

# Iran Capital Market



Securities and Exchange Organization of Iran

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## List of Abbreviations and Acronyms

<b>ATS</b>	Automatic Trading System
<b>CD</b>	Certificate of Deposit
<b>CSDI</b>	Central Securities Depository of Iran
<b>ETC</b>	Exchange-traded Commodity
<b>FIPPA</b>	Iran's Foreign Investment Promotion and Protection Act
<b>GLCs</b>	Government-linked Companies
<b>IFB</b>	Iran Fara Bourse
<b>IME</b>	Iran Mercantile Exchange
<b>IOSCO</b>	International Organization of Securities Commissions
<b>IPO</b>	Initial public offering
<b>IPS</b>	Investor Portfolio System
<b>IRENEX</b>	Iran Energy Exchange
<b>KYC</b>	Know Your Customer
<b>OIETA</b>	Organization for Investment Economic and Technical Assistance of Iran
<b>SEO</b>	Securities and Exchange Organization
<b>SFP</b>	Structured Financial Products
<b>SGF</b>	Settlement Guarantee Fund
<b>TSE</b>	Tehran Stock Exchange

# DEFINITION OF FOREIGN INVESTORS AND INVESTMENT

## Foreign Investor

“Non-Iranian natural and/or juridical persons or Iranians using capital with foreign origin, who have obtained the [required] investment license...” and “any legal entity that has been registered in a country other than Iran”.

## Strategic Foreign Investor

“a foreign investor who intends to possess over ten percent (10%) of a company’s shares listed on the exchange [TSE] or on the OTC market [IFB] or that, upon possession of the shares of a company listed on the exchange or on the OTC market, fills a seat on that company’s board of directors”.

## Foreign Capita

“All types of capital, including cash or non cash that has been imported into the country by foreign investors...”.

## Rights and Facilities

- Foreign investments shall enjoy the same rights, protections and facilities available to domestic investments in a non-discriminatory manner;
- Foreign investors shall

be authorized to trade in securities market on the exchange or on the OTC market within the scope indicated in the trading license;

- The number of shares owned by the total foreign investors shall not exceed twenty (20%) percent of the total shares number of the companies listed on the exchange or on the OTC market or twenty percent (20%) of the shares number of any company listed on the exchange or on the OTC market;

- The number of shares owned by any foreign investor in any company listed on the exchange or on the OTC market shall not exceed ten percent (10%) of the shares number of such company;

- The strategic foreign investors shall not be allowed to sell the original shares they have purchased for a period of two years without the SEO’s approval;

# HOW TO ENTER THE MARKET

1- Receiving the investment license from the Securities and Exchange Organization of Iran by the applicant or a legal representative or lawyer in Iran;

1-1- To introduce a legal representative or lawyer, the steps below must be taken:

1-1-1-Appointing a legal representative or lawyer with an official power of attorney approved by a notary public in the origin country;

1-1-2-The approval of the power of attorney by Iran embassy in the country in question;

1-1-3-Official translation of the power of attorney by an official translation office in Iran.

2- Opening a bank account in Iran;

3- Referring to a brokerage firm (listed on en.seo.ir);

4-Filling out the relevant forms and doing the required KYC;

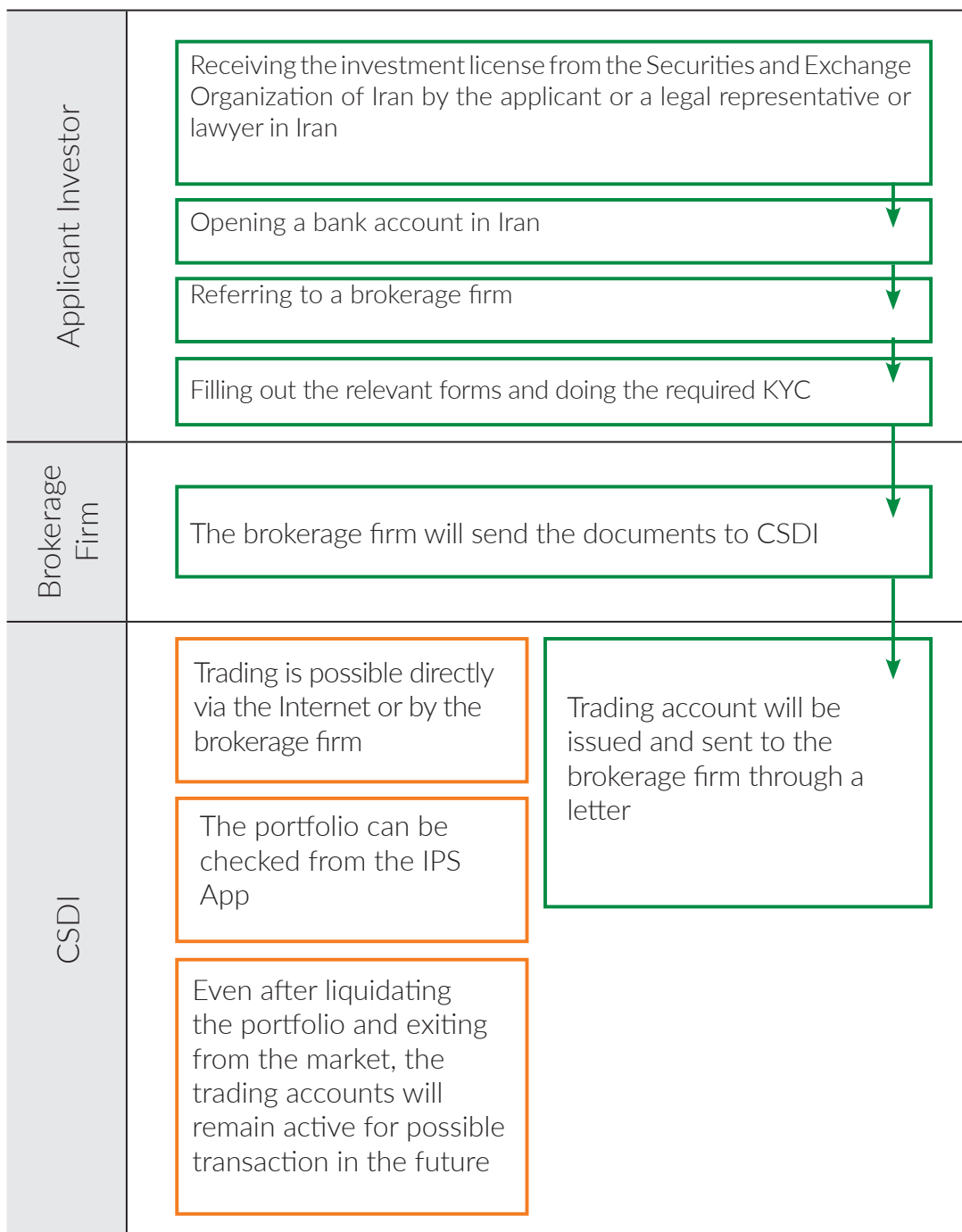
5- The brokerage firm will send the documents to CSDI and then trading account will be issued and sent to the brokerage firm through a letter;

6-Trading is possible directly via the Internet or by the brokerage firm;

7- The portfolio can be checked from the IPS App;

8- Even after liquidating the portfolio and exiting from the market, the trading accounts will remain active for possible transaction in the future.

*Receiving the investment license from Organization for Investment Economic and Technical Assistance of Iran (OIETA) by the applicant or a legal representative or lawyer in Iran is optional but recommended;*



# MARKETS: AT A GLANCE



## TEHRAN STOCK EXCHANGE

The TSE is Iran's first and largest equity market. Launched in February 1967, TSE listed six companies initially and later on accompanied by other financial instruments such as treasury bonds and certain state-backed certificates.

As of today, TSE is the pioneer market in Iran with more than

330 listed companies from 40 diverse industries (as of January 2020). The Market Act, ratified in November 2005, restructured Iran capital market, resulting in the establishment of the Securities and Exchange Organization as the supervisory body and the TSE as the equity market. TSE previously known as "Brokers

Organization" used to be a mutual non-governmental public organization whose board members were mainly appointed from brokerage firms; however, since 2006, it has turned into a demutualized exchange, self-regulatory public joint-stock corporation.

### Trading Model

<b>Legal Structure</b>	Public Corporation (Self-listed)
<b>Status</b>	Self-regulatory (under SEO's supervision)
<b>Trading Venue</b>	Tehran (+1500 trading access points nationwide)
<b>Trading Days</b>	Saturday to Wednesday
<b>Trading Hours</b>	8:30 to 9:00 (Pre-opening) 9:00 (Opening based on Theoretical Opening Price) 9:00 to 12:30 (Continuous auction)
<b>Trading System</b>	Automatic Trading System (ATS), Order-Driven
<b>Trading Mechanism</b>	Opening auction, Continuous trading
<b>Securities</b>	Equity Shares and right offerings, Sukuks, ETFs, Embedded Put option, option, Futures
<b>Order Priority</b>	Price, time
<b>Market Making / Liquidity Providing</b>	ETFs, Sukuk (Mandatory) Other Securities (Elective, unless listed since 2017)
<b>Daily Price Fluctuation Limit</b>	Shares (±5%), Right offerings (±10%), Bonds (±5%), Futures (±5%)
<b>Available Real-Time Data</b>	Prices (open, close, high, low), three best bids & asks, indices, Companies' data
<b>Close Price Calculation</b>	Weighted average based on reference volume
<b>Foreign Investment</b>	Allowed
<b>Equity Trading Commission (buy+sell)</b>	%0.939 + %0.5 transaction trading tax payable by seller

## Listing Process

Requirements	First Market		Second Market
	Main Board	Secondary Board	
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 (million USD)	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

Settlement Time	
Equity, Derivatives, ETFs	T+2
Fixed- Income Securities	T+1





## IRAN FARA BOURSE

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Iran Fara Bourse Securities Exchange (IFB) was incorporated on November 12, 2008, to be a gate for majority of companies to enter the capital market and enhance their corporate governance and their businesses by providing easier listing requirements.

Providing IPO and Trading services to the listed companies, IFB sets a strategy to diversify the range of instruments to respond to every risk appetite in the market and every need for fund raising for the entire lifecycle of the companies, by securitizing assets and liabilities.

Nowadays, Iran Fara Bourse offers a wide range

of products and services to the market; Listing, IPOs and Trading in different sections of Equity market as well as providing a platform for Unlisted Securities Trading (UTP). Also, In Structured Financial Products Market (SFP), various types of Sukuk, CDs, Mortgage Rights and Funds are available.

Additionally, IFB owns a market for Privatization of Government-linked Companies (GLCs), which is a host for Mergers and Acquisitions as well as Intellectual Property listing. And recently few derivatives instrument were added to the list of securities at IFB which will be deeper in near future.

## 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.

Requirements	First Market	Second Market
Registration with SEO	√	√
Public Joint-stock Co.	√	√
No accumulated loss	√	-
Profitability of last fiscal year	√	-
Minimum Market Capitalization (million USD)	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;

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 at 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 inventions, 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); and
- ETFs



## IRAN MERCANTILE EXCHANGE

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Established on 20 September 2007 from the merger of the Tehran Metal Exchange and the Iran Agricultural Exchange, IME trades in agricultural, metal and mineral, oil and petrochemical products in the spot market and gold coin in the futures market. The Exchange handles over 26 million tons of commodities

on an annual basis worth in excess of 14 billion USD. IME caters to both the domestic and regional markets, bringing together a host of trade participants and market makers from the capital market community, trade and industrial sectors, hedgers, retail and institutional investors.

Trading Floor	Local	Export
Venue	Tehran	Kish Island
Commodities	All listed commodities	Industrial Oil By-Products & Petrochemicals Agricultural
Markets	Spot, Derivatives, Peripheral	

## ■ Markets

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### **1) Physical Market:**

The spot trading platform of the exchange which host various standard base commodities traded as the feedstock of the downstream industries. Commodities are traded on the main market of IME in the form of cash, credit and SALAM contracts. Types of products are traded in the agricultural sector, metal and mineral sector, and oil and petrochemicals products.

Side market: Runs the market for unconventional products and non-exchange or off-grade products in the

form of auctions in the spot market trading platform

Export Pit: The export pit of the IME was launched in 2007. Commodities that are offered on the export ring are solely for the purpose of exporting to the outside the borders of Iran and it is not possible to use and transfer it within the country. The transactions in the export ring are similar to the domestic ring and the export trading floor is located in Kish Island.

### **2) Derivatives market:**

Comprises of futures and

options trading. IME provides futures and option contracts on saffron, cumin seed and pistachios.

### **Financial market:**

The financial market is based on financial instruments such as standard parallel SALAM, Commodity Certificates of Deposit, and ETCs. The purpose of these tools in this market is to finance producers. Through various instruments, it has been tried to encourage other investors, in addition to the commodity sector activists, to participate in funding the producers.

## Commodities ■

IME facilitates the trading of commodities and products through its markets. IME's Listed Commodities on Different Trading Floors

Main Group	Sub-Group	Commodities
Spot Market	Industrial & Mineral	Steel, Copper, Iron Ore, Aluminum, Zinc and rare metals concentrate, gold bar
	Agricultural Products	Barley, Wheat, Maize, Sugar, Crude Vegetable Oil, Frozen Chicken, and Meals, Saffron, Cumin seeds, Pistachios
	Petrochemical Products	Polymers, PP, PE, LDPE, aromatics, SBR feed stocks, MS, PS
	Oil Products	Lube Cut, Insulation, Base Oil, Bitumen, Vacuum Bottom
	Side Market	Various Products with Non-Continuous Offering: Steel, Scraps, Polymers, Zinc, Chemicals, Minerals, Feeds, Copper, Sulfate, Lime
Derivatives Market	Futures Contracts	Cumin seed, Saffron, pistachios
	Options Contracts	Gold Coins
Financial Market	Certificates of Deposit	Gold Coins, Maize, Barley, Pistachios, Saffron
	Investment Funds	Gold Coins



# IRAN ENERGY EXCHANGE

The Iran Energy Exchange was established in accordance with the Act in July 2012. The geo-economic situation of Islamic Republic of Iran and its rank as one of the world's largest oil and gas producers, plus its outstanding infrastructure in electrical power and other energy resources has made the existence and expansion of an energy exchange inevitable in Iran.

As the Statute of the IRENEX – 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.

Some significant and most important benefits of listing and trading on Iran Energy Exchange are as follows:

- Tax exemption: According

to 'The Development of New Financial Instruments Law', 10 percent of the tax on income resulting from the sales of commodities listed and sold on commodity exchanges is relieved from tax.

- Immunity from the formalities of tenders and auctions: According to "The Development of New Financial Instruments Law" and clauses of yearly budget laws, selling and purchasing of commodities listed on commodity exchanges which trade based on the rules and regulations of these exchanges, do not need to hold auctions, tenders and other formalities of sort, through ministries, government, public and executive organizations.

- Privilege of marketing and supply in the domestic and international rings through the network of brokerage members and trading platforms of IRENEX.

- Possibility of providing

required commodities by the means of a transparent and fair mechanism in IRENEX.

- Financing and managing the risk of suppliers and buyers by financial instruments in IRENEX.

- Risk hedging and procurement for diverse time periods.Reducing trade costs for customers compared to deals made regardless of the exchange (including costs of closing a contract, marketing and etc.).

- Reducing risks associated with trades such as failure to fulfill obligations by the counterparties and etc.

- Presence of standardized and defined contracts also guaranteeing the standard and quality of commodities traded on the exchange.

- Possessing a comprehensive regulatory framework for listing, trade, registration, deposit and clearing and settlement of commodities and commodity based securities.

## Market Structure ■

IRENEX consists of four markets which are the physical, derivatives, other marketable securities and subsidiary markets. In the physical market, listed commodities, and in the derivatives market, commodity based securities are traded on the exchange. Single-shipment and off-grade commodities can be traded on the subsidiary market. The physical market itself has three panels

of power, oil & gas and other energy carriers. The derivatives market has three panels in which specific contracts are traded. These contracts include: Parallel Salam Contracts, Futures Contracts and Options Contracts. Also each panel has two rings, domestic and international. On the physical market, trades are conducted in the form of spot, credit, Salam or premium discovery contracts.

	Physical	Derivatives
Boards	Electricity Oil Gas Other energy carriers	Electricity Oil Gas Other energy carriers
Contracts	Spot Credit Salam	Standard Parallel Salam Futures Options
Trading Floor	Domestic International	Domestic

Based on this, all energy carriers, provided that the supplier has a reliable reputation in the listed commodity's market, have the possibility of fair price discovery considering the volume of supply and if the commodity has no limitations regarding the legal pricing and monopoly of supply or demand. Furthermore, commitments stated in the Listing of Commodity & Commodity-based Securities Instruction must be presented by the

applicant, all of which must be approved by the Listings Council or Supply Committee of IRENEX as a "main" or "similar" commodity.

On the physical market of IRENEX, based on the number of suppliers on a certain symbol, the trades are done in one of the following methods: Auction, All-Electronic and Wholesale Supply.

Trades on the derivatives market are also done by the all-electronic method.



## ■ Resources of IRENEX

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- 70 brokerage companies with the license to trade on IRENEX.
- Over 20 oil & gas refineries as suppliers
- More than 10 chemical plants and several coke making and tar refining companies.
- More than 40 private and public power plants.
- 39 electricity distribution companies as buyers (all distribution companies).
- Over 20 electricity retailers licensed by the Energy Ministry.
- Listing and trade of more than 250 commodity-suppliers and contracts.
- All-electronic trading platform specially designed for physical and derivatives markets
- All-electronic platform for registration, deposit and settlement of trades.

## ■ Listing procedures in IRENEX

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The listing of products and other financial instruments takes place under the supervision of Iran Energy Exchange Listing Council and according to the Listing of Commodity & Commodity-backed Securities Instruction. Based on Listing of Commodity & Commodity-

backed Securities Instruction application for admission and listing together with the documents subject of the present "instruction" must be submitted to the exchange by the admission advisor and be registered with the exchange.



## CENTRAL SECURITIES DEPOSITORY OF IRAN

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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 Tehran Stock Exchange (TSE), Iran Fara Bourse (IFB), Iran Mercantile Exchange (IME), and Iran Energy Exchange (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. 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.

# FINANCIAL INSTRUMENTS



**Tehran Stock Exchange**

- Equity
- Futures
- Options
- Sukuk
- ETFs



**Iran Fara Bourse**

- SUKUK
- Funds: ETFs, ETCF, VCFs, Fund of Fund, Private Equity Funds, Crowdfunding
- Mortgage Rights
- Islamic Treasury Bills
- Put Option
- Call Option
- Merger & Acquisition
- Underwriting & IPOs
- Intellectual Property Market
- Finstars



**Iran Mercantile Exchange**

- Industrial & Mineral, Agricultural Products
- Petrochemical Products
- Oil Products
- Futures Contracts
- Certificates of Deposit
- Investment Funds



**Iran Energy Exchange**

- Electricity
- Oil
- Gas
- Other Energy Carriers
- Spot
- Credit
- Salam
- Standard Parallel Salam
- Futures
- Options

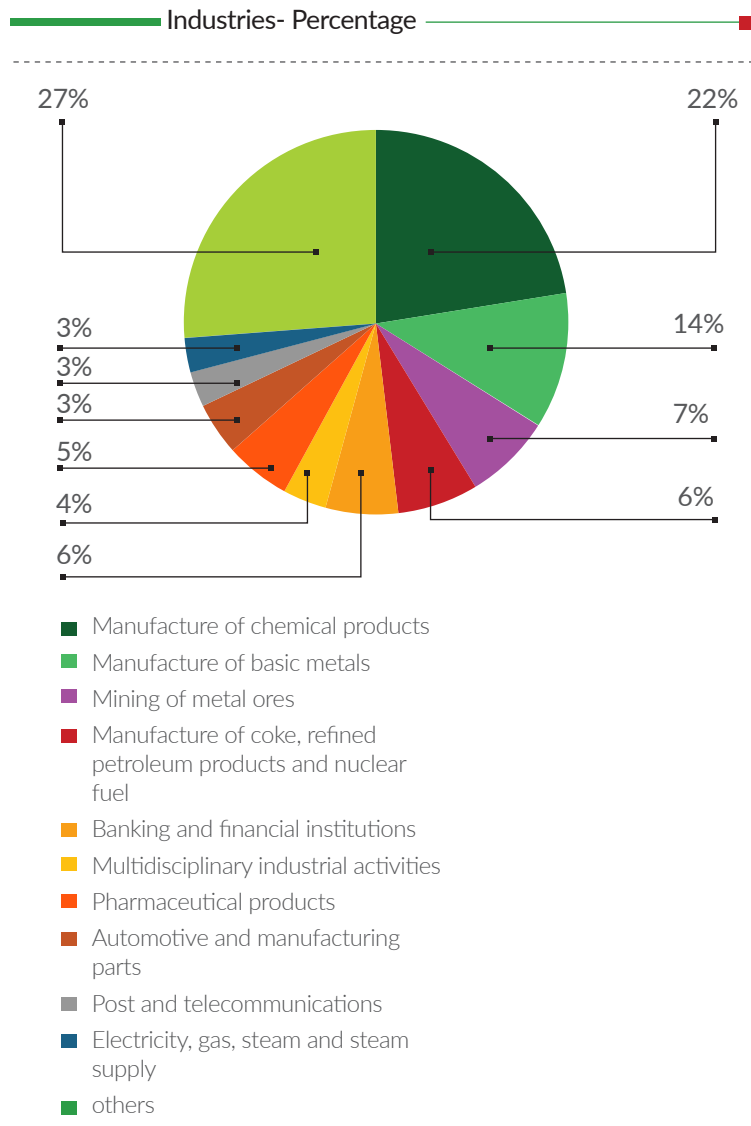
# MARKET ATTRACTIVENESS

## INDUSTRIES & FINANCIAL INSTRUMENTS AND INSTITUTIONS ■

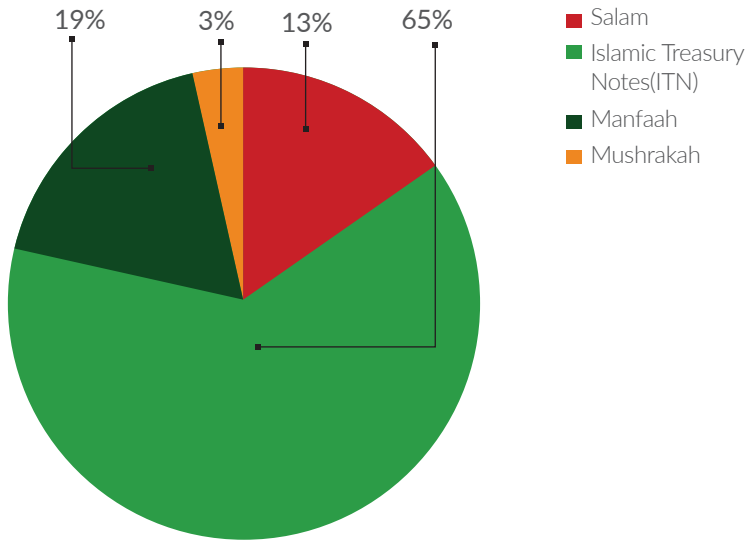
Iran geographically is located in a region that benefits from a wide range of natural resources. This attribute gives more attractiveness to the capital market in Iran.

Iran capital market covers many of the active industries in the country. So, it is a great chance for investors to diversify their portfolio.

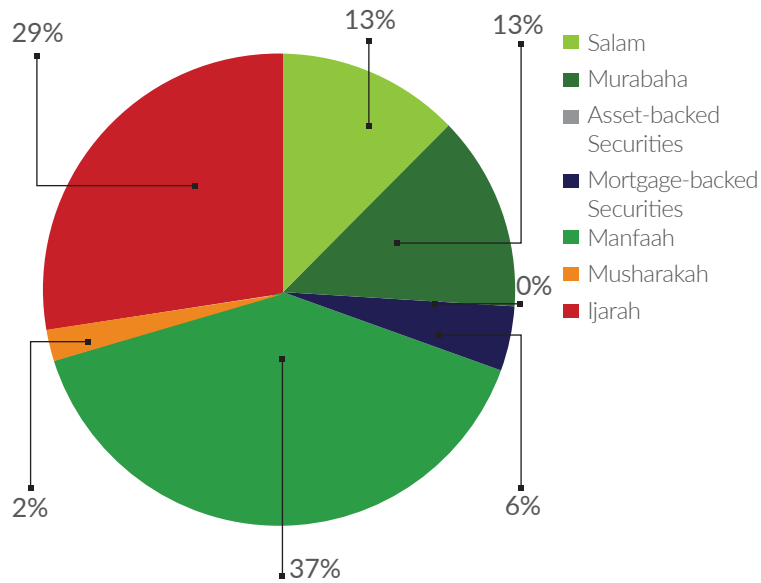
Additionally, there is a miscellaneous collection of financial instruments and institutions that boost the chance of financing and satisfy investors with different levels of risk-taking. Here is information about active industries, financial institutions and issued sukuk in 2019.



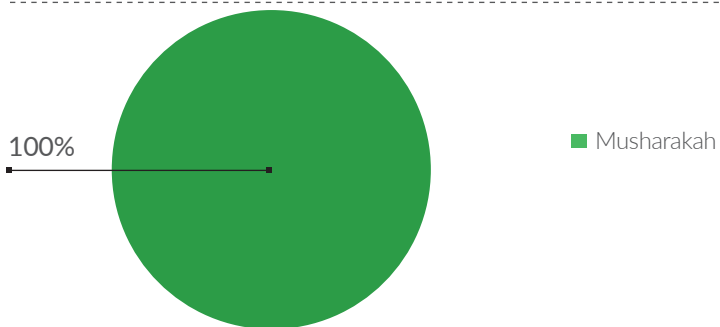
Government-Issued Sukuk



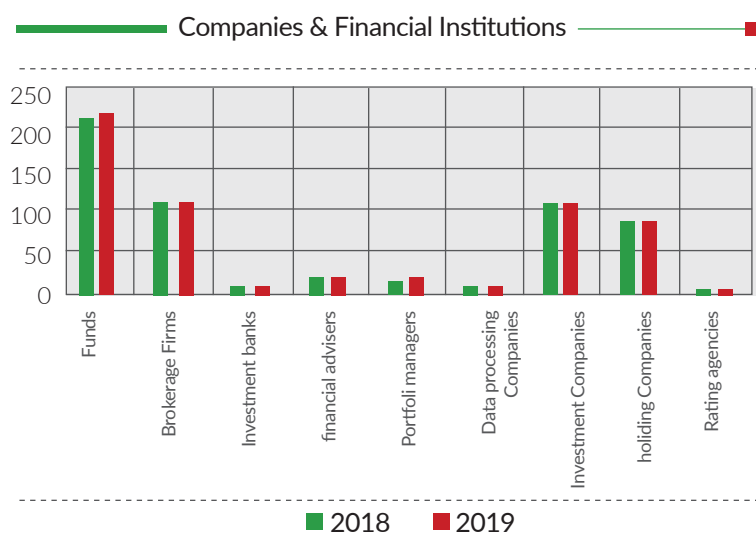
Corporate-Issued Sukuk



Banks and Municipality-Issued Sukuk



Companies & Financial Institutions	2018	2019
Funds	213	215
Brokerage firms	108	108
Investment banks	9	9
Financial advisers	17	17
Portfolio managers	14	20
Data processing companies	5	5
Investment companies	107	109
Holding Companies	83	83
Rating Agencies	1	3
<b>Total</b>	<b>557</b>	<b>569</b>



# TAX INCENTIVES

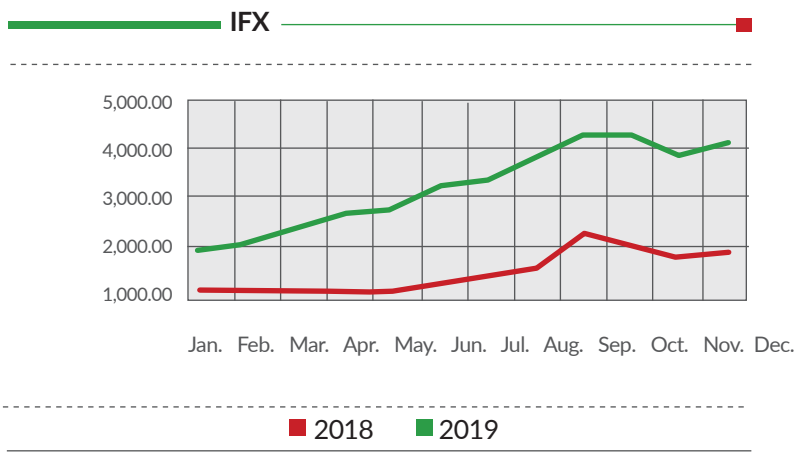
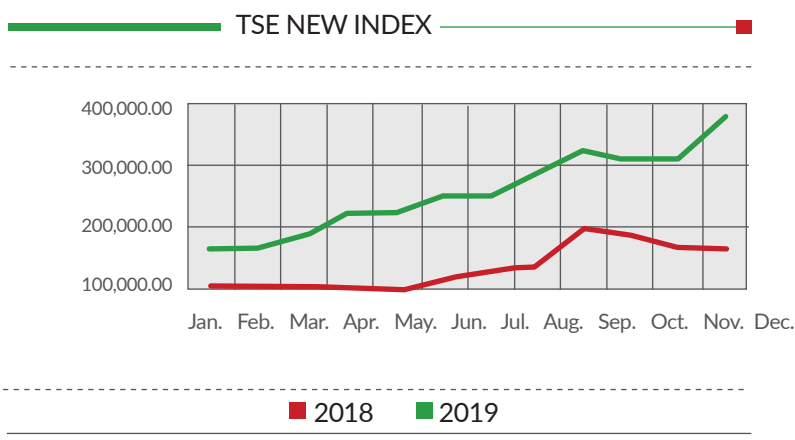
Tax exemptions are among those factors that has a considerable effect on investors decision making process. A list of Iran's capital market tax exemptions is presented below.

- 1. Tax exemption on profit (loss) of shares and share rights:** In most financial markets, investors have to pay taxes on capital gains; while this does not apply to the Iranian capital market under article 143 of the "Direct Taxation Act".
- 2. Tax exemption on share dividends:** according to note 4 of article 105 of the "Direct Taxation Act", the income from investments is tax-exempt. While in many countries, investors must pay dividend tax separately.
- 3. Tax exemption on mutual funds proceeds:** according to note 1 of article 133 of the "Direct Taxation Act", this exemption creates a great attraction for mutual funds and directly benefits their investors. With this article in place, the return of these funds increases and more resources are attracted to them.
- 4. Tax exemption on the transaction of units:** according to article 7 of the "Law for Development of New Financial Institutions and Instruments", the income of issuance and redemption of funds' units will be exempted from paying income and value-added taxes to increase their attractiveness.
- 5. admissibility of share dividend and transaction fees:** according to note 2 of article 7 of the "Law for Development of New Financial Institutions and Instruments", The profit and fees paid or allocated for securities as referred to in note (1) of this article, excluding the dividend and shares of companies, and the profit gained on investment units of funds, on the condition of registering these securities with the Organization, shall be regarded as parts of acceptable expenses for assessment of taxable income of such securities issuer.
- 6. Tax exemption of SPVs:** according to article 11 of the "Law for Development of New Financial Institutions and Instruments", the SPV shall be exempt from payment of any tax whatsoever and transfer tax, charges and income tax for that category of the assets for which the funds are raised through the issuance of securities for public offering. Moreover, in article 12 of this law, the proceeds gained from selling assets to the SPV so as to provide financial resources through the public offering of securities shall be exempt from tax and no tax and charges whatsoever shall be levied on the transfer of such securities.
- 7. Exemption of income tax for listed and OTC companies:** according to article 6 of the "Law for Development of New Financial Institutions and Instruments", ten percent (10%) of the income tax of the companies whose shares have been listed for trading on the domestic or foreign exchanges and five percent (5%) of the income tax of the companies whose shares have been listed for trading on the domestic or foreign OTC markets shall be exempted with the approval of the SEO.
- 8. Tax exemption for goods sold on commodity exchanges:** according to article 6 of the "Law for Development of New Financial Institutions and Instruments", ten percent of the income tax gained from the sale of the commodities listed on the commodity exchanges shall be exempted subject to the approval of the SEO.

# MARKET PERFORMANCE

The commitment of listed companies to providing and disclosing quarterly, semi-annual and annual financial statements and other essential updated reports has made the TSE and IFB more transparent and easier to monitor. Moreover, the TSE and IFB as equity markets are

the best places to collect public savings and inject into the production system. TSE New Index and IFX had a growth of 133.58% and 119.37% respectively in December 2019 in comparison with December 2018. The trend of indices changes is presented below.





# INVESTORS PROTECTION

## ■ A. INVESTOR EDUCATION

Leading the investment flows and liquidity into the capital market where the businesses can finance and boost the production is considered a major need for economic development. So one of the main steps is inviting investors to the capital market, but they may hesitate since they suffer from lack of information about market environment and investment mechanism.

The SEO looks at investor education as a road toward a successful market and as a consequence a flourishing economy.

Regarding the importance of enhancing financial literacy, the SEO has undertaken many programs and executed lots of educational plans. Some of the initiatives in this regard are presented here.

1. Publishing books: there are plethora of books shedding light on the basics of investment, and introduction on financial instruments and institutions. The complete list of the books published in this realm is accessible on

<http://www.boursepub.ir>.

2. Making promotional clips and games: On a regular basis, the SEO, through SIDSCO, has some promotional clips, advertisement, and games created based on the emerging needs of the capital market participants aiming at educating current investors and investors-to-be. The SEO has made sure these clips, advertisement, and games are extensively seen, broadcast, and played through different platforms.

3. Conducting financial-related competitions for different ages: there are different forms of competition held and organized for different ages by SIDSCO, the most important of which is Stars League of Stock Market.

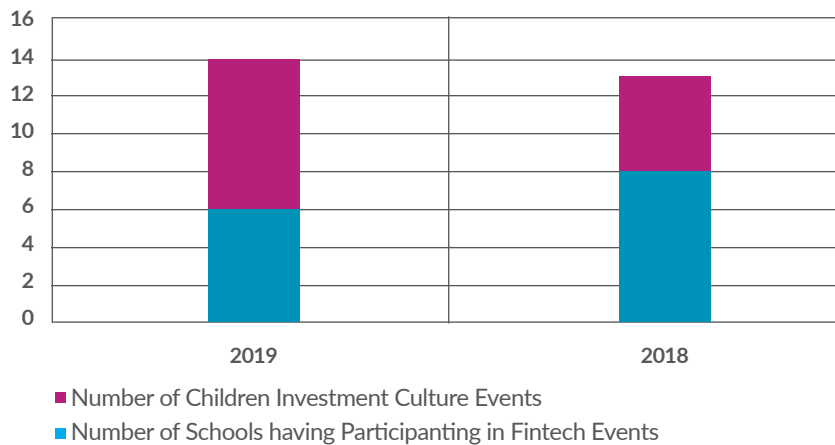
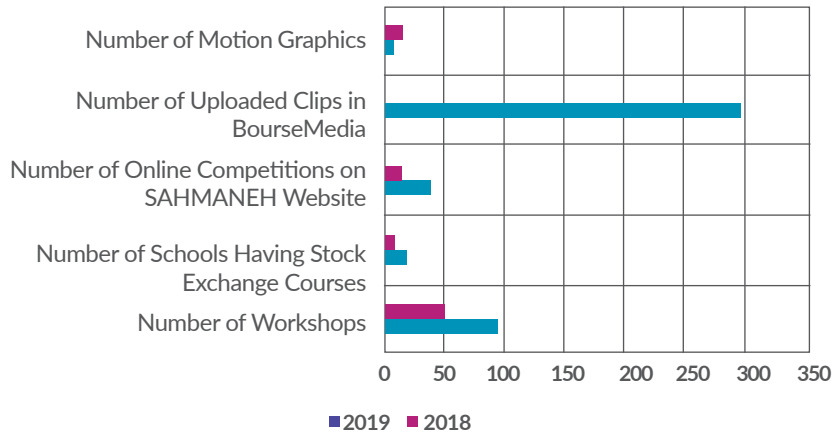
4. Organizing and holding domestic and international events: SIDSCO organizes and holds different domestic and international exhibitions, fairs, seminars and gatherings for the public. One of the outstanding events the SEO, through SIDSCO, holds annually is International Exhibition of Bank, Exchange and Insurance (FINEX).

5. Close cooperation with other relevant entities: the SEO has been working jointly with the Ministry of Education to include financial subjects in school curricula so that students get more familiar with the topics of investment.

6. MBA and DBA of Capital Market: The main goal of Capital Market's MBA and DBA courses is training qualitative and skilled workforce which are held in 2 terms. Additionally, there are scholarships for applicants who needs financial assistance.

7. Capital Market Qualification Exams: The SEO in order to determine the professional competence standards for employment in capital market financial institutions, holds and supervises Capital Market Qualification Exams that lots of applicants take part in, every year.

Also, here is information about SEO's educational activities in form of figures.



## ■ B. INVESTOR PROTECTION

### ■ Secure Environment

The SEO is responsible for providing an environment in which the investors feel protected and safe. These preconditions could be summarized into three main

factors: education, market efficiency and applicable regulations and instructions. Knowledgeable investors in an efficient market with practical rules and regulations will feel protected and this is

what the SEO makes efforts to achieve.

The following table presents some of the systems which guarantee investor protection & education in the market.

Title	Address	Function
Codal System	codal.ir	Comprehensive Database of All Listed Companies
Capital Market Regulations System	cmr.seo.ir	Presenting Capital Market Regulations
SEO Comprehensive Education System	icmc.seo.ir	Professional Certifications Affaires
Comprehensive Virtual Exchange for Investors	irvex.ir	Investment Rehearsal
Financial Literacy Enhancement	investor.seo.ir	To Enhance the Level of Financial Literacy

### ■ Enhancing Transparency and Creating a Fair Market

The SEO attempts to create a transparent and fair market by continuously enacting and revising bylaws and instructions and also by inspection of the entire market participants. This environment wins the investors' trust and adds more depth to the market. The investors' trust in the capital market is on the top of the SEO's priorities and will get even stronger in the future by the SEO's commitment and novel measures.

In line with IOSCO's standards and also to enhance transparency and prevent mis-buying, mis-selling and dissemination of

mis-information, the SEO established the Office for Whistleblowers.

Also, the SEO in order to enhance disclosure and transparency with the ultimate objective to provide an effective market for the investors has recently departmentalized the Issuers Affairs into four offices. The newly-established offices are Office of Supervision on Chemical Group, Office of Supervision on Financial and Services Sector Issuers, Office of Supervision on Industry and Mine Group and Office of Supervision on Trusted Auditors and Financial Reporting.

### ■ Deeping and Widening Market by Introducing New

### Financial Instruments and Institutions and Listing New Companies

For deepening the market, the SEO plans to introduce more novel and newer Shariah-compliant financial instruments and also issue licenses for establishing new financial institutions.

It is worth noting that several new approvals have already been made by the SEO in this regard. Wakala, Mudarabah, Reinsurance Sukuk and also credit rating agencies services for Sukuk issuance are among recent promising events that make the market more diversified and offer more investment opportunities for the investors.

The SEO is working hard in

this realm to introduce more investment products and entities.

### ■ **Having a Bigger Share in National Economy**

The stock market's effect on the gross domestic product (GDP) is undeniable. A flourished market can boost the GDP and accordingly the national economy. But the main challenge is how to increase capital market's share in GDP.

Supporting new businesses and startups are best ideas for making the future of the economy. Also, inviting new industries to the capital market will boost the diversity and improve the chance of

investment. Additionally, one of the prominent problems, unanimously agreed, is that the people are not that familiar with capital market rules and mechanism, but the SEO has been working round the clock to enhance and boost the level of financial literacy of current and potential investors and pave the way for more industries and companies to participate in the capital market.

Although, funds emergence in the market decreased the risk of investment significantly, but the SEO has many ongoing plans for improving investment culture and knowledge by means of publications, educational

centers, virtual space and also applying new financial instruments and institutions which are low risk but more practical.

### ■ **Expanding International Relations and Strengthening the SEO's Status in International Settings**

- More active participation in international associations,
- Linking Iran's capital market to target markets,
- Promoting Iran's capital market in international settings,
- Protecting foreign investors in Iran's capital market.

# RELEVANT RULES & REGULATIONS







The regulatory and legal infrastructure of the Iranian capital market encompasses the entire sectors and activities of the market and has always been subject to continuous and precise amendments and revisions. Below the main regulations related to foreign investment has been depicted. All these rules and regulations are accessible on <https://en.seo.ir/>.

1.	Securities Market Act of The Islamic Republic of Iran
2.	The Law for Development of New Financial Instruments and Institutions
3.	The Anti-Money Laundering Act
4.	The Executive Bylaw of The Securities Market Act
5.	Executive Bylaw of the Anti-Money Laundering Act
6.	The Bylaw Governing Foreign Investment in the Exchanges and OTC Markets
7.	The Rules Governing Issuance of Securities Transactions License to Foreign Investors
8.	Iran's Foreign Investment Promotion and Protection Act (FIPPA)
9.	Executive Directive of Regulations Governing Foreign Investment in Iranian Exchanges and OTC Markets

# INTERNATIONAL MEMBERSHIP

	<p>International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation.</p> <p>The SEO became an associate member of IOSCO in 2016. Then it became an ordinary member of IOSCO in 2018. The SEO is a member of AMERC, GEM, Listing Group Task Force, Fintech Network Task Force and Sustainability Finance Task Force in IOSCO.</p>
	<p>The Islamic Financial Services Board (IFSB) serves as an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry, which is defined broadly to include banking, capital market and insurance.</p> <p>The SEO became a member of IFSB in 2011.</p>
	<p>The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC) is the main multilateral economic and commercial cooperation platform of the Islamic world. COMCEC serves as a central Forum to address the common development problems of the Islamic Community and provide solutions to them.</p> <p>The SEO became a member of COMCEC in 2012.</p>
	<p>IFIE is a global organization that supports the building of stronger resources for strategies and programs implementing financial education, financial capability and investor education goals within and across jurisdictions and within and across organizations. IFIE has a diverse worldwide membership of securities regulators, SROs, central banks, financial education program deliverers, exchanges, networks of associations and individuals engaged in education and service to individual investors and seeks to use those global networks to create impact on the ground including through a regional chapter program which includes IFIE Chapters in Americas and Asia, and Chapters being built in Africa and Europe.</p> <p>The SEO became a member of IFIE in 2018.</p>
	<p>The purpose of the World Federation of Exchanges is to contribute to the development, support and promotion of organized and regulated securities and derivatives markets, in order to meet the needs of the world's capital markets in the best interests of their users.</p> <p>The TSE, the IFB, and the IME of Iran are members of the World Federation of Exchanges.</p>

# RELEVANT WEBSITES

	<a href="https://en.seo.ir/">https://en.seo.ir/</a>
	<a href="https://tse.ir/en/">https://tse.ir/en/</a>
	<a href="https://www.ifb.ir/">https://www.ifb.ir/</a>
	<a href="http://en.ime.co.ir/">http://en.ime.co.ir/</a>
	<a href="http://en.irenex.ir/">http://en.irenex.ir/</a>
	<a href="https://en.csdiran.com/">https://en.csdiran.com/</a>

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