



Securities & Exchange Organization

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SEO

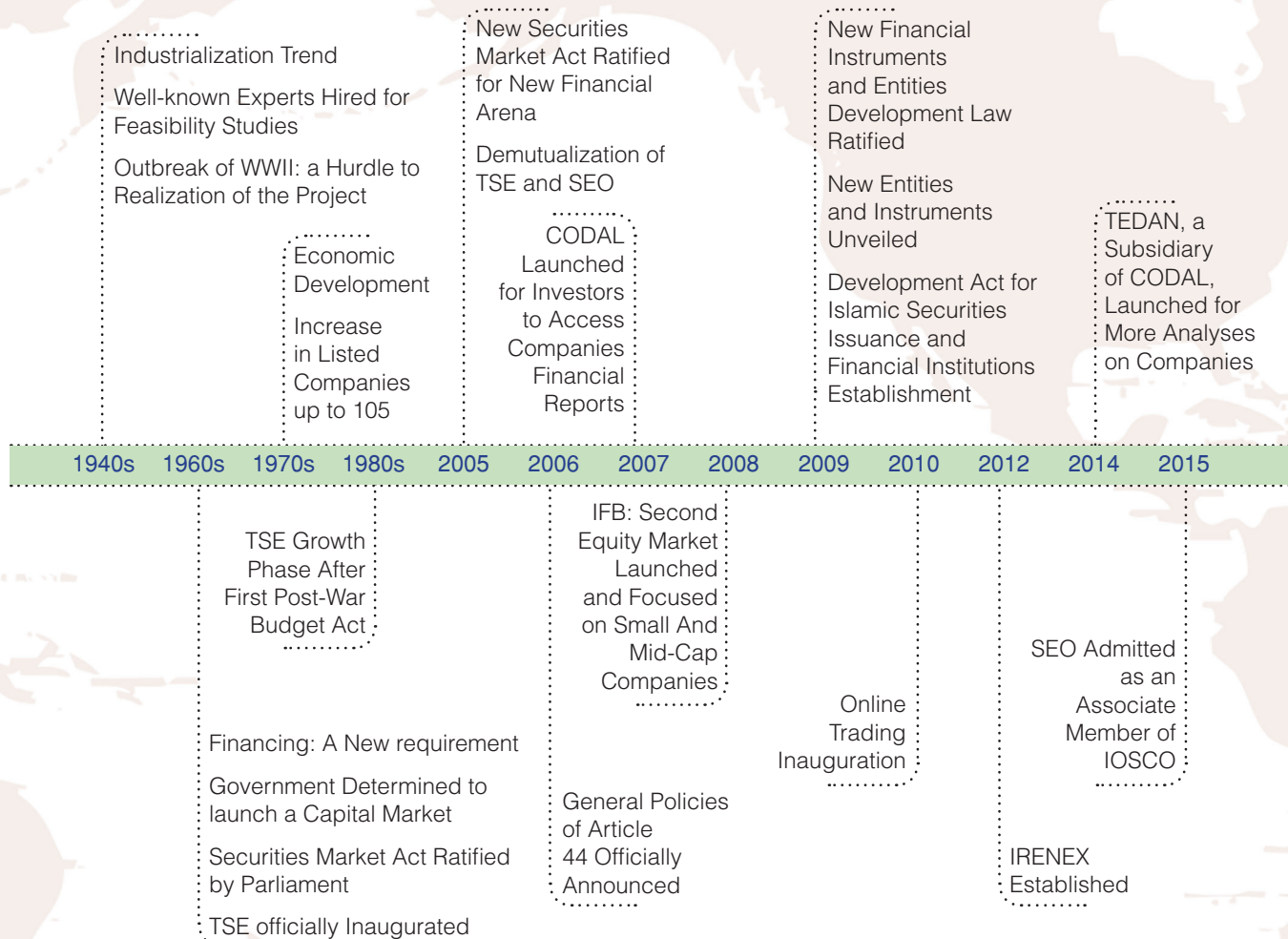
ACRONYMS

The Council	Securities and Exchange High Council
SEO	Securities and Exchange Organization of Iran
TSE	Tehran Stock Exchange
IFB	Iran Fara Bourse
IME	Iran Mercantile Exchange
IRENEX	Iran Energy Exchange
CSDI	Central Securities Depository of Iran
TSETMC	Tehran Securities Exchange Technology Management Co.
SIDS	SEO Information Dissemination and Services
SEBA	Securities and Exchange Brokerages Association
IIIA	Iranian Institutional Investors Association
The Act	New Securities Market Act of Islamic Republic of Iran ratified in 2005
The Development Act	The Law for Development of New Financial Instruments and Institutions ratified in 2009
Foreign Investment By-Law	The By-Law Governing Foreign Investment in the Exchanges and OTC Markets



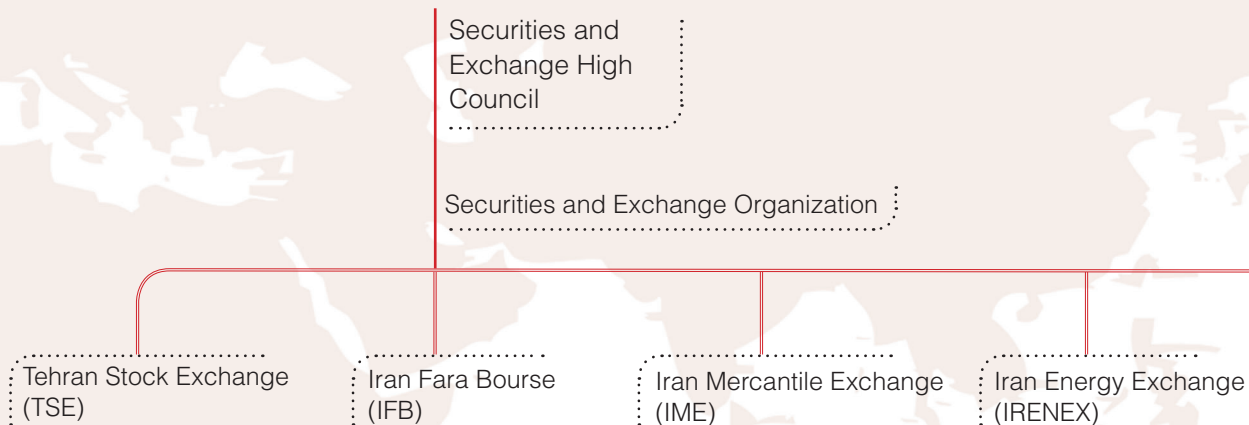
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Time Line



Capital Market Structure

Iran capital market enjoys a high variety in terms of entities active in the market. The following chart is what exists in the Iranian capital market in terms of entities.





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Central Securities
Depository of Iran
(CSDI)

Information Dissemination
and Services (SDS)

Associations
(IIIIA, SEBA)

Technology
Management Co.
(TSETMC)

Listed Companies

Financial
Entities

Brokerages

Investment Banks

Financial Advisers

Portfolio Managers

Financial Data
Processing Companies



Supervisory and Regulatory Authorities

According to the new Securities Market Act of 2005, there are two supervisory authorities in the Iranian capital market. The Securities and Exchange High Council and Securities and Exchange Organization have oversight of supervising and regulating the entire capital market by establishing policies and market strategies.

The SEO as a publicly owned and non-governmental entity is the main supervisory authority in Iran capital market entitled by the Securities Market Act of 2005. The SEO enforces capital market laws and direct supervision and regulation on financial entities, exchanges and other corroborative bodies. In other words, the SEO independently regulates and supervises the entire Iranian capital market including regulated entities, i.e. TSE, IFB, IME and IRENEX, brokerage firms and investment banks, funds, issuers as well as a number of other financial institutions. In addition, the SEO regulates a wide range of markets comprising equities, derivatives, OTC, Sukuk and commodity markets. In the capital market, the SEO regulates four exchanges, i.e. the TSE, IFB, IRENEX and IME, all of which are SROs. Other SROs encompass CSDI and associations such as SEBA, IIAA and Association of Justice Shares Investment Companies (AJSIC).

Furthermore, the SEO is governed by a non-partisan five-member board of directors and the Chairman is appointed by the Minister of Economic Affairs and Finance as the head of the Council. These members are financial professionals from non-governmental sectors. The SEO briefs the Council about the market situation, especially in case of making important decisions.



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Markets

There are four exchanges including two equity markets, i.e, the TSE and IFB, and two commodity markets, i.e, the IME and IRENEX. The following chart succinctly demonstrates these markets.



TSE

- Equity share
- Right offering
- Sukuk
- Derivative
(Futures,
Embedded put
options)
- ETF



IFB

- Equity share
- Right offering
- Sukuk
- Derivatives
- Housing
mortgage right
- ETF
- Intellectual
property



IME

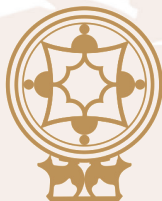
- Industrial
- Oil and
Petrochemical
- Agricultural
- Futures on
commodities



IRENEX

- Electricity
- Oil and Gas
- Other energy
carriers

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Tehran Stock Exchange
www.tse.ir

Tehran Stock Exchange

The TSE is Iran's first and largest equity market. Initially launched in February 1967, the TSE listed six companies later on accompanied by other financial instruments such as treasury bonds and certain state-backed certificates. As of today, the TSE is the pioneer market in Iran with more than 318 well-established companies from 41 diverse industries listed on this exchange. The Act, ratified in November 2005, restructured Iran capital market resulting in the establishment of the SEO as the supervisory body and the TSE as an equity market. The TSE previously known as "Brokers Organization" used to be a non-governmental public organization whose board members were mainly appointed from brokerage firms but since 2006, it has turned into a self-regulatory public joint-stock corporation.



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<i>Trading Model</i>	
Legal Structure	Public Corporation
Status	Self-regulatory (under SEO's supervision)
Trading Venue	Tehran
Trading Days	Saturday to Wednesday
Trading Hours	8:30 to 9:00 (Pre-opening)
	9:00 (Opening based on Theoretical Opening Price)
	9:00 to 12:30 (Continuous auction)
Trading System	Automatic Trading System (ATS), Order-Driven
Trading Mechanism	Opening auction, Continuous trading
Securities	Equity shares and right offerings, Sukuk, ETFs, Embedded put option,
	Futures on stock
Order Priority	Price, time
Market Making / Liquidity Providing	ETFs, Sukuk (mandatory)
	Other securities (elective)
Daily Price Fluctuation Limit	Shares (5%), Right offerings (10%), Bonds (1%)
Available Real-Time Data	Prices (open, close, high, low), three best bids and asks, indices,
	Companies' data
Close Price Calculation	Weighted average based on reference volume

Attractive Investment

The macro-economic policy of Iran has always been to incentivize companies and their commodities to be listed on exchanges. To achieve so, the Iranian authorities have eased and facilitated the act of investment in various ways, one of which is tax relief regulations. The items below are noteworthy in this regard.

- TSE's listed companies are eligible to 10% tax relief (the rebate would be doubled if the amount of free-float shares exceeds 20%);
- IFB's listed companies are eligible to 5% tax relief (the rebate would be doubled if the amount of free-float shares exceeds 10%);
- Proceeds of selling commodities on the IME and IRENEX are eligible to 10% tax relief.



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Listing

<i>Requirements</i>	<i>First Market</i>		<i>Second Market</i>
	<i>Main Board</i>	<i>Secondary Board</i>	
Registration with SEO	✓	✓	✓
Public Joint-Stock Co.	✓	✓	✓
No Accumulated Loss	✓	✓	✓
Positivity of Last Two Years' Accumulated Operational Cash Flow	✓	✓	✓
Profitability of the Last Fiscal Year	✓	✓	✓
Audited Financial Statements for Last Fiscal Year	✓	✓	✓
Minimum Market Capitalization (\$ m)	28.5	14	6
Minimum No. of Shareholders	1000	750	250
Minimum Free-Float Shares (%)	20	15	10
Minimum Activity Record (Years)	3	3	3
Minimum Profitability Periods (Fiscal Years)	3	2	1
Equity to Asset Ratio (%)	30	20	15

Settlement

<i>Financial Asset Type</i>	<i>Settlement Time</i>
Equity	T+3
Fixed- Income Securities and All Kinds of Sukuk	T+1
ETFs	T+2

1USD= 31,744IRR (2014), 1USD=33,953 (2015)



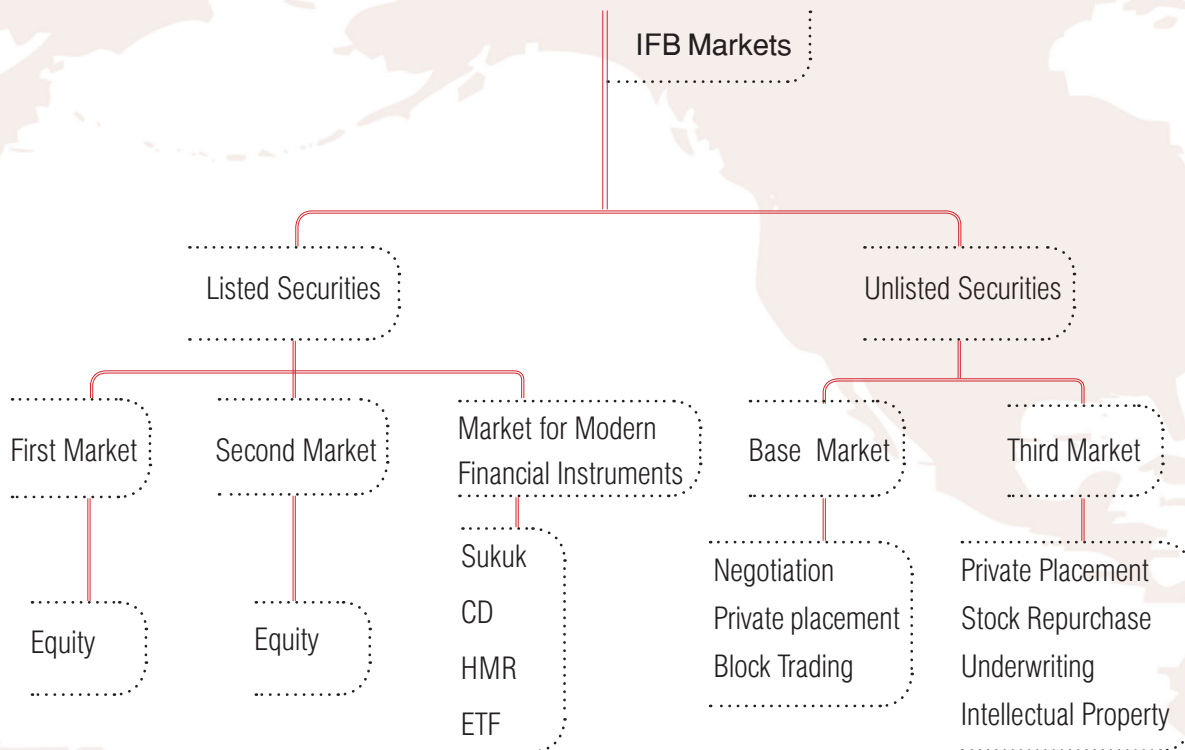
Iran Fara Bourse

As a public joint-stock company located in Tehran, the IFB commenced operation in November 2008. The IFB is Iran's second equity market and functions as conventional OTC markets but with more features. The market is a self-regulatory entity while being supervised by the SEO. The IFB is a market for both listed and unlisted securities and also other financial instruments.

The IFB by nature tries to design innovative financial instruments in the capital market which helps to direct capital towards developmental plans and economic prosperity. The IFB comprises five markets, each of which serves a unique role in the capital market.



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First and Second Markets

As the main markets for trading equity shares and their right offerings but enjoying more functions than the ones in the TSE, the first and second markets in the IFB have fewer conditions and requirements for listing.

<i>Requirements</i>	<i>First Market</i>	<i>Second Market</i>
Registration with SEO	✓	✓
Public Joint-stock Co.	✓	✓
No accumulated loss	✓	-
Profitability of last fiscal year	✓	-
Minimum Market Capitalization (\$ m)	3.3	0.3
Minimum No. of Shareholders	200	-
Minimum Free-Float Shares (%)	10	5
Minimum Activity Record (Years)	2	1
Minimum Profitability Periods (Fiscal Years)	1	-
Equity to Asset Ratio (%)	15	-

Base Market

Public limited companies whose shares are not listed on any of the markets but, as all public companies have to, are registered with the SEO and are eligible to be traded on this market with no restrictions. Registered companies are categorized into the following groups:

1. Public companies which do not tend to be listed but according to the laws and regulations have been registered;



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2. Companies which are registered but do not meet listing requirements, and

3. Companies which are delisted from the TSE or IFB.

Convenient private placement, transparent ownership transfer, fair shares pricing, and tax relief for companies are among the advantages of this market.

Third Market

The IFB third market has been designed for specific types of transactions. Four services are provided mainly to institutional investors in this market as follows:

- Private Placement: A private/public limited company including state-owned and private which is not listed on the capital market and also not registered with the SEO can request to sell a percentage of its share in this market.
- Stock Repurchase: A company which is listed on the capital market may intend to buy back a specific number of its outstanding shares. Companies which chose the exit strategy or are delisted from the TSE or IFB would opt for this market.
- Underwriting: The market acts as the primary destination for underwriting various securities.
- Intellectual Property: The most recent market in Iran capital market to promote and support patents, researches and new ideas and direct them to industrial investors and venture capitalists.

Modern Financial Instruments Market

All types of financial instruments; especially Islamic securities approved by the Securities and Exchange High Council, are eligible to be listed and traded on this market:

- | | |
|--------------------------------|--------------------------------------|
| ○ Certificate of Deposit (CD) | ○ Sukuk (Murabaha, Ijara, Musharaka) |
| ○ Housing Mortgage Right (HMR) | ○ ETFs |



Iran Mercantile Exchange

The Iran Mercantile Exchange was launched in September 2007 as a well-established commodity market in the Middle East region and also the biggest commodity market in Iran, in accordance with Iran's Fourth Development Plan, and following the mergers of the agricultural and metal exchanges of Tehran. The IME as a public joint-stock company is registered in the base market of Iran Fara Bourse. One of the IME goals is to become a price reference for commodities in petroleum, petrochemical, industrial and mineral asset classes.

The export trading floor of the IME is located in Kish Island and so far has provided unrestricted access for traders and international participants to trade a large number of commodities especially oil by-products and petrochemicals.

<i>Trading Floor</i>	<i>Local</i>	<i>Export</i>
Venue	Tehran	Kish Island
Commodities	All Listed Commodities	Industrial Oil By-Products and Petrochemicals Agricultural
Markets	Spot, Derivatives, Peripheral	



Markets, Contracts and Products

Spot Market Resulting in Physical Delivery: Various products and commodities are listed and traded in the IME through semi-electronic open outcry, which are categorized in three classifications:

- Industrial: Metals such as steel, copper, aluminum, iron ore, zinc and lead, different types of cement, coke, and precious metals concentrate
- Oil by-products and petrochemicals: oil by-products ranging from bitumen, base oil, crude oil, fuel oil, RPO, carbon black, chemical products and petrochemicals like PP, PE, LDPE, LLDPE, aromatics, SBR, PS, MS, etc
- Agricultural: the agricultural products such as cereals, oilseeds, oilcakes and other grains and products like wheat, feed wheat, feed barley, yellow corn, maize, raisin, lentil, chick peas, sugar, meat, eggs, saffron, and pistachio

All commodities listed on the IME are eligible to be traded the following contract forms.

- Cash trades: It is defined as prompt cash payment against taking prompt delivery.
- Salam and Standard Salam (Forward): It is prompt payment against forward date delivery.
- Credit: It functions as deferred payment against prompt delivery.

Derivatives Market: gold coins, cumin seeds and most recently soybean meal are currently traded as futures in the derivative market. Other future products are to be introduced in the near future.

Peripheral Market: occasional and non-standardized products that are not eligible to be listed on commodity markets and commodities that are temporarily dismissed from listed commodities are traded on the peripheral market. A specific kind of iron, scrap metals and polymers were the most traded commodities on this market in 2014.



Iran Energy Exchange
www.irenex.ir

Iran Energy Exchange

The Iran Energy Exchange was established in accordance with the Act in July 2012. The geo-economic situation of Iran with the largest gas reserves on earth and as one of the world's largest oil producers plus its outstanding infrastructure in electrical power and energy resources necessitated the existence and expansion of the countries promising energy exchange. IRENEX as a public joint-stock company is registered in base market of Iran Fara Bourse.

As the Statute of Iran Energy Exchange – as a self-regulatory commodity exchange- stipulates that all energy carriers and energy based derivatives shall be listed and traded on one of the IRENEX markets. The company's mission is to develop a market in which trades are done under transparency, efficiency and liquidity. Creating a healthy and competitive atmosphere to discover the fair price of products and to solve some of the issues that matter most to the local and global energy markets are among other requisite objectives.



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Market Structure

<i>Market</i>	<i>Physical</i>	<i>Derivatives</i>
Boards	Electricity Oil Gas Other energy carriers	Electricity Oil Gas Other energy carriers
Contracts	Spot Credit Salam	Standard Parallel Salam Futures Options
Trading floor	Local Export	Local

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SEO Corroborative Bodies

In addition to the markets, there are some other entities cooperating with the SEO and Iran capital market in general in the day-to-day activities. The SEO related bodies have a significant role in the market operation.

CSDI



Central Securities Depository of Iran
www.csdiran.com

Founded in 2005 as a public joint stock company, Central Securities Depository of Iran (CSDI) is the sole registry entity and custodian in the Iranian capital market using the hybrid registry system with a fully dematerialized book entry system.

Enjoying a history of 45 years, the Iranian capital market was demutualized in 2005 and as a result, CSDI was legally segregated from the rest of the capital market and commenced to work as an independent and separate entity. It is the central registrar and clearing house for all the exchanges in Iran including the TSE, IFB, IME and IRENEX.

It takes over the registry, clearing, and settlement issues related to equity, Islamic securities (Sukuk), derivatives, energy contracts, electricity, mercantile products by means of a full-fashioned registry system and multi-currency (USD, IRR, Euro) with a high netting efficiency of 85 percent.

The prospects of CSDI are to prepare the infrastructures indispensable for the efficiency, continuity, and growth of the economy of the markets under its cover. CSDI provides thriving and secured financial investment infrastructures to contribute to the development of a fair and transparent capital market both nationwide and worldwide by guaranteeing security and efficiency in the capital market and safekeeping investors' financial properties.



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Responsible for taking care of post-trade-related tasks, ranging from the deposit and registration of securities to the clearing and settlement of the transactions carried out in the financial market, it plays a significant role in managing systemic risk. To this purpose, CSDI has designed and launched the service of Settlement Guarantee Fund (SGF), along with other measures, towards managing the risks related to the clearing house.

Not only is IT a crucial element in CSDI roles, but also developing the capital market infrastructures in the pre- and post-trade functions is not achievable unless through IT solutions.

TSETMC



Tehran Securities Exchange Technology Management
www.tsetmc.com

Tehran Securities Exchange Technology Management Company as a privately-held company was founded in May 1994. Considered a subsidiary of the SEO, the TSETMC is under direct supervision of the SEO and is responsible for providing a comprehensive spectrum of electronic trading services to all the market participants.

Technical and consultancy services in the field of economic and financial data processing, and application of computer technology including software, hardware and networks for institutions as well as implementing and optimizing mechanisms for investors to trade different securities are among the wide range of TSETMC's functions.

Every imaginable real-time data of the entire markets is aggregated on TSETMC's comprehensive website. Developing and implementing systems like Business Intelligence with state-of-the-art modules to detect and deter fraud and manipulation in the markets (provided to the SEO) are also among the achievements of this company in 2014.

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SIDS



Information Dissemination and Services Company
www.tsetmc.com

Information Dissemination and Services Company as a privately-held company owned by the SEO was established in 2004 to fulfill the task of capital market news broadcasting and providing educational programs for market participants. Today the most important functions of SIDS are as follows:

- Implement mechanism to best broadcast market-related news;
- Execute educational programs to familiarize the society with the capital market;
- Publish educational materials in terms of books and multimedia;
- Hold examination for professional licenses of the capital market; and
- Set up capital market exhibitions, seminars and conferences.

SENA



Securities and Exchange News Agency
www.sena.ir

The news website of Securities and Exchange News Agency was set up by SIDS as the official source of capital market news. The breaking news of all financial and economic sectors is constantly covered by SENA.

IRVEX



Iran Virtual Exchange
www.irvex.ir

SIDS also established an educational website called Iran Virtual Exchange at IRVEX.ir to give potential investors the opportunity to get acquainted with the capital market by learning how to invest in a completely risk-free environment with virtual money.



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Financial Institutions

Different financial institutions are operating in Iran capital market. The number of active financial institutions at the end of 2014 compared to 2013 are demonstrated in the following table.

<i>Companies and Financial Institutions</i>	<i>2014</i>	<i>2015</i>
Brokerage Houses	107	107
Investment Banks	8	9
Financial Advisers	20	24
Portfolio Managers	79	87
Data Processing Companies	5	5
Investment Funds and Holding Companies	121	131
Listed Companies	374	384

Financial Reporting



Rayan Bourse Co.
www.codal.ir

All listed companies are obliged to post all price sensitive information promptly on the Comprehensive Database of All Listed Companies (CODAL). Even minuscule decisions made in extraordinary and annual general meetings are reported. The most important reports are outlined below:

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Report

Annual and half-yearly financial statements (first unaudited then audited)

Interim financial statements (Quarterly)

First annual projected earnings per share (first unaudited then audited)

Annual projected earnings per share adjusted based on interim financial statements (Quarterly)

Portfolio statement

Board of director's annual report

General meetings announcement

General meetings resolutions

Dividend distribution schedule

Board of director's proposal on capital raise to extraordinary general meeting

Capital raise permit

Deadline for exercising right offerings

Capital raise registration

Ranking of companies in terms of disclosure quality and promptness

Ranking of companies in terms of free-float shares

Companies' board members replacement



Regulatory Environment

The most important rules and regulations governing Iran Capital Market are outlined below:

Law

The Iranian Commercial Code (May 1932)

Foreign Investment Promotion and Protection Act (Mar 2002)

Securities Market Act of I.R.R (Nov 2005)

The Anti-Money Laundering Act (Jan 2008)

The Law for Development of New Financial Instruments and Institutions (Dec 2009)

The By-Law Governing Foreign Investment in the Exchanges and OTC Markets (Apr 2010)

Securities Market Act of I.R.I

The Securities Market Act of Wcurities as follows:

- Securities market bodies
- Primary market
- Secondary market
- Information dissemination in the primary and secondary markets
- Offenses and punishments

Among the main characteristics of the Act are:

SEO

- Separation of regulative bodies of the capital market (Securities and Exchange High Council and Securities and Exchange Organization) from the enforcement bodies (regulated entities, including self-regulatory organizations, financial institutions and issuers);
- Enhancement of regulation on the primary market;
- Provision of requirements for designing and applying of different financial instruments and institutions; and
- Defining violations such as manipulation of securities prices and insider trading and stipulation of proper punishments for each defined offence.

The Anti-Money Laundering Act

- Anti-money laundering measures are being constantly reviewed and getting stricter across the globe. The Anti-Money Laundering Act and its enforcement regulations were ratified in 2008 and 2010 respectively in accordance with international standards to lay the groundwork for detecting and deterring money generated by illegal activities or money to finance terrorist activities.
- Full authentication of clients and market participants' identities and backgrounds, reporting and investigating traders with suspicious trading patterns, keeping records of various transactions and developing systems to discover trading relations are being carried out meticulously. To ensure the best anti-money laundering measures to be taken a committee was also established in 2007.



The Law for Development of New Financial Instruments and Institutions

- This law was ratified in order to facilitate the enforcement of the overall policies of the principle 44 of the Constitution in December 2009 and includes the following:
- The rules and requirements of the establishment, registration, operation, dissolution and liquidation of the mutual funds;
- Modifications and amendments to the Direct Taxation Act and the Value-added Tax Act in order to provide exemptions for Iranian and foreign natural and legal entities investing in the local capital market; and
- Trading in commodities and securities on the commodities exchanges and all activities carried out by individual entities in such exchanges shall be subject to the rules.

The By-Law Governing Foreign Investment in the Exchanges and OTC Markets

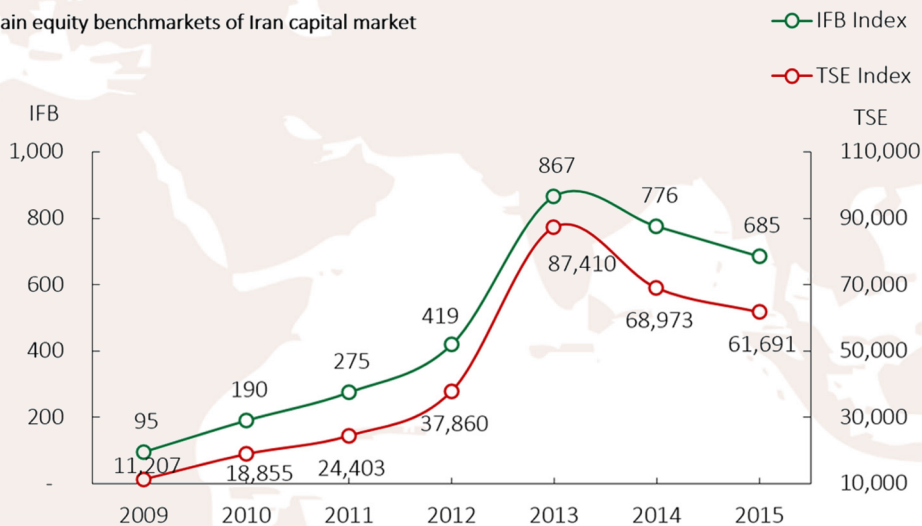
- The main conditions stipulated by this by-law are as follows:
- Ownership of each foreign investor shall not exceed ten percent of any listed companies' shares (otherwise there are considered as strategic investors and are subject to some conditions);
- Ownership of all foreign investors shall not exceed twenty percent of all companies shares accumulatively;
- The Central Bank of Iran is responsible to exchange original capital, capital gains and cash dividends upon request of foreign investors.

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Markets in 2015

TEDPIX and IFX, as the most important benchmarks of Iran capital market, are all-share total return indices of the TSE and IFB respectively. Despite the overall downtrend of the past two years, TEDPIX and IFX experienced 450 and 620 percent increase respectively in just 7 years, bringing unparalleled profit to the investors.

Main equity benchmarks of Iran capital market

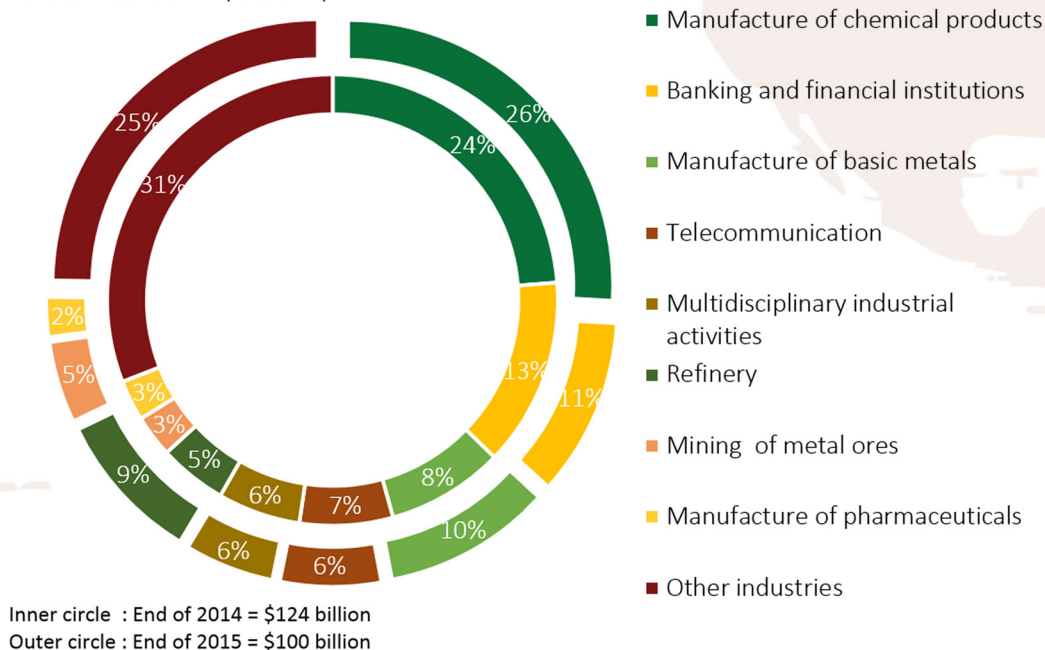




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Iran capital market enjoys a wide variety of industries of which a considerable portion of the country's GDP is comprised. High market and trading value of all industries acknowledge the comprehensiveness and efficiency of Iran capital market.

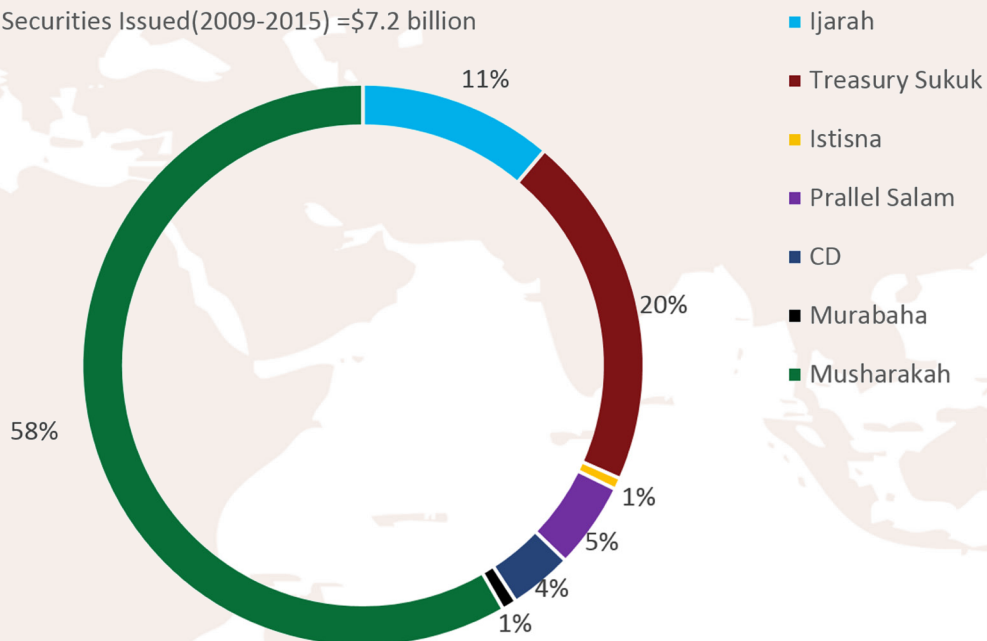
Total Market Value by Industry



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The year 2015 was undoubtedly the year of Islamic securities. The value of newly issued Sukuks recorded unprecedented value. The treasury Sukuks were issued for the first time while the Standard Parallel Salam, introduced two years ago for the first time, was widely used as a suitable means of financing.

Islamic Securities Issued(2009-2015) = \$7.2 billion

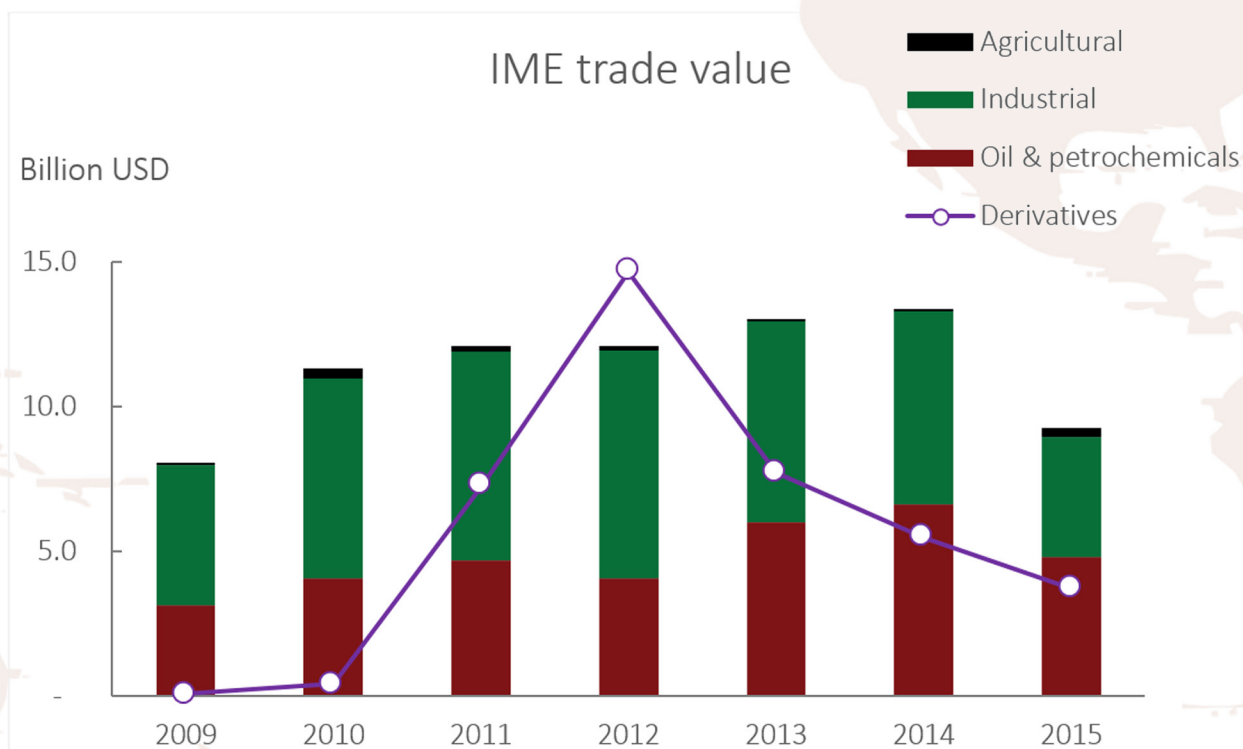




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Although 2015 was a year of seesaw trend for commodities, the IME and IRENEX recorded a decent performance. The oil prices downward spiral affected the markets but did not rattle them. The IRENEX recorded \$1.4 billion worth of trade in physical and derivative markets.

The IME's performance was also acceptable. In the IME's derivative market, the gold coin futures were the most traded contracts while the recently introduced Standard Parallel Salam contracts were also welcomed by investors.



SEO International Relations

Internationalization and as a result getting linked to important organizations and associations and also compliance with the globally accepted standards have been on the top of the agenda of the SEO international relations over the last years.

The SEO has approached this point in different ways, one of which has been endeavors to get an active member of internationally acclaimed associations including IOSCO. In March, 2016, the SEO met the requirements of IOSCO and became a member of this international organization. So far, the SEO has signed 14 Memoranda of Understanding and three agreements of cooperation and in addition it has been in touch with some of its top counterparts in other countries.