



Iran Capital Market

Perspective & Opportunities

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Agenda

- History & Backgrounds
- Structure
- Markets
- Figures
- Technical Affairs
- CSD Operations

History

- Evidences of stone tablets used as security, debt and deposit certificates in Persian empire, Cyrus the great, 6th BC.
- 'BARAT' security papers almost 7 centuries
- Government bonds ~80 years ago
- Sukuk financing construction projects 23 years ago

Iran Capital Market History

1936

- Introduction of capital market concept in Iran

1966

- Ratification of Stock Exchange Act by Iranian Parliament

1967

- Official commencement of Tehran Stock Exchange (TSE) operations

1970s

- Economic growth and capital market expansion

Iran Capital Market History (cont'd)

1989

- Re-commencement of trades in TSE after Iran-Iraq war

1990s

- More listings and stock market growth

2005

- Introduction of new Iranian Capital Market Law

2006

- Establishment of Securities & Exchange Organization (SEO), Demutualization and incorporation of TSE (November 2006)

Backgrounds

■ Law

- ☐ Capital market law
- ☐ Islamic trades general law

■ Cultural

- ☐ Historically businessmen
- ☐ Traditionally made markets for Caraway & Safarron

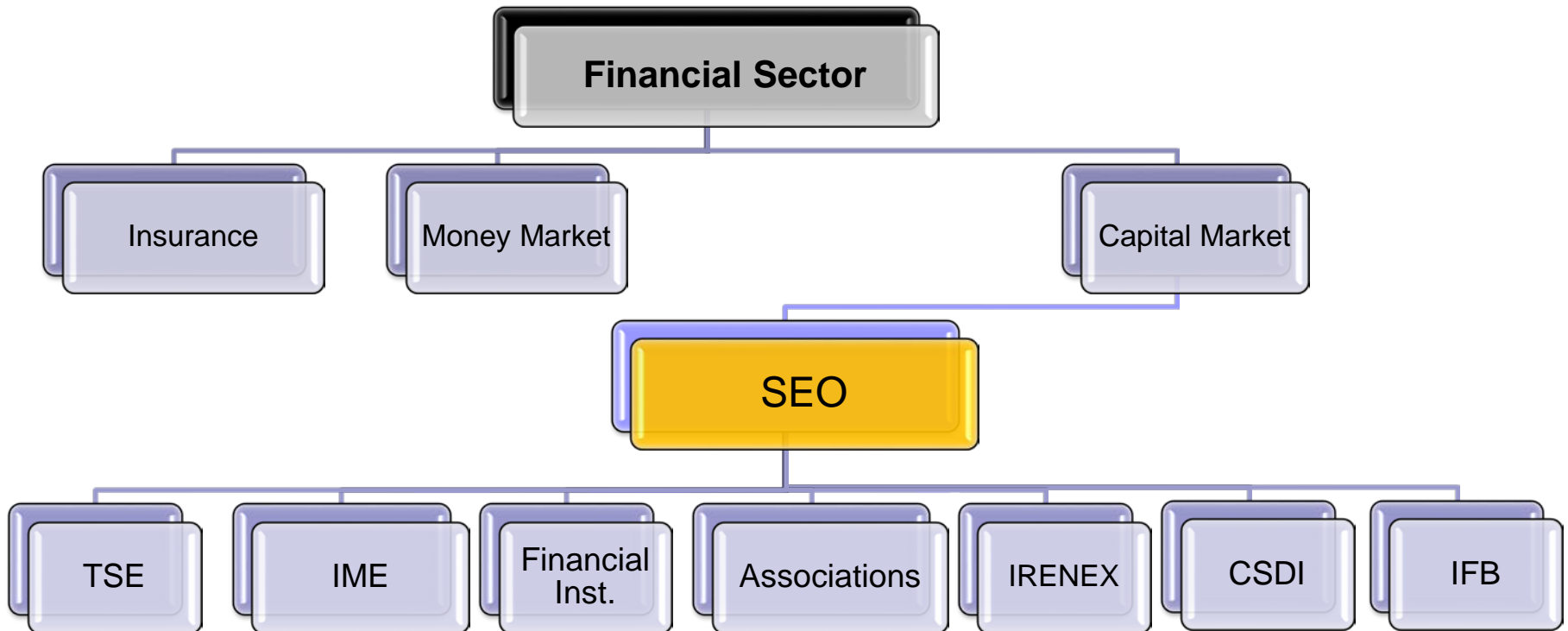
■ Future expectations

- ☐ Huge privatization
- ☐ Public justice shares
- ☐ Oil industry priatization

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Financial Sector



Capital Market Law

- Separation of supervision and trading operations
- More regulations on primary market specially for disclosure
- Possibility to introduce new Islamic financial instruments
- Severe punishments for insider trading, non-disclosure and market manipulation
- Demutualization and incorporation of exchanges
- Establishment of Central Securities Depository
- Possibility to launch new Islamic financial institutions and supervising them

Securities & Exchange Organization

- Preparing by-laws, rules & regulations regarding capital market
- Supervising the good performance of Law and related rules and regulations
- Issue, suspend or cancel licenses of Exchanges, Associations, OTCs and Financial Institutions
- Taking necessary measures for preventing violations in the securities market
 - Market surveillance in all exchanges as well as SEO
- Supervise activities of Exchanges, Associations and financial institutions
- Protecting investors' rights, maintain and develop fair, efficient and transparent market

SEO – Cont.

- Developing Islamic financial instruments, institutions and securities markets
- Developing infrastructure and Information Technology in capital market
- Improving investor education
- Expanding relationships with foreign supervising entities and related international entities
- Systemic Risk Management
- Investor Protection
- Market Integrity

CSDI

■ Main Objective

- Providing centralized, supervised and secure basis as infrastructure of capital market
- Third-party trustee through the whole market

■ Main Services

- Centralized registry, dematerialization
- Pre, Post Trade services for exchanges
- Security and Cash clearing & settlement

Capital Market Ecosystem of IRAN

- Stock exchange since 1965
- Automated trade & post trade since 1994
- Fully demutualized since 2005
- Featuring: Online/Mobile Trading, Various IT companies, Fully dematerialized registry & clearing system, ...
- Specialized instruments: Sukuk (various types), ETFs, Parallel Salaf, Preemptive Realtime Rights, EPO, etc.
- New Exchange: IRENEX (Energy Exchange)

Future Perspective

- Significant growth in number of investors
 - From 7.6M to 45 Million
- Huge growth of market cap
 - Listing of oil industry
- Ease in foreign investment
 - Government support
 - International conditions
- New products
 - Especially Islamic contracts for project funding, etc.

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TSE & IFB

- Date of establishment: 1967 & 2009
- Markets
 - ☐ Main Board (A&B)
 - ☐ Secondary Board
- # of Listed Companies: 313 & 165
- # of Brokers: 89 + (some shared with IME) ~ 100
- Main indices:
 - ☐ TSE all share price (TEDPIX)
 - ☐ Industrial index
 - ☐ Financial index
 - ☐ TSE - 50
- Clearing & settlement: T + 3, T+2, T+1

TSE & IFB – Cont.

- TSE for well established companies
 - Tighter rules and regulations for disclosure, etc.
- IFB for small-medium or newly publicized companies
 - From startups to even private companies
- New instruments go to IFB
 - Certificate of deposit
 - Patent exchange
 - Special OTC

Iran Energy Exchange (IRENEX)

- Established in March 2013
- Trading Electricity Contracts: Physical and Salaf contracts
 - Both Power and Energy
- Business model specialized for Iran
 - Modern trade & post trade platform developed and tailored for IRENEX at CSDI and TSETMC
- ~30 power plants whole sale market
- Huge growth expected coming to retail customers

IRENEX – Cont.

- Exchanging products on
 - Crude oil (recently)
 - Oil condensates
 - Gas related petrochemicals
- Extending business to
 - Salaf contracts
 - Futures & Options

Iran Mercantile Exchange

- Date of establishment: 2007
- # of brokers: 75
- Traded commodities:
 - Multi-commodity: Bitumen group, and agricultural: Cereals, Oil cake and seeds group, Dried and trans products, Crop group
- The most diversified commodities market in the region
- Trading in 4 rings, 11 main groups and 181 by products
 - 4 main rings: Industrial, Oil and Petrochemicals, Agricultural and Futures
- Trade in all different contracts : spot, futures, credit, forward and options
- Specialized future contracts on gold coins

Achievements

- IME international floor in Kish free zone
- CODAL Information Disclosure
- Developing more regulated financial institutions (Investment banks, Investment Advisors, Mutual funds, Credit Rating Agencies, etc.)
- New Islamic Financial instruments such as different SUKUKS, Islamic Futures, etc.
- On line Trading and Mobile Trading
- Electricity, Physical and Salam Contracts in Iran Energy Exchange
- Various types of ETFs
- Financial Literacy: Call Center, Educational programs from pre-school to MBA, Virtual Exchange

IRVEX

- Platform for educating investors in realistic market conditions
- Good for both newbie and even professional
- ~250000 users at the time being
- Basis for
 - Course homeworks of collage courses
 - Advertisements and social networking
- Expected to rise to 1M users

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Tehran Stock Exchange

Best performing market in 2011, 2012 & 2013

- 29.3, 50.4 & 132.9 percent return in index respectively

The most diversified Industrial Classification

- 36 industrial sectors based on ISIC

Best performing market in the past decade

- >600 percent return in index, >1,300 percent increase in Market Capitalization, and >1,500 percent increase in turnover

Market returns in 2010, 2011 and 2012

- 67, 32 & 56 percent respectively

One of lowest P/E ratios in the world

- around 7.5

By Numbers

- Market Cap

- ~210 billion USD

- Turnover and Cash Flow

- Securities: ~ 52 billion USD, 40% net flow through CSDI

- Commodities & contracts: ~ 25 billion USD

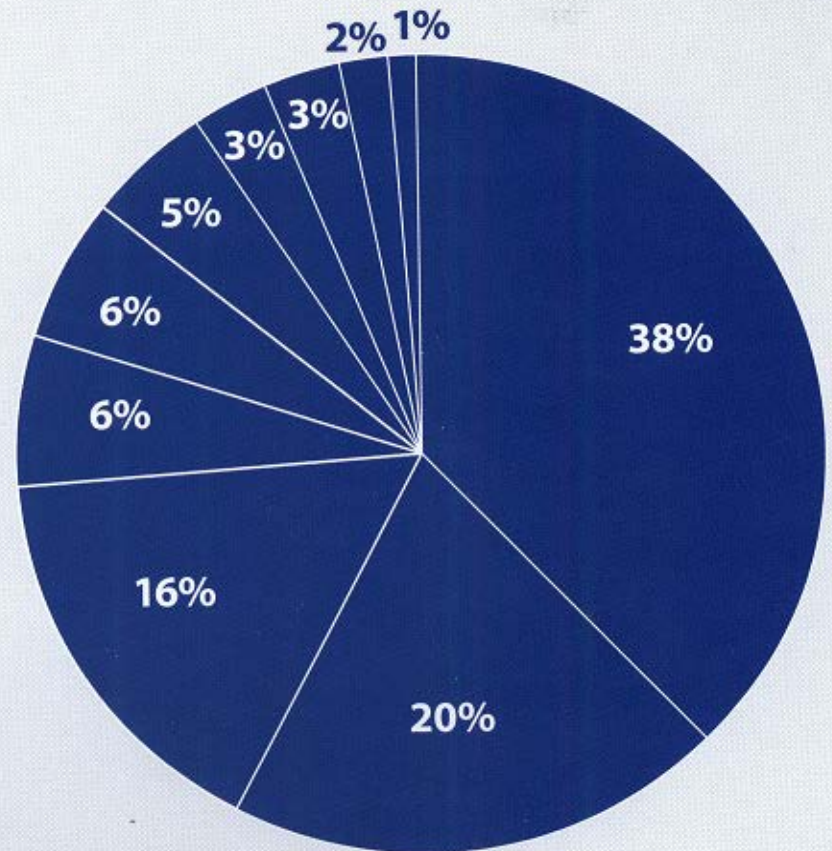
- Number of Trades & Contracts

- ~30 Million a year

Tehran Stock Exchange

Market Cap Mix By Sector

38%	Oil, Gas and Chemicals
20%	Metals and Minerals
16%	Financials
6%	Holding Companies
6%	Industrial
5%	Telecommunication
3%	Consumer Cyclical
3%	Other Materials
2%	Pharmaceuticals
1%	Consumer Non-Cyclical



Figures

	MC	Growth %	Value (\$b)	Growth%	Volume (b)	Growth %
TSE	172.9	153.0 (25)	35.0	298.0 (97)	174.0	132.5
IFB	41.0	123.5 (10)	11.0	134.5 (16)	39.5	47.7
IME (1)	---	---	20	60	17.7 (mt)	19
IRENEX (2)	---	---	0.17	---	---	---

Instruments & Markets

Others		Derivatives		Fix income		Equity	
IRENE X/IME	Spot Commodity :	TSE/ IME	Futures	TSE/IFB	Corporate Bonds	TSE/IFB	Common Stocks
	Oil Petrochemical Agricultural Base metal	TSE/ IME	Options	IFB	Sukuk	TSE/IFB	Preempti ve Rights
IFB	Housing Deposit Receipt	IRENE X/IME	Parallel Salam	IFB	CDs	TSE/IFB	ETFs

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Business Development

- In all the market players
 - SEO, CSDI, TSE, IFB, IME
 - Inv. Banks, Brokers, etc.
- Market-wide working groups
- Seeking new horizons for the Iranian economy by issuing new instruments
- IRENEX and Public-Justice Share model
- CSDI as a very active player

Technology Sector

- Dedicated IT companies for TSE-OTC (TSETMC), CSDI (SAMAT-SAMANEH) and strategic alliances (SANAY)
- High capacity platform with online/mobile services
- Various IT companies with brokerage, fund mng., surveillance, disclosure, online consulting, etc. solutions
- Rapidly developing seeking new horizon for full STP capital market integrated with banking system
 - To some extent, means of integrations meanwhile

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Role of CSDI

- Providing dematerialized registry, clearing, settlement and risk management measures
 - Specialized corporate actions department
- Main basis for some of critical recent developments
 - the 'Public Justice Share' program
- Active participation in design of new instruments and solutions
- Holding Central Asset Mng., an IT company and various SPVs

Major Services

- Pre & Post Trade services for

- TSE

- IFB

- IRENEX

- Services

- Depository, Registry

- Clearing & Settlement

- Corporate Actions, etc.



Notable Business Processes

- SAHAM-E Edalat
- IRENEX
- IRCUREX
- Centralized Mutual Fund Registry
- Multi-Currency, Multi Exchange, Rule-based Clearing

On the Way

- Modern Registry System
 - Accommodation 50 million investors
 - Ease of access for everybody through service channels
- IR2A: Incremental Risk Reduction & Awareness
- DMS: Intelligent Document Processing and Management
- Investor relations systems

Thank You

- Let's hope even greater success for ACG
- Having informative seminar
- Enjoy your stay in friendly Tehran