



Guide to TEHRAN STOCK EXCHANGE





Tehran Stock Exchange

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TSE at a glance

Trading		
Days	Saturday to Wednesday	
Hours	9:00 to 12:30 (preopening: 8:30 to 9:00)	
System	Automated, order - base	
Mechanism	Auction, Continuous trading	
Market Maker	Arbitrary in the main market and Compulsory in the second market	
Exchange Traded Securities	Shares & Rights, Participation Certificates, Stock Futures and Embedded Put Option	
Currency	Iranian Rial	
On-line information	Prices (Opening, Minimum, Maximum and Closing), Indices, Companies' information, Trading volume and Quotes	
Depository, Clearing and Settlement		
Depository and Settlement	Central Securities Depository of Iran (CSDI)	
Period	T+3 (Shares and other Securities) – T+1 (Participation Certificates, Fixed Income)	
Settlement	Settlement in Brokerage level and nonphysical Settlement in Costumer level	
Clearing	Multilateral Netting	
Short Selling	N/A	
Taxes		
Dividend	Tax Exempt	
Capital Gain	Tax Exempt	
Transfers (seller)	0.5% of trading value	
Trading Commissions		
	Buyer (%)	Seller (%)
SEO	0.032	0.048
TSE	0.032	0.048
Broker	0.4	0.4
Clearing Fee	0.012	0.018
Tehran Securities Exchange Technology Management Co.	0.01	0.015
Total	0.486	0.529
Structure and Regulations		
Legal	Joint Stock	
Regulations	Self-regulated under SEO Supervision	
Volatility	Share and debt instruments ±5%, Rights ±10%	
Closing Pricing	Weighted Average with Base Volume	
Foreign Investment	Yes (According to Foreign Investment bylaw)	



Iran's Economy at a Glance

There are great economic capacities for Iran in the Middle East region and beyond. The country is located in one of the most strategic geo-economic parts of the world. With a population of about 79 million, mostly young and academically educated, Iran is a fairly vast country of 1.65 million square km, and privileged with opulent natural resources.

Iran has the third biggest oil and the second largest natural gas resources in the world. It is estimated that the country holds the first global zinc and the second copper reservoirs, and on the average, with 1 percent of the global population, Iran has 7 percent of mineral resources.

Despite copious challenges, Iran's GDP reached USD 394 billion in 2014, ranking the country second in MENA region and 18th in the world.

Tehran Stock Exchange

TSE opened in February 1967. During its first year of activity, only six companies were listed in TSE. Then Government bonds and certain State-baked certificate were traded in the market.

Tehran Stock Exchange has come a long way. Today TSE has evolved into an exciting and growing market-place where individual and institutional investors' trade securities of 318 companies (Nov. 2015).

TSE History

The summary of TSE's history is as follows:

1966	Ratification of the Establishment Law of the Stock Exchange
1967	Inauguration in Feb
1975	Progress due to
	Ratification of the Law for Development of Producing Firms' Shares Ownership; Ratification of the Law for Tax Incentives for companies the TSE listed
1992	Joining International Federation of Stock Exchanges (WFE); full member
1995	Joining Federation of Euro-Asian Stock Exchanges; founding member
2002	Market Development:
	Launching trading floors in provinces; Principal steps for disclosure of information, education and development of financial products
2003	Listed companies are allowed to issue corporate participation bond
2005	New Structure; Ratification of New Securities Market Law
2006	Demutualization of TSE (6 Dec.)
2007	Launching the Privatization of State-owned companies (4 Feb.)
2010	Approving "The Regulations Governing the Foreign Investment in the Exchanges and OTC Markets"
2010	Launching Futures Market (Single Stock Futures) and Online Trading
2012	Launching a New Derivatives Product – Embedded Put Option
2013	Trading hours extension, launching online trading access for future contracts
2014	Launching the first ETF
2015	Improving liquidity through lowering base volume and extending daily price limits



Legal Structure

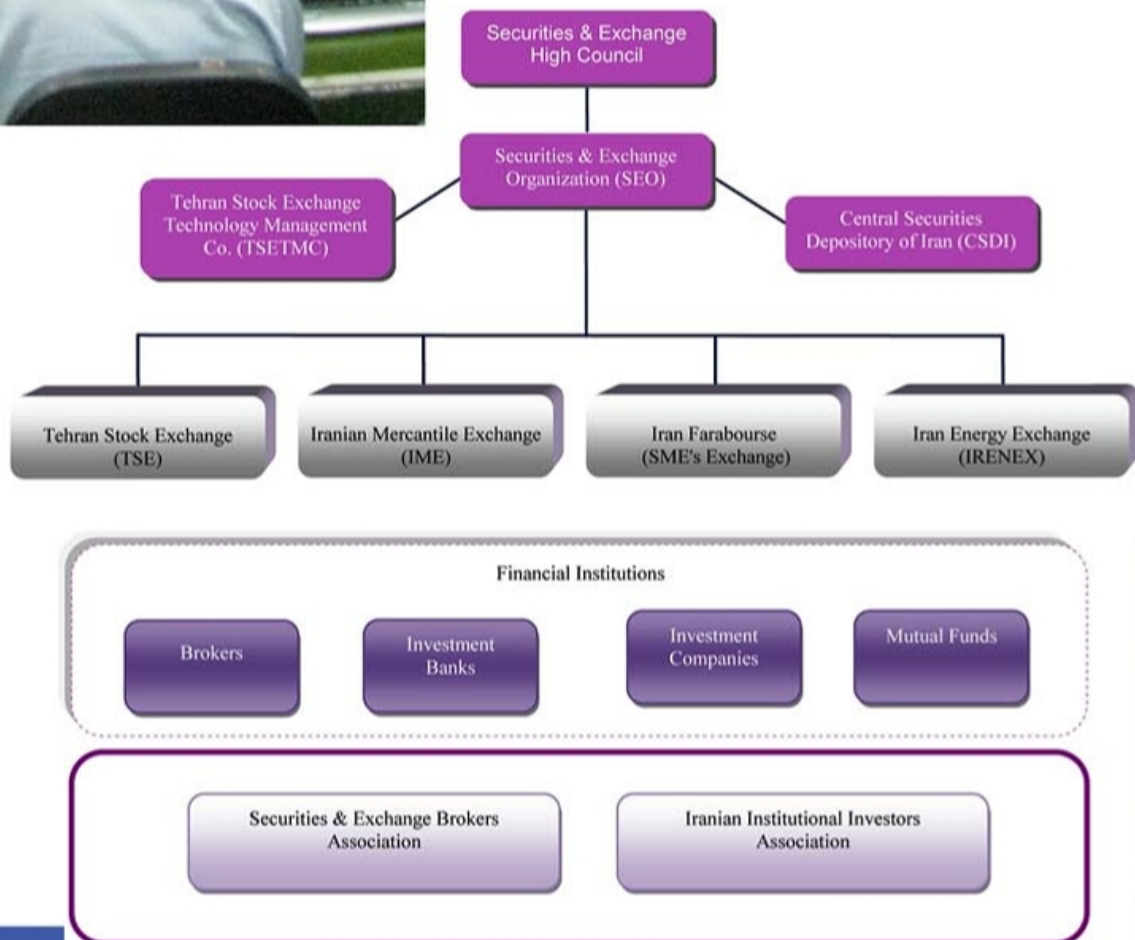
The new Securities Act which is more comprehensive and advanced than the previous one was passed on November 16, 2005 by the Iranian parliament to support investors' rights and aimed at organizing, preserving and developing a transparent, fair and effective market.

Under the new Act, the Securities & Exchange High Council and the Securities and Exchange Organization (SEO) were introduced and created as regulators of the Iranian capital market and TSE has been demutualized i.e. the membership organization entity was turned into a public joint stock company.

The Council is the highest authority and is responsible for all related policies, market strategies, and supervision of the market.

The SEO will be responsible for administration and supervisory duties, governed by the Board of Directors. The SEO's Board of Directors will be elected by the Council.

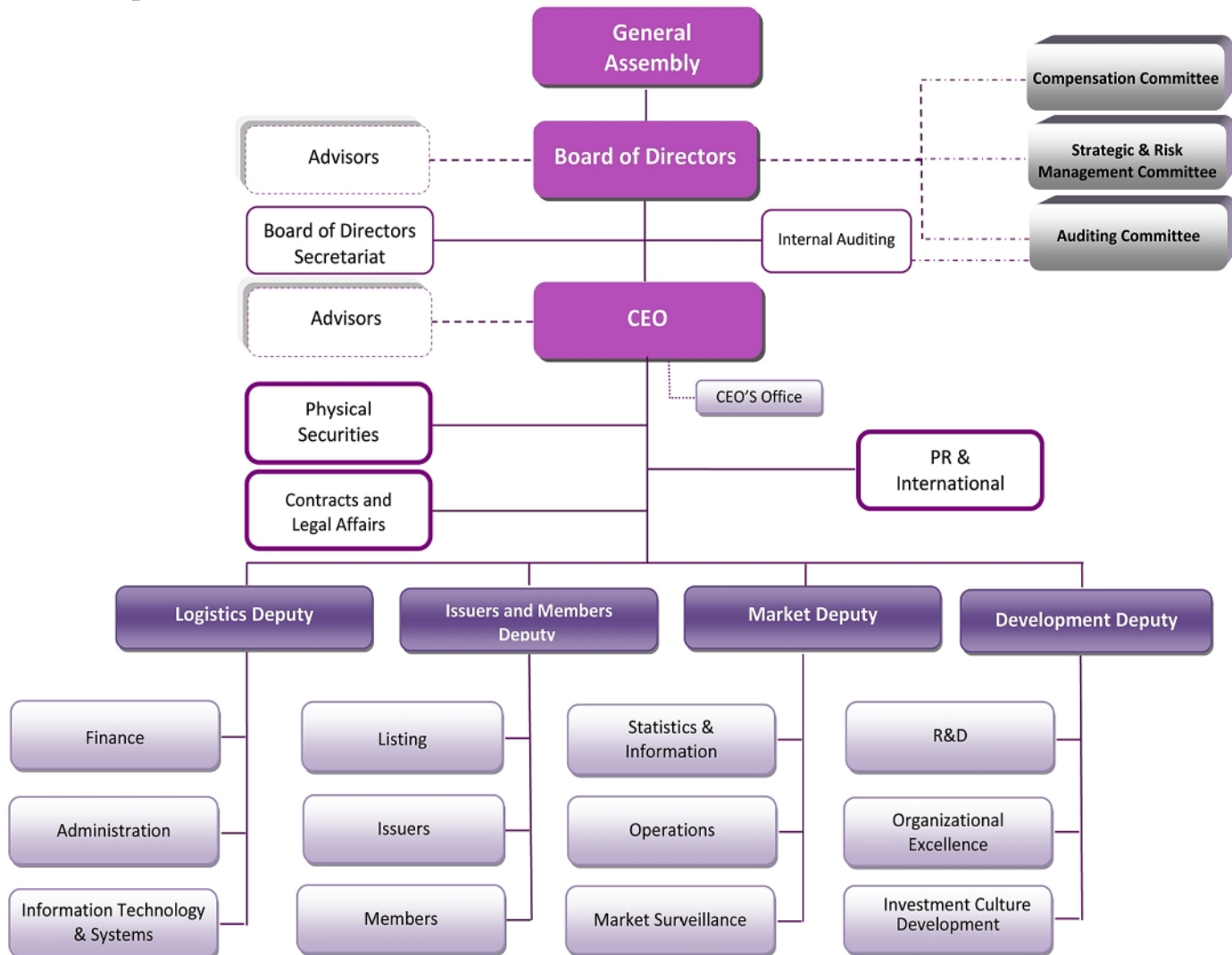
Iranian Capital Market



TSE Management

TSE is supervised by a seven-member Board of Directors that sets strategy and operating policy. These individuals, elected for a term of two years by shareholders' general assembly appoint a Managing Director. The job of the Managing Director is to manage the operations of the Exchange through various department heads who report to him. Managing Director's term of office is for a renewable two-year term.

Organizational Chart





Mission

Launching a fair, efficient and transparent market equipped with diversified instruments and easy access to create added value for the stakeholders.

Vision

The region's leading Exchange and country's economic growth drive

Goals

1. Increasing the share of capital market in financing the economic productive activities
2. Applying effective rules and procedures to protect the market's integrity and shareholders' rights
3. Expanding market with the use of updated and efficient technology and processes
4. Developing financial knowledge and improving investment and shareholding culture in Iran
5. Facilitating market access by means of information technology
6. Observing accountability and transparency in cooperation with the stakeholders
7. Constant expansion of the company's intellectual properties and human resources

Roles of TSE

TSE's primary roles are:

- Establishing, organizing and managing of the Stock Exchange in order to trade listed securities
- Listing of securities
- Prescribing membership requirements for members and supervising their performance, and regulating their activities
- Overseeing the transactions of the Exchange listed securities
- Monitoring the performance of issuers of the listed securities
- Processing and disseminating the information regarding the securities orders and transactions of securities

Capital and Shareholders

The capital stock of the Company is equal to the sum of IRR 1100 billion, which is divided into 1100 million registered common shares of IRR 1000 each. Shareholders of the Company shall be classified as follows:

- Class one: Persons who have received the license for brokerage activities in compliance with the Stock Exchange Establishment Law [1966] or those who shall receive the license for broker/dealer activities in compliance with the Securities Act [2005] and shall be accepted as the members of the TSE.
- Class two: Financial institutions other than brokerage firms who shall receive the activity license from the SEO.
- Class three: All persons other than class one or two above.

The maximum percentage of shares belonging to each class of shareholders defined above will be determined by the SEO. At the moment, no individual shareholder of any class can hold more than 2.5 percent of the Exchange's total number of shares. The maximum percentages are 40, 40, and 20 percent respectively.



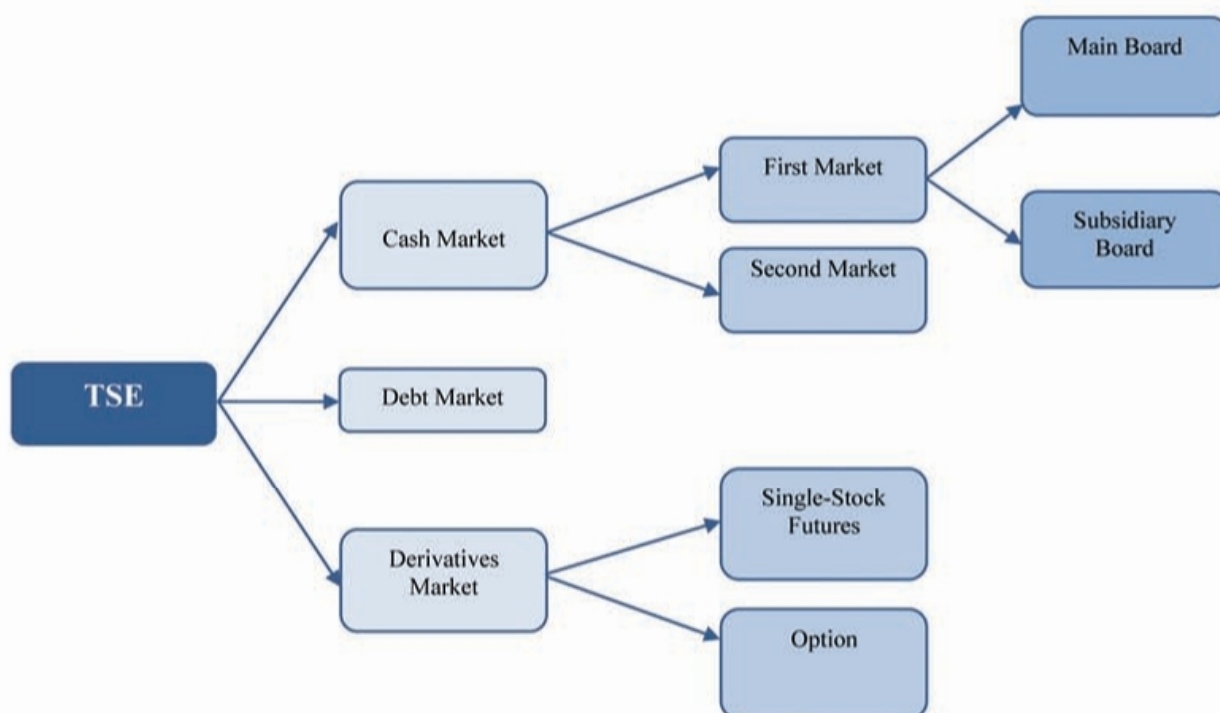
Owners of TSE

Shareholders	No. of Shareholders	No. of Shares	Percent
Brokers	76	373,611,323	34
Financial Institutes	78	432,035,990	39
Individual Investors	6,110	294,352,687	27
Total	6,264	1,100,000,000	100
Paid in Capital (Rials)		1,100,000,000,000	



TSE Market

TSE has three markets: cash market (Equities, Rights), debt market and derivatives market. The cash market, itself, is divided into two markets: First market (including two boards) and second market. There is a separate market for participation certificate (Sharia compliance), including public, private and municipal bonds are listed in TSE's debt market. The derivatives market was launched in the middle of 2010 with listing of the single stock futures contracts. The Embedded Put Option Contracts launched in 2012 with 6 TSE's listed companies.





Online Trading System

Online trading makes transactions easier to monitor, clear, and settle and this helps motivate its development.

The advantages of online trading:

- Reduced cost of transactions which leads to lower costs for investors
- More liquidity because of easier trading between companies
- More competition because of the globalization-style competition effect
- Increased transparency because of easier price discovery of securities by flowing information around electronically
- Tighter spreads - the increased liquidity, competition and transparency mean that spread has tightened.

1- Online Trading System in TSE

Launched from June 2010, it provides investors with the fast, easy and reliable access to Tehran Stock Exchanges' online trading system. Reviewing the trend of online trading system shows the increasing growth of investors' tendency in using the new system, so that around 6% of total trading values in 2012 and around 10% of total trading values in 2013 are done by the on-line system. Presently, there are more than 85 active brokers in TSE which provide the online service.

2- Online Trading Process

In electronic trading, all orders (buying and selling), banks and brokers connection, billing and other related processes are done in on-line system. It covers the meaning of not only buying and selling operations, but also all bank operations do through online method. The customer sends his/her order to the electronic trading system of a broker through the computer, the customer's bank blocks the amount of buying order and the order enters the system and the customer receives the result at the same speed. As soon as making the buying order, the blocked amount is transferred to the broker's account. If the order, for any reason, is cancelled, the blocked money in the customer's account is re-deposited.

Funds

Funds are divided into two categories in Iranian Capital Market.

- **Mutual Funds:**

The first Mutual Fund in Iranian Capital Market was launched on 14th June 2007.

- **Exchange-traded Funds (ETFs):**

This recently introduced instrument was launched on 25th January 2014 at TSE.

Types of Mutual Funds in Iran

Regarding portfolio, mutual funds are divided into 3 principal types in Iran:

- *Equity stock fund*
- *Bond fund*
- *Hybrid fund*

Derivatives Market

Two types of derivatives are currently traded at TSE.

- **Single Stock Futures:**

The first contract of this derivative was signed on 25 July 2010.

- **Options:**

A specific kind of this derivative called Embedded Put Options Contract is currently traded at Tehran Stock Exchange. On 15 August 2012 this derivative was traded at Tehran Stock Exchange for the first time.

Iran's capital market Entities

1. Brokerage firms
2. Investment Banks
3. Investment Funds
4. Market makers
5. Portfolio management
6. Investment consultants
7. Financial information analysis
8. Listing advisors
9. Offering advisors

Tradable securities

1. Equities
2. Rights
3. Debt Securities (Islamic Participation Papers, Sukuks, CDs)
4. Single Stock Futures Contracts
5. Embedded Put Option Contracts
6. ETFs

Foreign Investment

Upon the recommendation No. 22159 of the Ministry of Economic Affairs and Finance on April 11 2010, and by virtue of the paragraph 3 of article 4 of the Securities Market Law of I.R.I ratified in 2005, the Council of Ministers approved "The Regulations Governing Foreign Investment in the Exchanges and OTC Markets" on April 18. 2010. The text of the regulations can be found at <http://www.tse.ir/cms/default.aspx?tabid=81>.

Though the foreigners were able to invest in the Iranian capital market before the above rule's ratification, the new regulations have facilitated the investment. Currently foreign investors are categorized into two main groups: Strategic and Non-strategic investors.

Those with up to 10 percent of ownership in any listed company's equities are Non-strategic foreign investors, who have no restriction for the earnings and principal capital repatriation. However, the investors willing to own more percentages in TSE's listed companies are considered as Strategic foreign investors. For this group, the principal capital repatriation will not be sooner than 2 years. Based on the mentioned regulations, the number of shares owned by the total foreign investors shall not exceed 20 percent of the total shares number of the companies listed in the Exchange, or 20 percent of the shares number of any company listed in the Exchange.





TSE Listing

	Minimum Listing Requirements		
	First market		Second Market
	Main Board	Subsidiary Board	
Registration with SEO	✓	✓	✓
Public Joint Stock Co.	✓	✓	✓
Paid-in Capital (Billion Rials)	1000	500	200
Years of Business Activity	3	3	2
Minimum Number of Free Float Ratio (%)	20	15	10
Minimum Number of Shareholders	1000	750	250
Profit-making			
Operating Periods Ended the Listing Date	3	2	1
Equity to Total Assets Ratio (%)	30	20	15
Market Making	Optional	Optional	Obligatory

If a company loses the listing conditions, it will be delisted from TSE. Preventing a lag in trading of such companies, each delisted one will transfer to IranFarabourse (SMEs Exchange). Attaining the requirements of TSE's listing, a listed company in IranFarabourse will transfer to TSE.



Tehran Stock Exchange

Key Addresses

Securities and Exchange Organization
<http://www.seo.ir>

Central Securities Depository of Iran
<http://www.csdiran.com>

Tehran Securities Exchange Technology
Management Company
<http://www.tsetmc.com>

Iran Farabourse
<http://irfarabourse.com>

Iran Energy Exchange
<http://www.irenex.ir>

Iran Mercantile Exchange
<http://new.ime.co.ir>

Organization for Investment, Economic
and Technical Assistance of Iran
<http://www.investiniran.ir/en/home>

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About TSE's Logo



TSE's logo is inspired by a metallic relief discovered in Lorestan province, among the Achaemenian dynasty's (550-330 BC) antiquities: featuring four men, hands in hands, indicating unity and cooperation, standing inside circles of the globe, which according to Iranian ancient myths, is put on the back of two cows, symbols of intelligence and prosperity.