



**Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)**

**Proceedings of the 22nd Meeting of the
COMCEC Financial Cooperation Working Group**

**“Digital Transformation of Payment Systems
in the OIC Member Countries”**



COMCEC COORDINATION OFFICE

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**PROCEEDINGS OF THE 22ND MEETING OF THE
COMCEC FINANCIAL COOPERATION WORKING GROUP**

**“Digital Transformation of Payment Systems
in the OIC Member Countries”**

(16-17 September 2024, Ankara, Türkiye)

COMCEC COORDINATION OFFICE

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INTRODUCTION

The 22nd Meeting of the COMCEC Financial Cooperation Group (FCWG) was held, as a sequel of the 21st Meeting, on 16-17 September 2024 in Ankara, Türkiye with the theme “Digital Transformation of Payment Systems in the OIC Member Countries”.

The representatives of 15 Member States, which have notified their focal points for the FCWG, attended the Meeting. The representatives of the SESRIC and Islamic Corporation for Development of the Private Sector (ICD-IsDB) also participated in the Meeting.

The Meeting considered the main findings of the research report titled “Digital Transformation of Payment Systems in the OIC Member Countries” which has been conducted specifically for the this year’s Meetings of the FCWG with a view to enriching the discussions.

In line with the tradition of the Organization of the Islamic Cooperation (OIC), the Meeting commenced with the recitation from the Holy Quran. Afterwards, Mr. Can AYGÜL, Director at the COMCEC Coordination Office, made an opening speech. After his speech Mr. AYGÜL gave the floor to Dr. Enas SHALASH, Deputy Director General, Central Bank of Egypt, as the Chairperson of the Meeting.

In the beginning, Dr. SHALASH summarized the Program of the Meeting and gave the floor to Dr. Mücahit ÖZDEMİR to make his presentation on the Financial Outlook of the OIC Member Countries. Following the presentation of Dr. ÖZDEMİR, Dr. Ayman BEKİROĞLU and Dr. Mohamed Cherif EL AMRI presented the main findings of the research report that their team prepared, introducing the background and key concepts about digital payment systems and the detailed analysis on the topic in the selected member countries.

The five case country analysis were covered in the research report namely, Malaysia, Morocco, Mozambique, Türkiye and United Kingdom. Afterwards, the representatives of Malaysia and Morocco presented their experiences in digital payment systems of their respective countries. With regard to private sector, Ms. Aslı ARSLAN from the Payment and Electronic Money Institutions Association of Türkiye (TÖDEB) presented their experiences in the digital payment landscape in Türkiye. Lastly, Mr. Ramazan GÖRGEÇ, Assistant Expert at COMCEC Coordination Office, made a presentation on the COMCEC Project Support Programs.

1. Financial Outlook of the OIC Member Countries

The first presentation of the Meeting was made by Dr. Mücahit ÖZDEMİR, Associate Professor of Islamic economics and finance at Bursa Uludağ University. He delivered a presentation on the main findings of the COMCEC Financial Outlook 2024. He expressed that the presentation consists of three chapters: Global Economic Developments, Financial Outlook of the OIC Member Countries, and Islamic Finance.

In the first part of his presentation, Dr. Mücahit ÖZDEMİR provided an overview of the global economic developments and economic growth in OIC Member Countries. In this context, he stated that the global economy is expected to grow by 2.6% in 2024, similar to the previous year. A moderate increase to 2.7% is expected by 2025–2026, contingent on factors like the U.S. presidential election and potential interest rate cuts from central banks. Regarding the

picture in the OIC, he expressed that growth in OIC countries improved to 4% in 2024, with high-income OIC countries showing robust growth, especially with Guyana's energy resource boom.

Dr. ÖZDEMİR continued with the financial performance and system stability of OIC countries which are assessed through four primary indicators: financial access, depth, efficiency, and stability. These metrics help gauge the development and resilience of financial institutions within OIC countries.

Concerning Financial Access, he mentioned that the level of access is evaluated by the number of bank accounts per 1,000 adults and the number of bank branches per 100,000 adults. These indicators show varying degrees of accessibility across OIC countries, with disparities due to differences in infrastructure, regulatory environments, and socioeconomic factors. Enhancing financial access remains critical for broadening participation in the financial system, especially in low-income OIC Member Countries, where traditional banking access can be limited.

With regard to financial depth, he pointed out that this refers to the size and capacity of financial institutions and markets. Indicators include private credit by deposit money banks to GDP, bank assets to GDP, and stock market capitalization to GDP. While some OIC countries show robust private credit ratios, others lag, indicating gaps in financial market penetration. Countries with more developed financial systems, often in the Gulf Cooperation Council (GCC) region, display deeper financial markets and broader asset bases.

Dr. ÖZDEMİR continued with Financial Efficiency which assesses the cost-effectiveness and profitability of financial services. Key metrics include the bank lending-deposit spread, return on assets, and return on equity. A higher lending-deposit spread in some countries highlights efficiency gaps, potentially increasing the cost of borrowing for individuals and businesses. Efficient financial systems in high-income OIC countries generally show lower spreads and higher returns, signifying more streamlined operations.

He underlined that Financial Stability examines the health and resilience of financial institutions. Metrics such as regulatory capital to risk-weighted assets, capital to total assets, and non-performing loans (NPLs) to gross loans indicate system robustness. Some OIC countries exhibit strong stability ratios, with well-capitalized banks and low NPLs, reflecting regulatory improvements and resilience. However, countries with higher NPL ratios may be facing challenges in credit quality, affecting overall financial stability.

Regarding the Islamic finance Dr. ÖZDEMİR expressed that it is a rapidly growing sector, with total assets reaching USD 3.25 trillion in 2022, reflecting a 6.1% year-on-year growth. This growth, although slightly slower than the 13% rise in 2021, showcases a resilient recovery post-COVID-19.

The Islamic finance sector's key segments include Islamic banking, capital markets (sukuk), funds management, and takaful (Islamic insurance). Dr. ÖZDEMİR stated that Islamic Banking continues to dominate the sector, accounting for 69.3% of total Islamic finance assets, equating to USD 2.25 trillion in 2022. Islamic banking assets are a significant component of the banking sector in 15 OIC member countries, where they represent over 15% of total domestic banking assets. Key players include GCC countries, where Islamic banking has a strong foothold, and Southeast Asia, particularly Malaysia and Indonesia, which are also experiencing rapid growth. Islamic banking's sustained expansion is attributed to rising consumer demand for Shariah-

compliant products, supportive regulatory frameworks, and innovation in digital banking services.

Concerning the Islamic Capital Markets (Sukuk), Dr. ÖZDEMİR indicated that the global sukuk market saw a slight 2.7% decline in issuance volume from USD 188 billion in 2021 to USD 183 billion in 2022. Factors like global inflation, interest rate hikes, and financial market uncertainty impacted the sukuk market's performance. Despite this, ESG (Environmental, Social, Governance) and green sukuk issuance increased, totalling USD 13 billion in 2023. Countries like Malaysia, Indonesia, and the UAE lead in ESG sukuk, leveraging this innovative segment to attract socially responsible investors and promote sustainable finance initiatives. Egypt also entered the market in 2023, issuing a debut sovereign sukuk valued at USD 1.5 billion, highlighting the growing interest from new markets in Shariah-compliant financing.

Dr. ÖZDEMİR also briefed the participants about Islamic Fund Management. He stated that the total assets under management (AUM) in Islamic funds grew by only 1% in 2022, reaching USD 136.6 billion. This modest growth reflects uncertainties in the global economy, which tempered investor demand and asset performance. Although there was a slight increase in the number of Islamic funds, asset managers in the OIC region face challenges from market volatility, which underscores the need for diversification and innovation in Shariah-compliant investment products.

With regards to Takaful (Islamic Insurance), Dr. ÖZDEMİR mentioned that the global takaful industry continued its positive trend, with total contributions rising by 16.1% to USD 30 billion in 2022, up from USD 25.8 billion in 2021. Growth was largely driven by the GCC region and MENA (Middle East and North Africa) regions, contributing USD 16.7 billion and USD 6 billion, respectively. Southeast Asia, notably Malaysia, remains an important market, with USD 5.9 billion in contributions, while Africa contributed USD 0.8 billion. Takaful growth aligns with rising demand for Shariah-compliant insurance products, regulatory support, and initiatives to increase awareness and penetration in Muslim-majority countries.

Dr. ÖZDEMİR lastly touched upon the regional opportunities expressing that the GCC region remains the largest contributor to global Islamic finance, holding a 53.6% share, equivalent to USD 1.73 trillion in assets. South-East Asia, particularly Malaysia and Indonesia, also plays a vital role, though its share slightly declined to 23% in 2022.

Dr. ÖZDEMİR completed his presentation with Future Growth Potential of Islamic finance. With continued demand for Shariah-compliant products, supportive regulatory frameworks, and the rise of digital finance, the Islamic finance sector is poised for further growth. Digital innovation, including the development of blockchain-based Islamic finance products, is expected to drive future expansion, particularly in underbanked regions.

2. Scope, Conceptual Framework and Methodology

The first presentation was made on the main findings of the research report which was conducted by consultants from İstanbul Sabahattin Zaim University namely Assist. Prof. Dr. Mohamed Cherif EL AMRI and Dr. Ayman BEKİROĞLU specifically for enriching the discussions during the Meeting.

Dr. BEKİROĞLU explained the background and key concepts of digital payments systems in the first presentation providing the overall picture and main findings of the report.

Dr. BEKİROĞLU started his presentation with background information emphasizing the effect of the 4th industrial revolution and the COVID-19 pandemic on deepening the unfeigned relevance of technology in economic developments across the world. The proliferation of technological advancements has created a situation where state actors were put under pressure to cope with amendments to the laws and policies to address the risks accompanied by such advancements and developments. As of 2022, the global smartphone penetration rate was about 68% relative to the global population of 7.4 billion people, increasing up from 2016 rate of 65%. There was a notable and dramatic shift from traditional retail payments to online retail sales by 2022. The global increase in internet adoption by January 2024 was demonstrated, however the notable weak adoption in central Africa and southern Asia was also highlighted.

This was followed by outlining the aim and scope of the study which is to analyze and elaborate on i) payment systems in different jurisdictions, with a particular focus on the initiatives in the OIC Member Countries and the need for digitalization in payment systems; ii) emerging technologies on digital payment systems; iii) key components and parties involved in the digital transformation; and iv) the challenges and prospects of digital payment systems in the OIC Member Countries.

According to Dr. BEKİROĞLU, the significance of the study is manifested in i) formulating practical policy recommendations to the OIC Member countries; ii) improving cooperation among central banks in terms of digital payment systems; and iii) identifying key best practices and prospects for policy reforms.

On the methodology front, Dr. BEKİROĞLU revisited the five phases of design thinking - discovery, interpretation, ideation, experimentation, and evolution. The discovery phase involved a comprehensive literature review that has provided the conceptual framework for the analysis on digital payment systems, its significance and challenges. The interpretation phase involved a detailed analysis on digital payment system, innovative solutions and challenges. Findings from the literature survey were complemented by data collected from stakeholders through semi-structured expert interviews and field visits. The survey was prepared in accordance with the study's purpose to obtain fundamental information about the needs, expertise, experience, attitudes, and opinions of regulators, international institutions, and private sector representatives. Based on the primary data collected through the semi-structured interviews, univariate and multivariate analytical coding models (i.e., hierarchical linear modelling) were used to comprehensively explore the most pressing issues and concerns of digital payment systems among the OIC Member Countries.

The methodology used to select the case studies was based on four selection criteria depicted in Table 1. These were: i) four countries among the OIC members and one non-OIC country; ii) countries from different geographic regions – African, Arab, and Asian; iii) countries with different legal systems/regimes; and iv) countries with different levels of digital payment systems development.

In the second part of his presentation, Dr. BEKİROĞLU made a brief on the historical evolution of money to set the grounds for discussing digital payment systems and their underpinning technologies. According to him, the five main broad types of digital payment systems are: i) electronic payment systems; ii) mobile payment apps; iii) mobile wallets; iv) contactless

payments; and v) non-state regulated payment systems. The most prominent technologies underpinning these payment systems were enumerated as: i) machine-learning and artificial intelligence (AI); ii) application programming interfaces (APIs); iii) near field communication (NFC) and magnetic secure transmission; iv) distributed ledger technology (DLT); and v) biometric verification. This was followed by explicating the key areas where digital payment systems have demonstrated significant impact. Research suggested that digital payments could boost the GDP, while evidence from Kenya indicated a correlation between widespread digital payment adoption and poverty reduction. Therefore, digital payments could have a significant impact on economic growth. Moreover, it is seen that the adoption of digital payments can play an important role in promoting financial inclusion, as well as leading to efficiency gains and cost savings. Digital payment adoption could even improve women's economic participation and enhance climate resilience.

Although there is a global trend to shift to digital payments, the transition to a digital payment system is faced with many challenges. It was underlined that a substantial population, especially in developing and emerging markets, remains unbanked or underbanked. In addition, critical questions are raised about the survival strategies for the poor and newly impoverished in an increasingly cashless economy.

Dr. BEKİROĞLU underlined three main categories of challenges ahead as structural, regulatory, and technical. Structurally, it was determined that there is a need to ensure that the payment systems are better prepared for high volume of transactions while ensuring security and fraud prevention. Conversely, regulators are faced with the challenge of dealing with transactions that have multi-jurisdictional character in cross-border payments. This requires collaboration and integration of global financial services. Technically, cybersecurity threats will continue to plague digital payment systems. There is a need for continuous monitoring, development and innovation in advanced counter cybersecurity measures. There is also a need for regulators to ensure and facilitate interoperability and user accessibility.

In the last part of his presentation, Dr. BEKİROĞLU outlined the global, regional, and local trends in digital payment systems. He noted that network effects and bandwagon effects significantly contribute to the proliferation of payment systems, while convergence among systems has not yet been observed. On the other hand, fintech innovations are leading to greater financial inclusion especially in the developing OIC countries. This evolution has witnessed non-financial institutions, such as telecommunications companies, taking on financial services. Unlike developing OIC Member Countries, developed OIC countries such as Türkiye, Malaysia, and those in the Gulf Cooperation Council (GCC) predominantly utilize mobile and online banking for their daily transactions.

This part transitioned to detailing the issues and challenges faced on the structural, regulatory, and technical level. Four main structural issues were identified in general in the OIC member countries: i) technical literacy; ii) economic structure challenges; iii) government effectiveness and policy framework issues; and iv) infrastructure challenges. On the regulatory level, it was found that technological innovation in trade is hindered by cross-border regulations and lack of standardization in documentation. It was also found that there is a dearth number of regulatory initiatives that address the identified challenges. On the technical level, it was found that OIC

markets collectively lag the latest digitalization development to face the challenges of automation.

Dr. BEKİROĞLU then informed the meeting about the two main payment system classifications of OIC Member Countries. The first is ‘Mobile Money’ which is characteristic of systems with poor banking. Nations with a low percentage of their population using credit or debit cards depend more on mobile money accounts for transactions. In this classification, Africa emerges as the region where nations rely mostly on these accounts. The second classification is ‘Mobile and Online Banking’ which is a feature of developed OIC economies. This was followed by explaining the correlation between the level of financial development and its impact on the adoption of digital payment systems. Low financial sector ratings were associated with low adoption rates, while higher financial sector ratings were found to have higher digital payment adoption rates.

Before finalizing this part, Dr. BEKİROĞLU provided an overview of the dimensions for a proper Sharī‘ah analysis of digital payment systems. Five main aspects were identified: i) Sharī‘ah compliance in DPS where challenges like defining sales receipt timeline were cited; ii) security and infrastructure challenges were outlined; iii) the role of regulation in ensuring compliance; iv) the need for Sharī‘ah analysis of new digital payment methods; and v) the need for Sharī‘ah compliance for innovations like cryptos. Dr. BEKİROĞLU concluded the presentation by explaining the importance and benefits of cross-border multilateral collaborations and outlining the key frictions identified by the Committee on Payments and Market Infrastructures (CPMI), in addition to citing the two main key design aspects of a multilateral platform which are: i) the network model (hub and spoke; common platform) which can significantly affect whether different jurisdictions should adopt consistent rules (like the finality of payment) or each should adopt its own to mitigate the risks arising; and ii) the currency arrangement (single currency; multicurrency; cross-currency).

Questions and Answers Section (Q&A)

Question: The delegate of Morocco expressed her concern in being able to understand how artificial intelligence can benefit climate resilience.

Answer: Dr. BEKİROĞLU explained the potential of AI in guiding investors to invest in climate-friendly assets which in turn leads to enhancing the climate resilience.

Q: The delegate of Saudi Arabia conveyed his perception of the most critical dimension for enhancing the adoption of digital payment systems. According to him financial literacy is very critical to make the users aware of all the digital payment method choices available and therefore select the most suitable according to his context and preference. This perception was also supported by the delegate of Pakistan.

A: While the study was more concerned with the structural, regulatory, and technical challenges and issues, Dr. BEKİROĞLU agreed with the delegates’ perception and confirmed the importance of financial literacy in digital payment method awareness and selection.

Q: The delegate of Morocco asked about the reason for the absence of Morocco from the table ‘CPIA Financial Sector Ratings’.

A: Dr. BEKİROĞLU clarified that the table in the slide is a sample only for presentation purpose where the report contains the full table. (While reviewing the table after the meeting, the researchers found that the World Bank's CPIA indicator values are missing for Morocco and a few other countries).

Q: The delegate of Egypt reiterated the same concern of the delegate of Morocco demanding to better explain how artificial intelligence can benefit climate resilience.

A: Dr. BEKİROĞLU asserted that AI can enable long-term investments in climate-friendly assets and infrastructure. He cited an example where AI can help turn investors' interests to investing in assets and alternative factories that reduce or completely eliminate carbon emission. In addition to this, AI can help steer investments away from linear economy into an environment-friendly circular economy.

3. Lessons Learnt from the Selected Case Studies and the Policy Options

Dr. EL AMRI made a detailed presentation on the country case studies in the following sequence: i) Malaysia, ii) Türkiye, iii) Morocco, iv) Mozambique, and v) UK.

Dr. EL AMRI started the with Malaysia, which boasts high levels of human development, urbanization, and digital adoption, where it has robust internet and smartphone penetration rates of 97.56% and 89.06% respectively. According to Dr. EL AMRI, prioritizing payment systems assumes paramount importance for Malaysia's economic trajectory. As the world gradually comes to terms with a highly sophisticated digital era, the burgeoning e-commerce market in Malaysia plays a pivotal role in propelling the adoption of digital payment systems.

Based on the case of Malaysia, lessons learnt include i) the propensity for fast and seamless fund transfer; ii) the need for enhancing mobile banking capabilities; iii) further enhancing the payment system through QR payments; iv) continued relevance for bank cards; v) significant reduction in cash usage; and vi) benefits of cross-border collaborations. Accordingly, country-specific policy recommendations are:

- *Sustained promotion of digital payments:* Malaysia should continue to promote the use of digital payments through various strategies, particularly in the rural communities. Customers should be encouraged to discontinue the use of traditional methods such as cheques and cash.
- *Strengthen Cybersecurity:* There is a need for continuous improvement, enhancement and finetuning to ensure a robust, resilient and ironclad cybersecurity protocols are deployed in the payment systems infrastructures in the country.
- *Proactive Regulatory Reforms:* There is a need for BNM to continue to track developments globally and monitor emerging risks which would help in updating and reforming existing regulatory policies.
- *Foster an environment that encourages innovation:* Malaysia needs to continue to foster an environment that promotes innovation and adoption of new technologies in the payment systems. This would help control the activities of non-state or faceless players who have utilized blockchain technology in introducing cryptocurrencies.
- *Promote Financial Literacy:* Consumers, particularly the underserved and vulnerable, need to be well informed about digital payments, including how to benefit from its potentials and protect themselves against the risks.

In the second case study, Dr. EL AMRI elaborated on the case of Türkiye where it has shown significant economic and technological developments, and it steadily continues to grow. Despite being vulnerable to external shocks and exposed to a dollarized monetary system, Türkiye continues to maintain market fairness with effective payment methods and systems. Efforts and developments in the digitization of the payment system in Türkiye have enhanced investments towards electronic money companies, digital banks, and other financial alternative distribution channels. The recent central bank's digital currency has been projected to contribute to the government's implementation plans of the digital payment system.

Based on the case study findings, lessons learnt include i) Türkiye has a lot of advantage as a G20 member; ii) enhanced mobile and banking capabilities; iii) further enhancing the payment system through QR and biometric payments; iv) continued relevance of cards; v) significant reduction in cash usage; and vi) introduction of Turkish digital lira.

With regards to the country-specific recommendations, Dr. EL AMRI mentioned:

- *Digital literacy education:* Financial literacy education should be emphasize not only by the government but by any concerned non-governmental organization, and it should go hand in hand with the promotion of DPS .
- *Infrastructure investments:* Government (regulatory authority) and Service providers need to develop and enhance technological innovations and security systems of the DFS and financial sector in general. Stakeholders should proactively implement measures to promote increasing innovation in FinTech.
- *Regulatory enhancement:* Informal economy can be reduced with a fair tax system and mandatory legal regulations and building consumer trust and strengthening convenient regulatory frameworks through strengthening consumer protection institutions.
- *Constant Data security upgrade:* The relevant authority should invest in constant research and development so as to make sure that information with regard to the people subscribing to the digital system is highly protected.

With regards to the case part on Morocco, representing a country at the developing stage of payment systems, Morocco's case was discussed under the lines of digitalization and enhancement of the payment ecosystem by the Bank Al-Maghrib. Overall however, Dr. EL AMRI stated that Morocco is showing signs of digital development where there is around 88% internet penetration rate while it is reported that about 57% of the population are active social media users. The lessons learnt are: i) importance of public trust and awareness; ii) infrastructure development is a priority; iii) regulatory frameworks must be adaptive; and iv) cultural considerations must exist in policy implementation.

As for the country-specific recommendations considered, following are essential according to Dr. EL AMRI's presentation:

- *Implement Comprehensive Public Awareness Campaigns:* The government should launch nationwide campaigns to educate the public on the benefits and security of digital payments, aiming to build trust and shift consumer behavior away from cash transactions.
- *Invest in Digital Infrastructure:* Priority should be given to expanding and upgrading digital infrastructure, particularly in rural areas, to ensure that all citizens have access to reliable digital payment options.

- *Streamline and Simplify Regulations:* The regulatory environment for digital payments should be reviewed and simplified to reduce barriers to entry for FinTech companies and encourage innovation in payment solutions.
- *Reduce Transaction Costs:* The government could consider subsidizing transaction fees or offering incentives for businesses and consumers to use digital payment systems, making them a more attractive alternative to cash.
- *Promote Cultural Shift Through Incentives:* Policies that promote a shift in consumer behaviour, such as offering incentives for digital transactions, should be implemented. This could include tax breaks for businesses that adopt digital payment systems or discounts for consumers who make digital payments.

Mozambique has actively adopted digitalization, with 7.54 million internet users recorded in January 2022, reflecting a 22.9% increase from the 2021 figure of 5.81 million users, and the internet penetration rate of the total population is about 23%. It's journey from the initial stages of payment systems to an emerging digital payment player is a reference within the OIC member states. This case study demonstrates how Mozambique has progressed within the digital financial space, providing a blueprint for growth and progression in the financial sector.

Accordingly, lessons learnt involve i) digital infrastructure development; ii) clear and adaptive regulatory framework; iii) public-private partnerships; iv) financial inclusion strategies; v) digital literacy and education; and vi) government initiatives.

Country-specific policy recommendations from Mozambique experience are:

- *Enhance Digital Literacy:* The government should promote digital literacy through educational campaigns to increase public awareness and understanding of digital financial services. These campaigns should prioritize rural areas with higher levels of financial illiteracy, ensuring that these communities are included in the digital transition.
- *Expand Internet Access:* The government should subsidize internet access, utilizing public funds and support from non-profit organizations. Also, incentivize telecommunications companies to invest in infrastructure development through tax exemptions, subsidies, and public-private partnerships.
- *Strengthen Regulatory Framework:* The creation of the INAGE should facilitate the centralization of monitoring for various digital payment services available to the public. Update and harmonize existing laws to reflect advancements in digital payment systems, ensuring they are aligned with international best practices and standards.
- *Promote Financial Inclusion:* Conduct an extensive study on the national and international transfer market, focusing on remittances. Also, develop strategies that promote economic accessibility within the financial ecosystem, ensuring that digital financial services are accessible to all population segments.
- *Encourage Public and Private Sector Collaboration:* Implement incentive programs to encourage telecommunications companies to invest in underserved regions. Also, foster partnerships between the public and private sectors to jointly address connectivity challenges and expand access to digital financial services.
- *Implement the Digital Acceleration Project:* The Mozambique Digital Acceleration Project should aim to increase broadband internet access, promote digital inclusion, and accelerate digital transformation nationwide. This project should focus on critical digital

foundations and enablers, contributing to Mozambique's green, resilient, and inclusive development.

Provided the only non-OIC state among the country case studies, UK constitutes an important example both in its geography and across the world as it has a very mature banking and financial system and a very sophisticated digital payment system. It is, therefore, used as a comparative benchmark, to gauge the development and progress of its experiment in the digitalization of the payment system in OIC Member Countries. The UK 's economy is dominated by the service sector, which includes banking, finance, retail, hospitality, as well as public services like health and education.

Dr. EL AMRI highlighted that before Brexit and the COVID-19 pandemic, the British economy and payment landscape was already undergoing rapid digital transformation. Instead of cash, individuals started using mobile and online banking. E-wallets gained popularity, offering consumers more convenient ways to manage their finances and make instant payments anytime, anywhere.

In terms of lessons learnt from the case of UK, these are the main points: i) the importance of regulatory agility, stakeholder engagement, and technological innovation in driving adoption and mitigating risks; and ii) the creation of a safe, secure, efficient, accessible, and competitive payment system infrastructure is widely viewed as a necessary prerequisite for both financial inclusion and more efficient financial intermediation.

4. Experiences/Perspectives of the Member States

4.1. Malaysia

Mr. Muhamad Izzat SULIMAN, Officer at Bank Negara Malaysia, made a presentation on Malaysia's journey in advancing and adoption of e-payment systems in Malaysia.

Mr. SULIMAN first expressed the main building blocks of the digital payment systems. He touched upon the necessity of a robust regulatory framework including key legislation like the Financial Services Act and Islamic Financial Services Act. Then, a clear developmental strategy should be followed focusing on interoperability, cost reduction, and increasing the use of digital payments over cash. These legal and should be pursuit by advocacy, including campaigns to promote e-payment adoption among the public and businesses.

Afterwards, Mr. SULIMAN highlighted that e-payment adoption has grown rapidly, with significant annual growth in credit transfers and mobile payments. Therefore, Malaysia introduced the Real-time Retail Payments Platform (RPP) to support interoperability and a unified QR code for seamless transactions.

Regarding the ongoing efforts Mr. SULIMAN mentioned that cross-border payment initiatives are being developed, with live bilateral payment linkages across ASEAN countries. He completed the presentation by stating that fraud prevention measures like the National Fraud Portal have been implemented to combat scams and improve fund tracing.

4.2. Morocco

Ms. Jihan EL MENZHI, Head of Department at the Ministry of Economy and Finance, presented Morocco's digital transformation journey in payment systems, focusing on three

primary areas: (i) Payment System Infrastructure, (ii) Digital Payment Methods and Statistics, and (iii) Morocco's Digital Payment Development Strategy.

Ms. EL MENZHI outlined Morocco's payment system infrastructure, emphasizing the Gross Settlement System (SRBM) and the Moroccan Interbank Remote Clearing System (SIMT), which support large-value transactions and process cashless payments electronically. Established in 2006, the SRBM ensures secure transactions between financial institutions and enhances monetary policy effectiveness. The Central Bank also monitors these systems, maintaining their safety and efficiency. In response to the COVID-19 pandemic, digital payments gained momentum, with contactless payments rising to over 41% of point-of-sale transactions by 2022.

Next, Ms. EL MENZHI elaborated on Morocco's digital payment development strategy, which prioritizes: Supporting fintech startups to lower costs and reduce cash dependence, Balancing innovation with regulation, including open banking and crypto-asset usage, Integrating Morocco's payment system within the regional landscape.

Finally, she highlighted the importance of cyber resilience as digital transformation exposes financial institutions to cyber risks. The Central Bank has responded with directives aimed at bolstering cybersecurity and promoting digital literacy to safeguard the financial ecosystem.

5. Experiences of Private Sector

Ms. Aslı ARSLAN, Deputy Secretary General, the Payment and Electronic Money Institutions Association of Türkiye (TÖDEB) made a presentation providing an overview of the fintech landscape in Türkiye, focusing on the payment and electronic money sector.

With regard to legal framework on digital payment systems, Ms. ARSLAN stated that Law No. 6493 regulates payment services and e-money institutions, giving the role of the regulatory authority to the Central Bank of Türkiye. As to the TÖDEP (Payment and Electronic Money Association), it was established to set professional standards and coordinate efforts across the sector.

Then, she provided information on the growth of fintech sector in Türkiye. She stated that Türkiye is an attractive market for fintech innovations, driven by strong consumer demand, regulatory support, and technological advancements. Services include payment gateways, digital wallets, prepaid cards, and open banking, with a focus on offering secure, low-cost, and innovative financial solutions.

Ms. ARSLAN concluded her presentation by informing the participants about e-money institutions indicating that e-money institutions offer prepaid cards and digital wallets that allow seamless payments without offering returns or credit services.

6. COMCEC Project Support Programs

Mr. Ramazan GÖRGEÇ, Program Coordinator at the COMCEC Coordination Office, made a presentation on COMCEC Project Support Programs.

Mr. GÖRGEÇ started his presentation by providing general information on the COMCEC Project Support Programs, namely COMCEC Project Funding, COMCEC COVID Response and COMCEC Al-Quds Program.

He explained objectives and main characteristics of the CPF indicating that 157 projects have been implemented so far by 30 countries and 6 OIC Institutions. Also he underlined that all Member Countries participated as beneficiaries in these projects. Considering only 15 projects have been implemented in the financial cooperation area, Mr. GÖRGEÇ encouraged the participants to submit projects in this area.

Mr. GÖRGEÇ also provided details about the supported themes in the financial cooperation area. He stressed that the CCO provides fund for the projects which are formulated in line with the COMCEC policy recommendations.

Mr. GÖRGEÇ recommended the participants to review the application documents particularly the Project Preparation and Submission Guidelines as well as supported sectoral themes before designing and submitting their project proposals. Moreover, he informed the participants about online project submission and highlighted the critical steps for this process.

Mr. GÖRGEÇ concluded his presentation with providing brief information about the project being implemented in the financial cooperation area under the CPF in 2024.

7. Policy Debate Session: Formulation of Policy Recommendations for the 40th COMCEC Ministerial Session

A policy debate session was held during the 22nd Meeting of the Financial Cooperation Working Group (FCWG). Before the policy debate Dr. Mohamed Cherif EL AMRI expressed the main challenges faced by the Member Countries, then he enumerated and explained the policy recommendations as the output of their main findings in the research report.

Dr. EL AMRI highlighted that the challenges and policy recommendations vary according to the development level of the Member Countries in terms of digital payment systems. Therefore, the policy recommendations are grouped under 3 categories. In this respect, after explaining the challenges in this field, he touched upon general recommendations, and then he passed the specific policy recommendations for the Member Countries with low development level of payment systems. Then he explained the recommendations for countries with intermediate level of development in payment systems. Lastly, he enumerated the recommendations for the Member Countries with matured and advanced development levels of payment systems.

After the presentation of Dr. EL AMRI the policy recommendations were discussed by the participants and revisions were made on some of the recommendations considering the policy landscape of the member countries as highlighted by the participants. The latest version of the policy recommendations document has been circulated to the focal points of the Financial Cooperation Working Group and the participants. The policy recommendations document will be submitted to the 40th COMCEC Ministerial Session for consideration and adoption.

Closing Remarks

The meeting ended with closing remarks by Dr. Enas SHALASH, Chairperson of the meeting, Deputy Director General, Central Bank of Egypt and Mr. Can AYGÜL, Director at the COMCEC Coordination Office. In her concluding remarks, Dr SHALASH expressed her appreciation to all the speakers and participants for the fruitful discussions held during the meeting. Mr AYGÜL then expressed his thanks and appreciation to all the participants for their contributions to the discussions throughout the Meeting. The meeting ended with a vote of thanks.

ANNEXES

Annex I: Agenda of the Meeting



AGENDA

**OF THE 22ND MEETING OF THE COMCEC
FINANCIAL COOPERATION WORKING GROUP
(September 16-17, 2024; Ankara)**

***“DIGITAL TRANSFORMATION OF PAYMENT SYSTEMS
IN THE OIC MEMBER COUNTRIES”***

1ST DAY: SEPTEMBER 16TH, 2024

Opening Remarks

1. Financial Outlook of OIC Member Countries
2. “Digital Transformation of Payment Systems in OIC Member Countries” (Scope, Conceptual Framework and Methodology)
3. Lessons Learnt from the Selected Case Studies and Policy Options
4. Experiences/Perspectives of the Member States and Private Sector
5. COMCEC Project Support Programs

2ND DAY: SEPTEMBER 17TH, 2024

1. Main Challenges and Success Factors in Digital Transformation of Payment Systems in the OIC Member Countries
2. Policy Debate Session: Formulation of Policy Recommendations for the 40th COMCEC Ministerial Session

Closing Remarks

Annex II: Programme of the Meeting



PROGRAMME

**22ND MEETING OF THE COMCEC
FINANCIAL COOPERATION WORKING GROUP
(September 16-17, 2024, Grand Mercure, Ankara, Türkiye)**

***“Digital Transformation of Payment Systems
in the OIC Member Countries”***

September 16th, 2024

- 09.00 - 09.30 Registration**
- 09.30 - 09.35 Recitation from the Holy Qur’an**
- 09.35 - 09.45 Opening Remarks**
- 09.45 - 10.05 Financial Outlook of the OIC Member Countries**
- *Presentation : Dr. Mücahit ÖZDEMİR*
Consultant, COMCEC Coordination Office
- 10.05 - 10.15 Discussion**
- 10.15 - 10.55 Presentation of the Draft Research Report**
- *Presentation : Dr. Ayman BEKİROĞLU*
Consultant, İstanbul Sabahattin Zaim University
- 10.55 - 11.25 Discussion**
- 11.25 - 11.40 Coffee Break**
- 11.40 - 12.20 Lessons Learnt from the Selected Case Studies and the Policy Options**
- *Presentation : Dr. Mohamed Cherif EL AMRI*
Consultant, İstanbul Sabahattin Zaim University
- 12.20 - 12.50 Discussion**
- 12.50 - 14.30 Lunch**
- 14.30 - 16.00 Experiences/Perspectives of the Member States and Private Sector**
- *Malaysia*
- *Morocco*
- *TÖDEB*
Discussion
- 16.00 - 16.15 Coffee Break**
- 16.15 - 17.00 Utilizing the COMCEC Project Support Programs**
- *Presentation by COMCEC Coordination Office*
Discussion

September 17th, 2024

09.30 - 10.15 Main Challenges and Success Factors in Digital Transformation of Payment Systems in the OIC Member Countries

- *Presentation : Dr. Mohamed Cherif EL AMRI
Consultant, Istanbul Sabahattin Zaim University*

10.15 - 12.00 Policy Debate Session: Formulation of Policy Recommendations for the 40th COMCEC Ministerial Session on Digital Transformation of Payment Systems in the OIC Member Countries

A policy debate session was held on policy recommendations to encourage or further the digital transformation of payment systems in the Member Countries.

Discussion

12.00 - 12.15 Closing Remarks and Family Photo

Annex III: List of Participants

LIST OF PARTICIPANTS

22nd Meeting of the COMCEC Financial Cooperation Working Group (16th-17th September 2024 - Ankara)

A. MEMBER COUNTRIES OF THE OIC

PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA

- Ms. ASSIA BENCHABLA
Senior Expert, GIE Monetique

REPUBLIC OF AZERBAIJAN

- Ms. ZIBA MURGUZOVAYUSIFOVA
Head of Division, Ministry of Finance

REPUBLIC OF BENIN

- Mr. HYACINTHE MONTCHO
Director of Studies and Development Aid Coordination, Ministry of Economy and Finance

BURKINA FASO

- Mr. PATINDE WENDINDA JEAN YVES BELEM
Head of Department

ARAB REPUBLIC OF EGYPT

- Dr. ENAS SHALASH
Deputy Director General

REPUBLIC OF IRAQ

- Mr. ASHRAF HASAN ALBAYATI
Manager of ITP Department of Central Bank of Iraq
- Mr. WALEED KHLEEF JBARA
Manager, Central Bank of Iraq
- Mr. AHMED AODHAIB
Head of International Organizations Department of Central Bank of Iraq

THE STATE OF KUWAIT

- Mr. SOUD ALRASHIDI
Foreign Relation Researcher, Ministry of Finance

MALAYSIA

- Mr. MUHAMAD IZZAT SULIMAN
Officer, Bank Negara Malaysia

KINGDOM OF MOROCCO

- Ms. SARMIRA EL ABDAOUI
Deputy Head of Mission, Embassy of Morocco in Ankara
- Ms. JIHAN EL MENZHI
Head of Department, Ministry of Economy and Finance
- Mr. YOUSSEF BENABDOUH
Head of Department, Ministry of Industry and Trade

REPUBLIC OF MOZAMBIQUE

- Mr. OSVALDO ANTONIO FERNANDES DE JESUS
Officer, Bank of Mozambique

ISLAMIC REPUBLIC OF PAKISTAN

- Mr. IMADUDDIN MUHAMMAD
Expert, State Bank of Pakistan

KINGDOM OF SAUDI ARABIA

- Mr. MASHARY ALSHEEHA
Advisor, Ministry of Finance
- Mr. WAEL ABDULMOMEN MERZA
Islamic Finance Division, Saudi Central Bank

REPUBLIC OF SIERRA LEONE

- Mr. FODAY IBRAHIM KABBA
Senior Expert, Ministry of Finance

TÜRKİYE CUMHURİYETİ

- Mr. NECMETTİN METE SAKALLIOĞLU
Head of Department, Ministry of Treasury and Finance
- Ms. NURSELİN OZKANAYAZ
Assistant Expert, Ministry of Treasury and Finance
- Mr. OĞUZ YILDIZ
Information Systems Supervision and Enforcement Director, CBRT
- Ms. PERİHAN DEMİR
Assistant Expert, Borsa İstanbul

TURKMENISTAN

- Mr. SEIDNUR JAPBAROV
Head of Department, Ministry of Finance and Economy

B. THE OIC SUBSIDIARY ORGANS

STATISTICAL, ECONOMIC, SOCIAL RESEARCH AND TRAINING CENTER FOR ISLAMIC COUNTRIES (SESRIC)

- Mr. AHMET KÜRŞAD DOSDOĞRU
Expert
- Ms. SEMİHA ABDULLAHINAN
Expert

ISLAMIC CORPORATION FOR DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

- Mr. ASKAR BAIMULDIN
Lead Principal, Lines of Finance

C. INVITED INSTITUTIONS

- Mr. İBRAHİM KÜÇÜKİKİZ
Deputy Director General, OIC-COMCEC CENTRAL BANKS FORUM
- Ms. EMİNE HARMANKAYA
Assistant Expert, OIC-COMCEC CENTRAL BANKS FORUM
- Ms. YASEMİN FERAHLAR
Senior Expert, CAPITAL MARKETS REGULATORS FORUM
- Ms. ASLI ARSLAN
Deputy Secretary General, the Payment and Electronic Money Institutions Association of Türkiye (TÖDEB)
- Mr. AYKUT BABABALIM
Sector Coordinator, the Payment and Electronic Money Institutions Association of Türkiye (TÖDEB)

D. COMCEC COORDINATION OFFICE

- Mr. CAN AYGÜL
Head of Department
- Mr. MEHMET ASLAN
Head of Department
- Mr. MEHMET C. AKTAŞ
Head of Department
- Assoc. Prof. Dr. MOHAMED CHERIF EL AMRI
Consultant, İstanbul Sabahattin Zaim University
- Dr. AYMAN BEKİROĞLU
Consultant, İstanbul Sabahattin Zaim University

- Mr. MÜCAHİT ÖZDEMİR
Consultant, Bursa Uludağ University
- Mr. MEHMET AKİF ALANBAY
Expert
- Mr. RAMAZAN GÖRGEÇ
Assistant Expert
- Mr. SELİM UYAR
Translator
- Ms. HANDE ÖZDEMİR
Translator
- Ms. ÖZGÜL YÜKSEL
Officer
- Mr. OZAN LİF
Officer
- Ms. HAVVA YILMAZ
Officer
- Ms. YELİZ DURAN
Officer