



Islamic Capital Market in WAEMU

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Agenda

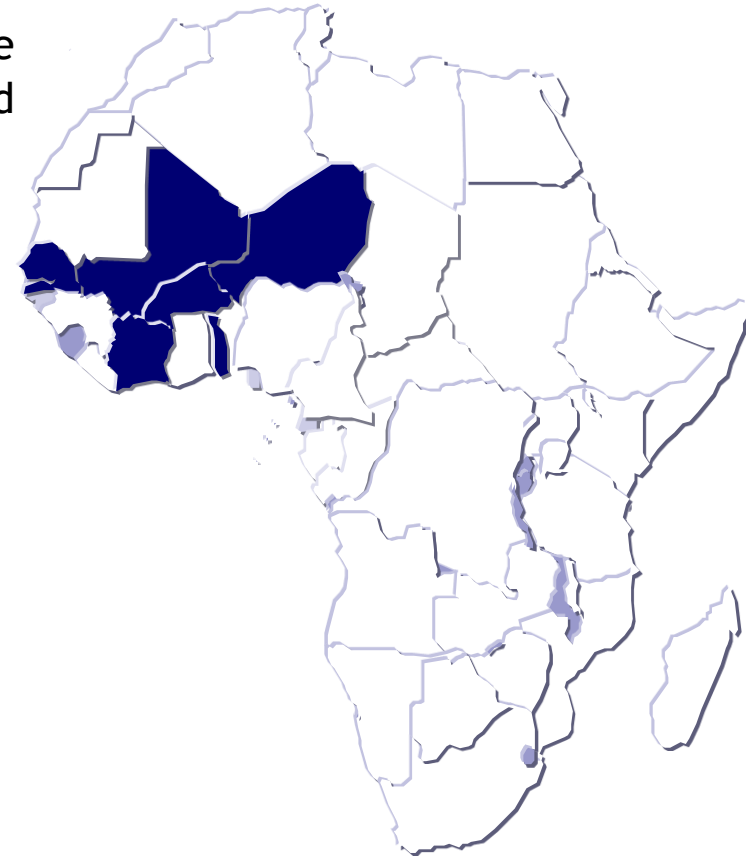
- 1 Brief overview of the WAEMU financial Market
- 2 WAEMU's experience in Islamic finance
- 3 Outlook for WAEMU's Islamic capital market development issues



The WAEMU financial Market

Main economic and financial indicators

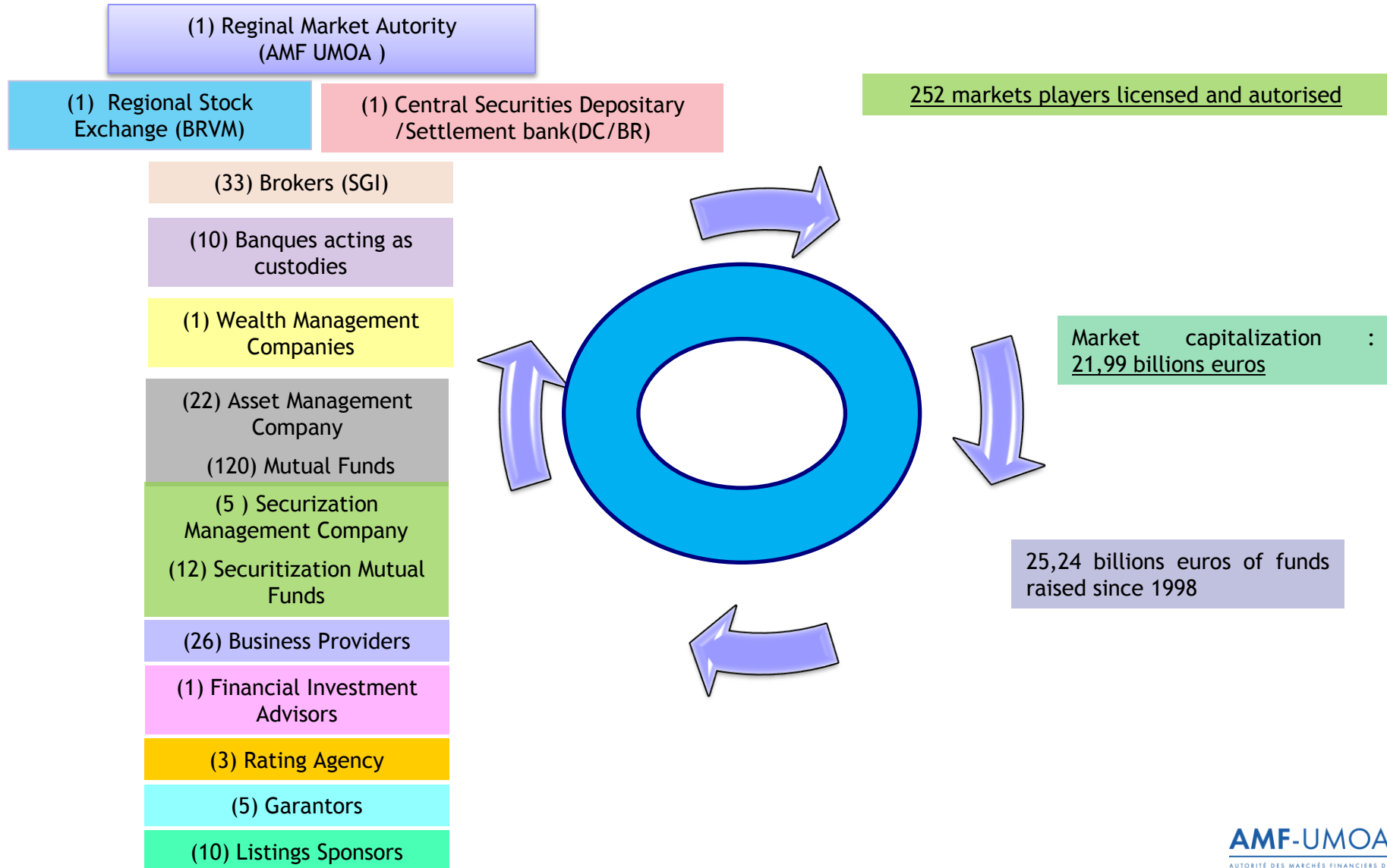
- 08 countries: Benin, Burkina Faso, Côte d'Ivoire, Guinée Bissau, Mali, Niger, Sénégal, and Togo
- Population: 120 millions (60% Muslims)
- GDP:
 - Annual rate growth : +6,7% since 2012
 - Inflation rate : 0,8%
- Average bancarisation rate: 20%
- Common currency (XOF)
- Organization for the Harmonization in Africa of Business Law (OHADA) for legal framework



Regulatory framework of the WAEMU financial system

- 08 countries with community regional structures of supervision and regulation in economic and monetary area
- WAEMU financial system has many supervisors :
 1. the money market supervised by the regional Central Bank (BCEAO) and the Banking Commission;
 2. **the capital market controlled by the AMF-UMOA, the capital market authority;**
 3. the insurance sector is supervised by the CIMA (Inter-African Conference on Insurance Markets) ;
 4. the pension funds are controlled by the CIPRES (Inter African Social Security Conference).

Capital Market Ecosystem as of septembre 2022





Our experience in islamic finance

WAEMU experience in islamic finance

❖ Banking sector :

- Banking islamic framework in WAEMU (The regulation framework covers the credit and microfinances activities offering Shariah compliance products)
- 02 Islamic banks (Niger and Senegal) operates in WAEMU
- 05 Islamic banks branches opened by the Coris Bank Group (Burkina Faso, Benin, Côte d'Ivoire, Mali and Senegal)
- 08 microfinance institutions (02 in Burkina Faso, 02 in Côte d'Ivoire, 02 au Niger 01 in Senegal and 01 in Togo)

❖ Capital market sector :

- 06 sovereign sukuks issued by Senegal, Côte d'Ivoire, Mali, Togo a and 01 public company sukuk
- Islamic Capital market framework just adopted
- Member of IFSB Working Group in charge of elaborating Standard on Investor protection in ICM since january 2019

❖ Insurance sector :

Framework still needs to be developed

❖ Academics programs

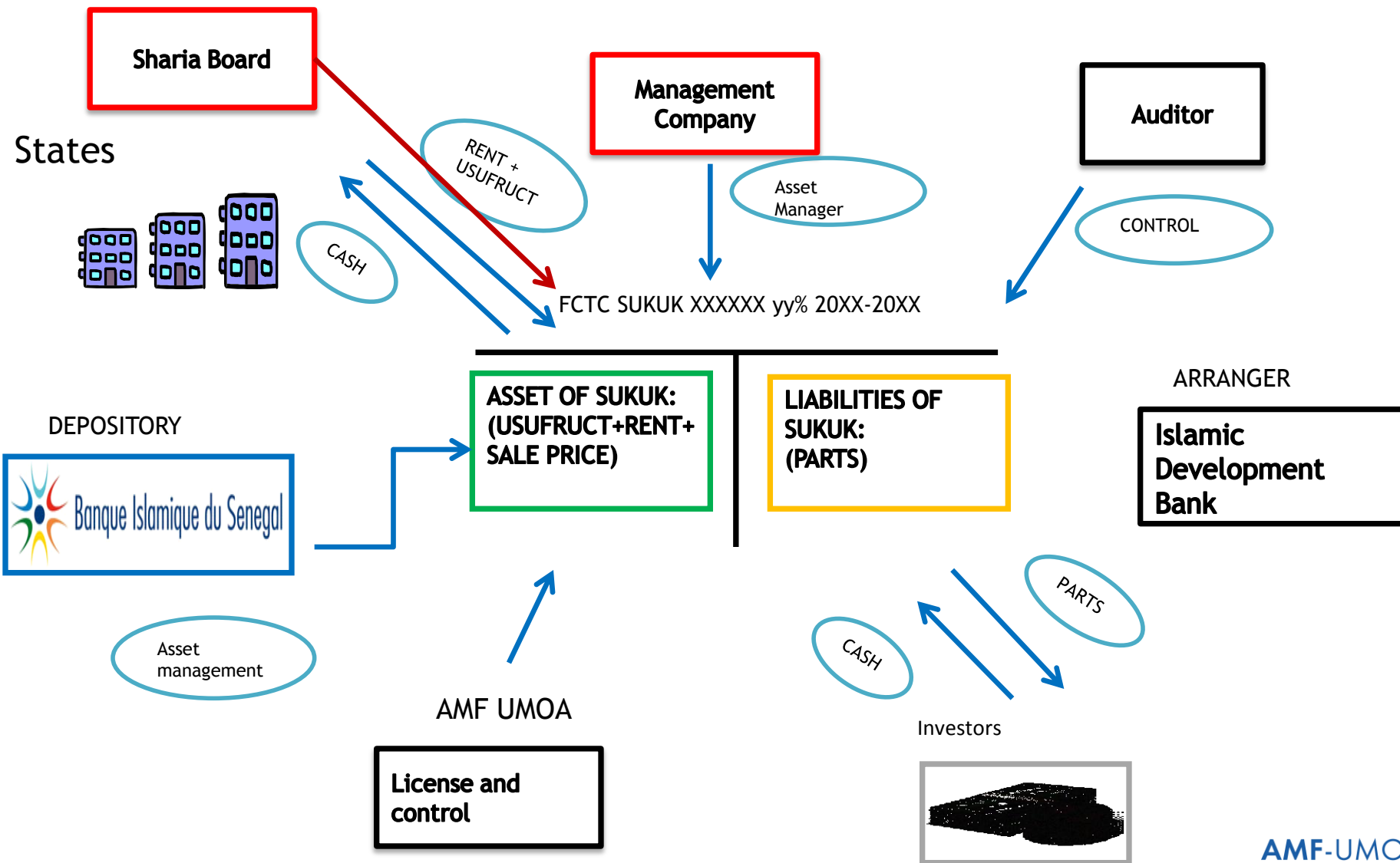
04 postgraduate programs in Islamic Finance launched (CESAG in partnership with IDB, Faculty of Economics and Management of UCAD in Dakar, BEM Management Business school in Dakar and Sahel University in Niger in partnership with the OIC)

- 06 sovereigns and 01 public company Sukuk have been issued between 2014 and 2022 for **1 746.98 million euros** (1 145.9 milliards de FCFA)

SUKUK	Amount raised (millions)	Maturity (years)
SUKUK State of Sénégal 6.25% 2014-2018	152.449 € 100 000 XOF	4
SUKUK State of Côte d'Ivoire 5.75% 2015-2020	228.673€ 150 000 XOF	5
SUKUK State of Sénégal 6% 2016-2026	304.898 € 200 000 XOF	10
SUKUK State of Côte d'Ivoire 5.75% 2016-2023	243.918 € 160 000 XOF	7
SUKUK State of Togo 6.5% 2016-2026	237.820 € 156 000 XOF	10
SUKUK State of Mali 6.25% 2018-2025	76.148 € 49 950	7
SOGEPA SN (5.85% 2022-2029; 5.90% 2022-2032; 6.10 % 2022-2037)	503.083€ 330 000	7; 10 and 15
Total	1 746,98 € 1 145,9XOF	

- All these SUKUK were issued through **Al-Ijara sukuk with asset based** using the securitization framework set up in March 2010
- The amount raised has served to finance infrastructure, energy and social housing**
- More than 85% of the subscribers** were banks and financial institutions

Main actors in Sukuk transactions in accordance with Reglement n°02/2010/CM/UEMOA related to securitization





OUTLOOKS OF THE ISLAMIC CAPITAL MARKET DEVELOPMENT ISSUES ON WAEMU REGIONAL FINANCIAL MARKET

Actions already carried out

The CREPMF launched in 2016 a project to set an Islamic Capital market regulations

The main actions already carried out are:

- ❖ Membership of IFSB as associate member in December 2016 ;
- ❖ Organization of a workshop for WAMU capital market authority and market participants on implementation of IFSB standards in July 2018 in Abidjan -Ivory Coast;
- ❖ Sharing experience with OJK (Indonesian capital market authority) in October 2018 and with Malaysian keys financial actors in November 2018 ;
- ❖ Set up of an internal unit dedicated to Islamic capital markets whose main activities cover the following aspects:
 - ✓ the proposal of the draft regulations on Islamic financial instruments (Sukuks and Islamic mutual funds), listing rules and indexes composition, sharia boards, etc.;
 - ✓ the follow-up of exchanges with external partners (IFSB, Islamic finance news, etc.) as part of the development activities of Islamic capital markets in the WAMU.
- ❖ Launched of a tender, in collaboration with FSD Africa, to select a firm to conduct the establishment and promotion of a regulatory framework dedicated to the Islamic capital market within the WAMU regional financial market;


PRESENTATION OF THE NEW FRAMEWORK

For to framework to be effective, these actions was made :

- ❖ Amendment to the General Regulations of the regional financial market in order the strengthen the power to enable the Regulator to create (recognize) new financial instrument in accordance with the principle of Islamic finance and to set up a Central Sharia Board ;
- ❖ Amendment to the Regulation of the BRVM (The stock Exchange) to allow it to
 - ✓ Recognize Islamic financial securities
 - ✓ Broaden its powers on these new instruments
 - ✓ Create of a dedicated compartment for Islamic instruments
 - ✓ Recognize the financial characteristics of new securities: payment of “profits” Vs dividends or Interest coupon
- ❖ **Adoption on September 2022 of a Regulation ON ISLAMIC FINANCIAL INSTRUMENTS, SUKUK ISSUING COMPANIES AND SUKUK ISSUE FUNDS IN WAEMU**

In addition, two (02) Instructions will be adopted soon

- Instruction related to CIS that compliant with Islamic principles and rules
- Instruction related to sharia advisory and Islamic principles rules for market player willing to offer Islamic Financial Services in the Capital Market



This project was conducted with the support of greatest number of stakeholders and at consensual level with all market players

It aims to :

- ❑ define the main characteristics that the financial instruments must have in order to comply with the principles and rules of Islamic finance;
- ❑ offer the regional financial market specific financing instruments, in accordance with the principles and rules of Islamic finance (such as Sukuk).

Coming next

■ Capacity building

- ✓ Promotion of international best practices and standards in the new regulations (legal documentation for issuing or licensing market intermediaries, bankruptcy or insolvency law, dispute resolutions, investor protection, listing rules, sharia compliance rules, business conduct rules for market participant, etc.);
- ✓ Education of investors (both institutional and retail) and issuers (both public, private and SMEs) on the value proposition of sukuk and related ICM products. On that topic, Islamic Finance News could be a very supportive actor;
- ✓ Providing of market/product courses and training seminars that will help to develop a pool of certified talent for our Islamic Capital Market;

■ Deepening the Islamic Capital Market

- ✓ Development and promotion of Islamic financial products (ICS, Sukuk, etc.)
- ✓ Actions to ensure the liquidity of Islamic products.



Conclusion

The WAEMU is a very dynamic market as it is the most prolific zone in terms of Sukuk issuance in Africa.

The new Islamic Capital market ecosystem framework that has been adopted on September 2022 will contribute to make the regional capital market more attractive and more competitive.

Islamic financial product is seen as a good opportunity to diversify the source of funding in the context where the WAEMU States have engaged a huge development and emerging programs.

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THANK YOU