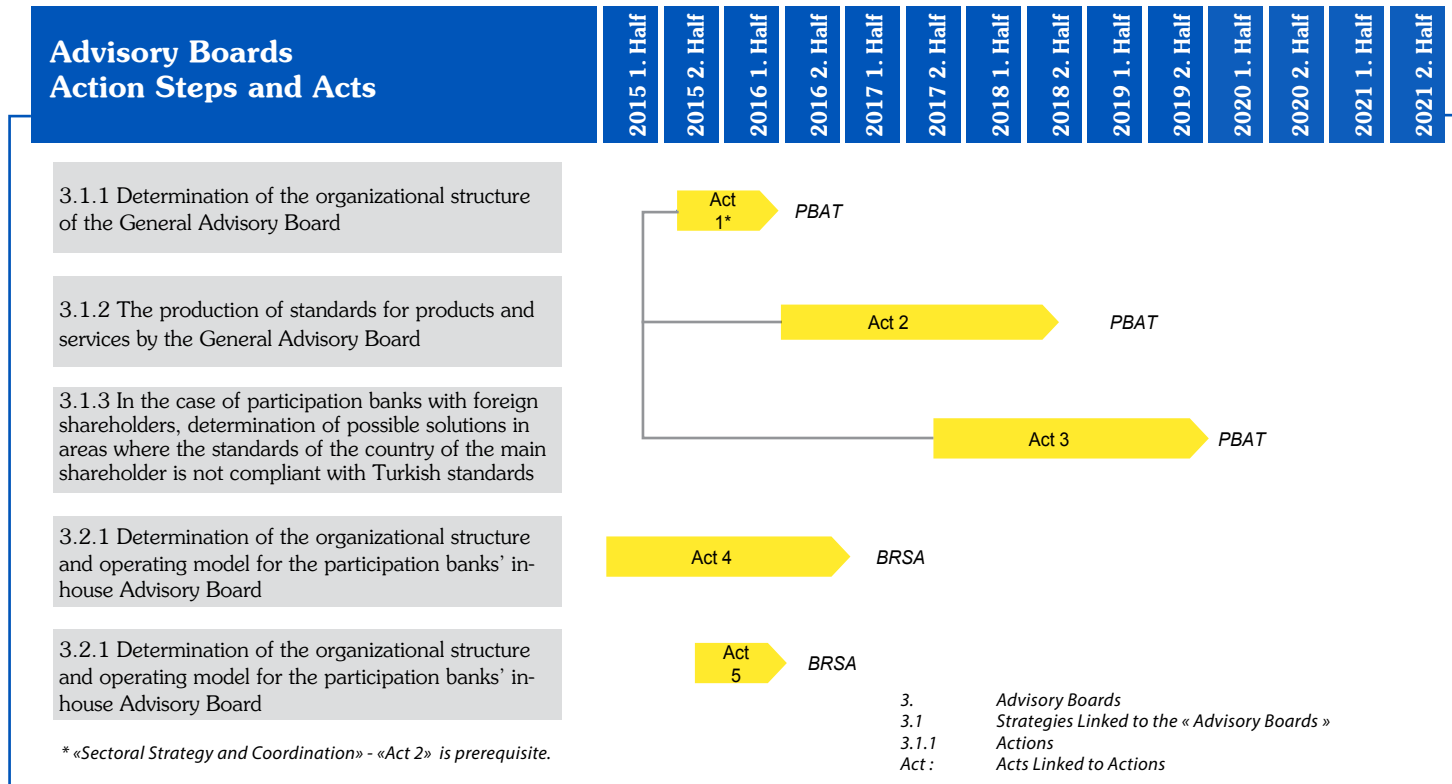
Timing of Acts and Responsibilities



Timing of Acts and Responsibles



Timing of Acts and Responsibles



Timing of Acts and Responsibles

Training, (HR) and Certification Action Steps and Acts	2015 1. Half	2015 2. Half	2016 1. Half	2016 2. Half	2017 1. Half	2017 2. Half	2018 1. Half	2018 2. Half	2019 1. Half	2019 2. Half	2020 1. Half	2020 2. Half	2021 1. Half	2021 2. Half
4.1.3 Offering more prizes, scholarships and internships for participation banking			Act 7											
4.1.3 Offering more prizes, scholarships and internships for participation banking			Act 8											
4.2.1 Within the scope of increasing the number of Turkish academics publishing articles, a database will be created to identify the scholars who work in this area, and the books/articles published.					Act 9*									
4.2.1 Within the scope of increasing the number of Turkish academics publishing articles, a database will be created to identify the scholars who work in this area, and the books/articles published.					Act 10*									
4.3.1 Development of incentive policies for granting the necessary training and specialization of personnel in public institutions.					Act 11									
4.3.1 Development of incentive policies for granting the necessary training and specialization of personnel in public institutions.					Act 12									
4.3.2 Development of incentive policies in order to offer the necessary training to participation bank staff.							Act 13*						PBAT	
4.4.1 Examining the possibility of setting up, an institute / research center to work in participation banking and then planning its establishment.					Act 14								YÖK	
4.5.1 Use of educational technologies, such as simulation and e-learning in order to contribute to the accurate information and formation of a common language.									Act 15				PBAT	

* «Sectoral Strategy and Coordination» - «Act 2» is prerequisite.

4. Training, HR and Certification
 4.1 Strategies Linked to « Training, HR and Certification »
 4.1.1 Actions
 Act: Acts Linked to Actions



Responsibles and Related Institutions / Organizations

Sectoral Strategy and Coordination

ACTS	INSTITUTIONS																						
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	
Act 1	RI	RO	RO																				
Act 2	RO	RO		RO	RI										RO	RO							
Act 3	RO	RI	RO																				
Act4	RI	RO																					
Act 5	RO	RI		RO	RO	RO						RO				RO							
Act 6	RO	RI		RO	RO	RO		RO	RO	RO						RO							
Act 7	RO	RO		RO	RI		RO																

Responsibles and Related Institutions / Organizations

Product Range and Development

ACTS	INSTITUTIONS																							
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks
Act 1	RO	RO		RI	RI																			

RI: Responsible Institution

RO: Related Organization

Responsibles and Related Institutions / Organizations

Product Range and Development

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 2	RO			RI																					
Act 3	RO							RI									RO								
Act 4	RO	RO		RO	RI																				
Act 5				RO		RI		RO										RO						RO	
Act 6	RI	RO	RO	RO																					
Act 7	RO			RI																				RO	
Act 8	RO			RI																					
Act 9	RI		RO		RO			RO																	
Act 10	RI																	RO							
Act 11	RO			RI																					
Act 12	RO			RI																					

RI: Responsible Institution

RO: Related Organization

Responsibles and Related Institutions / Organizations

Product Range and Development

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 13	RO			RI																					
Act 14	RO			RI																					
Act 15	RO	RO		RO	RI	RO											RO	RO							RO
Act 16	RO			RI																					
Act 17	RO																								
Act 18	RO	RI						RI																	
Act 19	RO			RI																					
Act 20	RO					RI																			
Act 21	RO			RI																					
Act 22	RO	RO		RI			RO																		
Act 23	RO	RI																							

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Responsibles and Related Institutions / Organizations

Product Range and Development

ACTS	INSTITUTIONS																								
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Act 24	RI		RO																						
Act 25	RI		RO																						
Act 26	RO	RI																							
Act 27	RO		RO					RI																	
Act 28	RO	RI																							
Act 29	RO	RI																							
Act 30	RI		RO																						
Act 31	RI		RO																						
Act 32	RI		RO	RO																					
Act 33	RO	RI	RO					RO																	
Act 34	RI	RO																							

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Responsibles and Related Institutions / Organizations

Product Range and Development

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 35	RO	RI			RO			RO																	
Act 36	RO					RI																			
Act 37	RI	RO	RO	RO	RO	RO		RO								RO									
Act 38	RO	RO		RO	RO										RI	RO									
Act 39	RO	RO		RO	RO										RI	RO									
Act 40	RI	RO																							
Act 41	RI	RO																							
Act 42	RO		RO	RI																					
Act 43	RO	RI																							
Act 44	RO			RI																					
Act 45	RO								RI																

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Responsibles and Related Institutions / Organizations

Advisory Boards

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 1	RI	RO	RO								RO	RO													
Act 2	RI		RO								RO	RO													
Act 3	RI		RO								RO	RO													
Act 4	RO	RI	RO	RO	RO																				
Act 5	RO	RI	RO																						

Responsibles and Related Institutions / Organizations

Training, HR and Certification

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 1	RI										RO	RO													
Act 2	RO										RO	RI													

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Responsibles and Related Institutions / Organizations

Training, HR and Certification

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BİST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 3	RO										RO		RI												
Act 4	RI		RO								RO		RO												
Act 5	RI		RO								RO														
Act 6	RI		RO								RO		RO												
Act 7	RI		RO		RO						RO		RO			RO								RO	
Act 8	RI		RO		RO						RO		RO			RO								RO	
Act 9	RI	RO		RO	RO						RO		RO	RO											
Act 10	RI										RO			RO											
Act 11	RO		RO																					RI	
Act 12	RO		RI																					RO	

S: Responsible Institution

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Responsibles and Related Institutions / Organizations

Training, HR and Certification

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 13	RI		RO								RO														
Act 14	RO	RO		RO	RO						RO		RI			RO									
Act 15	RI		RO																						

Responsibles and Related Institutions / Organizations

Corporate Communication, Perception and Recognition

ACTS	INSTITUTIONS																								
	PBAT	BRSA	Participation Banks	CMB	Undersecretariat of Treasury	BIST	EMRA	Ministry of Finance	KGMSK	Ministry of Justice	Universities	HCRA	YÖK	ULAKBİM	Ministry of Development	CBRT	TKGM	Takasbank	RA	GNA	TÜBİTAK	SPL	MCT	State Banks	
Act 1	RI		RO																						
Act 2	RI		RO																						
Act 3	RI		RO								RO														
Act 4	RO		RO																						

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Act 5			RI																						
Act 6	RI	RO	RO	RO	RO	RO						RO			RO										
Act 7			RI																						
Act 8	RO		RO									RI													
Act 9	RI		RO								RO	RO													
Act 10	RO	RI																							
Act 11	RI		RO									RO													
Act 12	RI		RO																						

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Resources

- Banking Regulation and Supervision Institution
- EY World Islamic Banking Competitiveness Report 2013-14
- EY World Islamic Banking Competitiveness Report 2014-15
- FAA Talent Development Survey 2014
- ICD Thomson Reuters Islamic Finance Development Report 2014
- International Islamic Financial Market (IIFM) Sukuk Report 2014
- Islamic Development Bank - Islamic Banking and Finance Data Center
- Participation banks websites
- Central Bank of Malaysia
- State Bank of Pakistan (SBP) 2014-18 Strategic Plan
- Data from the Participation Banks Association of Turkey



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