2019

Summer 2019, Vol. 17

IME Quarterly

Iran Mercantile Exchange Quarterly Newsletter

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Publisher: Iran Mercantile Exchange (IME)
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Editorial

The current Iranian year began with the motto "A pick-up in production" and the Iranian capital market will be definitely one of the promising windows opening up to that vista.

Within the last two decades, Iran's supreme leader has been calling for all efforts to be geared towards shaping up a resistive economy such that people generate the power needed to run its engines not merely the government: a knowledge-based structure with a problem solving approach towards economy, which is aimed at implementing article 44 of the Islamic Republic of Iran's constitution.

In view of that, we have to draw attentions towards the unique role the capital market can play in funneling idle capitals in the hands of people into knowledge-based public companies, which seems to be the best way to tackle the fundraising problem for such companies, and in turn, will lead to a booming economy in the not too distant future.

Apart from difficulties that businesses have to overcome as to insurance policies and taxation, which are in need of amendments to rules and regulations, they are always grappling with finding sources to finance their projects and also with finding customers for their products. Both the Iran Energy Exchange and the Iran Mercantile Exchange have numerous financial instruments - including Salam contracts, commodity based securities, commodity funds and futures contracts - at the ready to eliminate fundraising and selling problems of businesses, especially in hard times of recession.

After decades of being overshadowed by the banking system, Iran's capital market is beginning to have the upper hand in financing businesses and providing the younger generation with the funds they need to run their newly-established businesses and startups. Thus, one can arguably conceive of Iran's capital market as the main road towards economic growth and a pick-up in production.

CEO Post

Establishing a Mutual Commodity Exchange between Iran and Iraq
A VIABLE SOLUTION TO EXPORT-IMPORT SHORTCOMINGS

The Iran Mercantile Exchange seeks to assure there will be enough and proper facilities, instruments and methods of modern trade proportionate to emerging needs of international business ties, not least with neighboring countries including Iraq which is high on the agenda for Iranian economic officials.

Since the unfair US imposed sanctions, Iran has been putting a lot of effort into finding ways around them and expanding business interactions with its neighbors to supply foreign currency reserves the country needs; a policy which has proved successful according to indices.

The Iran capital market is no exception and is doing everything in its power, in particular via the IME, to pay its share of contribution to the above-mentioned goal. That's why the IME set out to open new chapters of cooperation with such countries through negotiations with relevant officials. For the IME Iraq is on the top of priority. We are done with the feasibility studies and goal setting phase. Hence, we held meeting sessions with the Iraqi Prime Minister and the chairman of Iraq's Securities Commission and are waiting for them to get back to us on our suggestions.

However, bureaucratic procedures and official negotiations aside, we need to up our game if we are to win markets in Iraq. First and foremost, we need to adopt a single policy agreed on by all the governmental bodies involved in exports and imports to and from Iraq so that all our efforts would be geared toward devising an all-encompassing plan for long-term and continuous presence in Iraq's market. When it comes to market, as in much else, there is no free lunch; that's why the IME came to the conclusion that setting up a mutual commodity exchange could be a viable solution, as it not only provides us with a well-structured platform to export our goods and financial services within a regulated and transparent framework that guarantees our presence in the market for a long time, but also gives enough incentives for Iraqi decision makers to accepts our suggestion, as it would be a two-way route making it possible for them, as well, to export their goods to Iran. This would be a big merit because now that under US sanctions we have difficulty in transferring money, this platform could work as a mechanism for barter trades. That is to say we can import the commodities we need from Iraq in exchange of what we export to this country.

Before anything else we need to stabilize prices for domestic products inside our borders so that there would not be incentives created for rent-seeking activities in exportation of them. That's why pricing of goods inside our borders would have a direct impact on the export of the same goods, rendering it as a constructive or destructive activity. Hence, we need to initiate our exports to Iraq with steel sections until we reach a pricing policy for our agro-products. After that, we can have plans for them as well. Moreover, we can think of setting up common industrial projects in Iraq that would become downstream sectors in that country finally in need of continuous feeding of base products and raw materials from ours.

Given that the revenues generated through export of domestic products will be in the end in the pockets of our own people, we require reaching a balance between protecting our domestic markets and expanding our exports to foreign countries. If we need sources other than oil to generate foreign currency revenues, then we have to think of a platform for continuous offering of our products in foreign markets with sustainable policies that guarantee logical pricing of domestic products in a way that does not lead to rent-seeking opportunities in our export markets.

The Iran Mercantile Exchange can pave the way for export of wide range of products beyond what we are currently exporting to Iraq like energy carriers, gas and electricity. But, first of all we need to devise a business model to create a niche for each product we plan to promote in Iraq's market.

It's worth noting that our domestic market has limitations after all and we have to take the open doors policy to exchange goods and services with our neighbors to free Iranian producers and manufacturers form the blockade which will be sooner or later looming ahead for them. Therefore, we need to as quickly as possible draft proper rules and regulations for facilitation exports to countries like Iraq and provide the opportunity for as many Iranian goods as possible to enter Iraq's market.

Good news is that the government and the parliament are both in favor of expanding Iran's business interactions via the IME. For example, we have prepared and sent to the parliament of Iran a proposal for launching a joint digital currency among ECO countries, which we believe would enable countries like Iran, Pakistan, Turkmenistan and others to cut the dependence on US dollar for trades between them and increase the volume of commodity and services exchange among them, as this currency is capable of being converted to their local currencies.

All that said, we believe that, for all intents and purposes, the IME is the proper platform to establish new corridors for business between Iran and other countries, as it uses state-of-the-art technologies, modern modes of trade and numerous financial instruments within a transparent and efficient atmosphere, which can guarantee continuous and deep foreign markets beyond our borders.

IME General News

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IME'S 10 MAJOR PLANS IN 1398 IRANIAN YEAR

The CEO of Iran Mercantile Exchange at the Annual General Meeting of its shareholders announced that the IME will implement 10 major plans in 1398 Iranian Year.

Hamed Soltaninejad, during the presentation of the Board of Directors' report to the stockholders, stated: "Development of trading basic assets by current instruments, developing financial instruments for commodity-based securities, expanding the size and depth of the market, and developing cooperation with other institutions as well as promoting the IME's brand are some of the IME's major plans in year 1398 Hijri."

Pointing to the IME's other plans, he said: "Development of international transactions, development of information management systems, improvement of methods and mechanisms of the exchange, upgrading and integration of systems, and improvement of the quality of services provided to the customers are among other plans for this year and for implementation of these projects about 98 projects and improvement measures and 250 current actions have be defined."

He noted that the IME owes its achievements to the public getting increasingly familiar with the mechanisms of the exchange, and numerous meetings with policy makers and decision makers have been held for the same reason.

Regarding the IME's achievements during 1397 Iranian Year, managing director of the Iran Mercantile Exchange also said: "In 1397 Iranian Year, the IME with a share of 39% of the value of capital market transactions has ranked first among other exchanges. The growth of 52% in trading value last year, a 385% increase in the value of financial market transactions, a 17% growth in the trading value of physical market, and a 25% growth in derivatives market trading value were among the most important achievements of the exchange."

Soltaninejad added: "In 1397 Iranian Year, positive actions have been taken in various markets, including the agricultural products market, especially saffron, in order to make this market an effective platform for the country's economy, continuing to grow in this year."

APPROVED BY MAJORITY OF VOTERS

Distribution of 150 Rials Dividend among Shareholders

The General Assembly of the Annual General Meeting of the Iran Mercantile Exchange was held on the morning of July 24, 2019, in Razi International Conference Center, and shareholders acknowledged the exchange's performance report of 1397 Hijri with majority of voters and approved distribution of the 150 Rials as dividend.

During the Annual General Meeting of the Iran Mercantile Exchange held on the morning of July 24, 2019, in the Razi International Conference Center, following the presentation of the report of the Board of Directors for the fiscal year ended March 23, 2019, and describing the major measurements and developmental operations of the IME by Hamed Soltaninejad, the CEO of Iran Mercantile Exchange, the company's financial statements were presented by an independent auditor and legal inspector. The auditor's opinion on the IME's financial position and its financial performance and cash flows for the fiscal year ending on this date is an Unqualified Opinion in all aspects of importance in accordance with the accounting standards.

In the end, the Annual General Meeting of the IME agreed to divide 150 Rials of profit per share. In the General Assembly of the exchange, Frivaran Rahbord was also selected as the Independent Auditor and Legal Inspector, and Vania Nik Tadbir as the alternate inspector and the Ettela'at Newspaper and Donya-e-Eqtesad Newspaper as the Official Gazette.

Ali Saeedi, who chaired the meeting at the Annual General Meeting of the Iran Mercantile Exchange, said: “The exchange has become one of the important economic sectors of the country in recent years, and the development of this market, in particular, moving towards commodity-based securities, has been one of the most important steps in this capital market.”

At the Annual General Meeting of the Iran Mercantile Exchange, Saeedi said: “Despite all the economic hardships, we witness an unqualified opinion of the auditor for the IME’s financial statements and a desirable report to the shareholders, which shows a significant growth in the various trading segments.”

He emphasized: “In order to develop the exchange more and more, it is necessary to persuade decision makers and policy makers to make greater use of the IME’s market and the benefits of this trading platform, as this market can be used to deal with many of the problems in the economy. This measurement was well taken over in 1397 Hijri.”

The head of the Annual General Meeting of the Iran Mercantile Exchange said: “The IME’s capacity to grow in different sectors of economy is more than the current level, and in the field of financing the industry and supporting production units, plenty of plans will be taken into consideration.”

IME’S POSITION HAS BEEN STRENGTHENED IN ECONOMY

SHAREHOLDERS APPROVED TO RAISE CAPITAL BY 50 PERCENT NEW MEMBERS OF BOD WERE ELECTED

The extraordinary general meeting of the Iran Mercantile Exchange held in the Razi International Conference Center on June 24, 2019, and majority of voters approved to raise capital from retained earnings and legal reserves by 50%. Also, shareholders elected new members of the board of directors of the IME.

In the extraordinary general meeting of the IME, majority of voters approved to raise capital from 1,240 billion rials to 1,860 billion rials.

In the election and voting process, shareholders also elected new members of the board of directors as follows:

- National Development Investment Group
- Mobarakeh Steel Company
- Khuzestan Steel Company
- Ayandeh Bank
- Tamadon Investment Bank
- TAPICO
- Esfahan Steel Company

IME'S POSITIVE OUTLOOK ON FUTURES MARKETS AND COMMODITY INVESTMENT FUNDS

As the IME CEO, Hamed Soltaninejad, put finger on the upward trend of trades for commodity -based securities on the exchange and he expressed hopes that there will be improvements on the IME's futures markets and its commodity investment funds.

He added that there will be initiatives the IME is about to take including commodity based securities to be launched on cumin seeds, dates, pistachios and even melted gold.

As it has been predicted, Soltaninejad explained, that the IME will be experiencing a booming futures market; we have the plan to extend our futures contracts to new underlying assets and expand its commodity investment funds.

The only issue we need to eliminate is the limitations on new permits for setting up new investment funds. That's why these funds are not being developed with the desired pace. Hadn't it been for such limitation, these funds would be running shoulder to shoulder with other markets, enjoying very high yields.

He added that the futures market suffers from shortcomings in regulatory issues. That is to say it's not enough that such markets are legal and accepted within the realm of the capital market. We need to elaborate on the merits of futures markets for authorities standing above the highest ranking decision makers of Iran's capital market in order to provide a firmer ground for such markets and other financial instruments from a higher standing point on the hierarchy of our statute law.

IME to Sets up Business Ties with Neighboring Countries

Referring to the IME's measures in the last two years as to developing relations with Iran's neighbors, Soltaninejad explained that the first step has been taken to increase Iran's exports to Iraq. He added that there have been negotiations with high ranking officials in this regard. He expressed hopes that the upward trend would continue so that our exports to Iraq would surpass the current record of 8 billion dollars. He emphasized that the IME has laid the bricks, as the feasibility studies are in the final phase and our targets have been identified. Therefore, in the not too distant future, Iran can increase the exports volume of commodities sent to Iraq through the channel provided by the IME. There are also long-terms plan for expansion of business with Iraq like establishing a mutual commodity exchange and provision of the infrastructure needed for building warehouses in Iraq.

IME International Events

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Expanding Iran-Iraq Trade via Iran Mercantile Exchange

At the meeting of the chairman of the Iraqi Securities Commission (ISC) with the CEO and senior managers of the Iran Mercantile Exchange, held at the IME, the possible ways to expand trade cooperation between the two countries, aimed at creating a transparent, secure market, and reducing the risks and costs of Iran-Iraq trade, were debated. The launch of a joint commodity exchange was one of the main topics discussed at the meeting.

Joint Commodity Exchange; a Step towards Development of Iran-Iraq Trade

The overall structure of Iran's capital market and its exchanges was outlined and introduced for the chairman of the ISC and the delegation accompanying him, and the advantages of financing through the IME's platform, the types of trading markets and tradable products were mentioned.

During the meeting, Hamed Soltaninejad welcomed the chairman of the Iraqi Securities and Exchange Commission, the delegation accompanying him and noted the high potentials of Iran and the IME in the development of trade with Iraq. He said: "The IME has undertaken extensive research over the past few years on developing trade with Iraq, identifying the major problems facing Iraqi businessmen such as cash settlement, continued trading and delivery and standardization of goods."

He added: "We believe that the IME, through its clearing house as well as the delivery of money and goods mechanisms, can solve problems and ensure Iraqi merchants and buyers who are Iranian commodities' customers that they will no longer have past problems in trading with Iran."

"Of course, we are not looking for a one-way relationship and just exporting Iranian goods to Iraq, rather, the import of Iran's required products can also be done on the IME in order to make the trade transparent and systematic." he said.

According to Soltaninejad, the establishment of a joint commodity exchange between Iran-Iraq in Iraq is one of the strategies that can help expand the trade and solve the aforementioned problems. In addition to launching a joint Iranian-Iraqi commodity exchange in Iraq, he suggested the possibility of exchanging information and using the IME's experience to launch the Iraqi commodity exchange.

Tapping into the Experiences of Iran Mercantile Exchange

Alaa Abdul Hussein Al-Saedi, the chairman of the Iraqi Securities Commission, thanked the Iran Mercantile Exchange for hosting the meeting and said: "We have been under pressure of some sanctions between the years 1992 and 2002 and we couldn't have an active capital market in that time frame, but from now on, we are working to transform the Iraqi Securities Commission by strengthening infrastructure and changing some rules and regulations."

Al-Saedi added: "Following this development, we are eager to connect with the IME to tap into its experience in commodity trading. Given the relationship among Iraqi traders and Iranian producers, we should strive to make Iraqi traders familiar with the IME's mechanism and the advantages of trading through its platform."

"As it was mentioned, standardization of products and delivery of goods and money, continuity of supply and relatively low cost of trading on the IME in comparison to free markets are far more attractive to Iraqi traders. We will seek the view of the Iraqi decision-making upstream institutions in order to launch a joint commodity exchange, as soon as possible." he said.

During the meeting, the two sides debated on the challenges facing Iran-Iraq trade, including issues relating to customs laws and regulations in Iraq, the choice of the rial or the dinar currency or even other currencies required for the process of clearing and settlement of trade between the two countries as well as the need to establish orderly relations between the two countries' traders to have high quality and favorable commodity exchanges. Moreover, steel, cement and plastic products were the three main groups of commodities that were referred to as being exportable from the IME to Iraq.

Iran Mercantile Exchange Clears the Way for Business Ties between Iran and Qatar

"Modern commerce is nowadays running within a transparent atmosphere globally using electronic infrastructures", said the president of Iran and Qatar Joint Chamber of commerce, "and we can tap into the IME's potentials to smooth the path of trades between the two countries".

Mousa Adnanpour said that currently we are grappling with restrictions as to financial and banking interactions, which will be eliminated hopefully in the not too distant future.

He continued that we need to find efficient solutions around sanctions imposed on us, which have had undeniably destructive impacts on commercial relations between us and our neighbors like Qatar. Instead of overbearing legislation, we need to loosen the rules in order to expedite commercial activities.

We also need to think of new rules and regulations both within our borders and beyond them having the new conditions created by sanctions.

Mousapour put finger on Iran's currency repatriation policy, which turned out to be an ultimately failed effort in Iran's economy.

To cut the long story short, he explained that we are needed to put our heads together and figure out solutions to facilitate trades between Iran and Qatar in spite of the restraints we have to deal with in the IME of economic sanctions.

IME and IRENEX Lay Groundwork of Cooperation on Financing with Export Guarantee Fund of Iran

The CEO of Export Guarantee Fund of Iran stated, "We are planning to initiate activities within Iran's capital market through cooperation with the Iran Mercantile Exchange and the Iran Energy Exchange in order to increase our efficiency as an export credit agency. We will be using the potentials of the export rings of these two exchanges to not only issue debt securities and provide financing services in exportation but also to issue guarantees for commodities.

Afrooz Baharmi said in the second conference on Raising Funds for Investments on Exports and their Insurances that within the first quarter of the current fiscal year the Export Guarantee Fund of Iran has been witnessing a 102% growth in activities as compared to the same period in the last year despite no change in non-oil exports, which is good news.

She added that the oil revenues suffer the highest level of vulnerability in the face of economic shocks received from outside. The only way to recover from such upsetting shocks is to compensate the dent in revenues through expansion of exports for non-oil products, which is in line with the policies of *resistance economy* and will definitely play a crucial role in providing the country with its needs to foreign currencies and imported products and in helping our economy to pick up again.

She continued that the currency shock experienced in 1397 hijri year created some economic problems for Iranian people and their everyday life, yet it was a good opportunity for Iranian exporters, which is not to be neglected. That is to say smuggling goods lost its appeal while export of goods grew relatively. Here is where we believe that the Export Guarantee Fund of Iran can play its crucial role as to covering the risks posed by exportation.

According to her the Export Guarantee Fund can step in and pave the way for exports now that Iranian banks are facing restrictions for opening letters of credit. One of our missions currently is trading debt securities for exported goods, which has been a common practice all over the world for years, but not in our country unfortunately. Last year the Export Guarantee Fund signed an agreement with the Saderat Bank of Iran to set up a company in this regard, which has not reached the operational phase yet.

Bahrami pointed out that the Export Guarantee Fund provides 30% of the finances needed for exports along with Export Development Bank of Iran and is struggling to launch new financial tools to eliminate the obstacles on the way of exporters. Furthermore, on the sidelines of the second conference of Financing, Investment and Insurance on Exports he reiterated that Iran can easily grapple with the sanctions given the unrivaled natural resources the country possesses. She explained there that the Fund is ready to help the banking system of the country in covering commercial and political risks of exporters along with providing financing services.

The final point she made was that, based on a decision made by the Money and Credit Council, the Fund is capable of paying facilities in foreign currencies and rial with the interest rates of 2% and 1% respectively.

Growth in Production; Outcome of Sanctions for Aluminum Industry

Restraints imposed on both producers of aluminum and downstream industries, which were the results of sanctions ended up the two groups having better interaction and more constructive cooperation. The Iran Mercantile Exchange also played its share of contribution in this regard with providing a more transparent atmosphere of trade.

Aluminum is among the most popular commodities traded on the IME with a 20% increase in volume of trade after comparing the facts and figures of trades from the beginning with the same period of the IME within the last year. Statistics show that within that period last year the IME sold 33,440 tonnes of aluminum as compared with 39,960 tonnes this year. Regarding the declining supply of aluminum in global markets and the upward trend of demand for it in domestic and export markets, aluminum will be enjoying good prospects. Chairman of the board of the Iranian aluminum syndicate said to Mehr News Agency that the sanctions imposed by America have restricted imports of aluminum to the country. Hence, domestic producers are recommended to make the most of such opportunity and enhance the industry with everything in their power. In the meantime, he added that the Iran Mercantile Exchange can step in with the intrinsic merits of transparency, fair price discovery, and guarantees to make sure that the consumers in downstream industries will definitely receive their fair share of the product.

In the end, he stated that the Aluminum syndicate is after offering a wider range of aluminum products on the IME so that the variety of products completes the supply chain of aluminum products on the exchange with a much higher added value. He also emphasized that they have the plans to offer their products proportionately in a way that the market will be experiencing a balanced feeding within the year.

Urging Economy to Use IME Path for Transparency

The IME has managed in addition to building up a platform for genuine price discovery to bring about transparency in the Iran's Economy. This is the opinion of Mansour Yazdizadeh shared in the following interview:

The market of the basic commodities of various sectors including industrial, petrochemical and agriculture has always been facing structural constraints and hardships of which a majority can be associated to factors such as lack of using of new financial instruments, inharmonious architecture and inefficiency of the market to name but a few. Notwithstanding, the IME has been successful to take promising measures giving rise to higher expectations ever to the extent that the economic experts hold that the government can boost domestic product manufacturing using the IME potentials.

Mansour Yazdizadeh, the managing director of Isfahan Steel Company shares his views on the issue and remarked, "One of the objectives of launching of commodity exchanges in the Iran's economy has been institutionalizing transparency across commodity trading activities and fostering genuine price discovery out of a mechanism based on economic foundations and market mechanics. To this effect, the IME has achieved great success in line with its goals."

We are in a year named by the supreme leader as "boosting of production" and many upstream and downstream industries have the conviction that the government should not intervene in the process of price discovery of products as it demoralizes the production motives. What is in your opinion about the best decision for the market regulation of basic commodities and intermediary raw material?

The government's concerns in this area is understandable; in fact, all businesses and the whole society in a country are living and working under one flag so it is impossible to remain ignorant of the worries of the decision makers of the country. Yet, it is important to note the conflicting behaviors seen at times in our national economy. For instance, while the domestic price behavior of steel is rational and defendable as compared to many other commodities, we can see unnecessary sensitivities spark towards it. In addition, because some producers do not use the IME mechanism for price discovery, those who are acting in compliance with the regulations and operate transparently bear the brunt, so this approach must be corrected and all sectors must be encouraged towards transparency; and the IME can be the path to such transparency. Nevertheless, in my view, the best solution for the steel market regulation can be measures like lending full support to output rise, advancing the exports of the finished products and preventing the exportation of the steel production chain raw material like iron ore, iron ore concentrate and pellets, as they are the highly needed ingredients of the steel mills across the nation. In other words, there are untapped production capacities in the country that can be used in order to create added value leading to reduction in costs of manufacturing.

You referred to the IME capacities as "it must be used" to regulate and put

the market in order; does the IME have the needed infrastructure to host maximum offering and trading of such commodities? Moreover, do you consider the IME mechanism a proper prescription for the fair and real price discovery?

Yes, of course it has. There are definitely such capacities laid and proven in the IME; luckily, the IME is a matchless credit for the country having been able to bring about transparency in the economy in addition to providing infrastructure for genuine price discovery. Therefore, there are no such mechanisms to sit in place of it; and this is why it sometimes comes unfairly under attack by some profiteers and rent-seekers.

What is your standpoint regarding the price discovery process in the IME?

The price discovery mechanics in the IME have been shaped throughout a long time span, evolving and developing in recent years; it enjoys a significant feature of being highly transparent, providing that we do not undermine and manipulate it with every rational price volatility rooted in natural market condition. In market turbulences under some special economic conditions in our country, the government intervene in the price issue so we witness price discovery trend becomes unrealistic. One of the primary goals of establishing the exchange has been providing transparency through real price discovery based on a mechanism of market economy for which the IME has always been ahead of the game. We also have been witnessing broadening of this market from being a sole metal trading market to a market hosting diverse strategic and important commodities.

It is worth noting that, when the products manufactured by the stock market companies are traded fairly in the transparent market of the IME, the value of shares of those industries follows the same trajectory so it builds up confidence and reliability to the whole capital market, leading to boosting of investment in the capital market which could result in the economic growth of the country. On the other hand, by removal of rents, which are generally created under control price policy, and restoring trust to market-oriented real prices, the investors are lured to invest in such securities market industries.

How do you assess the IME growth rate in the recent years?

In my opinion, the IME's velocity in employing diverse trading instruments is highly desirable; it is not just my standpoint; it is a reality voiced and echoed by the Securities and Exchange Organization of Iran as the market regulator.

To my way of thinking, the life of all entities of capital market hinges on development; to this end, financial instruments diversification can be a measure of such development. During the past five years, a promising move has taken momentum in the IME that came to fruition last year by boosting of the use of trading instruments like futures, options and depositary receipts that played a great role in safeguarding the market from false turmoil. It happened in a condition that the especial economic situation posed obstacles at some stages in the process of implementation of such instruments for which the solution in my view is maintaining confidence in the organized markets.

Which potentials or market segments of the IME in your opinion have remained neglected?

The IME's export ring is a great potential that has remained untapped not because of lack of proper trading infrastructure but for the unfair conditions under the cruel and tyrannical sanctions imposed on the country preventing it to reach its full capacity. We are optimistic that we will witness flourishing of this market by lifting of the sanctions.

How can the government and industries benefit from exchange services in order to resolve the economic problems?

Advocating the IME and encouraging the product offering on this market on one hand; and imposing disciplinary measures for the producers evading to offer their commodities in the exchange on the other, can put an end to a host of economic problems caused by the lack of transparency and justice. By taking such measures, the IME's role in providing transparency and wider competition in price discovery will be understood and appreciated by the government.

What is your short and long-term outlook for the IME?

The IME has turned into a blessing entity for the whole economy. In other words, most of the industries of the country are exchange-listed and the price of their products are discovered through the IME mechanisms, testifying for the trust and confidence authorities have in the IME and the credit built up by the exchange. I hope we will witness expansion of transparency and growth in our economy as the IME grows larger.

Trading Melted Gold on IME in the Near Future

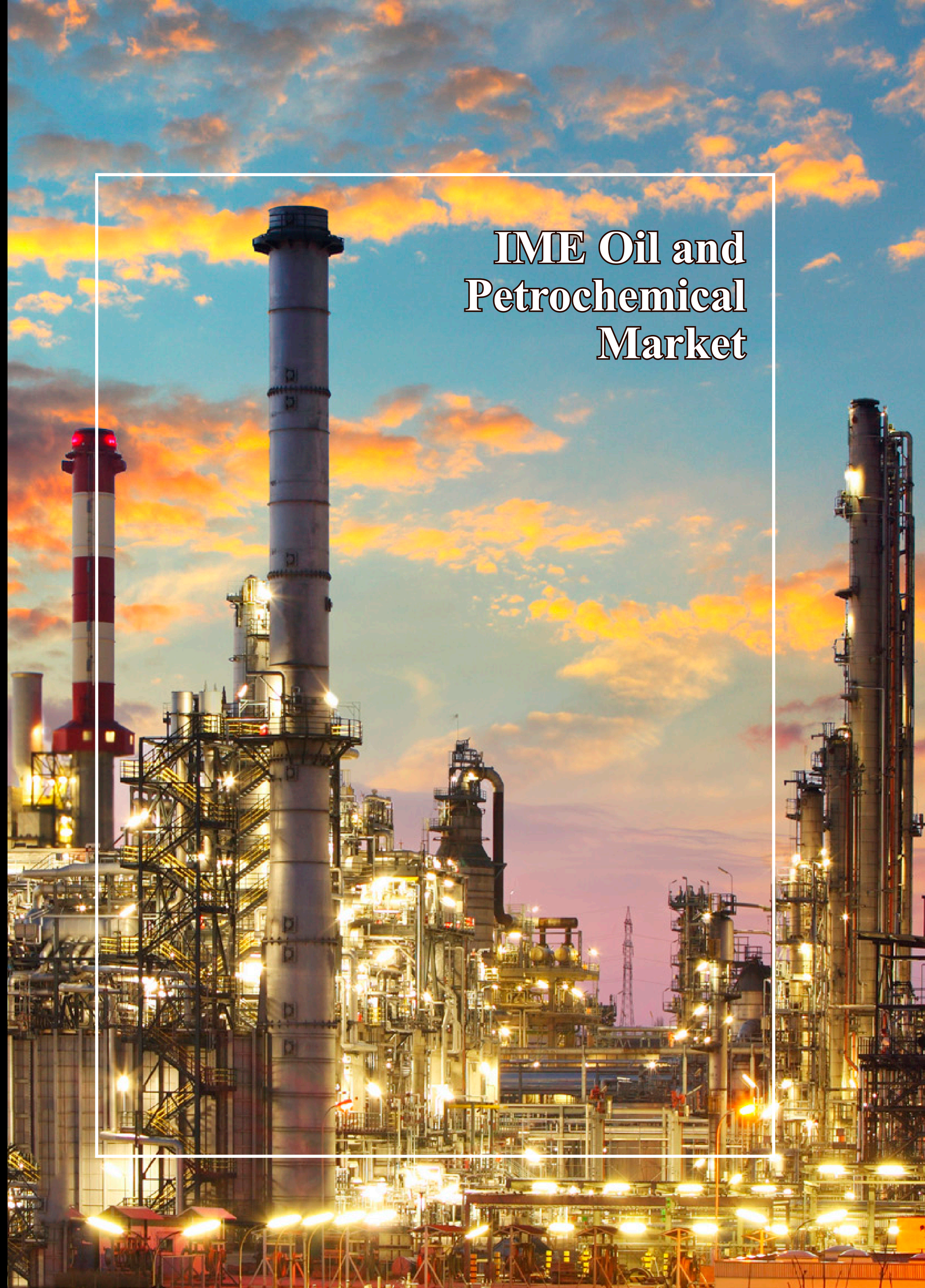
Announcing that the certificates of deposit on melted gold will be traded on the Iran Mercantile Exchange, the CEO of IME said that the risk of fraud as to the fake gold declines dramatically if the melted gold is traded on the Iran Mercantile Exchange, with the assaying standards in place.

Hamed Soltaninejad in response to the question whether the certificates of deposit on melted gold will be launched on the IME said: “The required software infrastructure, warehouses and treasuries are available today and ready for use, and there is no structural problem with launching the trade of melted gold though the IME. But in order to attract market participants to the market, there are a lot to do with raising awareness and negotiations with related institutions and regulatory bodies.”

“This market is a challenging market because it has many risks for buyers. The risk of fraud as to the fake gold declines dramatically if the melted gold is traded on the Iran Mercantile Exchange, with the assaying standards in place.” he said, referring to the unofficial melted gold markets in Iran.

In response to the question that whether we need to worry about those making a fuss over the certificate of deposit on melted gold, like the one we saw over gold coin futures market under the pretext that this newly launched market on the IME could harmfully direct other markets of gold rather than the IME Soltaninejad said before everything else we should know that that the market of certificates of deposit is a spot market. Moreover, one should pay attention to the fact that the market opening hours of the markets other than the IME always precede those of the IME. Hence, such concerns over the IME impacting their prices in a negative way are completely nonsense.

Soltaninejad emphasized that after raising awareness in this area the market for the certificates of deposit on melted gold will be launched.



Petrochemicals Supplied on IME's Market, Living up to Reasonable Expectations

Deputy of Performance and Market Surveillance of the IME said that there is no shortage in offering of petrochemicals on the IME, with some experiencing excess of offering. Those with not enough supply are not produced in the country at the desirable amount in the first place, regarding the high rate consumption they have in our industries.

Mohatashamipour stated that shortage of some petrochemicals is a provisional matter, which varies from time to time. The main reason behind it is that such products are consumed in our domestic market with a higher rate than they are produced. Anyways, we have no problem currently as to the amount of a product, for example, like polypropylene needed for domestic consumption, while it was not the case before.

He continued that most of the products with domestic consumption do not have much potential for rent-seeking, while, due to heavy demands for them, they draw the attention of rent-seekers in case they are offered in the free market with no controlling policies subject to them.

Mohtashamipour pointed out that within the last few years the most defining factor in prices of petrochemicals has been the fluctuations in foreign currency values, as such products have their prices set based on global prices. Another factor to increase prices would be heavy demands for some products, like what we were witnessing for the prices of raw materials for making disposable bottles; an issue with no concerns today as there is no shortage of them in the country. That's why we are in need of setting up new petrochemical plans to compensate for the shortages in some petrochemicals in the country.

He insisted on the fact that we are not having the problem of petrochemical products not being offered in the domestic market as the

Market Regulation Headquarter very carefully controls the market and price volatilities will be automatically detected if there are any. Petrochemical plants are required by law to offer their products on the IME. Even if they do not offer on the IME, it does not mean that their products are not sold in the domestic market. He added that we have the minimum rate of price volatilities in our market for petrochemicals, except for cases resulted from huge growth in demands for some product which has been up to even 100%.

Deputy of Performance and Market Surveillance of the IME also elaborated on one of the big concerns of petrochemical companies; that they are not content with regulatory policies applied on them to control the market. They believe this much of control leads to much suffering and profit losses for them. For example, due to foreign exchange rate fluctuations last year, the Market Regulation Headquarters asked petrochemical companies to set prices on the official exchange rate for dollar not the free market value of the currency. That's why, according to producers, they were not inclined to sell their products inside the country's borders, which made them lose lots of money.

Announced by the First Vice President;

Bitumen Price Discovery ONLY through Iran Mercantile Exchange

The first vice president announced to the relevant executive agencies the resolution on how to distribute free bitumen; furthermore, based on the resolution, the price of bitumen must be discovered solely through the Iran Mercantile Exchange mechanism.

Under this resolution, the Ministry of Petroleum is banned from pricing bitumen based on its raw materials, and the price of bitumen is determined solely through the IME's mechanism.

It is worth noting that the flood- hit areas receive bitumen through separate criteria.

IME Agricultural Market

Permit Issuance Procedures for Agricultural Commodity Funds in Motion

Chairman of the Securities and Exchange Organization of Iran said on the sidelines of the opening ceremony of launching certificates of deposit and futures contracts on green cumin seeds in the IME that the procedures for issuance of permits for agricultural commodity funds will be eased, as experts believe that this way we could funnel part of idle capitals into such funds.

Such funds convert commodities to standard underlying assets, which are proper opportunities of investment for those who look for a regulated commodity market.

New attention has been drawn on such instruments, that is to say commodity-based funds traded on exchanges, along with physical trades of commodities, and also futures and options contracts on commodities, as market participants buy units of these funds through the mechanism of certificates of deposit, i.e. warrants, and benefit from the profit generated based on the market value change of such commodities, without being exposed to the risk of investment on physical trade of them.

The history of these funds goes back to 1396 solar hijri year when exchange-traded gold funds were launched to meet the needs of market participants interested in investment on gold. Such funds absorbed capitals, which were managed professionally under the supervision of the SEO. Now, such funds have been extended to commodities rather than gold, namely agricultural commodities in order to give a new lease of life to the markets of certificates of deposit and derivatives contracts on some underlying assets like saffron and cumin seeds.

Shapour Mohammadi, chairman of the SEO, added that the chain of financial instruments traded on the IME start with launching certificates of deposit on a specific commodity followed by futures and options on the same underlying asset, which will be completed with setting up commodity fund on it. That's why the SEO is working hard on easing the procedures of running such funds on the IME.

Among the merits of such funds is that they are not merely focused on one agricultural product. They can funnel idle capitals into investment on various products like saffron, cumin seeds, maize , barley and so on, which will be traded via these funds regardless of their differing harvest seasons, as the variety of funds leads to much less risk naturally exposed to physical trades of agricultural commodities due to various harvest seasons. On the other hand, these funds release and publish their portfolio on a daily basis, stating what percent of the fund is invested on which agro-product and the specific financial instrument associated with it. Hence, such funds enjoy remarkable transparency, which is of crucial importance to purchasers of units of the funds. Moreover, the funds' activities and performance is under the supervision of the SEO and an auditor, rendering them as being among the most transparent financial instruments running in the capital market.

In line with Mohammadi's sayings, the CEO of the Tamaddon Investment Bank elaborated on the constructive results of launching commodity funds and said that such funds will increase the market liquidity for various commodities and the certificates of deposits traded on them.

Mahmoud Reza Khajeh Nasiri continued that such funds provide a wider range of market participants with the opportunity to enjoy the benefits of investment on agro-products without being involved with them physically on the one hand and directs more money to the market of agricultural products on the other.

Another advantage, he added, would be for those who lack the professional knowledge to get engaged in trades of other instruments launched on agro-products like options of maize or certificates of deposit on saffron and many more directly. Instead they can buy units of exchange traded funds which are set up based on agro-products and securities linked to them.

Linkage of Financial and Agricultural Markets in IME/ Agriculture Commodity ETFs to be Launched

The CEO of IME, referring to the linkage of financial and agricultural products markets, reiterated that the agriculture trading development plan of the IME would lead to launching of the agricultural commodities ETFs after putting certificates of depositary receipts and derivatives contracts on the launching pad in this sector.

Hamed Soltaninejad in an interview with IRNA shed light on agro-commodity investment funds stating that after successful launch of saffron trades in the spot, derivatives and certificates of depositary receipts large volume transactions, the exchange has recently launched CDR and futures of cumin seed to see financial instruments chain form along with broadening the diversification line in agriculture commodities in the IME.

"Right now, given the pack of depositary receipts and derivatives products at market participants disposal for trading of saffron and cumin seed, the launch of agriculture commodity ETFs will have a well-trodden path ahead," Soltaninejad opined.

Pistachios in IME

The CEO of IME further elaborated on the launching date of pistachios trades in the IME and said, "The pistachios transaction will probably be launched prior to the harvest season early September. Pistachio offering on the IME will be made on a regular basis and we are in the stage of listing of warehouses before official launching of the product. The trades will get started as soon as we station the minimum number of accessible warehouses rendering service to pistachio growers."

Lack of Transparency in the Dates Market

The IME chief referred to viewpoints of some market professionals that highlighted the importance of offering of dates on the exchange platform following the dates price hikes during the holy month of Ramadhan, and said, "In case of offering on the IME platform, we would set up a distribution network for dates through which we could oblige a number of the offering companies to purchase the product from the original producers through competitive mechanism of the exchange resulting ultimately in offering of the dates to the distribution chain."

" There are also potentials for setting up a trading system specific to dates as the underlying product; however, it would be impossible to do the right policy making in the absence of clear information about production, warehousing and storage origins, " he added.

Soltaninejad is of the opinion that the IME measures taken in the warehousing area could lead to helping authorities make required policies for determining the warehouse inventories.

He went on to say that, there are no confirmed statistical information about warehouse inventories, whereas in case of having such data, trade promotion policies could be given priority. However, due to lack of reliable information it would be impossible to take precise decisions in this regard.

He stated that through offering of the commodity and listing of warehouses on the exchange it can be possible to provide reliable information as to the total quantity and supply of the dates in the market in order to outline the economic policies accordingly. Yet, in the absence of established markets, one should go to black market to look for the commodity. Soltaninejad brought his remarks to an end stating that the dates would soon be traded on the IME platform, "When there is an organized market for a commodity, we can then expect to enjoy right policies and appropriate laws," he opined.

Benefits of Setting up Commodity Funds for Agricultural Products

Funneling capitals in the hands of investors looking for a ways to hedge themselves against inflation and various risks into the capital market is among the jobs of financial market officials. Commodity exchanges all over the world are considered the best place for covering the risks created by price volatilities using the financial instruments running on these exchanges.

One of the instruments of the Iran Mercantile Exchange as a commodity exchange is commodity funds, which absorb small capitals. A big portion of the funds raised are invested in certificates of deposit; and investors enjoy the profits generated. Based on a saying by the chairman of the Securities and Exchange Organization of Iran, we will be witnessing launching of such commodity funds on agro-products, which will not only deepen the market for futures and certificates of deposit on agro-products, they will be also a way to raise funds for the agriculture sector.

Hasan Kazem Zadeh, Deputy of Analysis and Alternative Investments of Lotus Parsian Investment Bank and the Manager of Lotus Gold Fund said in this regard that exchange traded commodity funds are new financial instruments which provide people with a way to invest on a specific commodity without being exposed to the risks of storing them in their own warehouses and paying delivery costs. In fact, they buy the securities defined on that specific commodity – the units of the fund set up based on that commodity- and will be the owner without any responsibility for keeping it.

As to the backstory of such funds he said that they were established for the first time in Australia and (2003 and London (2004) on gold so that market participants who were interested in investing in gold markets could buy units of such exchange traded gold funds without getting engaged with gold physically. Upon that there were other commodity funds launched on other underlying assets like agro-products, industrial metals, energy carriers and other precious metals, but gold funds are much more popular yet.

He added that transparency is one of the most critical advantages of commodity funds which absorb idle capitals and get them in circulation in a regulated and transparent market, which in turn decline fluctuations of the traditional market. For example such funds, according to the bylaws, are required to buy certificates of deposits on gold from the IME and are not allowed to buy physical gold coins based on their article of association.

Mentioning the successful experience of exchange traded gold funds on the IME, Kazem Zade expressed hopes that there will be such funds launched in the near future on other commodities like saffron and green cumin seed on this exchange.

Beneficiaries of Offering Agro-Products on Iran Mercantile Exchange

Direct access of farmers to the market, fair price discovery based on the fundamentals of supply and demand, better quality products, high liquidity of trades and elimination of unnecessary middlemen are among the advantages of trading ago-products on the IME's physical, derivatives and financial markets.

Alireza Naserpour, Deputy of Market Development and Economic Studies of the IME, said that farmers will have direct access to market via the offering mechanism of products on the IME. Hence, they can sell their products in large markets with no need to the intermediary role of middlemen.

The other merit of trading agro-product on the IME, he added, would be liquidity of trades. In other words, farmer can see, after one working day, in their accounts that the trade is settled. So, they will be protected from post-harvest food losses.

Another one which is of crucial value, Naserpour said, is the fair price discovery of agro-products on the IME based on the fundamentals of supply and demand, which is conducted within a competitive atmosphere.

He also pointed out that farmers can offer and sell their produce all over the country from the comfort of their homes, without being at the mercy of local markets anymore.

He also mentioned the warehouses authorized by the IME in which farmers can store their produce after harvest and receive certificates of deposit for them after going through testing procedures of quality control. Such certificates bare the trading symbol of the IME on them making it possible for farmer to sell them in the market whenever they want at competitive prices.

Let us not Miss the Opportunity of Offering Agricultural Commodities on IME

The parliament's agriculture commission speaker is of the opinion that market competition is the most fundamental solution to remove the current problems the industry is grappling with. Highlighting the importance of expansion of transparency across market operation and particularly transactions he said, "It is under transparency that we can eliminate deep-rooted rent seeking that have surfaced in recent years in our economy."

On the need to enhance transparency in the essential commodities and agricultural products Ali Ebrahimi said, "In my view this is incumbent upon the parliament to address the issues of transparency and eradication of rent from the economic atmosphere of the country." He continued, "Majles must through precise oversight and use of its legal instruments, oblige the government to enforce the rules and regulations passed by the parliament."

"It's worth noting that implementation of the main systematic methods of the economy can be put to practice solely in a transparent context. So, if we are determined to help real prices shape in the economy based on market rationale, we must pave the ground for listing and trading of essential commodities and raw material in large volumes in the exchange; and then, let the price discovery take place in a real ambiance" he said. "Hence, under such transparency we can claim that there are no wrongdoings or misconduct in the commodities transactions due to the oversight enforced on the market" Ebrahimi added.

He further said that the idealistic pinnacle of this process would be the time when all producers and consumers come to the IME; so a majority of problems existing in our commodity market would be resolved if it happens.

"Of course, there have been lacks of resolve and some failures in offering commodities especially agricultural products on the exchange in recent years; so the opportunity shouldn't be missed ever again. Therefore, if the agro-commodities are offered steadily and traded on this market we will be witnessing the boom in production and increase in the farmers' income," The speaker of the agricultural commission of the parliament said.

Rent is repercussion of two-tiered-rate economy

Regarding the enforcement of control policies in commodities market regulation Ebrahimi said, "Dictating control prices and giving interim concessions or subsidies in our national economy provides only short term remedies for the real production sector and in contract, major profits would go to the pocket of middle dealers and profiteers."

The member of the parliament reiterated that rent seeking is a phenomenon borne out of having two prices for one commodity and said, "All market participants understand well that rent is repercussion of two-tiered rate pricing for a product. We put a control price tag on the shelf next to the real price reached and agreed to by the seller and buyer out of market mechanism, and at the same time expect the control price be accepted as reference in the market whereas the market participants will not welcome it.

The representative of the Shazand constituency echoed, "In a real economy, it's the market that determines the price so we should eliminate unreal prices dictated by the authorities to the market. By eliminating the injection of subsidized foreign currency or the so-called 42000-rial US dollar to the economy, that has proved ineffective and inefficient in regulating the market, we will be witnessing a fair and healthy competition in domestically manufactured and imported commodities.

The need for raising awareness among the farmers to get more familiar with IME

Asked about the methods by which numerous retail farmers across the country could get familiar with the merits of trading on the IME, he responded, "I am sorry to say that we have not engaged the specialized organizations in agriculture trade sector so a large number of farmers either sell their produce through middlemen or do it by them. In case we manage to raise awareness through media among the farmers about merits of offering their products on the exchange, we would definitely see their ever-increasing participation in the transparent and profit making market of the IME."

"Thanks to the achievements made through commodity offering on the IME, a bright and promising outlook can be envisioned for the agricultural trading. In addition, by promoting the advantages of bourse properly, the economic transparency will be achieved much earlier than scheduled," Ebrahimi concluded.

Bringing Cumin Seed to IME with the Roadmap of Saffron

Cumin Growers and Farmers should come to the Exchange

The parliament member, representing Torbat Heydariyeh constituency, holds the view that with cumin seed listing on the exchange, and with the market players getting familiar with the advantages of trading in the exchange, saffron and cumin seed will gradually turn into two flagship exchange commodity symbols for agriculture sector which can encourage farmers to offer their produce on this platform; so it will undoubtedly be the harbinger for a blessing development in the agriculture sector.

Saeid Bastaani, stated that full coordination have been made for commencement of the green cumin seed trading in the form of certificates of depositary receipts as well as futures contracts on the exchange; and the IME floor will be witnessing the ringing of trading bell for cumin transactions, adding that, “To achieve success in cumin offering we enjoy the roadmap and action plan of saffron in the exchange available as a role model at our disposal. Earlier than saffron trading began a year ago on the exchange, some players speculated that saffron transactions would end up in the negative; however, statistics told a quite converse story; the success story of thriving market of saffron in the IME.”

“Just like saffron, cumin seed is a well-known and highly demanded commodity in the food and drug sector desired by many in western Asia. Therefore, firstly, we should lure professional cumin seed farmers to participate in the trades and thereby getting steadily all farmers in this sector familiar with the exchange mechanisms and privileges,” the parliamentarian added.

According to Bastaani in case that authorities particularly officials of the ministry of Jihad lend support to cumin trades in the IME, and the relevant organizations cooperate properly; and if the transactions of the saffron and cumin advance together, they would be recognized as two outstanding icons of agriculture market of the IME so that the other products would follow the same trajectory of price discovery in the transparent market of the exchange. To this effect, the parliament would also welcome and support listing of other agriculture commodities on the exchange as a move that could result in promotion of market infrastructure and transparency.

The representative of the Torbat Heydariyeh constituency in the parliament is of the opinion that through offering of agriculture commodities on the exchange, a system of quality assessment would be put in place. “Quality of products are assessed in general through eye-sight which could lead to hardships for the supply chain. Therefore, the problem of quality rating of agriculture products would be resolved through offering such commodities on the exchange’s trade board. Offering of cumin on the exchange is an auspicious move for the cumin growers and traders.” He said. “Like many other agriculture markets, cumin seed market does not enjoy a proper level of transparency; and unnecessary intermediaries have a domineering presence in this market. Therefore, by launching certificates of depositary receipts and futures contracts of cumin seed in the IME we will witness price transparency, awareness of the farmers of the latest prices, quality assurance and standardization, mitigation of warehousing costs and removal of unneeded dealership activities from the market,” Bastaani told the news agency.

IME Export Trading Floor, with the Flavor of Cumin Seed and Saffron

The MP stressed the need for ever-increasing presence of capital market in the national economy and said, “The IME, being one of the pillars of the Iranian capital market, could perform as the gateway and corridor of the agriculture market transition from old to modern modes of trade for which we hope the upcoming launch of cumin seed trades on the exchange be blessing for the whole market and to see other agro-products find their path to the IME with high volumes.”

According to Bastaani, through offering of cumin seed to the IME and by presence of the main market participants of cumin in the exchange transactions, an export and cross-border trading platform can be established in order that the IME’s export ring get a new sense and color, with transactions of cumin and saffron.

Development of Cumin Seeds Trading via Financial Instruments

Iran Becomes the World's First Saffron Price Reference through the IME

Ali Akbar Mehrfard, the Deputy Minister of Agriculture Jihad for Commercial and Agricultural Industries at the ceremony of launching certificate of deposit and futures contracts for cumin seeds on the Iran Mercantile Exchange expressed: "Given the desirable trading of saffron over the last year and by initiation of trading cumin seeds on the Iran Mercantile Exchange, we are eagerly looking to become the world's first price reference for saffron and one of the price references of cumin seeds in the world through the IME."

Mehrfard said: "Cumin is one of the medicinal plants of Iran to export and in the current crop year over 12,500 tonnes of cumin seeds were cultivated in Iran, witnessing an increase of 3,000 tonnes compared to the previous year. Also, the agricultural processing sector of this product is not yet well developed and has much work to do."

The Deputy Minister of Agriculture Jihad added: "After India and Syria, we are the third largest producer of cumin seeds in the world, but we are the fifth largest exporter in the world because Iran's cumin seeds are exported under the name of other countries."

"Due to sanctions, the current condition of agricultural market is critical, and we are seriously trying to control the staple goods' prices, but commodities like cumin seeds and saffron that do not constitute a dominant portion of public consumption are less sensitive to price controls, so it is possible to supply and export such products through the Iran Mercantile Exchange." he said.

Mehrfard continued: "In order to develop a commodity's production, its market should be expanded; this market expansion is not feasible through traditional methods and a systematic market like the Iran Mercantile Exchange can be of assistance."

According to him, the IME can make the agricultural trade transparent and play an important role in standardization and branding of our agricultural products. We can also interact with international markets through the IME and contribute to price discovery in these markets.

The Deputy Minister of Agriculture Jihad expressed: "Iran can be the price reference for saffron through the IME's mechanism and it is also possible to be listed as one of the price references for cumin seeds in the world."

He stated that the IME's performance has been successful in introducing various products and a variety of financial instruments, and can serve as a worldwide price reference for many goods.

With regard to offering wheat and flour on the IME, Mehrfard said: "There are many difficulties in offering some commodities such as wheat and flour and the government subsidies make things worse by intervention in markets. Despite all barriers, we will see a variety of products such as wheat and flour to be offered on the IME in the coming years."

Feasibility of Exporting Quality Saffron through IME's Platform

A member of the Iranian Parliament Committee on Economic maintains that with the voluminous and continuous trading of saffron on the Iran Mercantile Exchange market, the global markets' need for the product will be met directly and without any intermediary's intervention. The advantage of direct exporting of this strategic product to the target countries is that its foreign exchange earnings will bring high value added for the country.

Ali Akbar Karimi pointed out that prior to the trading of saffron on the IME's market, the saffron prices in the country, far from global prices, were set by dealers. He said: "By trading the products on the IME and the price discovery system, the path to internationalization and standardization of the saffron trade was paved."

He added: "Unfortunately, every year farmers, while endeavoring hard for months to produce a quality product, had to sell their products to dealers with a low profit margin. But since last year that saffron product was officially traded through the IME's market, not only are prices determined by supply and demand mechanism, but the farmers also receive their real profit."

This member of the Iranian Parliament Committee on Economic stated: "Trading saffron on the Iran Mercantile Exchange platform in the form of certificates of deposit and futures contracts is the first step in discovering a transparent and realistic price for the commodity and an effective way of introducing Iran as the price reference for this product in global markets."

Referring to the increase in importing foreign currency to the country by exporting saffron through the IME, he said: "Given the high rate of production for saffron in the country, trading this strategic product on the IME will enable traders to confidently export a quality product at a reasonable price."

Karimi added: "The Iran Mercantile Exchange has an export ring, so the legal and structural infrastructures required for targeted export of saffron through the IME's market is at hand."

Harvest Season for Saffron and Preparatory Measures for Warehouses

Deputy Managing Director and Head of Market Development and Economic Research Department of the IME, Alireza Naserpour, talked in an interview about saffron market, inventories of the warehouses authorized by the IME and also about market participants feeling uncertain about maturity date of current Negin Saffron Symbols.

Naserpour said that in the nature of things all agro-products go through a declining phase for price as there is a rush of the product in large amounts within a short time into the market. The same goes for farmers of the saffron market. Also market participants of certificates of deposit on saffron have concerns about prices in autumn which is the harvest season for saffron.

As to the factors affecting price of saffron Naserpour said exchange rate of foreign currencies is a defining factor in this regard. A comparison of trends for saffron prices between last year and the current year reveals that any increase in value of dollar affects price of saffron in the same direction. Nasepour explained that since the beginning of the current year nearly 3 tonnes of saffron has been delivered from the IME's warehouse. The figure shows that real consumers and exporter of saffron are active in the IME's market, which not only contributes to the liquidity of the market but also makes the warehouse inventories get into circulation. What has caused the increase in load-outs of saffron from our warehouse is that we are upon the month of mourning for Imam Hossein, Month of Moharram, which has led to the growth in demand for saffron for votive food offerings of people, in particular form neighboring countries. He also predicted that there will be a rise in domestic demand for saffron as well, which is to be supplied form the last year's harvest.

He continued that currently market participants are concerned that what will happen to the underlying assets of Negin saffron contracts after they reach maturity date and the newly harvested saffron enters the market. They also would like to know if the IME's warehouses have enough capacity to accept and keep the produce of the coming year.

He explained in this regard that the trading symbols will not be entitled to trading after the maturity date. Thus, the owners of certificates of deposit are required to go to warehouses and receive their deposited saffron. It's worth noting that from the maturity date on, neither the IME and Central Securities Depository of Iran, nor the warehouses, as stated in the IME's notices at the time of opening trading symbols for certificate of deposit on saffron, will be accountable as to quality and quantity of the saffron deposited.

Naserpour insisted that from the maturity date on, preserving saffron in the warehouses will be based on agreement between the warehouse officials and customers and has nothing to do with the IME. The warehouses will be considered from then on as non-exchange and storage costs will be calculated accordingly. As a result, with the gradual exit of saffron till the maturity date and adding extra capacity which is at hand (totaling 20 tonnes), there will be enough room for the new produce, which will be deposited under new symbols.

Three Important Outcomes of Offering Cumin Seed and Saffron on IME

The offering of green cumin seed in the form of depositary receipts and futures contracts on the IME brought about outcomes for the product, normally expected from a commodity exchange as a fair, responsible and quality-oriented platform. These outcomes are standardization, price discovery, and providing transparency in transactions.

The chairman of the board of directors of KimiaBazr Torbat Heydariyeh stated, "The agro-products in our country fall on two major categories; products consumed domestically and the products that are grown for export. Saffron and cumin seed are among export commodities in which Iran has the upper hand and final say in the region."

"With regards to saffron we managed to ameliorate the trade atmosphere and put the market in order with the IME's cooperation and remove the problems as to price discovery, reducing false volatilities and removing the unnecessary middle dealers." Gholamreza Karimi said.

He went on to say that, "Green cumin is an invaluable medicinal herb which generates high foreign currency income for the national economy especially under sanction condition that bans Iran from selling its oil, it can be an alternative solution to compensate the reduction in foreign currency income in petroleum products export."

Karami reiterated that in order to realize the exportation of cumin seed with fair prices we need to modernize the traditional market practices of this product according to what have been done for saffron because cumin farmers and producers sell their produce based on market trends struggling with sharp price fluctuations existing in the market. Therefore, farmers might not earn a fair share under such circumstances and are not benefited fairly as a result.

The Torbat Heydariyeh-based market professional, referred to the launch of CDR and futures for cumin on the IME and said, "With the mechanism carved out for cumin seed derivatives contracts on the IME as well as listing of warehouses on the exchange, the farmers can enjoy a facility to deliver their produce to the cleaning and sorting plants to deliver the commodity in conformity to the exchange standards to the exchange-listed warehouses and receive the depositary receipts accordingly which in turn can be traded in the secondary market on the exchange platform."

"From the very next business day after issuing of the CDR, the farmer would be able to sell his product on the exchange platform at a fair price based on real supply and demand," he added.

Karimi stressed that with offering of cumin seed in the Iran Mercantile Exchange, three important structural developments would take place in the exchange including standardization of the commodity, price discovery and transparency in its transactions.

According to Karimi, with the help of this transparent structure, the revenue of transactions would go directly to the pocket of farmers and the unneeded intermediaries would be eliminated through the IME's assistance in order for the growers get the most from the transactions.

He further referred to saffron success story in the IME and said, "We faced many challenges regarding participation of saffron farmers at the early stages of trading saffron in agriculture market which were eliminated with the help of the IME that resulted in great success in saffron trades. We are optimistic to remove steadily the potential obstacles facing cumin market through a multi-lateral cooperation among the IME, Ministry of Agriculture Jihad and Central Organization of Rural Cooperatives to help the product be exported to target countries based on world-class standards and provides the ground for farmers to benefit from such opportunities and have sustainable production."

Referring to the capacity for enhancing storage potentials of green cumin up to 3000 tonnes Karimi said, "Currently, there are 500 tonnes of storage capacity listed with the IME that the farmers are currently delivering their cumin seed to and we hope to widen this capacity to 3000 tonnes in a not too distant future, with the farmers' ever increasing participation in the IME's cumin trade platform."

IME Increases its Listed Warehouses for Cumin Seeds

Hamed Soltaninejad at the ceremony of launching certificate of deposits and futures contracts for cumin seeds on Iran Mercantile Exchange said: "Soon, the number of verified warehouses for cumin seeds by the IME will be increased with the growth of trading certificates of deposit on cumin seeds, witnessing more efficient price discovery and development of this product."

The CEO of Iran Mercantile Exchange pointed to the IME's strategies regarding agricultural products and said: "Measures such as securitization of commodities, development of derivatives market, development and deployment of financial products and trading instruments tailored to customer needs will be of use to expand the size and depth of agricultural market on the IME, leading to an efficient price discovery, being a price reference and the development of trading in these commodities market."

The CEO of IME added: "Now in the area of securitization and the development of derivatives instruments it is possible to use tools such as certificates of deposit, futures and options contracts for saffron."

Pointing out that the certificate of deposit is one of the new financial instruments in Iran, he stated: "Certificates of deposit were launched in 2015 for gold coin trades, which in terms of volume and value has experienced a significant growth. After that, the saffron and pistachio certificates of deposit were launched and today we are celebrating the launch of the certificate of deposit on cumin seeds."

According to Soltaninejad, a certificate of deposit on a commodity is a tool for continuous trading, better price discovery and a means of financing. Furthermore, under the terms of this contract there is no need for physical delivery of the commodity, and the buyer and seller will be assured of the quality of the purchased product and the possibility of selling the product at real price will be provided.

He further referred to the cumin seeds market and said: "After the successful experience in trading saffron through the IME's mechanism and clarifying the prices and informing farmers about real rates, the opportunity of having transparent trading statistics and fair price discovery will be provided for the cumin seeds market participants."

He asserted: "India has the largest cumin seeds market in the world and Iran is in the third to sixth place, and due to the climate of our country we can increase production and export of this product."

Trading Pistachios and Dates, the Next Goals of IME

IME can be a Pioneer in Using Blockchain

Chairman of Securities and Exchange Organization (SEO), expressing that the Iran Mercantile Exchange has always been a forerunner in the capital market of Iran, said: "One of the talks of the town is to conduct transactions on the Blockchain groundwork, in which the IME can be pioneer in using this system, leading to improvement in the IME's position in our economy."

At the opening ceremony of trading certificates of deposit and futures contracts for cumin seeds on the IME, chairman of Securities and Exchange Organization (SEO), commending the Ministry of Agricultural Jihad for cooperation in the supplying and entering new commodities to the Iran Mercantile Exchange platform, said: "Considering the great experience of supplying the saffron in the exchange, we hope that the same positive thing will happen for pistachio after cumin seeds."

Shapour Mohammadi added: "over the last Hijri year, 28 tonnes of saffron were traded on the IME, and during the first quarter of year 1398 Hijri, 11 tonnes of the commodity were traded though the IME's platform, which is acceptable statistically."

Mohammadi stated: "Saffron has about 8 billion USD global market value, while the Iranian farmers' share worth only 300-400 million USD, and we are struggling to further improve the conditions of farmers in this area by activating as much trades as possible in the exchange."

Chairman of Securities and Exchange Organization (SEO) said: "One of the IME's goals is to help the farmers to get their own rights and to pay them a fair price and we hope to witness a large supply of other agricultural products in this market."

Mohammadi pointing to the fact that the Iran Mercantile Exchange has always been a pioneer in the Iranian capital market, said: "Today, one of the controversial issues is trading through Blockchain platform and the IME can also be a pioneer in deploying the Blockchain platform, leading to improvement of the IME's position in our economy."

Kerman Pistachio Farmers are Prepared to Offer Pistachios on IME

Kerman is among the key provinces pioneering in pistachio production in the country. The province is getting ready to reap the new crop and offer it on the market. The general governor of the province said in this regard, "Despite the fall in production of pistachio last year it is anticipated to have 250 KT of pistachios in this crop season so the planning efforts to export the produce are underway." Therefore, due to matchless merits of the depositary receipts in helping farmers at harvest season, pistachio growers' participation in the trade of certificates of depositary receipt (CDR) in the IME is of great significance.

The vice chair of the Kerman Chamber of Commerce (KCC) briefed on measures taken to relieve the concerns of the pistachio market players in order to maximize the output of trading pistachio on the IME.

Jalil Karbakhsh Ravari, told in an interview with Tasnim news agency on offering of pistachio on the IME that Kerman Chamber of Commerce was in full preparedness for pistachio trades on the IME and that the body was keenly looking forward for that taking place.

Addressing the existing concerns about admission of pistachios in the IME's designated warehouses Karbakhsh said, "It is not planned for the whole pistachio crops of the country to be traded on the IME, however, the IME warehouses would be stationed in proximity to the production centers. At the time, we have the launch of pistachio warehouses in the city of Kerman, and Rafsanjan and Zarand counties high on the agenda.

The vice chair of the KCC went on to say that, "the listings committee has set out a standard for listing pistachio for the IME trades based on the national pistachio standards and the traditional market specifications.

According to Karbakhsh, two types of pistachios are eligible for trades on the IME having two sub-grades each. However, the standards in question are not final and are subject to improvements as the market professionals are welcome to share their comments on the specifications in the standard review committee.

"We admit that there are many types of pistachios grown in the country that might vary from one to another; for instance, Fandoghi pistachio of Rafsanjan differs from that of Zarand; hence, it can be possible to offer pistachios on the IME in different contracts code-named based on the production region in order to eliminate hardships arising from differences in standards."

The head of the House of Industry, Mine and Trade of Kerman referred to differences between the local prices of pistachios with the international prices and said, "The world prices of pistachios are changing in different time of the year based on market demand and supply. Last year, paucity of Kerman pistachios led to a hike in global prices. In the meantime, appreciation of US dollar against rial has had implications on domestic prices. So, the key merit of listing and offering pistachios as underlying commodity on the IME is mitigation of the local market price volatilities."

He stressed the need for training the farmers and stated," In our joint meetings with the IME the importance of getting the farmers educated has been underscored. In addition, in 2017, the IME experts travelled to the province and held training workshops. The courses are held for the farmers on a regular basis.

Karbakhsh Ravari at the end reiterated that the IME's various trading instruments such as futures can contribute to gainfulness of pistachio trades and at the same time provides financial facility for the farmers that is construed as another advantage of listing pistachios on the Iran Mercantile Exchange.

Naserpour Detailed on Trades of Pistachios Certificates of Deposit

The Head of the market development and economic research of the IME on the eve of launching the transactions of certificates of deposit of pistachios elaborated on details of the trades and the merits of the financial instrument.

Alireza Naserpour remarked on the launch of the pistachios certificates of deposit on the IME and said, "We began trades with Fandoghi pistachio in two sizes of 28-30 and 32-30 mm as the underlying commodity, deliverable to the final owners of the receipts in conformity to the standards set out by the IME."

As to the warehousing services for pistachio producers he said, "Two warehouses in the Kerman province have been listed so far in Zarand and Sirjan counties scheduled to receive pistachios from farmers and orchard owners to issue CDR based on the procedures and standards under exchange regulation. The exchange has on the agenda stationing of additional warehouses and storage facilities to come on stream gradually in order to provide facilities for the farmers in other counties of Kerman and other pistachios growing provinces like Khorasan and Semnan, to enjoy warehousing services in proximity to the production hubs.

Advantages of CDR for Pistachios Growers and Exporters

The caretaker of the market development department of the exchange enumerated some advantages and merits of CDR trades for the pistachios growers and said, "Pistachios trades through CDR mechanism provides the opportunity for the farmers to sell their produce at a reasonable and transparent price out of demand and supply and not determined by the middle dealers. Through this trading mechanism, farmers will sell their product directly in the market and will extend their reach to the consumer market in the absence of the unnecessary intermediaries. In the meantime, they can receive the payment of their sale within one day after transaction."

According to Naserpour the most rewarding merit for CDR trading mechanism is the default-risk-free nature of the contractual obligations and timely payment of the value of the contract to the farmers. Elaborating on the merits of CDR for the exporters Naserpour went on to say that pistachios exporters can use this instrument to ensure about availability of quality pistachios under exchange standards to fulfil their export commitments without any concern about the weight loss of the product, as the commodity is stored in standard warehouses under exchange supervision. The instrument helps pistachios exporters to plan for the export of their merchandise to foreign customers as well.

Naserpour said the exchange has prepared the legal ground for the farmers and exporters so they can use the CDR as collateral to get finance or receive loans from the lenders due to the nature of the instrument as a financial security, so it can be accepted by the banking system to render financial services such as granting loans to the holders of such securities.

"Due to current crop year favorable weather condition, pistachios production is forecast to be higher than the year earlier," he said adding that," the minimum quantity of crop harvest for the current year is estimated at 200 to 300 KT of which we hope to see a good portion be traded this year on the exchange, so we will keep our fingers crossed to witness modernization of a fair share of domestic pistachio trades in the coming years."

Naserpour further referred to the traditional market irregularities and said there are large networks of harmful dealership that evade transparency and are the main setters of market prices, so the farmers play a minor role in determining the price of the produce. It is worth noting that the settlement in the traditional market of pistachios is not in cash, rather it is made in deferred payment. In such traditional trades part of the commitments on quality or quantity are not generally honored doing harms to exporters as they wouldn't be able to adhere to quality of the product. Hence, such problems can be resolved by offering and trading pistachios on the exchange platform.

The head of the R&D of the exchange ended up his remarks to point out that the launch of pistachios CDR trades is planned to be followed by the opening of the futures market for the underlying commodity in order that the derivatives market of the product play its part in the process of healthy price discovery and risk hedging.

Weighing up Offering of Pistachios on Iran Mercantile Exchange

Member of the High Council of Exchange said we need to take necessary actions for offering more and more commodities on the IME including automobiles and carpets and specifically agro-products like pistachios.

Saeid Eslami in an answer to the question of whether the IME could be a platform to trade a good amount of pistachios said that the IME is experiencing with various instruments on agro-products and pistachio, due to its export market, would be among those commodities of the IME to absorb a considerable number of customers.

He added that, in the nature of things, the bigger a market the more resistance is seen against transparency. Thus, it seems that offering commodities with a huge market on the IME will be one of the best ways to promote transparency in that specific market and to eliminate unnecessary middlemen.

He mentioned that financial instruments like futures, certificates of deposit and commodity funds on pistachios will be of great benefits to farmers and the market participants of the product. The IME will bring about transparency and it will result in most of the revenues generated in this market to be in the pockets of farmers instead of middlemen and those who are involved the business of delivery and distribution.

The first step to take he continued will be a consensus among main producers to offer the produce on the exchange in order to establish a deep market. That's why the IME is launching various instruments like certificates of deposit and future contracts on pistachios to pave the path for producers to offer their pistachios on the IME and also for a wide range of market participants to buy and trade pistachios on the IME. This way we will be having a market with an acceptable depth, making fair price discovery possible within a competitive atmosphere.

In the end, he elaborated on the fact that through the mechanism mentioned above the pistachios market will be enjoying enough depth so that analysts can predict price volatilities through the year and design proper procedures for controlling the negative impacts.

Rice Offered on Iran Mercantile Exchange to Support Farmers

Representative of the city of Astaneh Ashrafieh to Iran's parliament said: "If rice is offered on the IME continuously and in large quantities, we will be witnessing less of the detrimental impacts of price volatilities for this product. On the other hand, officials will be able to take better decisions to manage and regulate the market due to the transparency created via the IME's mechanisms.

Hossein Qorbani holds that all our efforts should be converged in order to regulate the rice market as it is a strategic national commodity.

He added that rice farmers are always suffering from not receiving the revenues of selling the produce after harvest. It only takes the relevant organizations to raise awareness among farmers as to the merits of selling their rice on the exchange and the fact that they will have their money in their pockets in the shortest time possible after trades are settled and cleared. This will, in turn, lead to better quality rice as time goes by.

He also talked about the supportive price policy which was an initiative by the IME to take the previous guaranteed purchase policy used to be running by the government. Introducing the latter the IME took a huge burden off the government's shoulders as the government is needed to only pay the difference between the prices at which an agro-product will be sold on the IME and the price that is promised to farmers each year before harvest season, which used to be a big dent to government revenues.

In line with that, Qorbani said, rice is about to be offered on the IME. If farmers fail to sell their rice at the supportive price promised to them by the government, the difference will be paid to them by the government. The advantages will be that they receive the value of the trade within a few days within a transparent trading atmosphere with no middlemen involved. This will eventually end in growth in the quality of rice as well.

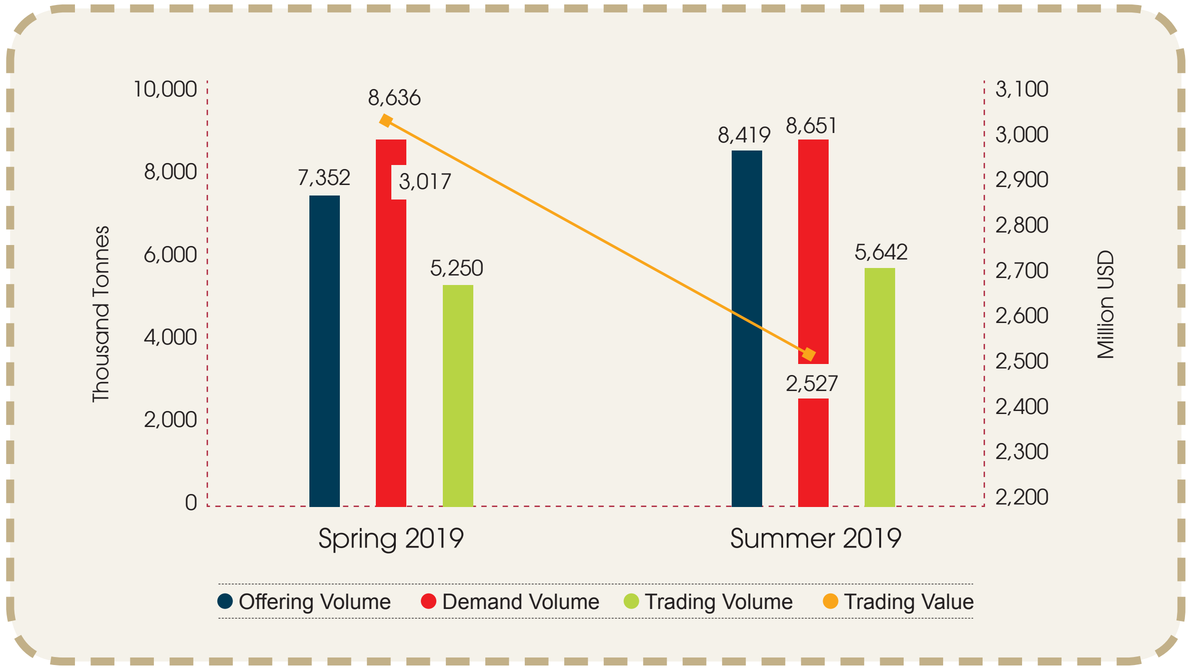
As to the turmoil we are experiencing in the mechanisms of supply and demand for various products in our country he said one of the remedies would be tapping into the potentials of our capital market, because everything is registered exactly there, which leads to transparency of data and information.

He continued that the IME as one of the most important entities in our capital market has been playing a crucial role as a regulated market in creating a space for various commodities, including petrochemicals and metals, to have their prices discovered in a fair and competitive atmosphere based on the fundamentals of supply and demand. Yet, in the field of agro-products we are kind of lagging behind due to the traditional approach towards the sector since old times. We need to abandon our old ways in this sector and use the IME's potentials and enjoy the modern instruments available in the exchange to update methods of trade in our agricultural market.

In his final remarks Qorbani insisted on the fact that the media and the pundits are to make their share of contribution to the goal of raising awareness among farmers such that we have the whole wheat and rice produced in our country traded on the IME. We need to put aside our outdated ways of price setting so that middlemen are eliminated naturally and there will be room for competitive price setting discovery mechanisms. That is to say we should clear the path for farmers to enjoy most of the benefits of the business.

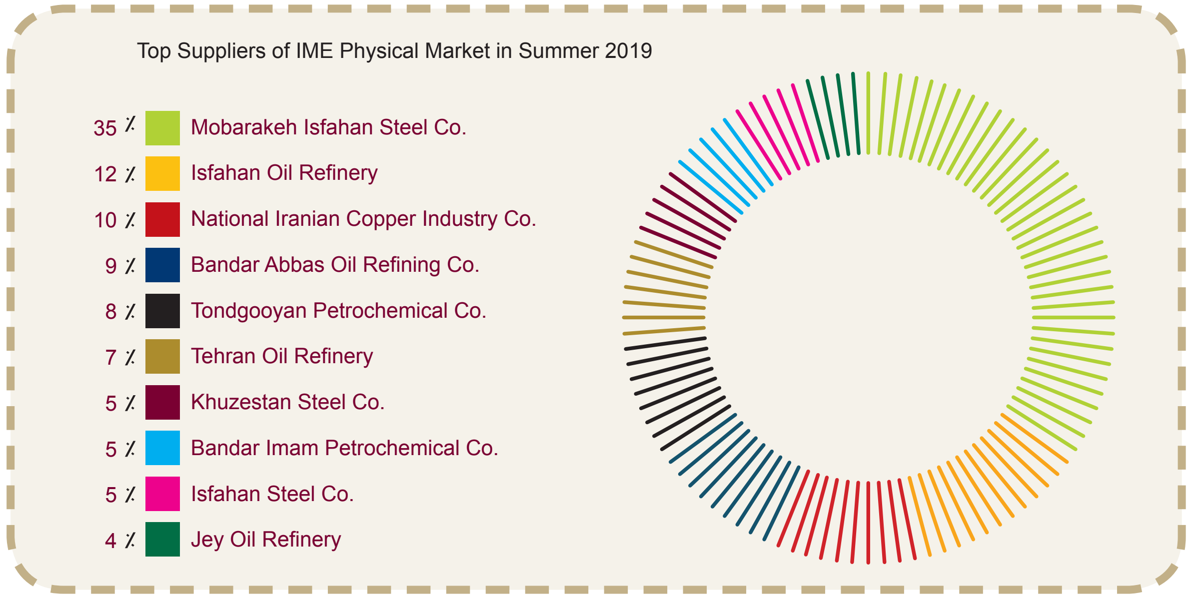
An Overview of IME's Physical Market

Within the second quarter of 1398 Hijri year (22 June, 2019– 22 August, 2019), IME saw trade of a total 5.6 million tonnes of commodities on its physical market, the value of which stood at 2,527 million USD. The figures show a downward trend as compared to the first quarter of this year with a 7 percent growth in trading volume yet a 16 percent decline in trading value. This fall in trading value within summer is rooted in the depreciation in the exchange rate and deepening recession.



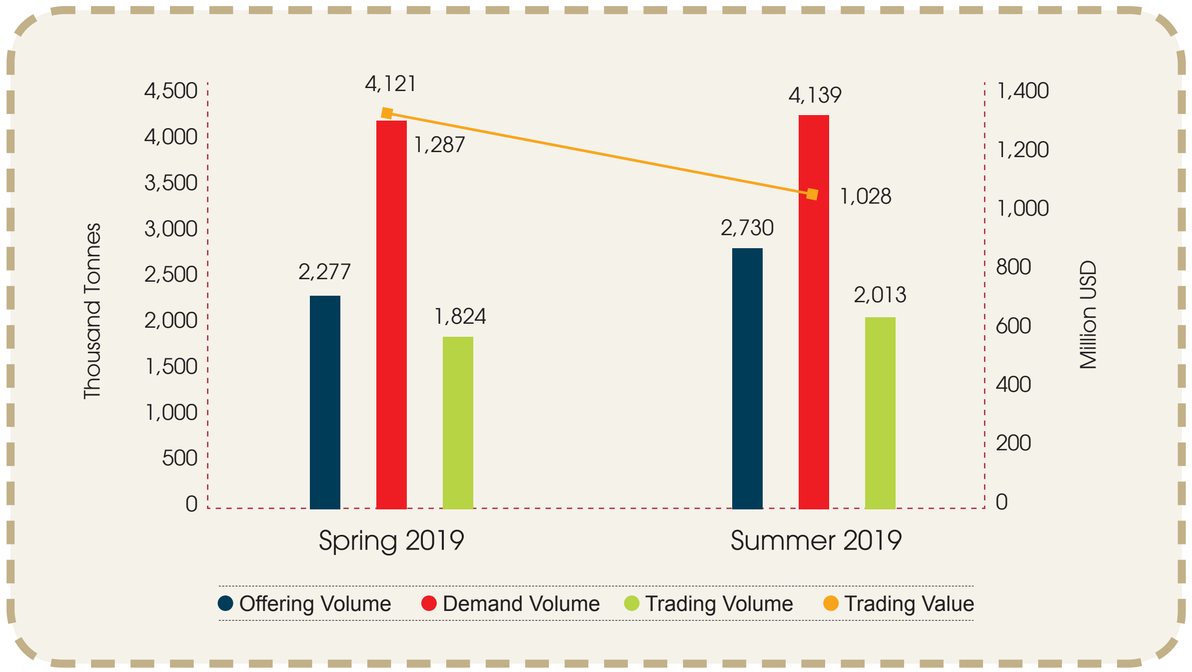
In the following you can see trading value and volume of the first 10 top suppliers on the physical market of the IME.

Supplier	Total Trading Value (Rials)	Total Trading Value (USD)	Total Trading Volume (Tonnes)
Mobarakeh Isfahan Steel Co.	56,023,219,903,000	496,373,719.96	1,025,796
Isfahan Oil Refinery	19,687,192,430,000	174,431,333.27	631,410
National Iranian Copper Industry Co.	16,586,836,313,000	146,961,735.82	37,583
Bandar Abbas Oil Refining Co.	13,961,682,000,000	123,702,494.13	486,000
Tondgooyan Petrochemical Co.	12,142,669,014,000	107,585,779.60	102,552
Tehran Oil Refinery	11,554,872,670,000	102,377,820.14	337,580
Khuzestan Steel Co.	8,289,817,000,000	73,448,961.15	240,000
Bandar Imam Petrochemical Co.	8,185,635,992,000	72,525,902.56	88,230
Isfahan Steel Co.	7,405,459,984,000	65,613,431.83	192,900
Jey Oil Refinery	7,252,766,340,000	64,260,544.37	241,886

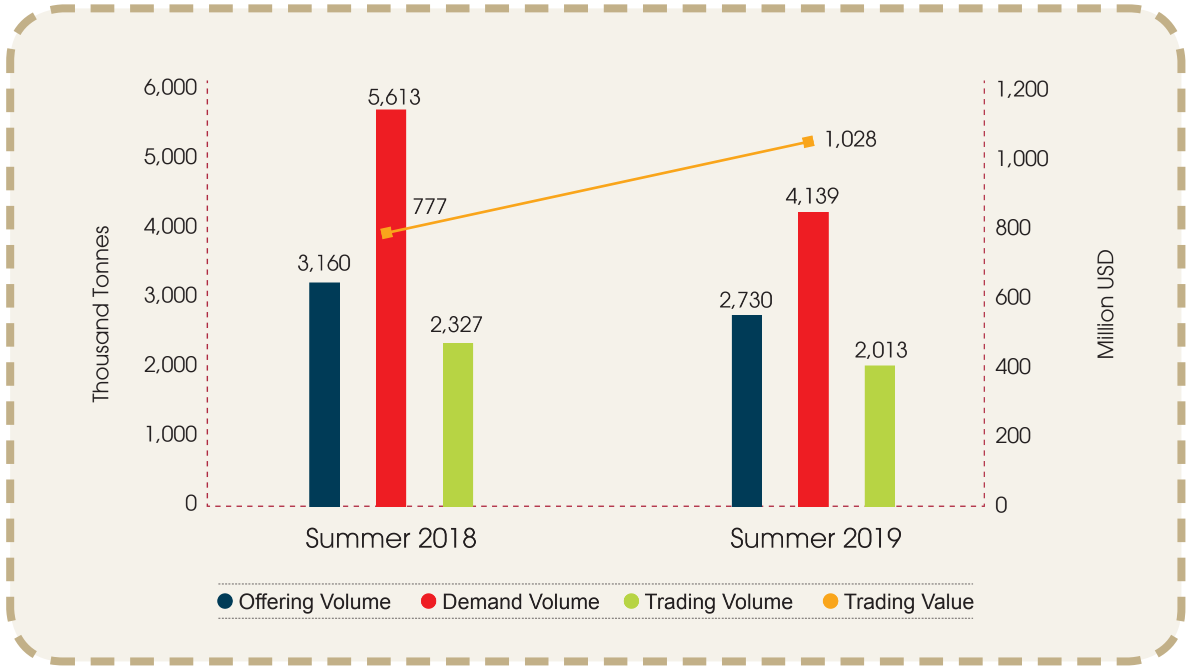


Industrial Products

The industrial trading floor of Iran Mercantile Exchange witnessed a trading volume of 2 million tonnes valued at 1,028 million USD in the second quarter of 1398 Hijri year (22 June, 2019– 22 August, 2019), showing a 10 percent growth in trading volume and 20 percent of decline in trading value, as compared to a 3-month period before that.

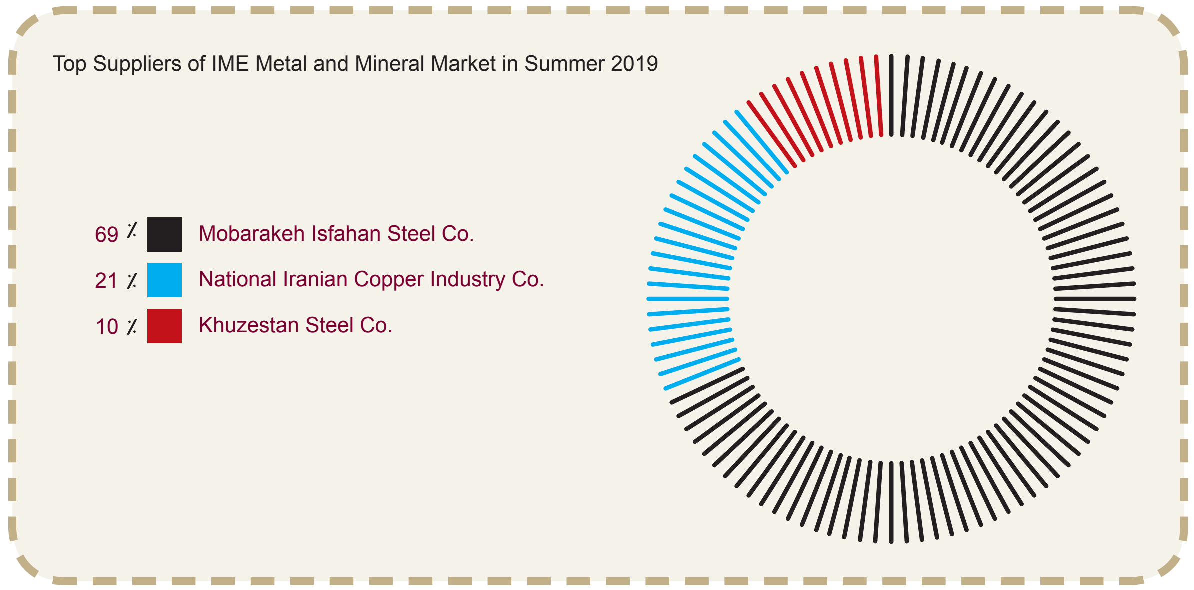


Moreover, comparing trading volume and value between the second quarter of 1398 Hijri year (22 June, 2019– 22 August, 2019) and the same period in the previous year reveals that IME saw a 13 percent decline in trading volume and a 32 percent growth in trading value.



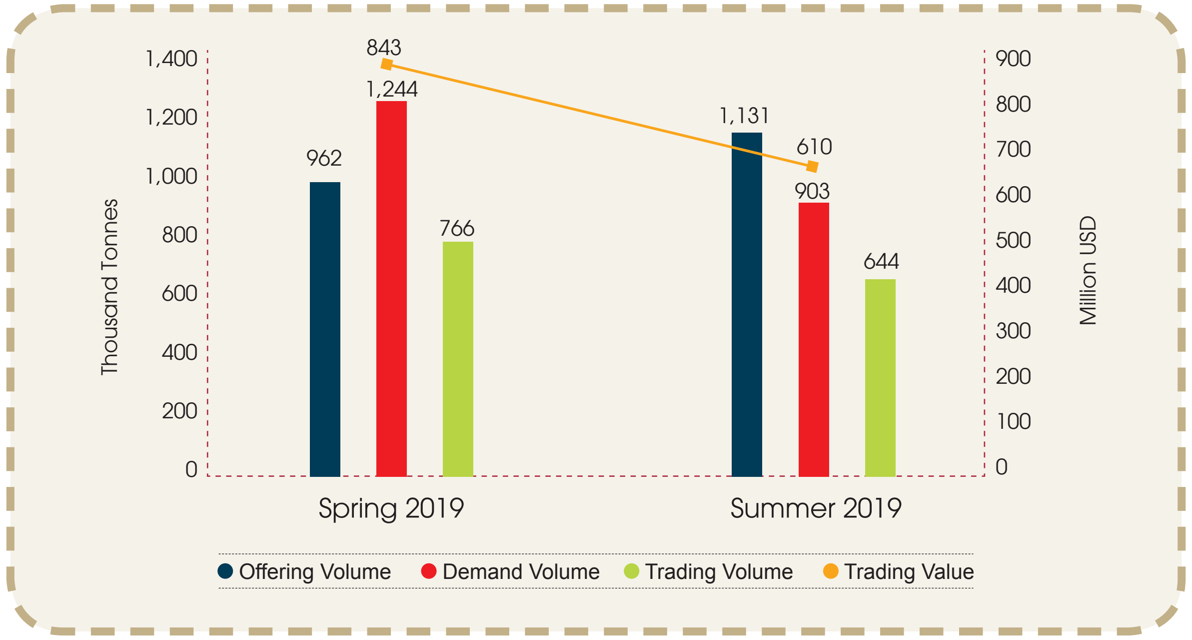
In the following illustrates trading value and volume of the top 3 suppliers on the metal and mineral market of the IME.

Supplier	Total Trading Value (Rials)	Total Trading Value (USD)	Total Trading Volume (Tonnes)
Mobarakeh Isfahan Steel Co.	56,023,219,903,000	496,373,719.96	1,025,796
National Iranian Copper Industry Co.	16,583,642,563,000	146,933,438.74	37,583
Khuzestan Steel Co.	8,289,817,000,000	73,448,961.15	240,000

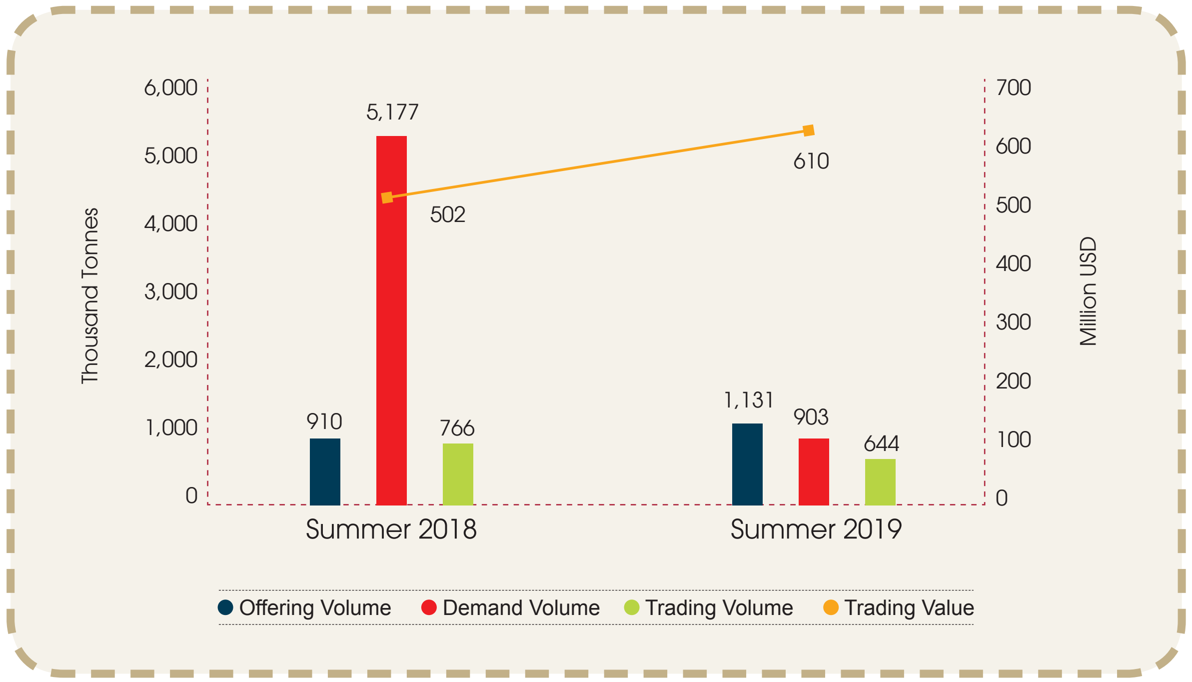


Polymeric Products

In the second quarter of 1398 Hijri year (22 June, 2019– 22 August, 2019), volume and value of trades on IME's physical market for polymeric products stood at 644 thousand tonnes and 610 million USD respectively, witnessing a decline of 16 and 28 percent in trading volume and value, respectively, comparing to the first quarter of this year.

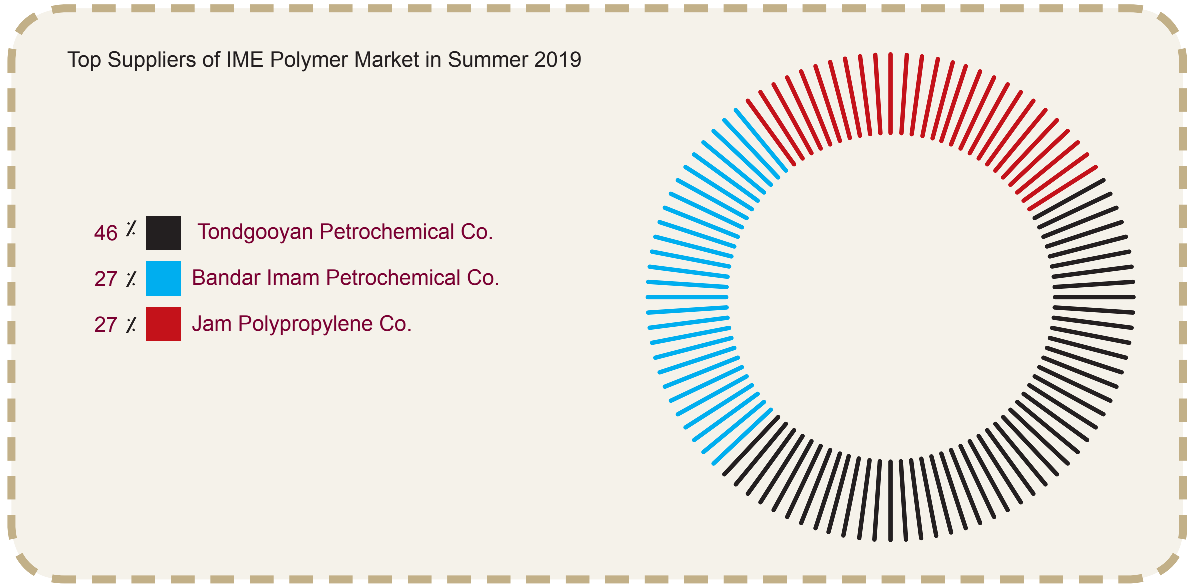


Moreover, comparing volume and value of trades between the second quarter of 1398 Hijri year (22 June, 2019– 22 August, 2019) and the same period in the previous Hijri year reveals that IME saw a 26 decline in trading volume and 18 percent growth in trading value.



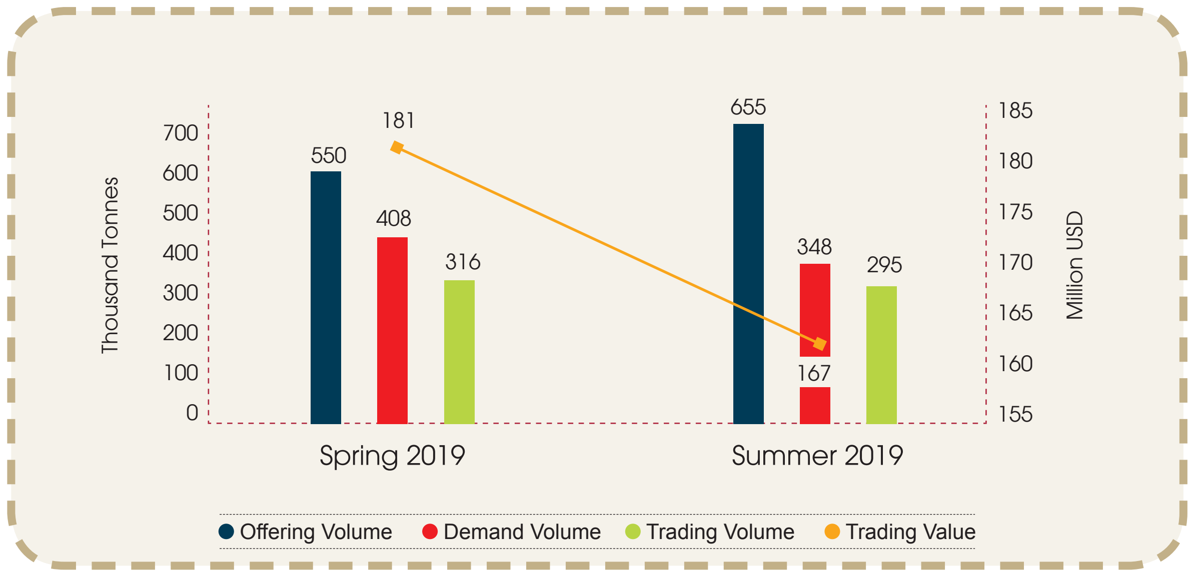
The following graph and table demonstrate trading value and volume of the top 3 suppliers on the polymer market of the IME.

Supplier	Total Trading Value (Rials)	Total Trading Value (USD)	Total Trading Volume (Tonnes)
Tondgooyan Petrochemical Co.	11,966,969,384,000	106,029,056	100,222
Jam Polypropylene Co.	6,987,450,795,000	61,909,811	58,544
Bandar Imam Petrochemical Co.	6,983,813,132,320	61,877,581	73,470

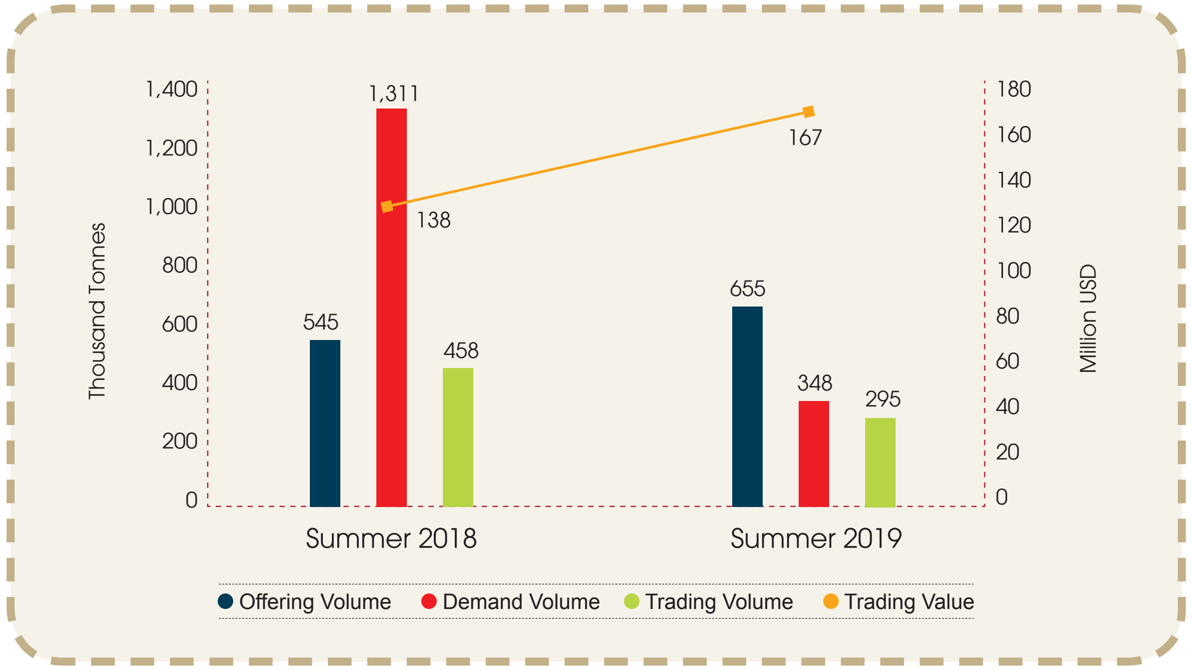


Chemical Products

Within the second quarter of the current Hijri year (22 June, 2019– 22 August, 2019), IME traded 295 thousand tonnes of chemicals valued at 167 million USD, showing 7 and 8 percent decline in trading volume and value, respectively, in comparison to the first quarter of this year.

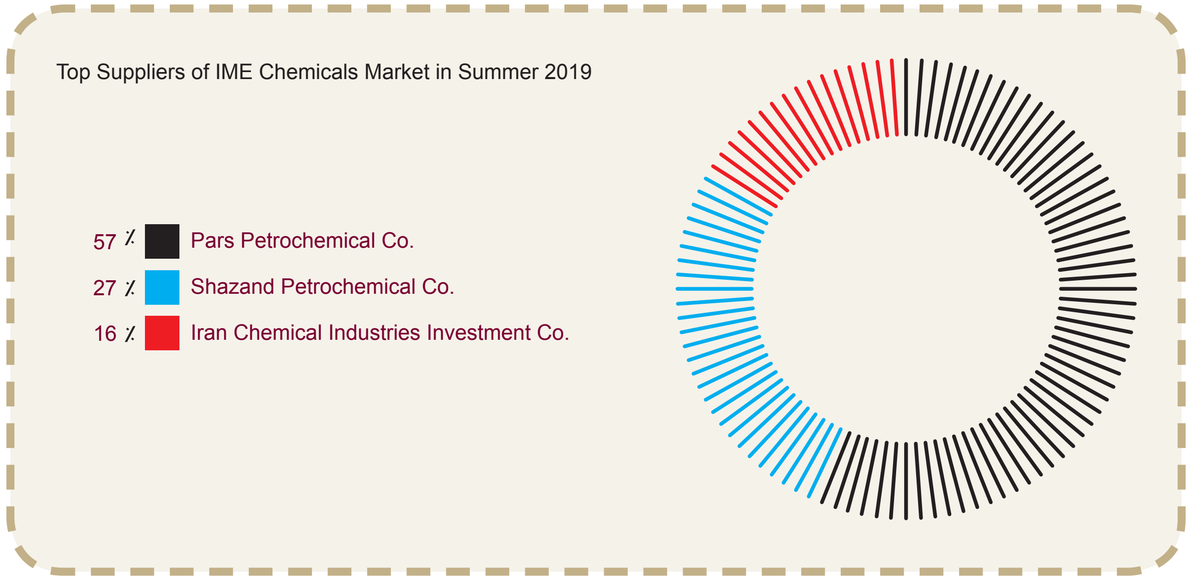


Compared to the same period in the previous Hijri year (22 June, 2018– 22 August, 2018), trading volume of chemical products shows 36 percent of decline and the trading value witnessed 21 percent of growth.



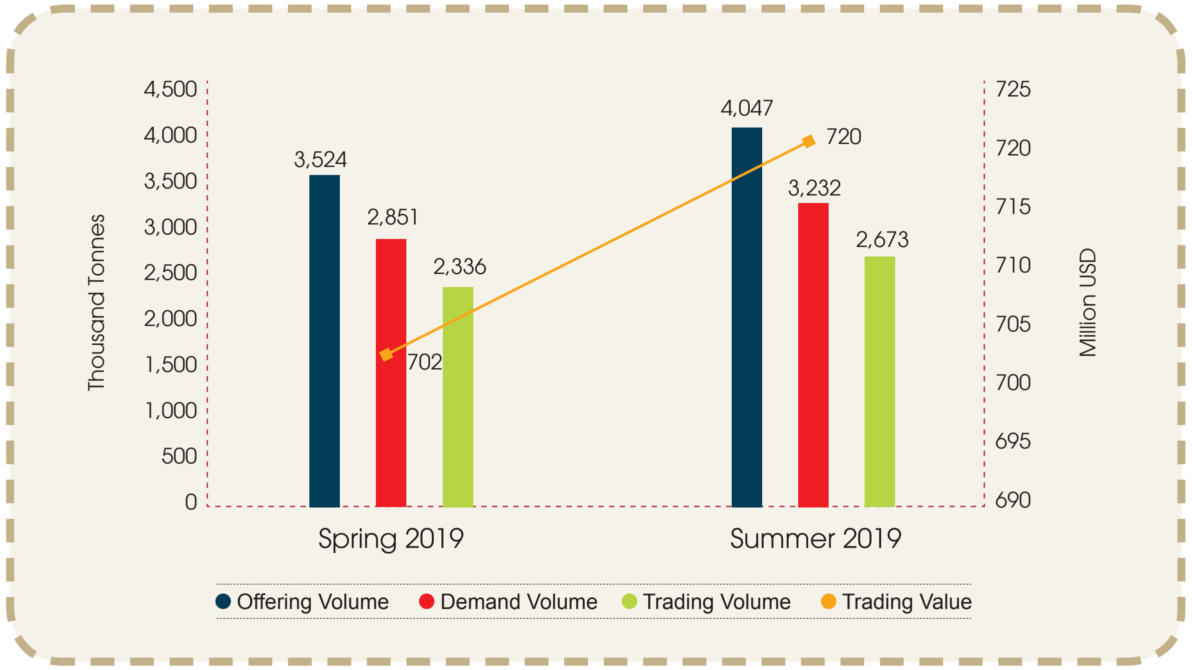
The following graph and table demonstrate trading value and volume of the top 3 suppliers on the chemicals market of the IME.

Supplier	Total Trading Value (Rials)	Total Trading Value (USD)	Total Trading Volume (Tonnes)
Pars Petrochemical Co.	6,354,453,888,000	56,301,368	63,288
Shazand Petrochemical Co.	3,016,078,196,800	26,722,883	25,590
Iran Chemical Industries Investment Co.	1,797,806,835,000	15,928,825	14,265

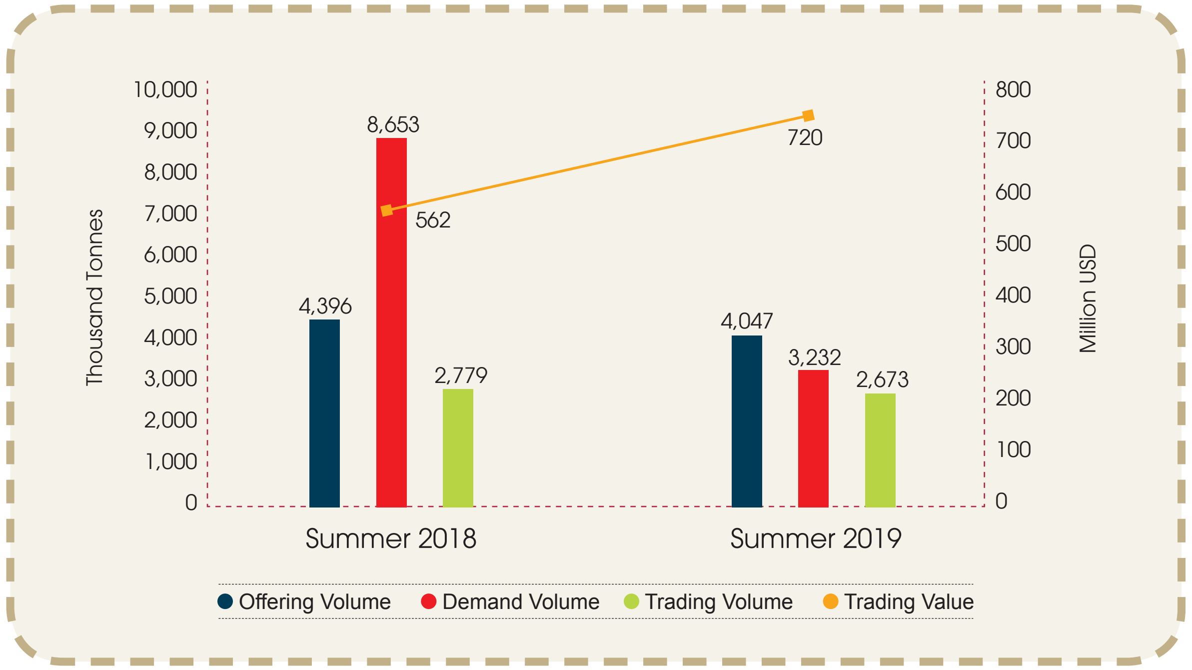


Oil Products

Within the second quarter of the current Hijri year (22 June, 2019– 22 August, 2019), there were 2.6 million tonnes of oil products traded on IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 720 million USD, which showed a 14 and 3 percent growth in trading volume and value, respectively, as compared to the first quarter of this year.

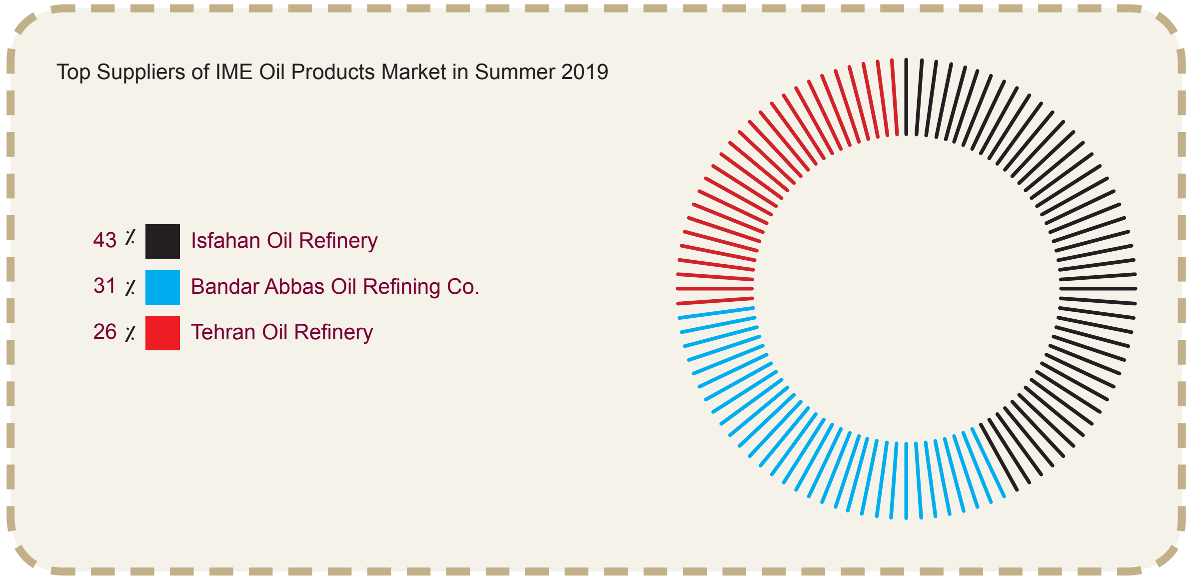


The figures for this period compared with the same period in the previous Hijri year are a 4 percent decline in trading volume and 28 percent of decrease in trading volume.



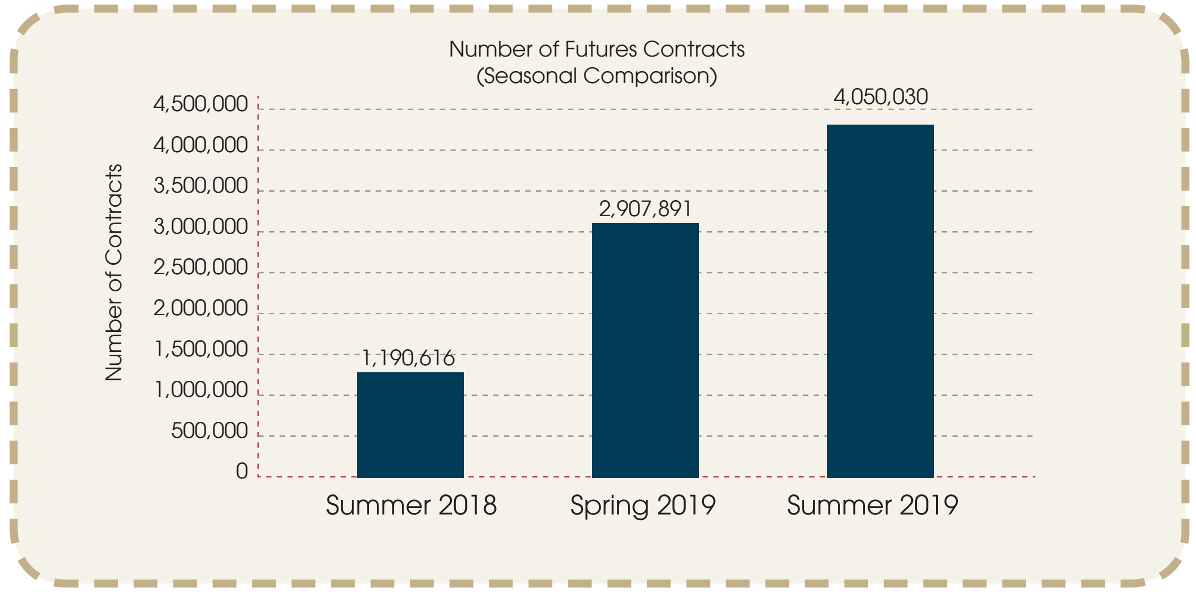
In the following illustrates trading value and volume of the top 3 suppliers on the oil products market of the IME.

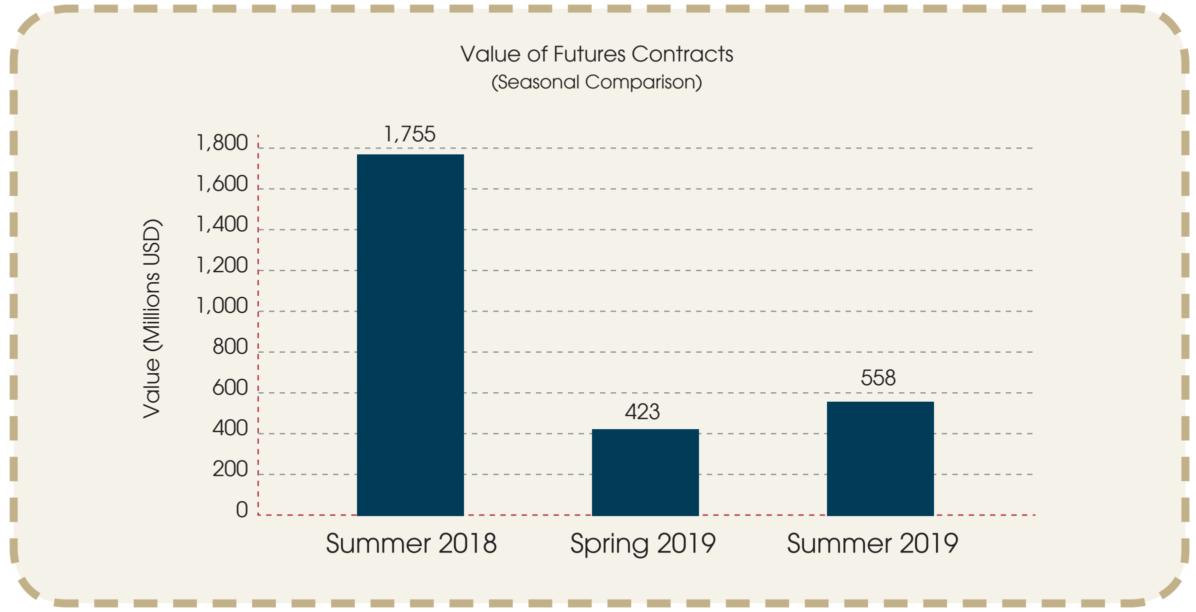
Supplier	Total Trading Value (Rials)	Total Trading Value (USD)	Total Trading Volume (Tonnes)
Isfahan Oil Refinery	19,687,192,430,000	174,431,333	631,410
Bandar Abbas Oil Refining Co.	13,961,682,000,000	123,702,494	486,000
Tehran Oil Refinery	11,554,872,670,000	102,377,820	337,580



Derivatives Market

Within the second quarter of the current Hijri year (22 June, 2019– 22 August, 2019), IME traded 4,050,030 saffron futures contracts valued at 559 million USD, showing 39 and 32 percent of growth in trading volume and value, respectively, in comparison to the first quarter of the year (20 March, 2019– 21 June, 2019).





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2019

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