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Winter 2020, Vol.19

IME

Quarterly

Iran Mercantile Exchange Quarterly Newsletter

**In The
Name
Of
God**



شرکت بورس کالای ایران
IRAN MERCANTILE EXCHANGE CO.



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Happy Nowruz

The Message of the CEO of IME for the Nowruz of 1399

The New Year Message of Dr. Soltaninejad, CEO of the IME, for the coming of the New Iranian Year 1399 and Nowruz celebrations

The Nowruz celebration and the nature's resurrection are signs of the glory of the almighty God. Thank God who bestowed upon us an unparalleled opportunity to witness another Nowruz making us learn the divine lesson of life in the change of seasons and coming of the spring.

The year 1398 was full of tough moments, which were left behind satisfactorily due to empathy and collaboration of all people of my country, though they are at the moment grappling with the tough ordeal of a pandemic supposed to be making this Iranian New Year's eve quite different from the previous ones. However, without hesitation, the grandeur and the unshakable will of the Iranian people will emerge victorious against all headwinds of hardship and we will witness more glorious and promising days for our dearest Iran once again.

In 1398, the Iranian capital market as well as the IME's resilience were put to test going through hardship left behind on a positive trajectory. The total value of the IME's transactions in 1398, despite the recessionary economic ambience of the country, stood slightly at the same level as the year earlier 1397, with the spot market transactions recording an off-the-charts rally in value.

During the year we passed behind, we managed to launch futures, options and commodity depository

receipts (CDR) on cumin seeds and pistachios as the salient underlying commodities making a triangle of strategic agricultural commodities together with saffron.

The progressive movement and growth momentum of the exchange carried on during this period notwithstanding the special economic condition imposed under unfair sanctions, so we have the devote hope to see a successful and bounteous 1399 come true.

Last but not least, congratulating the anniversary of the Prophet Mohammad's (S.A.W) Revelation or Eid-ul-Mab'ath to all dear fellow Iranians, economic professionals including the capital market entities and participants as well as my hard-working colleagues in the IME, I wish you all the best of good health, prosperity, happiness and honor in the coming year of 1399.





IME Financial Markets



New Listings on IME Soon

The CEO of the IME provided details on listing of new products in the IME in an interview with ISNA in which he said the products eligible for listing on a commodity exchange should have two key features of strong liquidity and standard quality. According to Soltaninejad, the exchange is pursuing to bring raisins and dates by the end of the year for trading on its platform.

The CEO of the IME characterized the underlying assets suitable for trading on the exchange as having a robust liquid market with a large number of participants with traded prices going public on a daily basis. The second feature according to Soltaninejad was standardization and having standard commodities available for customers in the market. "Our criteria in the exchange is to offer standard commodities so the buyers and sellers know the quality of the product they are going to trade and they can file a complaint in case of non-conformity of the purchased product to the exchange standards, so non-homogenous commodities are not eligible to get listed on the exchange", he said.

Soltaninejad went on to say that Iran is the world top producer in some agriculture products so such products can be offered on the exchange. There are also a number of traditional markets

for such products in some cities across the country, for instance, there is a market in Khorasan for cumin seed in which veteran traders exercise a derivatives-like trade, which signifies the need to manage and mitigate risks even among traditional traders. He further said the exchange is planning to list and offer dates and raisins most likely by the end of the Iranian year ending at March 20.

IME Instruments to Relieve Concerns of Agriculture Sector

The managing director and CEO of the



exchange said there are major concerns agriculture sector players and market participants are pre-occupied with including fair price discovery, price risk hedging, product standardization, long-term contracts and continuous daily trading in the domestic and export markets for which the trading instruments of the exchange can end such concerns.

The IME's solutions consist of both the establishment of markets and development of trading instruments. The IME has been successful in establishment of an agricultural products market as an infrastructure to protect price edge of products like saffron, maize and barley through implementation of the Article 33 of the Law for



Enhancement of Productivity in the Agriculture Sector and the supportive purchases of the Rural Cooperatives Organization.

The IME's saffron market has been established on the basis of warehouses that have been



listed on the exchange in order to provide access for the farmers and saffron growers to the agriculture market of the exchange, and performs as a price reference outlet for market participants. The saffron growers can deliver their produce to such warehouses and even trade the product online through the IME platform. Such facilities are available for the pistachios and cumin seed as well. According to Soltaninejad the main advantage of this method is that farmers can track the traded prices on an online and continuous basis. In addition, farmers can sell their produce through long-term contracts available on the exchange as another advantage of the mentioned method. The farmers can also receive loans by presenting their CDR securities to lenders as collateral. As to foreign

currency fluctuations and the prices of goods Soltaninejad said that during currency strain periods the rates should be allowed to be discovered through market mechanisms, as it has been revealed in recent years that if the market authorities had not imposed price control policies, commodities could have reached to real buyers via market structure. It is an established fact that price control imposition would cause artificial demand for commodities getting even non-producers interested in buying basic goods, therefore by expansion of destructive dealership the raw material cannot reach to the end consumer. The IME made a lot of effort last year to persuade authorities to back off from the control price policy which led to major reforms in such approaches towards the market.



Derivatives are a haven for participants of various industries against fluctuations in markets



The chief executive officer of the IME is of the opinion that until we set up derivatives instruments (including futures and options) within our markets of steel and iron ore, they are going to be under the negative effects of fluctuations in global markets, foreign currency rates and changes in rules and regulations of imports and exports, resulting in either scarcity or surplus of products and raw materials. That is to say market participants will be susceptible to severe risk of global markets fluctuations, while

with such instruments in play they will be capable of predicting demands for upstream products in the future and plan their activities accordingly.

A 25% tariff set on exports of commodities with iron ore base from the beginning of the second half of the current year has driven a wedge between the iron ore and steel market participants. Those in favor of the measure are mainly among the steel market participants while iron ore market participants are not happy with it. In the cabinet some have gone

further to suggest putting a total ban on the exports of iron ore. On the other side, market participants of minerals believe that we should have gone through a gradual increase as to export tariffs, with iron ore participants specifically insisting on permits for exports of surplus production at the least. Soltaninejad, CEO of the IME, however, believes that the dispute among participants of the production chain for the steel markets will be resolved through the platform of the IME not by making changes in rules and regulations. According to him, if all the products of the steel market chain, from everything derived from iron ore to final products of the downstream in the whole industry are offered on the IME as a regulated exchange, we can not only downsize the conflict of interests among market participants through promoting transparency of the market, it is also possible to make the market a predictable one using instruments available on the exchange like futures, options and the mechanism of commodity depository receipts. He asserted that part of the controversy is rooted in the growth of global prices and foreign currency rates volatilities, making the export of raw materials more

profitable thus more appealing. Thus, our domestic markets will be vulnerable to political and economic shocks induced from outside, upsetting the balance with production and consumption of raw materials unless we decide to develop modern modes and instruments of trade in our markets.

Before anything else please elaborate on the role the IME can play in regulating the steel market

The IME is in its essence a platform for price discovery based on the fundamentals of supply and demand, which are in turn under the effect of numerous factors. The foreign currency rate is among them. As most commodities trade on the IME are capable of being offered to global markets, the foreign currency rates affect to a large extent the supply and the demand, hence influencing prices. A second factor affecting the mechanism would be the rules and regulations governing exports and imports. The IME provides the groundwork to see the impact of changes in currency rates and global prices of the steel market on our domestic market. It gives you the potential to both predict the activities and decisions and feel their results on the market soon afterwards.



However, the disparities that the steel and iron ore market participant are grappling with is an issue set forth by the IME many times within the last two years along with the practical solution to resolve it. Iron ore market participants would like to have the right of exporting their production. On the other side, those involved in the steel market say that we need the domestic iron ore produced in the country for our steel industry. Iron ore producers say that they will provide the needs of the steel industry on the condition iron ore is bought from them at fair prices. This ongoing debate has been recently heated up with regards to the comprehensive plan put forward for steel in the country and the potential demand for iron ore. I personally think that we need to be after eradication of rent seeking (in both energy resources and raw materials) for the whole production chain participants and do our best at the same time to maximize production of raw materials and converting the m to final products with the highest rate of added value.

What was the solution offered by the IME?

Within the last two or three years we have proposed the offering

of the whole production chain for steel on the IME. Some came up with the argument that the demand side of iron ore products (concentrate, DRI and pellets) has too few participants to set up a market. Others used to say that the upstream and downstream sections of the market are either linked together at a managerial level or beneficiaries to same enterprises through shareholding; and have been established, in the first place, to provide one another with the raw materials they needed. Yet, we had solutions to the issues mentioned at that time like long-term contracts and the potential of the exchange for involving everyone to participate in the market (not only the big ones) so that the market would develop. We even mentioned the article 37 of the law of removing production barriers according to which we can set the IME as a market for production surplus in the steel sector.

In fact, according to law, the IME is the criterion in this regard. The law states that if a raw material offered on the exchange at a logical base price and did not sell. It could be exported with no tariffs. The IME provided the groundwork for doing the job in cooperation with some members of Iran's association of iron ore, yet, due to



shared interests of steel and iron ore producers, the whole project went up in smoke and iron ore was not offered on the IME in the end.

You mean iron ore participant were in favor of its offering on the IME?

Yes, that's true. It's worth noting that as the iron ore market is unregulated, we are experiencing issues in settlement of trades like frequent defaults and deferred payments. Participants are not only dissatisfied with the prices but also unhappy with the

outstanding payments. They believed that both issues would be solved with the IME getting involved.

Why don't you set a percentage of the steel bloom price as the reference price for iron ore?

Through time it has been shown, at a global level, that there is not always a direct and constant relation between the raw materials for producing steel and the final products. Various factors are involved and that's why the



profit margins of producers see periodical fluctuations from time to time.

Do you think that the offering of the whole production chain of steel on the IME will be able to solely solve all the problems?

No, you cannot expect too much of a single measure. In other words, it's necessary to have a stable market and optimal allotment of resources, with the raw materials being offered on the IME. But, it's not sufficient. We need to also launch derivatives instruments (like futures and options) on steel and iron ore products in order to prevent the destructive effects of global markets fluctuations on ours. Otherwise, Iranian market participants wouldn't be able to cover their risks against global price volatilities and we keep experiencing either shortage or surplus in our production. Under such circumstances, with changes in foreign currency rates or in global prices, there might be better margin profits for the upstream producers of steel in the exports section, leading to shortages in the domestic markets.

However, derivatives instruments make things predictable for them. They can anticipate the market prospects and the rate of demands for the future and plan their policies accordingly.

They will prepare themselves, for example, for exports, when they can predict that there will be a plunge in demands for steel in domestic markets in the next few months.

Another way to determine how much of a commodity like iron ore exists in the country, the amount of production surplus or demand or how to plan for production and distribution is a well-tested mechanism called commodity depository receipt; an instrument running on the IME via which you can calculate how much of a product exists in warehouses (already listed on the exchange) of the country and what percent of it is surplus and ready to be exported.

Some believe that the IME follows the policy of controlled prices. If prices are not set in the IME based on the fundamentals of supply and demand, how is the exchange to contribute to regulating the market?

Since last year's September all price limits were lifted. That is to say there is no price controls policy on the IME now. Their only quarrel with the IME is that they believe the demand side should be free of limitations of any kind so that everyone can buy from the exchange. That is to say they need us to eliminate the "Behinyab" system.



The thing is that producers believe that they should be free to offer their commodities on the exchange and sell them at the highest price possible. But Iran's economy policy makers (Market Regulation Headquarters) decided to limit demands to downstream participants and eliminate unnecessary middlemen. But, the decision is kind of contradictory to its purpose.

Putting limitations on the demand side in the market is meddling with the natural order of the market, which is an obstacle to fair price discovery mechanism. My opinion is that if there is to be customer identification mechanism in our market, it needs to be a comprehensive one so that the base price will be a real one based on market facts. At the same time, we need to have a system to supervise how raw materials are consumed by the downstream producers and the final product they manufacture.

In our last meeting with the steel committee of the Market Regulation Headquarters, we suggested the downstream participants of the steel industry themselves take care of the supervisory job on prices for raw materials and register prices of final products in a system designed for this so that we enjoy a thorough supervision on the industry.

Why do you think some people are against the offering of the whole steel production chain on the IME, development of derivatives on steel products and launching of the commodity depository receipt, which are all aimed at regulating the domestic market of iron ore, steel and steel products?

First of all, market participants of the industry do not take the step to have their products listed on the exchange with the excuse that their products do not pass the standards to be offered on the IME. Yet, the IME is ready to offer their products on its side market, which does not entail strict standards.

Three are also some wrong beliefs that derivatives markets send signals to influence the spot markets, which makes participants to be reluctant to accepting them being useful. However, we believe that it's quite contrary to what they imagine and in fact it's the spot market that sends the signal and influences the derivatives markets. Moreover, derivatives instrument with their intrinsic potential to mitigate risks can prevent severe price fluctuations. Currently, we are experiencing price volatilities in all markets due to fluctuations in rates of foreign currencies; that's why policymakers incorrectly blame the derivatives market for that and decide it's not time to develop such instruments.





Utilization of Financial Instruments Available on IME to Invigorate Agricultural Sector

In a conference held in Iran chamber of commerce, industries, mines and agriculture, the CEO of the IME, Hamed Soltaninejad, elaborated on the mechanisms of the IME's financial instruments and said that the exchange is ready to cooperate with the market participants of the agricultural sector of the economy in order to improve market procedures and contribute to enhancing the sector.

He went on to say that in all businesses and industries we need to consider a cycle of revenues, investment and savings working hand in hand to have a successful one. All parts are to be economical so that the market participant enjoy the benefits and reap what they sow proportionate to that much effort they put in, yet, we are witnessing the otherwise.

What we are witnessing in other countries as successful markets both domestically and beyond their borders is thanks to the approach they have developed optimally towards the cycle mentioned above.

He then mentioned the overwhelmingly fast development of emerging commodity exchanges and the fact that until recently exchanges like the LME or CEM were frequently cited and referred to, while currently commodity exchanges like the SHFE are doing very well and in some cases overtaking their western counterparts.

Nowadays, china's exchanges play a more significant role as price references for metals. In fact, people go to Dalian exchange for getting prices for metals and the same story is going to happen for lots of other commodities including agro-products. Some might say it's because of China's enormous population which makes it possible for it to make deep markets. However, we believe that Iran has got also enough population to shape such efficient markets with a say in setting prices even at a global level.

He also said that in comparison to foreign countries we are very slow in developing such markets. One reason is that our decision makers are not familiar enough to financial instruments and their advantages and we need to inform them. We are also in dire need of support by industries, like the way saffron, cumin seed and pistachio growers along with other market participants cooperated with us to shape a good and deep market.

He added that as to products in which Iran has an edge over other countries, we should never allow them to set the prices. For commodities like oil, which the price is traditionally set by WTI the story is different, but for commodities like pistachios and saffron we are expected to have the upper hand.



There are some commodities which are not offered on exchanges and we have to take the initiative and develop trades on them. The IME should take care of developing trading and settlement systems. Also, the IME is needed to launch instruments like futures, options and depository receipts on them. However, I should insist that there is another aspect to the development of the scenario and that's participation of market players of each commodity in trades of them via the instruments available on the exchange, which makes the whole project plausible.

According to Soltaninejad there are still participants in the agricultural sector who think that the exchange will occupy some of their roles upon entering the market, while the exchange just provides the playground for them.

Soltaninejad continued to mention a successful project on the IME which made it possible for 200 thousand farmers to offer and sell their produce on the exchange, a feat which seemed impractical to many at the beginning. In fact, the IME was able to put into practice Article 33 of the Law of Increasing Productivity of Agricultural Products, based on which farmers sold their produce at the real and current market prices and received the difference between these prices and the prices guaranteed by the government. This plan took a lot of financial burden off the government's shoulders and helped farmers to receive their money as quickly as possible.

Soltaninejad then explained that since saffron was first listed on the IME, there has been 140 tonnes of this product traded on the exchange, which is a considerable amount compared to the annual production of it in the country. This is an evidence for the successful experience of the IME having the capability to become the price reference for various commodities. Nowadays, saffron growers can check the prices of it on exchange boards of the IME in cities that grow saffron and know at what price exactly they can sell their produce each day. They can even pre-sell their saffron for months to come.

Soltaninejad also elaborated on the importance of financial instruments for trades of agro-products and said they will help us realize whether the production of a specific product is economical for the farmers. For example, with the help of futures contracts they can predict the range of prices within a specific period in the future. It's worth noting that markets like gold, oil and petrochemicals are currently managed via futures contracts at a global level. This is also the way that reliable economic and financial publications get the prices they release. The IME, he added, has at least the capability to launch this instrument on agro-products that Iran produces so that we can become the price reference for them.

He also stated that one of the musts of trading on an exchange is the continuity of offering, which could be met via commodity depository receipts as one of

the best solutions. Using this instrument the farmers can store their produce at standard warehouses listed on the IME and offer it to the market whenever it suits them best. It makes it possible for the farmers to sell their produce online or even put it (the receipt they get for storing their product in a warehouse) as collaterals to receive facilities for example. He added that until we lack transparency in trades of agro-products as they are done in traditional ways, we cannot eliminate problems. However, with prices released on the IME board and with the use of instruments available on the exchange like futures and depository receipts we will be witnessing a transparent market with fair prices discovered based on the fundamentals of supply and demand.

As to middlemen Soltaninejad went on to say that in all markets we need some middlemen, but in a non-transparent atmosphere they will have destructive effects. That's why we need to make our markets as transparent as possible, so that it's quite clear how much every person buys and sells.

Another mission of the IME is fund raising for industries, which could be fulfilled via running commodity funds on agro-products using futures contracts and depository receipts. Such funds could facilitate starting or running businesses and can act as a replacement of receiving loans from banks.

Last but not least, he added, are long-term contracts which are running on most commodity exchanges in the world. The IME has also taken steps in the field with launching premium and long-term contracts. When a businessman wins a market, he or she will be in need of retaining the customers. Long-term contracts available on the IME provide a mechanism for such merchants and businessmen to keep their customers over a long period of time.





More Investment Appeal in Gold Coin Depository Receipts than in Gold Coins

In a ceremony the "Mellat Bank Gold Coin Vault" was introduced with the CEO of the Mellat bank and the CEO of the IME in attendance, in which they both elaborated on the trading mechanism of gold coin depository receipts and said that there will be soon combinatory financing instruments that act like a bridge between the banking system and the capital market.

The IME CEO hoped that the cooperation between the two entities will continue as it did since the establishment of the exchange. Hamed Soltaninejad added that the Mellat Bank gold coin has been the fourth vault of its kind listed on the IME with a capacity of 150 thousands Imami full Bahar gold coins to store, which could be increased in the future.

An advantage of trading depository receipts on gold coins over physical gold coins is that investors can trade them online on the IME as they are physical gold coins, but there is no need to keep the coins with them. Moreover, there would be no risk of theft, or buying fake coin or losing them.

He added that the Mellat Bank has designed a service for its customers which acts like a financial supermarket. The beneficiaries of the bank are increasing on a daily basis and naturally some of them choose gold for investment. They usually keep the gold they buy in safe deposit boxes or in home. That's how the gold they buy goes out of the financial system. Depository receipts, on the other hand, are the alternative method to attract investors who prefer gold for their investments.

Soltaninejad reiterated that with

depository receipts on gold we will have in fact a liquid market in our economy. He continued that with the vaults provided by the Mellat Bank, people have the opportunity to trade gold coins very safely even online. And, in the not too distant future, those who buy these receipts can put them up as collateral when needed.

He added that we can extend our services to gold bars and melted gold, which are common in foreign countries. Upon launching vaults for these two commodities in the bank, IME can start issuing depository receipts on them as well. Among the combinatory instruments which are to be the result of cooperation between the banking system and the capital market will be debt securities. We have been discussing this with the Mellat Bank and it's through the final phase in the Securities and Exchange Organization. It would be a great help to industries with their fund raising needs.

Soltaninejad explained that the first method that comes to mind for fund raising is to borrow from the banks, but what's more appealing is that we use bank resources as a leverage to multiple the funds raised through using instruments available in the capital market like debt securities, which like RIET (Real Estate Investment Trust) securities work on a leverage basis. There has also been a project in the IME as credit rating for customer since two years ago in cooperation with the Mellat bank, which could be a big leap in provision of the financing needs of industries and will have positive effects on production in our country.



Gold Coin Depository Receipts Soon to Be Accepted as Collaterals

In the unveiling ceremony of gold coin vault of the Mellat Bank, the CEO of the bank said that the depository receipts on gold coin would be very soon traded on the IME and could be put up as collateral by customers for receiving facilities.

Mohammad Bigdeli, stated that thanks to efforts of his colleagues in Mellat Bank and also the IME's cooperation, gold coin depository receipts have been added to services provided by this bank and will soon lead to a bigger share of the gold coin vault of the bank traded on the exchange.

He continued that there will be 3 advantages to the plan. First of all, people can store the gold they buy in a safe place and there will be no risk of theft anymore. Also there will be no concerns as to buying fake gold coins as well. The second advantage which is very important to investors is that such depository receipts are like physical gold coins and are subject to price volatilities. They are also highly liquid and tax-exempt, which is very appealing to the investors. Last but not least according to him is that in the past customers would receive no facilities based on the physical gold coins they deposited in a bank while, before long, gold coin receipts are about to be accepted in banks as collaterals for receiving facilities.

Bigdeli explained that they take



pride in gold coin depository receipts being added to the portfolio of services offered by the Mellat Bank; a financial instrument which makes it possible for the gold coins to change form being stagnant assets to getting circulated in our economy, strengthens the IME as one of the pillars of our capital market, contributes to sustainable economy and decreases price fluctuations in the gold market and also the risk of investors.

In the end, he elaborated on the role of introducing such combinatory financial instruments to the public, so that they come to know the benefits of such cooperation between the banking system and the capital market and added that it is hoped that people would be absorbed to such new possibilities and contribute to increasing production in our economy via using this instrument.



Launching a Financial Market on Melted Gold is Subject to Standardization

Stating that one of the most important missions of the IME is securitization of commodities in order to ease trading of such commodities Hamed Soltaninejad, the CEO of the IME, insisted on the fact that to reach that goal the first step would be standardizing them. In the case of gold he added we would be in need of institutions to assay the purity of the gold which is to be stored in banks so that depository receipts could be issued on them. No entity has yet set any standards for gold bars.

Soltaninejad explained that melted gold and gold bar follow the same standardization process and it has been a controversial matter how to assess its purity and to determine if it is 995k. Hence, the standard organization is required to take the responsibility and define an assaying system based on which both gold bar and melted gold could be standardized and be traded in a regulated market.

He added that the lack of such assaying system in our

country is rooted in the fact that in Iran people traditionally invest in gold coins, while they don't exist in other countries and they buy bars.

He continued that the gold bars that are offered and traded on the IME are known with the brand of the company that makes them, like Zarshouran. Naturally, that company is responsible for the purity of the gold. However, if we are to establish a market in which gold-based securities are traded we have no other choice but to have a standard assaying system as people will not trust us based on the brand and might suspect that the gold could be mixed with copper for example.

He expressed hopes that if we manage to set up the standard assaying system, we can launch a deep market with lots of appeal for the public. He then said that this way, people will refrain from investing in jewelry gold market which is a non-transparent market; they can also, he added, store the gold bars they buy in secure vaults of banks instead of putting them in safes in their homes.

IME to Launch CDR Market for Melted Gold

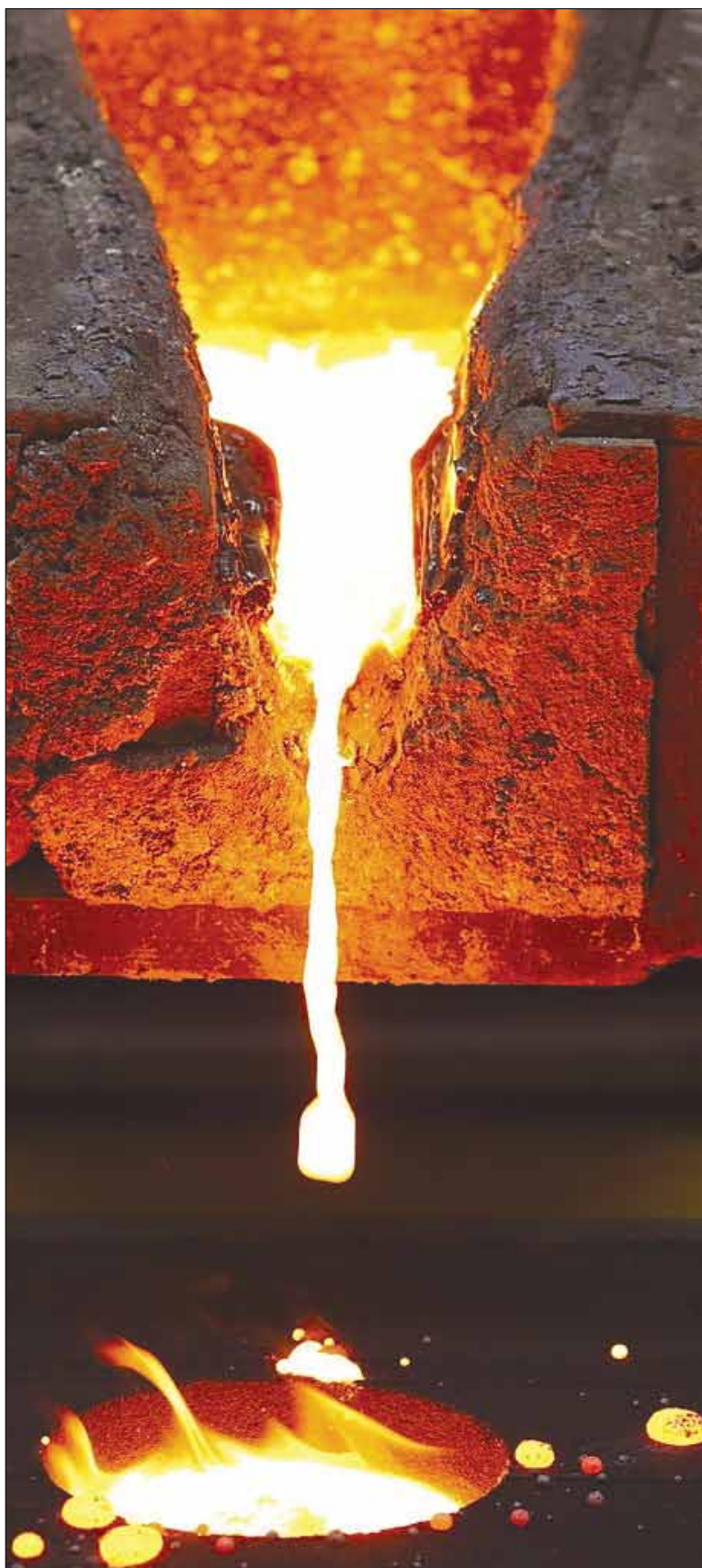


The CEO of the IME announced listing of melted gold CDR in the new year of 1399 in the exchange. He stated that based on the strategic plan of the exchange for the current Iranian calendar year 1399 the Iran Mercantile Exchange is planning to broaden the spectrum of the listed commodities on the Commodity Depository Receipts platform of the exchange which is co-hosted by the TSETMC. According to Soltaninejad of the prospectus commodities well-suited for CDR trades are the melted gold bars.

Hamed Soltaninejad said that the IME has made various efforts in 1398 to broaden the markets of the exchange through new listings and launching new trading instruments. According to Soltaninejad there were a lot of

measures taken by the firm in order to expand its physical market supply side through offering more commodities on par with the increase in the demand side moving towards a scheduled, planned and continuous offering of commodities while focusing on large quantities from the supply side.

“The IME made its best efforts during the period in question to ensure all downstream producers about a sustainable access to raw material on a regular basis through exchange’s trading platform” said Soltaninejad, adding that the IME sticks to continuous reporting on trade information including supply, demand and traded volume, which has resulted in positive outcomes. One of the key features of commodity exchanges he said is that the exchanges operate



dynamically, so prior to any market crises all developments including shortages or oversupplies can be predicted. Through organized markets, commodities that their insufficient offer and supply could cause market turmoil will be reported to authorities to handle problems and provide needed solutions to prevent the adverse outcomes.

Soltaninejad said the exchange has by far provided a large number of comprehensive reports about the market situation to the regulating and decision-making bodies, which has been highly helpful in maintaining of the market. For instance, I can refer to reporting on trades of steel sections, which has led to increases in offers compared to the volumes offered a year earlier.

The CEO of the IME elaborated on the bringing of the agriculture products to the financial market of the exchange. According to the IME's chief, the products planned to be brought to the financial platform are commodities of less effect on nutrition or livelihood of people. The commodities in question will be gradually transferred from the physical market to the financial platform. He further stated that efforts were made during 1398 to create higher value for agro-products like cumin seeds and saffron in which the country has relative advantage in production. To complete the chain of the exchange-traded instruments and platforms, he went on to say that the IME took steps forward to transform the trade mode of such commodities from physical spot to CDR, and then to derivatives platform in the final stage. The IME's options market on agriculture commodities was launched as well during the period, which has grown



larger with many market players in presence. The CEO of the exchange said in case the government calls a halt to the control price policy, the IME will bring a majority of the agricultural products back to its physical market. However, the major obstacle on the path to reinstating of agriculture products like wheat and sugar on the exchange is lack of resolve by the government to stop imposition of the policy impeding fair price discovery on the exchange platform out of supply-demand mechanism.

He also stated that commodities are eligible for listing on the exchange that is not subject to the control

price policy. People may benefit from the control price policy in the short run, but it will not be to the interest of the national economy in the long run for it will do harm to production sector as well. Experiences show that enforcing control prices for wheat and sugar could undermine their production, reversing the position of the country after a while from a producer to an importer. "For instance, in the sugar market, the country imported part of its requirement last year while it didn't import wheat during the same period", Soltaninejad added. He further said, "If such commodities are treated based on natural rules



of supply and demand with price discovery at core, it will contribute to overall production and a rational policy can be adopted inside the country to purchase commodity at real price directly from producer". Soltaninejad mentioned also the new listings for the CDR market in the IME and said the exchange is planning to add more underlying commodities to the CDR platform such as melted gold bar. "We are after launching a continuous market for some agro-products like raisins, dates and rice. As for the rice, we are facing challenges as it is in people's staple diet. Therefore,

in order to list such commodities we need to get permission of the market regulator and higher decision makers to launch the relevant CDR market", stated the IME's CEO. He went on to say that the agriculture products market transactions are of good track record in the IME, so it will become a thriving market provided that the administration keep confidence in the exchange system and give up the control price policy. He further stated that the IME's trade plan for the year 1399 is to run an agriculture market with high trade volumes and large number of participants.

Banks to Transfer Enterprises through Exchanges

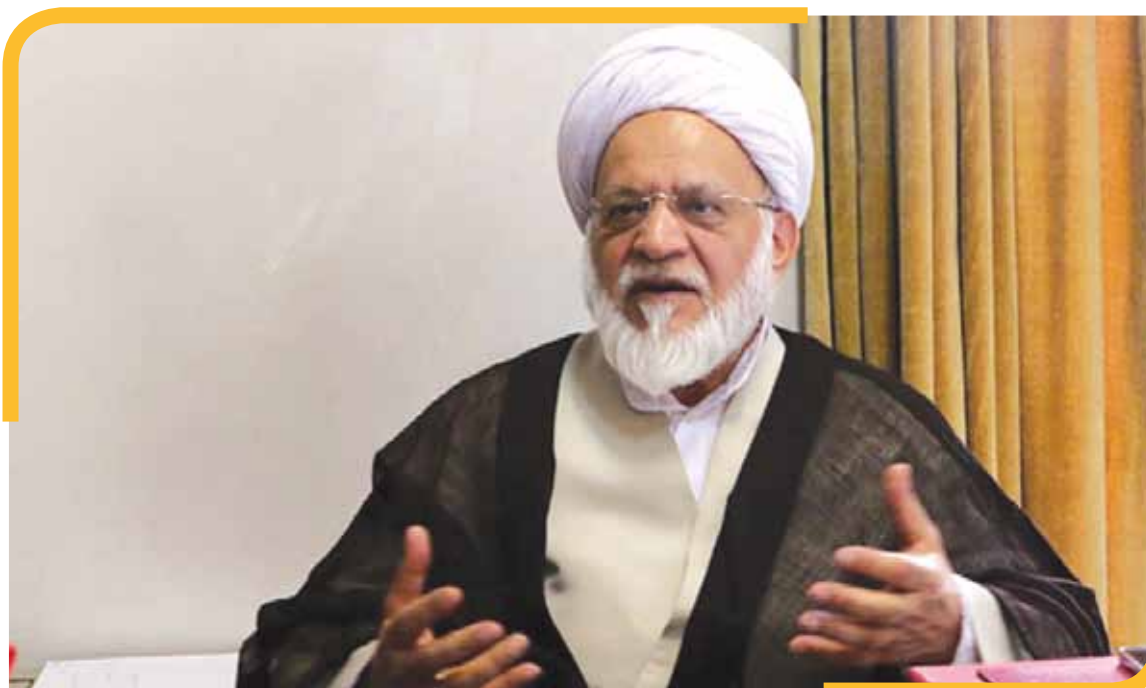
Member of the Expediency Council said that the Central Bank and the Ministry of Economics should oblige banks to transfer enterprises they own to the public through offering them on exchanges like the IME

Mesbahi Moghaddam, who is also the chairman of the Sharia Committee of the Securities and Exchange Organization, added that banks still own such enterprises as these enterprises have not been able to pay their dues to them. He added that the amount such enterprises owed to the banks added to the accrued interest was so big that the banks confiscated the assets put up by businesses as collaterals and finally became the owner of the whole

enterprises. He continued that that owning a business up to 40 % is legally accepted but the issue is that this figure has surpassed 50 %, which means that bank resources are now blocked in the enterprises.

Chairman of the Sharia Committee of SEO and the member of the Expediency Council then explained that according to the law such businesses owned by the bank were to be transferred in three years which, due to various reasons, has not done yet.

The deadline has already passed and it seems there is no choice except that the central Bank and the Ministry of economics push the banks to use the potentials available on the exchanges to sell the enterprises.

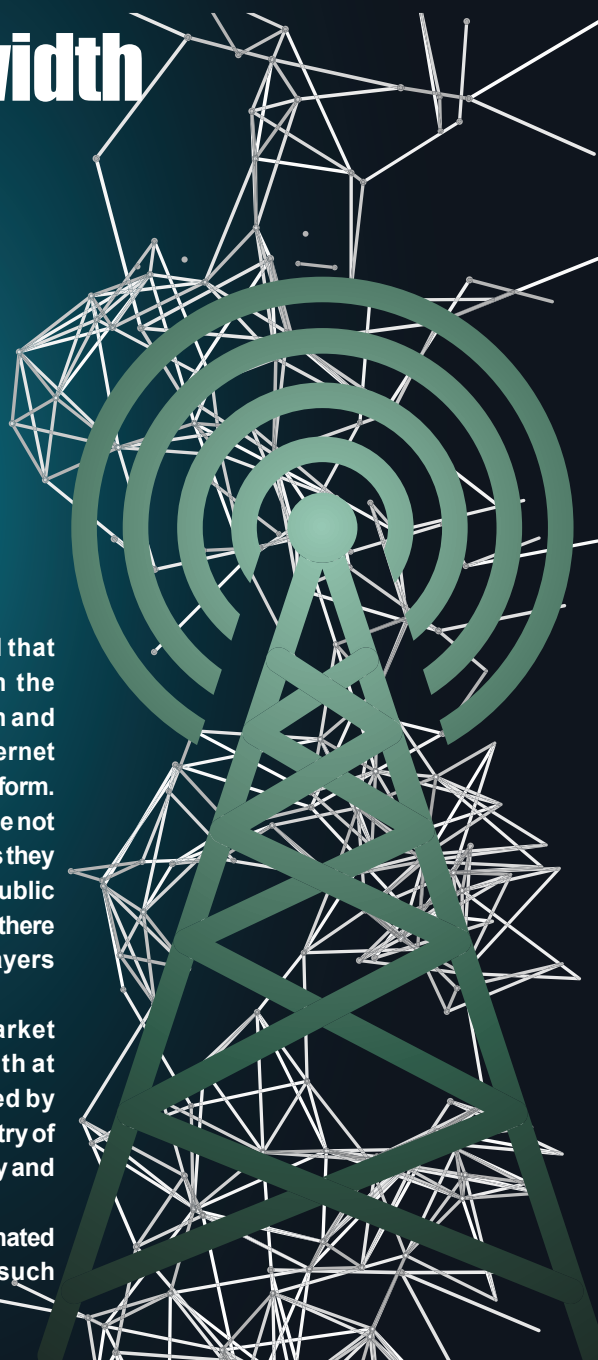


Internet Bandwidth to Be Traded on Iran Mercantile Exchange

Chief executive officer of the IME said that they are currently negotiating with the officials of the Ministry of Information and Communications Technology so that the internet bandwidth be offered and traded on the IME's platform. The officials of the Ministry of Information have not accepted our proposal yet, Soltaninejad said, as they believe that it's not a deep market so that the public can get involved in. But, IME is of the opinion that there is no reason that only a limited number of players should have this market in their hands.

He added that it could be a competitive market with people being able to buy the bandwidth at the best price from among the prices offered by various networks. But, it seems that the Ministry of Information officials have their own regulatory and technical concerns.

He expressed hope that the barriers will be eliminated and the IME can contribute in this field after such concerns have been allayed.





Liquid and Continuous Market, Pre-requisite for Launching Bitumen Futures

The IME derivatives department has been recently looking into possibility of launching derivatives on bitumen based on demands by the market participants and the downstream industries. To this effect, the CEO of the exchange shared his thoughts in an interview with ISNA. Soltaninejad said the launch of bitumen futures is high on the agenda, however, successful introduction of any futures contract is subject to setting up a liquid and continuous market for which the first step in practice is the launch of Commodity Depository Receipts (CDRs) as a trading instrument and platform operating on a daily and continuous basis. The CEO of the exchange said that currently the bitumen market in the IME is experiencing irregularities in orderly offering of the commodity

with no pattern for continuity. Soltaninejad reiterated that bitumen market should perform orderly and continuously; and a strong and well-organized physical market must be there in the first place for its traded prices contribute to foster a robust futures market on the underlying asset. Therefore, we need to launch the CDR market for bitumen in order to make sure that prices are discovered on a daily basis for the commodity. Apart from market issues, there are concerns and issues to be looked into regarding tax exemption of non-agriculture CDR trades in general, so we are negotiating with the Iranian National Tax Administration (INTA) to extend the exemptions coverage to the non-agro commodities for CDR market like bitumen in order to relieve concerns of the market



players.

According to Soltaninejad, negotiations with INTA have been underway for two years with no tangible results achieved. Notwithstanding, there are rules and regulations in the capital market for trading instruments that can provide exemption coverage for the CDRs. According to capital market laws, any securities listed and issued by the Securities and Exchange Organization of Iran (SEO) is considered tax-exempt, so the CDR's tax issue can be dealt with by this pattern. The SEO and the High Council of the Securities and Exchange have accepted the CDR as a security which falls naturally under tax exemption category. Therefore, we anticipate INTA issue the relevant directive on exemption of all CDRs from tax payment. The IME

will be ready to launch more commodity futures should the tax authority issue the directive. The commodity exchanges across the world are more derivatives-oriented than spot. The inflation rate in the countries in which the advanced commodity exchanges are operating differs from that of ours. It's hard to launch futures in an economy with a growing rate of inflation. Stating that development of commodity exchanges would lead to growth in the economy, Soltaninejad said through expansion of commodity exchanges the predictability of the future prices of commodities can be enhanced, industries can grow and production can be planned through supply of raw material and commodities in a continuous market. The commodity exchange in our country is no exception

either; however, sometimes the authorities choose the control price instrument as the market panacea so the way the commodities are allocated and distributed in such approaches would limit the range of the target community. Soltaninejad said at some junctures the national economy has faced challenges regarding the growth of the exchanges specially the commodity exchanges as a result of enforcement of the control price policy, though the exchange has a robust export market which can provide a vast ground for growth and expansion. He added that one of the success reasons of the oil-based products in both IME and IRENEX is that they are offered on the export ring, as the export trading floors are lucrative market venues for traders at foreign currency movement times.

500 Thousand Billion Rials of Finance Provided for Industries

The Deputy Managing Director of IME in Research and Market Development highlighted merits and advantages of the financial instrument of the IME during the first Iran Financial Conference. According to Alireza Naserpour worth of 500 thousand billion rials of working capital has been raised as of the beginning of the year for the industrial producers using physical Salam contracts of the exchange. Naserpour, representing the IME in the finance panel of the conference held in the Al-Zahra University in Tehran, shared views on

financing solutions using exchange platform and said the Iran Mercantile Exchange and the Iran Energy Exchange make the provision of commodity finance in the capital market. In terms of markets, the IME's operation falls in two division of physical or spot market and the financial market which includes commodity depository receipts (CDR), commodity ETFs and the standard parallel Salam. In the spot market, the focus is on fostering a transparent platform for real price discovery based on supply and demand and commodity trading where the suppliers are majorly the companies listed on the Tehran Stock Exchange, with a long track record in the capital market. Such corporations need working capital to expand operation so they look forward to finding financing solutions in the commodity market. Naserpour went on to say that, the need for financing was arising in the situation that the IME

had already foreseen and developed this critical requirement of industrial plants in advance through listing and incorporating low-cost tools like the Standard Parallel Salam (SPS)



and the debt securities.

Salam Contract, the Powerhouse of Finance in IME

As to importance of the commodity market instruments and the key role of IME in raising finance for the industries, Naserpour said that Salam is a unique instrument in the commodity market which provides opportunities for the industrial producers to raise the required capital in advance of production. Through the service, rendered first by the IME and followed by the other commodity markets, producer presells the commodity in the trading system and receives the cash equivalent of the buyer's trade value after substantiation of transaction. The seller can use the collected capital in order to manufacture the listed underlying commodity and deliver it to the buyer(s) at a maturity stated in the terms and conditions of the contract. It is worth noting that, Salam contracts which operate as spot market financial instrument have accounted for 30 percent of the total trades in the physical market raising over 500 thousand billion rials for the listed industries since the beginning of the year.

Over 6 Thousand Billion rials Worth of Financing via SPS Contracts

The head of the research department of the exchange shed light during the panel on the Standard Parallel Salam instrument and stated that the SPS contracts are the same financial instrument as Salam contracts except for a secondary market adjoined to the function of the Salam instrument to provide facility for secondary transactions in a way that the buyer of such

securities can resell them prior to the maturity in the secondary market. As a matter of fact, the SPS is an Islamic Sukuk in nature, well-suited for various segments of economy including agriculture, industrial, mineral, petrochemical and petroleum production sectors. Since inception in the IME, over 6 thousand billion rials of finance have been provided for manufacturers and producers of the above-mentioned sectors.

Provision of Finance, This Time for the Buyers

Naserpour pointed in the panel discussion to debt securities as another financial tool of the exchange and said the trade mechanism of debt securities performs in reverse order to the SPS. Based on the guidelines, the seller sells the commodity on credit terms to the buyer and sells at the same time the debt securities at discounted rate in the secondary market to the potential investors, thereby the seller collects the money and the buyer purchases the required commodity on credit terms.

Concluding his viewpoints on IME's financing facilities, Naserpour referred to the vast capacities of the financing instruments of IME to provide working capital for production units across economy and said, there are other instruments newly introduced like commodity ETFs and project funds, which can raise capital for many industries like the one implemented for the MAPNA power plant by the IRENEX. As for the future of such instruments, Naserpour said the exchange tools will develop and find a foothold in the capital market as the national production gains momentum across the economy.



Bright outlook for Commodity ETFs on Iran Mercantile Exchange

With the advancement of technology and the complexity of economic and trade relations in the world due to the breadth of these relations, every day, we witness that decision-making in trade issues becomes more complex. Therefore, decision makers of economic relations in the world are always trying to predict the future of the market and the economy at the macro level by using certain and identical indicators, and, on the other hand, to analyze economic events in the world apart from political issues and events, in order to make better decisions, especially in times of crisis. In this regard, the market is one of the most important and influential factors that can well reflect the economic situation of countries, in which the exchanges, especially commodity exchanges, have a special place.

Traditional market deficiencies in the form of false fluctuations and lack of transparency in price discovery as well as lack of necessary guarantees for traders have been the most important reasons for launching commodity exchanges in different countries.

In such a situation, the establishment of commodity exchanges and, consequently, the use of derivatives have led to creation of an organized system of trade and distribution of goods in different countries and



have facilitated the entry into global markets for countries.

So there are now hundreds of modern commodity exchanges around the world, the oldest of which are the Chicago Mercantile Exchange, the London Metal Exchange, the New York Mercantile Exchange, the Tokyo Commodity Exchange, the Shanghai Commodity Exchange and the Indian Commodity Exchange, each of which have witnessed various offerings.

In this field, the Iran Mercantile Exchange, despite being young, has been able to experience trade of many goods and commodities, and it seems that due to its acceptable and effective record and experience,

it is ready and has the appropriate capacity to supply more products.

In this regard, the CEO of Omid Investment Bank stated that the entry of more and more of the country's products into the Iran Mercantile Exchange has caused the country's economy to prosper and said: "The range of products being offered in the world's commodity exchanges has expanded so much that, for example, the Netherlands Commodity Exchange has experienced trading of flowers. The Iran Mercantile Exchange can be expanded as a young and efficient market, so that this financial market in addition to providing required standards and appropriate quality for buyers has





provided conditions so that the small markets can also play a role in the country's economic prosperity."

Habib Reza Haddadi regarding the launch of new trading instruments on the Iran Mercantile Exchange said: "If all important products of the country are traded through the Iran Mercantile Exchange, in addition to improving the depth of the market and recognizing it to all domestic investors, the impact of intermediaries will be eliminated and the IME will develop its activity in the international markets and will be recognized on that markets, too."

According to him, if the country's products are traded in a regular and transparent market such as the IME and their trading volume and value are clearly available on the board of this financial market, then more buyers will be attracted to this market, so both the buyer and the seller can trade their products in the shortest time and at the most optimal price, and the real value is given to the real producer, and the wheel of the country's economy does not stop.

ETFs as welcome news for investors

Haddadi also referred to the market of commodity depository

receipts (CDR) for gold coin and said: "Certainly, the professional market also wants professional actors. The commodity depository receipts for gold coin and gold-based ETFs, like other markets in the IME, can be reliable tools for price discovery and a basis for gold coin physical transactions."

He said the development of gold-based ETFs was effective in boosting commodity depository receipts (CDR) for gold coin, adding: "We are at the beginning of the path and most investors who have years of experience in physical trading of gold and coins are not familiar with commodity depository receipts (CDR). In fact, we need to be patient with the new trading instruments and try hard to raise awareness in this market to be able to achieve our goals. Haddadi stressed: "Gold coin trading price is highly dependent on the inflation rate, foreign currency exchange rates and gold global price, and always positive trends in global markets have influenced the gold coin price immediately and even the price of the domestic gold, but in the declining trends, the gold coin rate is reacting to these factors at a slow pace, which is due to the lack of coherent markets. Therefore, given that information on gold based ETFs' transactions is quickly monitored by investors and listed on the ETFs' website, it can turn the market of these financial institutions into a basis for price discovery."

One of the advantages of investment

funds for the capital market is transparency. The price discovery of commodities traded by the fund is more logical considering the number of actors and the volume of transactions, and this price discovery is monitored by all market players.

Haddadi described the outlook for commodity ETFs as promising and emphasized: "These funds are turning commodities into standard assets, and those looking for a organized market for investment in commodities can take advantage of this opportunity."

According to him, these funds prevent unnecessary fluctuations in the commodity market and lead to the attraction of liquidity, which is headed to the official markets and can be controlled.

He said: "Our approach to the capital market and money market mechanisms needs to be reformed. At the moment, the central bank has decided that we need a capital market compatible to the money market. If the money market works properly, other markets can achieve the same standards, too. In this regard, great reforms have been made in the banking system on the interbank interest rates, which had led to the paralysis of the banking system.

He added: "The Iran Mercantile Exchange is among the markets that need to be enlarged day by day, so there should be parallel markets with the money market to meet the investors' needs."





IME Agricultural Market



Initiation of Talks with Iran's Central Bank to Establish Organization of Saffron Exporting Countries

The plan initiator of the organization of saffron exporting countries (OSEC) elaborated on the main goals of the organization and said: "we are negotiating with the central bank in this regard. Moreover, the saffron exchange will be established so that the prices of the Iranian brand of saffron could be known on an international level.

Seyyed Ehsan Mostafavi said that there will be three phases to reaching the long-term goals of the International Organization of Saffron, with Iran being its leader.

There first phase is going to take 3 years which is the study, investigation and getting approval for the plan. It consists of different steps like coordination with Ministry of Foreign Affairs and Ministry of Agriculture Jihad, inviting producers and exporters of saffron from Iran and foreign countries.

Mostafavi who is among the best producers of saffron in the country said that appointing a negotiator for Iranian saffron with foreign producers and exporters, setting up a common banking council and setting the global standards of saffron as to

methods, processes and products form production to consumption will be also among the steps to be taken in the first phase.

The second phase he explained is promoting the organization globally to make it have a say in the international business of this precious product. Productivity and growth he added lie within the third phase, which we will expounded on later.

He went on to say that after setting standards for saffron, which will be accepted by European countries, it is estimated that the trading value of saffron will grow from the current amount of 4000 million dollars to 4 billion dollars within a few years. As to defining the standards we are about to use the potentials available on the IME, as the exchange will take into consideration the rights of both farmers and consumers.

It is worth noting that the idea of OSEC has been modelled based on the OPEC and is regarded as a national projects and has been proposed by Seyyed Ehsan Mostafavi, the young entrepreneur and exemplary producers of saffron, on December 16, 2019 in the conference hall of the Islamic Republic of Iran Broadcasting with high ranking officials in attendance, and is currently under investigation to be finalized.



Thirty Percent of Saffron Growers Claims Met

The Deputy Minister of Agriculture Jihad said in the Central Agricultural Guild Council meeting that at the moment 32% of the claims of the saffron farmers who had delivered their produce to the designated warehouses have been paid and offsetting of claims will be carried on to reach 40 % through mutual agreements with the operating banks involved in the purchase project. Hossein Shirzad, chairman of The Rural Cooperatives Organization said that the body has been assigned to execute the saffron purchase plan and has managed to purchase and warehouse 72 tonnes of saffron according to the relevant guidelines. He further said that the central bank and some operating banks have borne the responsibility to provide the finances required, though some banks have declined to fulfil their obligations to provide the needed funds. However, they are going to start funding based on the recent agreements made mutually so the claims paid off would reach 40% in the coming days. Elsewhere, Shirzad said the organization is finishing the sales of tomato paste in the IME started to pay its outstanding debts to tomato producers meeting 93% of claims in this section, and the rest will be paid off by the end of the year 1398. According to Shirzad, the body is going to have a strong presence in the market to purchase and store the oversupply in the current harvest season in the orchard and plantation products as well as the livestock. As to trades and export of dates, he said that the export tariff for dates is too high and provinces like Sistan will suffer from this policy, so we expect the Guild Council to ask the Headquarter for Regulation of Bazar to resolve the issue.



It is Time to Offer Wheat on Iran Mercantile Exchange

Pointing to the issues wheat growers had to grapple with last year as with the guaranteed purchase policy, Seyyed Taghi Kabiri said that the policy does not take into consideration the benefits of the farmers and their day to day expenditures. However, the supportive price policy designed on the platform of the IME could put an end to issues the like of this. Member of the presiding board of the economic commission of the parliament said the guaranteed purchase policy entailed selling farmers' produce under any circumstances with any conditions, which meant losses to the farmers. Based on farmers' calculations, it would be much beneficial to them if they fed their livestock with the wheat they produced last year than they sold it to the government within the guaranteed purchase policy. That's why we need to take a more logical approach so that farmers can sell their produce at real and fair prices.

Member of the parliament said that based on Article 33 of the Law of Increasing Productivity of Agricultural Products, wheat should be offered and traded on the IME. This is what they call supportive price policy which is advantageous to both the government and the farmers. Replacing it with the guaranteed price policy would give encouragement to farmers to continue production.

According to Kabiri, one of the most important results of this new policy is that the farmer is assured that they can sell their produce on the exchange at the real market price and if that price is lower than the supportive price guaranteed by the government, they can get the main part of the value of their produce by selling it

on the exchange within 2 working days and then receive the remaining part (the difference between the price sold at the IME and the higher price stated earlier by the government) later.

He added that this initiative can act as a really effective policy for farmers as wheat is a strategic commodity, and with this policy we will be witnessing a structural reform in the agriculture sector.

The member of the parliament insisted on the fact that when there is no transparency in any market, products are not funneled through legal routes and it leads to corruption. That's why we need to convince farmers that offering their products on the IME via the supportive price policy will carry a lot of weight in promoting transparency within the agriculture sector.

Another merit of it is that offering of wheat on the IME will make it known to policy makers that how much of this product we really need in our country with its real price being discovered via the mechanism of supply and demand available on the exchange. Hence, illogical and disproportionate imports of wheat to our country will be stopped automatically.

Last but not least, he added, will be the quality control procedures applied on the exchange before offering any commodity on its trading floors, which leads to enhancement of the quality of the wheat produced in our country.



IME Launches Commodity Funds on Agro-Products

Deputy Minister of agriculture said in Iran's chamber of commerce in a conference held on development of the agricultural sector that launching commodity funds in the Iran Mercantile Exchange can put an end to so many market and investment problems in the field.

Hossein Shirzad explained that we are facing lots of problems in the market of agricultural products like our markets are not deep enough, emotional behavior, destructive behavior of merchants, lack of fair price discovery mechanisms, lack of fund raising mechanisms and lack of risk coverage instruments. We hope that with the help of the IME we will be able to overcome these issues as time goes by.

He continued that on the condition that the Agriculture Bank, national and provincial unions together with big market participants show propensity to contribute to establishing and launching commodity funds on agro-products, lots of funds could be injected to the agriculture sector through

a systematic and regulated mechanism.

According to Shirzad the IME has had successful experiences in listing a few agro-products like saffron, dates, powdered milk and tomato paste, which seemed at first unbelievable and impractical. However, we can see the desirable results like transparency in their markets, fair price discovery and lower trading fees.

The official added that we are about to start a modern market for all rural cooperatives and establish professional trading mechanisms; and it seems that the Iran Mercantile Exchange can be the right platform to do the job. One of the areas we need to focus on to reach that goal, he insisted, will be branding and packaging. He said that our packaging for saffron is acceptable now, yet we need to get better in that. It is also needed that we work on other products derived from saffron, instead of only selling it in original raw form. There are other medicinal herbs in Iran which are worth working on so that they could be offered

on the IME with standard branding and packaging. That's how we can create markets for them beyond our borders; a target which entails export incentives and governmental supports.



Offering of Dates and Raisins High on the Agenda

Shapour Mohammadi, chairman of the Securities and Exchange Organization of Iran, said that his organization has high on their agenda bringing key market players of dates and raisins including suppliers and buyers on the exchange to trade their produce; a move that would be substantiated through having the major suppliers' willingness to offer the products continuously, and by well-positioning and equipping the warehouses required for storage of such commodities.

Mohammadi said, in a radio program, broadcast by the Radio Eghtesad, that there are selected provinces to offer their produce on the IME platform along with farmers and wholesale suppliers. "Luckily, the agriculture market of the IME is a thriving market and we are optimistic that dates and raisins, like saffron and pistachios that experienced initial failures but finally reached the status they deserved, would find a foothold in the exchange's market with the help of the Ministry of Agriculture Jihad", he said. Mohammadi added that the storage condition of dates and raisins are to some extent different from that of pistachios as the former require warehouses with special preserving facilities for which the

exchange is trying to ensure a sustainable access and trade of the product on its market.

The head of the capital market regulating authority went on to say that the saffron got listed and offered on the exchange as a result of collaboration of the SEO, IME and the Ministry of Agriculture Jihad. The same pattern can be followed for offering of dates and raisins on the IME; for instance, an entity should step forward to announce its agreement and readiness to supply the dates or raisins on a scheduled and continuous manner on the exchange. The IME is trying to persuade the suppliers and producers of such commodities to enter the arena to ensure sell-side supply commitment like what was accomplished for saffron and pistachios on the exchange platform. Of course, the preserving condition for dates and raisins differ from the pistachios', as pistachio is a highly durable nut. Therefore, we need to have facilities suitable to warehouse dates and raisins



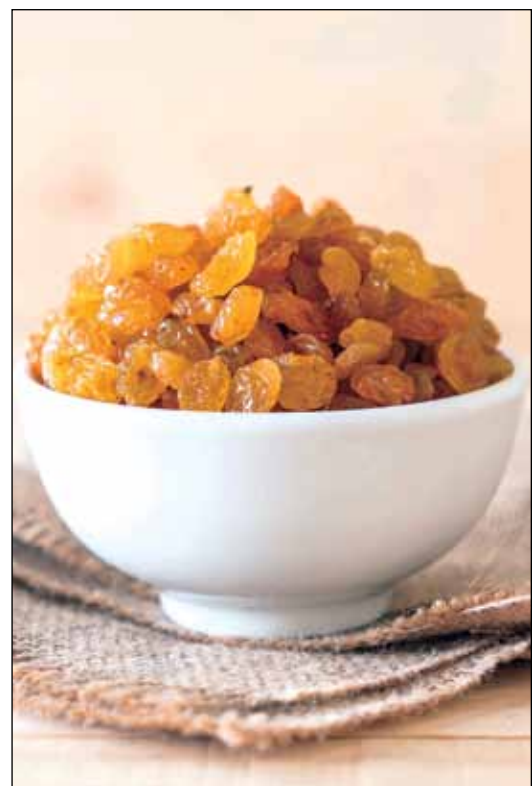


that are less durable and need more care.

Asked in another part of the interview about the offering conditions of energy carriers on the Iran Energy Exchange Mohammadi expressed satisfaction over smooth trade of underlying energy commodities on IEX and said, "A large number of energy products offered including gasoline are highly traded on the energy exchange. The IEX has registered a brilliant track record of 44 thousand billion rials worth of trade up to the moment, which is expected to rise until the end of the year, as compared to 14 thousand billion rials of transactions a year earlier". As to the crude oil offering and trades on IEX Shapour Mohammadi said that petroleum is a unique commodity in terms of delivery and transportation, so the number of traders able to purchase it at the exchange-offer size are few, so the Ministry of Energy made efforts to design a variety of methods of offering of the petroleum on the energy exchange which led to trade of some lots. However, the overall policies of the country are advocating the export of products of higher added value and to prevent selling raw materials. Mohammadi further referred to the expanding investment opportunities in the stock and securities market and said there are diverse investment solutions in the stock market including investment funds tailored for those investors who does not have enough time to attend training courses or daily market analysis tutorials. The ETFs are run by professional teams so the investors can benefit from the advantage of financial knowledge and expertise of the



investment managers without having to sustain risks associated with trading on their own. However, to enter the capital market and to begin with trade in securities, one should receive the required training and acquire knowledge at different levels. The investors are recommended to refer to CODAL to have access to official stock market news, information and trading statistics, and avoid rumors. The other point is that investors should form a portfolio of diverse stocks or asset classes. For instance, a single stock may generate high profits; yet, it is not a safe strategy to put the whole capital into one specific stock; rather, one should create a portfolio of multiple stocks or securities in order to mitigate the risks. Another important issue in a prudent investment is deemed to be paying attention to the profit making factors of the listed firms and companies to select the best stocks



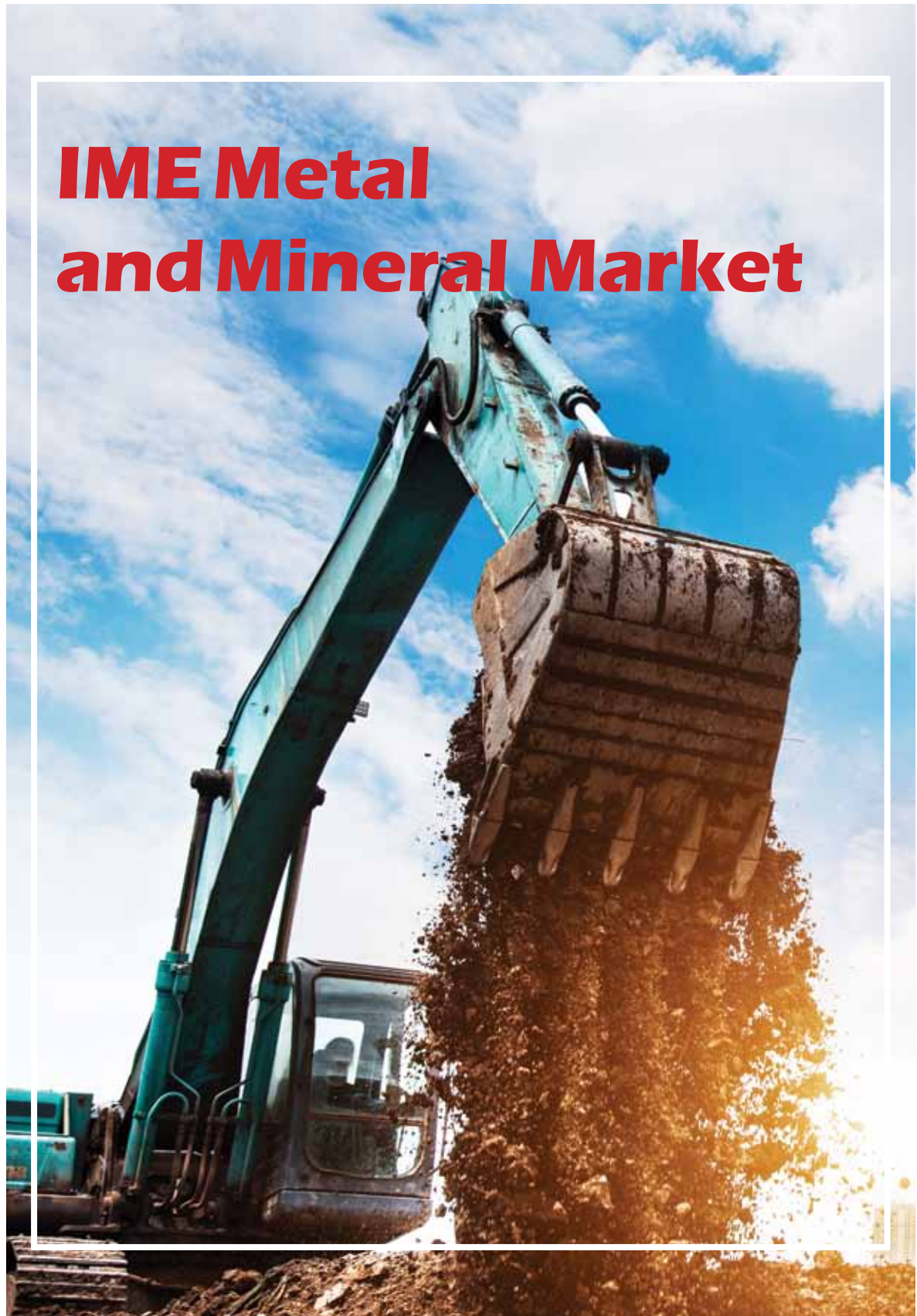


to invest in. In this case, the stocks of the profit making companies whether or not gain market value in the short run, could at least provide dividends for their owners after holding of annual general assemblies of shareholders as a successful strategy. The last point Moammadi offered to the investors as a wise strategy was to invest not the entire of their money in the stock market, asking them to instead put a part of their capital in the securities market and to invest the other segment in the form of bank deposits. "Even if they are not interested in bank deposit, they will have the option of purchasing fixed-income securities from the capital market," tipped Mohammadi urging investors to take into account the above-mentioned points in their investments.

Further in his interview, the chairperson of the SEO provided

remarks on short-selling of stocks and said, "In our approach, short-selling is the same as the committed sales of stocks which is a sharia-compliant Islamic financial instrument based on two Wakalah contracts. It is worth noting that the western-markets-style short selling cannot be implemented in the Iranian capital market as it is against the sharia laws. Therefore, the capital market has made short selling trades feasible under the term "Committed Sales" by combining two Wakala (power of attorney) contracts". Mohammadi added that this financial instrument will become operational in the capital market by the end of the year as the High council of Securities and Exchange as well as the Sharia Committee of the SEO have issued their approval for the instrument, and the other relevant infrastructures have been laid down.





IME Metal and Mineral Market

Preliminary Agreements to Launch Reverse Auction Trades on Construction and Building Materials

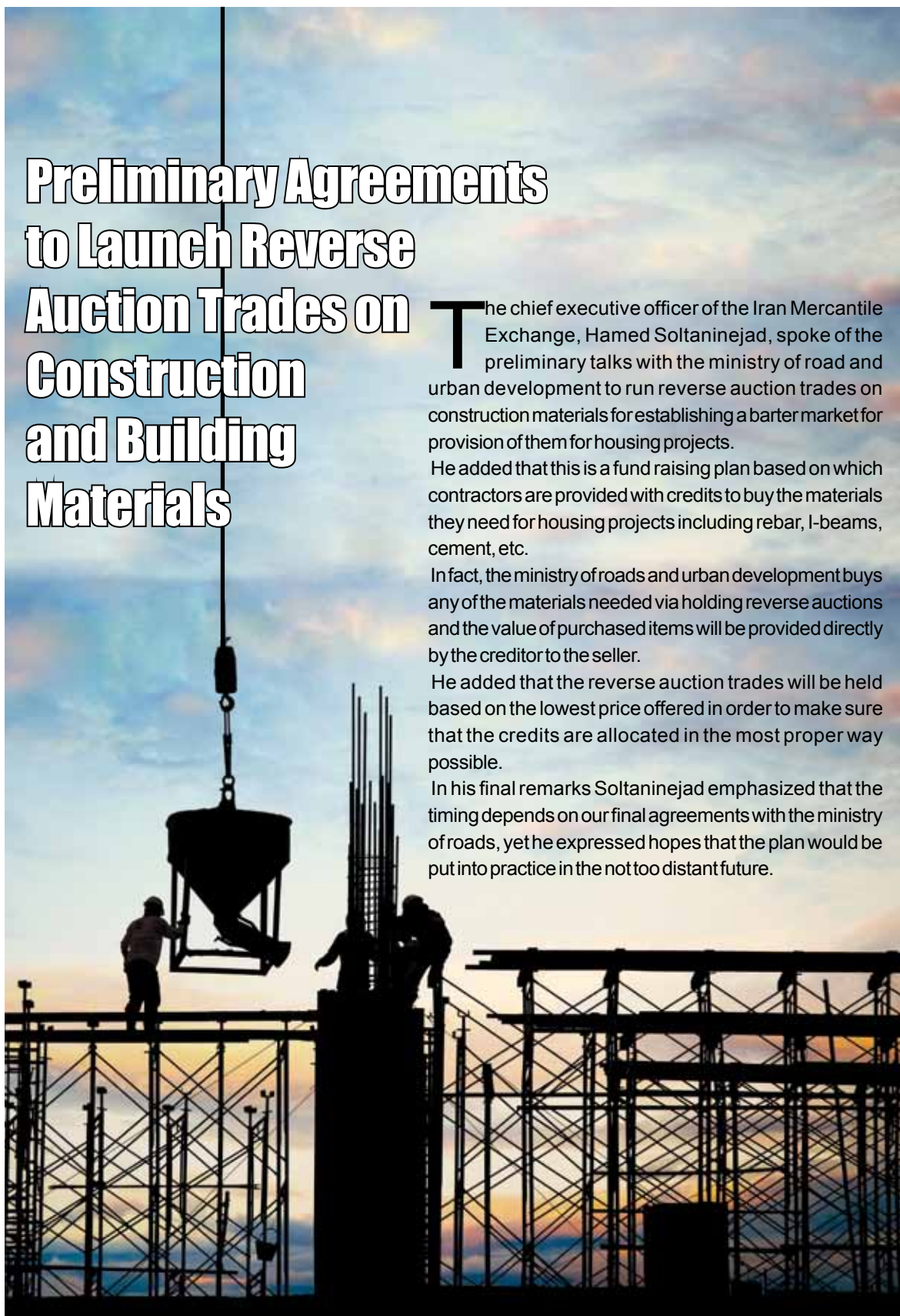
The chief executive officer of the Iran Mercantile Exchange, Hamed Soltaninejad, spoke of the preliminary talks with the ministry of road and urban development to run reverse auction trades on construction materials for establishing a barter market for provision of them for housing projects.

He added that this is a fund raising plan based on which contractors are provided with credits to buy the materials they need for housing projects including rebar, I-beams, cement, etc.

In fact, the ministry of roads and urban development buys any of the materials needed via holding reverse auctions and the value of purchased items will be provided directly by the creditor to the seller.

He added that the reverse auction trades will be held based on the lowest price offered in order to make sure that the credits are allocated in the most proper way possible.

In his final remarks Soltaninejad emphasized that the timing depends on our final agreements with the ministry of roads, yet he expressed hopes that the plan would be put into practice in the not too distant future.



Cement Industry's Participation in the Export Ring of IME

The secretary general of the Cement Industry Entrepreneurs Guild (CIEG) is of the opinion that white cement offering on the IME's export trading floor is a constructive development for the industry which not only provides price discovery benefits for its traders but it would also eliminate negative competition among the Iranian exporters selling goods to Iraq. According to Sheykhan, effective 10th of March 2020, granting license for white cement export shall be subject to purchasing the commodity from the IME's export trading ring, which is a positive development for the industry.

Reza Sheykhan, the secretary general of the CIEG, said although white cement accounts for only 2 percent of domestic cement production, the price discovery process for the commodity is highly important for it would lead to higher price transparency by focusing of cement trades on the exchange's

export platform.

The reason behind the decision was the growing negative competition among cement exporters to Iraq, so it is expected that it would have positive impact on the

industry's business. Elsewhere in his interview, Sheykhan referred to rising costs of production in the industry and said the increase in freight and maintenance charges has led to sharp rises in prices of cement. Based on a research conducted by the CIEG, the finished price of cement has risen up 30% to 40% compared to six month earlier. Therefore, in order to bring the additional costs in the final price, we have submitted our pricing formula to the Minister of Trade, Industry and Mine for making decision.



IME Await Practical Action by Cement Producers

Regarding the supply of white cement on the Iran Mercantile Exchange, the Operations and Surveillance Deputy of the IME said: "Although the Market Regulation Headquarters has approved the export of country's white cement to be done through the Iran Mercantile Exchange and this enactment has been notified to the Islamic Republic of Iran Customs Administration, so far no practical action has been taken by cement producers to implement this enactment."

Reza Mohtashami Pour added that by announcing the decision of the Market Regulation Headquarters regarding the offering of white cement on the IME, the necessary meetings were held in this regard and the IME has announced its

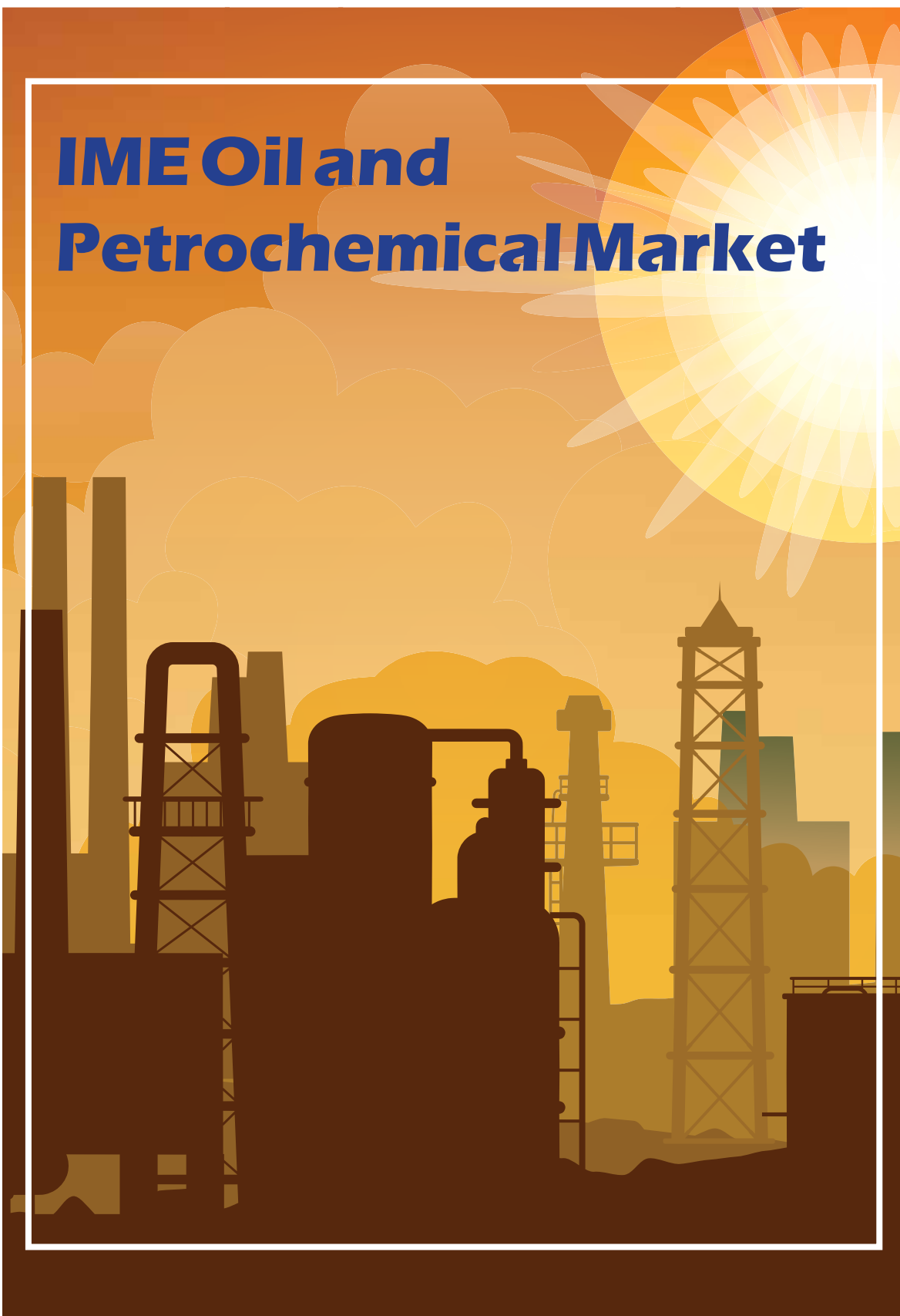
full readiness to implement it, but still the steps of listing and offering the commodity on the IME have not been initiated by the cement suppliers.

He pointed out that the decision of the Market Regulation Headquarters is a mandatory requirement and it should be done. The entire necessary foundation and groundwork for the offering of white cement on the IME is available and we are waiting for the listing of this product by the producers. According to the decision of the Market Regulation Headquarters working group regarding organizing the cement exports, the export of white cement in the country from March 6 this year is possible only by presenting a purchase certificate from the exporting of Iran Mercantile Exchange.





IME Oil and Petrochemical Market



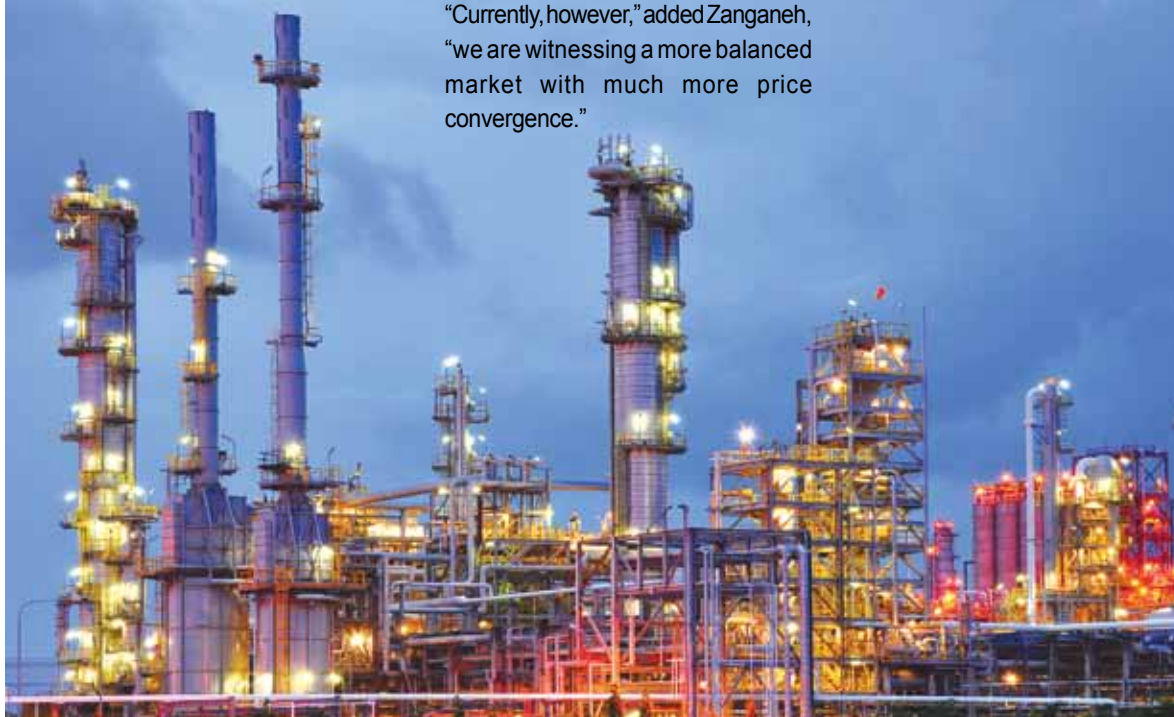
Domestically Consumed Petrochemical Products Offered on IME

The Minister of Petroleum said on the sideline of the Oil Industry Financial System Development conference to reporters and journalists that transparency in the petrochemical market is of great importance, so all the offerings of the petrochemical products for domestic market consumption are made on Iran Mercantile Exchange as a highly transparent platform. Bijan Namdar Zanganeh said that, due to subsidizing the petrochemical products at some points last year, market saw a gap between the official and the real market prices that lured non-industry buyers (who had exchange trading codes) to purchase the products for dealership purposes. The problem was resolved through

negotiations with the ministry of trade to remove subsidies from petrochemical products prices so, the market bounced back to normal thereafter.

"For instance", he said, "the IME trade 200k tonnes of polyethylene terephthalate (PET), which is the whole amount of its production domestically. That's while there was a demand of around 700 to 800 k tonnes for the products inside the country as there used to be a big difference between its market price and the base price offered on the exchange."

"Currently, however," added Zanganeh, "we are witnessing a more balanced market with much more price convergence."





Bitumen Required by Public Sectors should be Provided through IME

The director general of budget, evaluation and resources of Ministry of Petroleum referring to corruption in the distribution of bitumen for construction projects through a barter system, said: "To solve the problem, public sectors must be obliged to buy their required bitumen from the Iran Mercantile Exchange in order to ensure the transparency and eliminate abuses from the market."

Yaser Mirzaie, the director general of budget, evaluation and resources of Ministry of Petroleum, referring to the Annual Budget Law, said that according to the annual budget law the refineries under supervision of the Ministry of Petroleum are obliged to deliver the raw material required to produce bitumen to agencies such as the Ministry of Roads & Urban Development, the Ministry of

Education, the Ministry of Interior and the Housing Foundation of Islamic Revolution to provide the bitumen needed for their development projects.

He said: "Bitumen free of charge does not mean that the government receives bitumen at no cost, but the process is such that during transactions no money or other type of payment is exchanged; there will be no buying and selling, which is a problem."

Mirzaei said that the process has long been such that within work groups the Ministry of Petroleum issues bitumen purchase order notes in favor of public sectors in which it obliges a



particular refinery to deliver a certain amount of vacuum bottom (VB) to one of the public sectors.

The official from the Ministry of Petroleum, stating that the public sectors do not receive the vacuum bottom (bitumen raw material) directly from refineries, added that these bitumen purchase order notes were delivered to contractors, who also submitted the documents to the bitumen manufacturers to receive raw materials from the refineries.

He continued: "The problem is that these bitumen purchase order notes change hands several times and it is not clear how much bitumen will be delivered to the public sectors. In fact, we have the trading statistics of the delivered vacuum bottom (VB), but the trading statistics of the delivered bitumen are not available and this has led to the loss of bitumen and corruption."

Mirzaei emphasized that the contractors' debts had been settled in bitumen in previous years, and the contractors had been selling their bitumen notes, which were supposed to be exchanged by bitumen, in the unofficial market to settle their claims.

The director general of budget, evaluation and resources of Ministry of Petroleum continued: "For this reason, the statistics of the IME market, export market and the consumption do not match. We have 5.5 million tonnes of vacuum bottom production, while consumption and export statistics are less and sometimes more than this the amount."

Mirzaei continued: "Due to these problems, the Planning and Budget Organization removed the clause related to this issue, namely bitumen barter, from the Iran's budget bill

in 1399, but in the Majlis Joint Commission, this clause has been added to the budget law again. Members of Parliament believe in case of removing this clause, a significant part of the construction work will be stopped."

He said: "The main question here is why the public sectors are not paid to be able to purchase their required products on their own."

"Of course, the legislator, ten years ago, maintained that by issuing the bitumen purchase order notes the price of bitumen will be lower; but this is not the case. Ten years ago, most refineries used to be public companies which have now become private companies," he said.

He added: "When the settlement of goods is done through the exchange of commodities rather than the exchange of commodity against cash, due to the change in the price of bitumen, budgetary problems arise. The solution that can be offered in this regard is to put bitumen under the category of credit budgeting in the budget bill such that the relevant public sectors are assigned with either credits for construction and development projects or credit for capital assets acquisition in order for them to purchase their required bitumen from the market."

In the end, Mirzaei said that there is a need to confront the dealers in the bitumen market. Secure yourself through the commodity exchange so that there is no possibility of abuse in this market. Currently, all bitumen transactions are made transparently through the Iran Mercantile Exchange, and the contractors must be paid credits so that they can provide the bitumen they need through the exchange so that there is no possibility of abuse in this market.



IME's Export Ring at the Forefront of Fighting against Sanctions



Member of the board of directors of the union of exporters of oil, gas and petrochemicals said that the more we offer oil and petrochemical products on the IME, the more balanced the market will be as the downstream industries will have access to the raw material they need in a transparent atmosphere. It will also lead to a strong export market for such commodities.

Hossein Moniri explained that the domestic market of oil, gas and petrochemical products is on the normal track but as to the export market we will be facing problems, if sanctions are tightened even more, in

transferring the value of our sold products. He added that many of our manufacturing units have issues in shipment of products and transferring money from

the target countries to Iran. The first problem could be overcome in some ways but the latter would not be that easy to deal with.

As to the potential of the IME in expansion of our exportation of oil products he stated that some of the producers of base



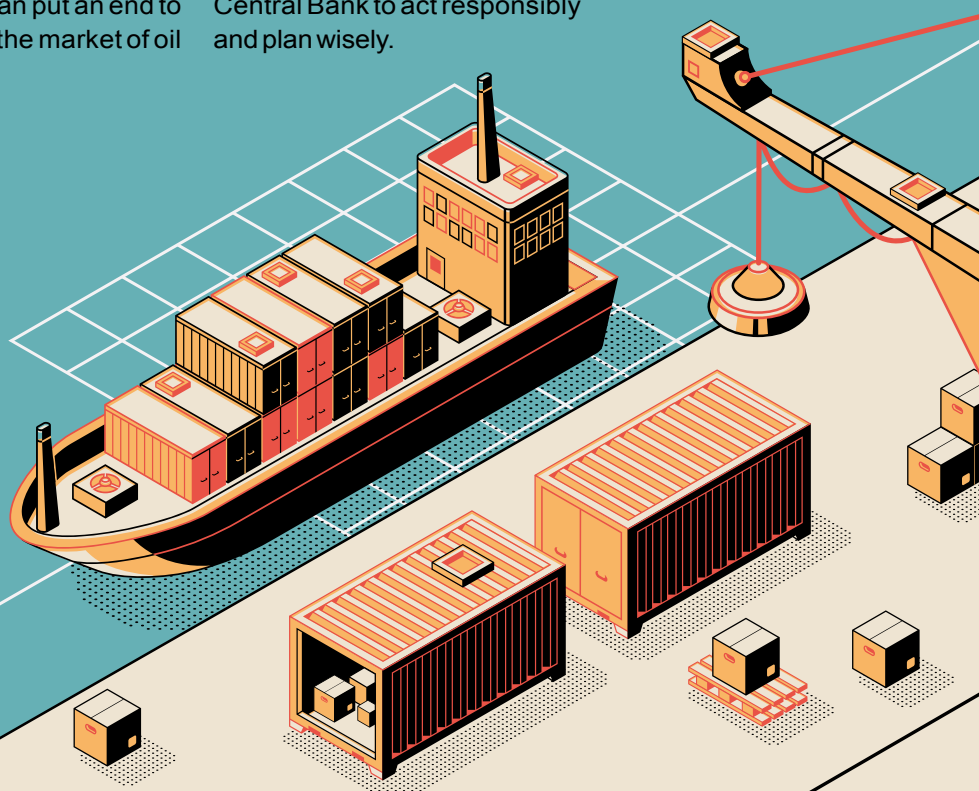
oil in Iran prefer to export their products themselves directly, which is understandable. But it sometimes ends up in lack of balance between provision of our domestic needs and the export market. However, through offering such products on the IME, it is possible to take care of both markets within a transparent and regulated market. In line with that, there have been a few polymeric products offered recently on the IME's exporting.

He added that they have been negotiating with some upstream producers of oil, gas and petrochemical products to increase supply of their base oil on the IME, which, if done continuously, will bring about a balanced market.

He expressed hope that via the intrinsic mechanisms available on the IME we can put an end to rent-seeking in the market of oil

and petrochemical products and set up a market in which prices are discovered in a transparent atmosphere based on the fundamentals of supply and demand, like what we can see in foreign exchanges.

In the end, he elaborated on the role of foreign currency rates on the stability of the market of oil, gas and petrochemicals. In an unstable market of foreign currencies, producers are more inclined to export their products than sell in the domestic markets. This creates kind of negative competition among them with the domestic market suffering the most. That's why, he reiterated, that we are needed to prevent severe price volatilities in the market of foreign currencies and create equilibrium in it, which entails the Central Bank to act responsibly and plan wisely.

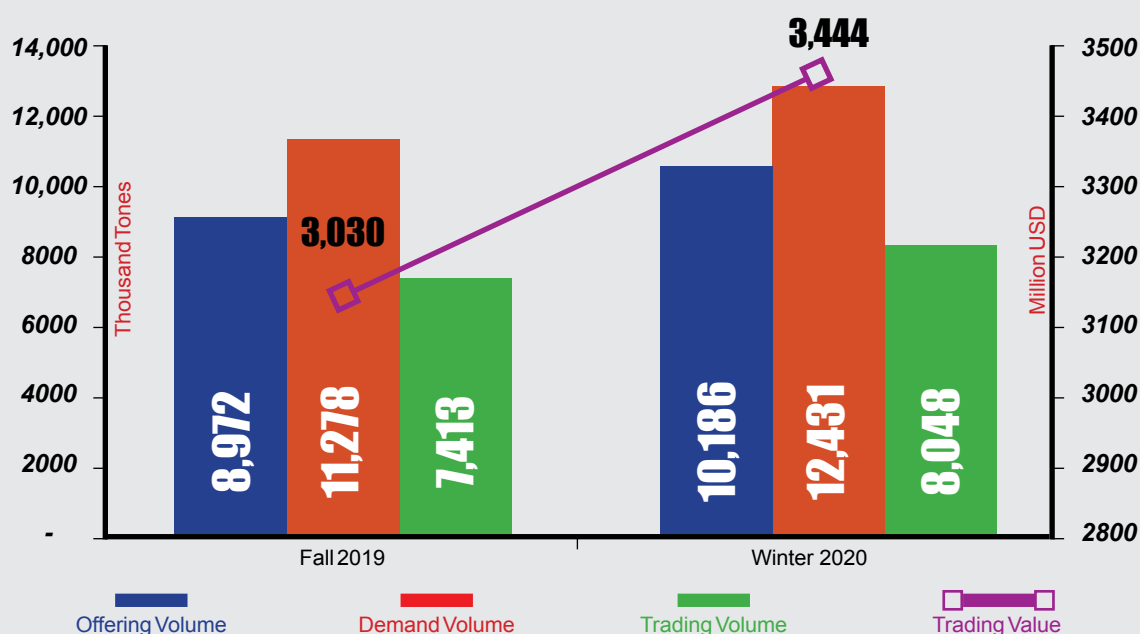




Statistics of IME Business

An Overview of IME's Physical Market

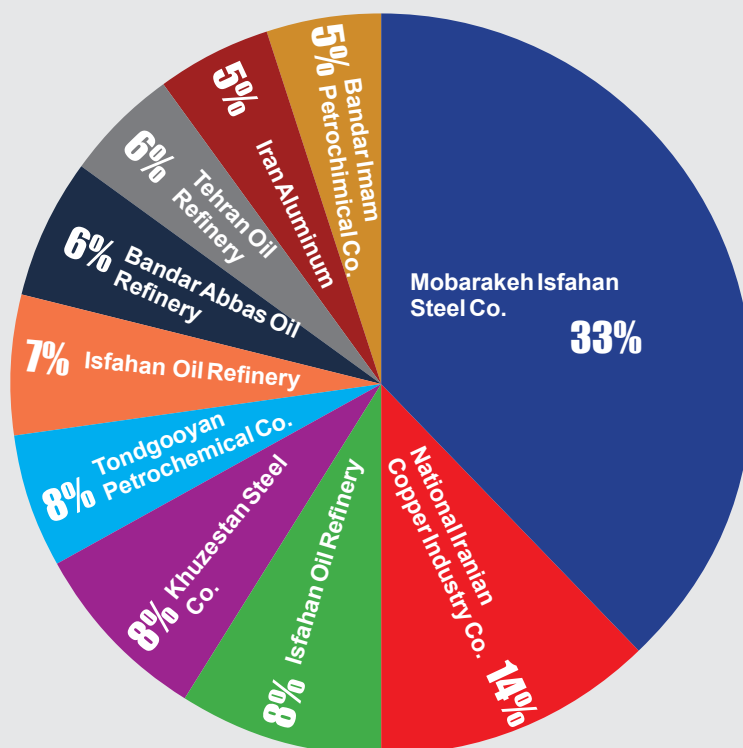
Within the fourth quarter of 1398 Hijri year (22 December, 2019– 19 March, 2020), the IME saw trade of a total 8 million tonnes of commodities on its physical market, the value of which stood at 3,444 million USD. The figures show an upward trend as compared to the third quarter of that year with a 9 percent increase in trading volume and a 14 percent growth in trading value.



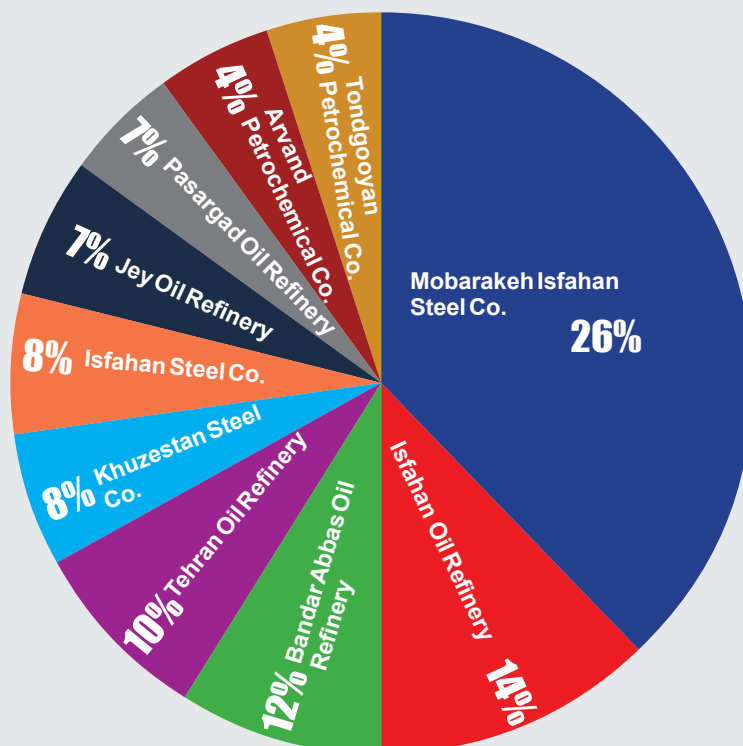
In the following you can see the share of first 10 top suppliers in trading value and volume on the physical market of the IME.



Top Suppliers of IME Physical Market in Winter 2020 (Value)



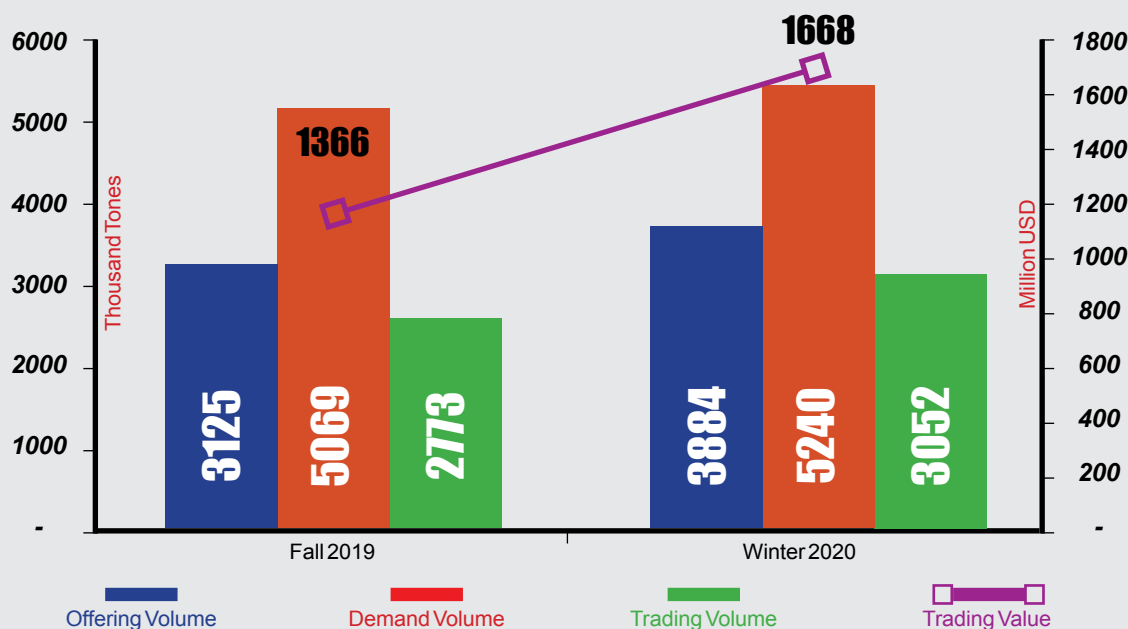
Top Suppliers of IME Physical Market in Winter 2020 (Volume)



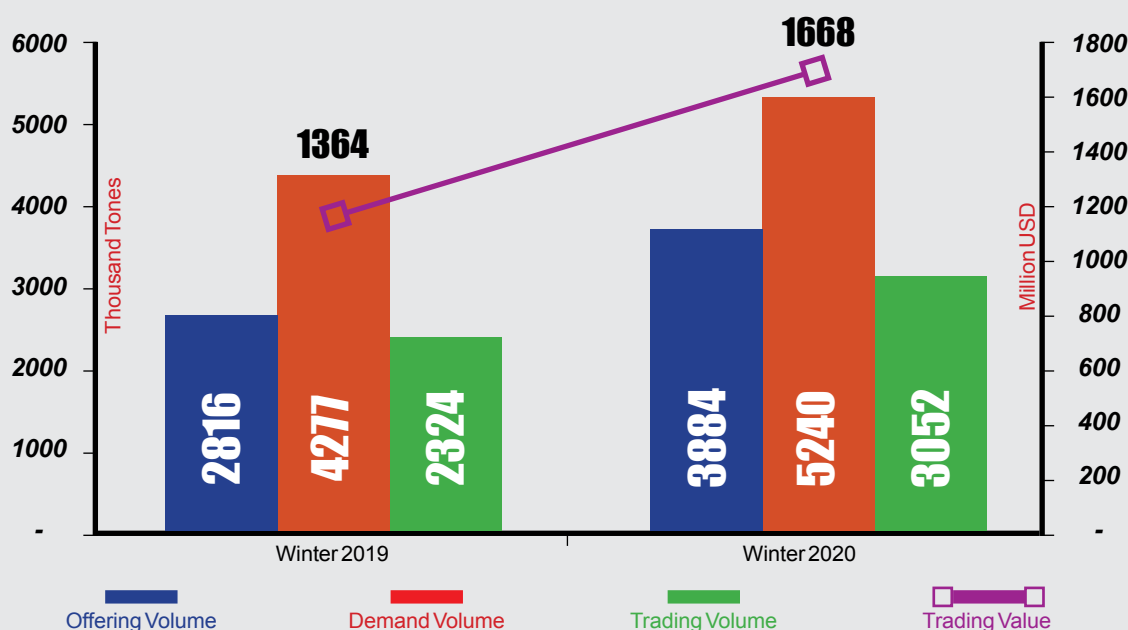


Industrial Products

The industrial trading floor of the Iran Mercantile Exchange witnessed a trading volume of 3 million tonnes valued at 1,668 million USD in the fourth quarter of 1398 Hijri year (22 December, 2019– 19 March, 2020), showing a 10 percent growth in trading volume and a 22 percent of growth in trading value, as compared to a 3-month period before that.



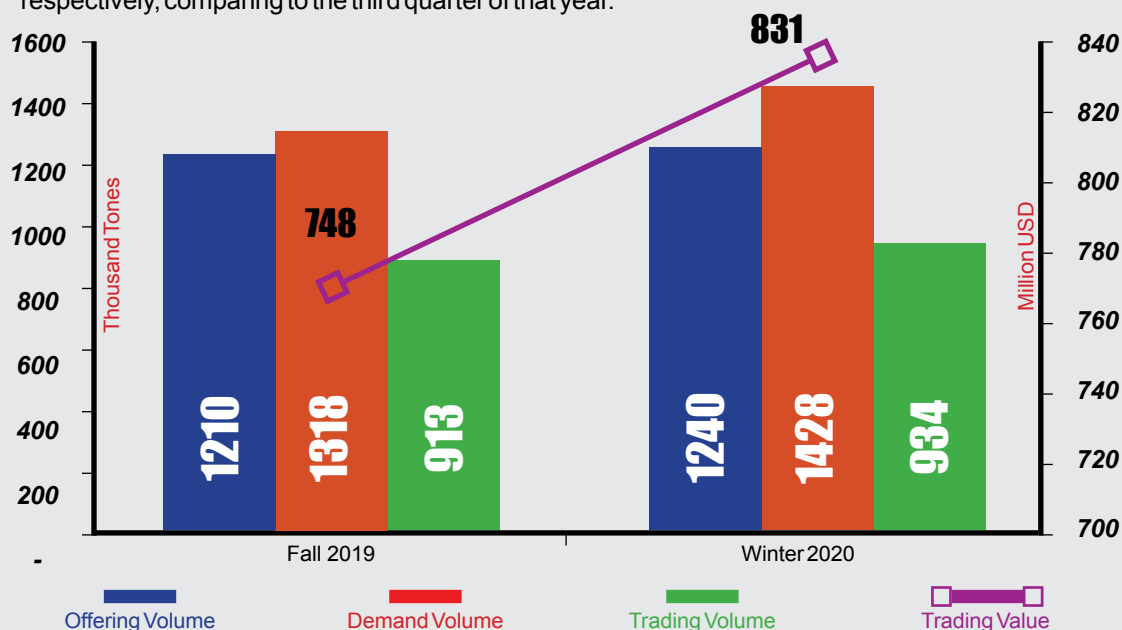
Moreover, comparing trading volume and value between the fourth quarter of 1398 Hijri year (22 December, 2019– 19 March, 2020) and the same period in the previous year reveals that the IME saw a 31 percent growth in trading volume and a 22 percent growth in trading value.



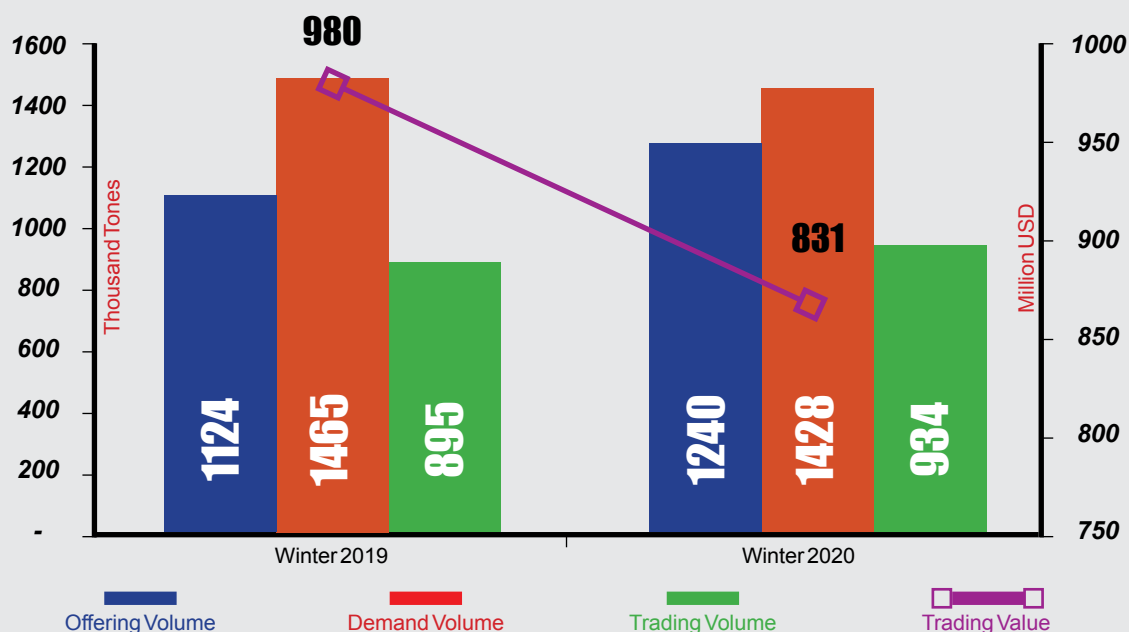


Polymeric Products

In the fourth quarter of 1398 Hijri year (22 December, 2019– 19 March, 2020), volume and value of trades on the IME's physical market for polymeric products stood at 934 thousand tonnes and 831 million USD respectively, witnessing growths of 2 and 11 percent in trading volume and value, respectively, comparing to the third quarter of that year.



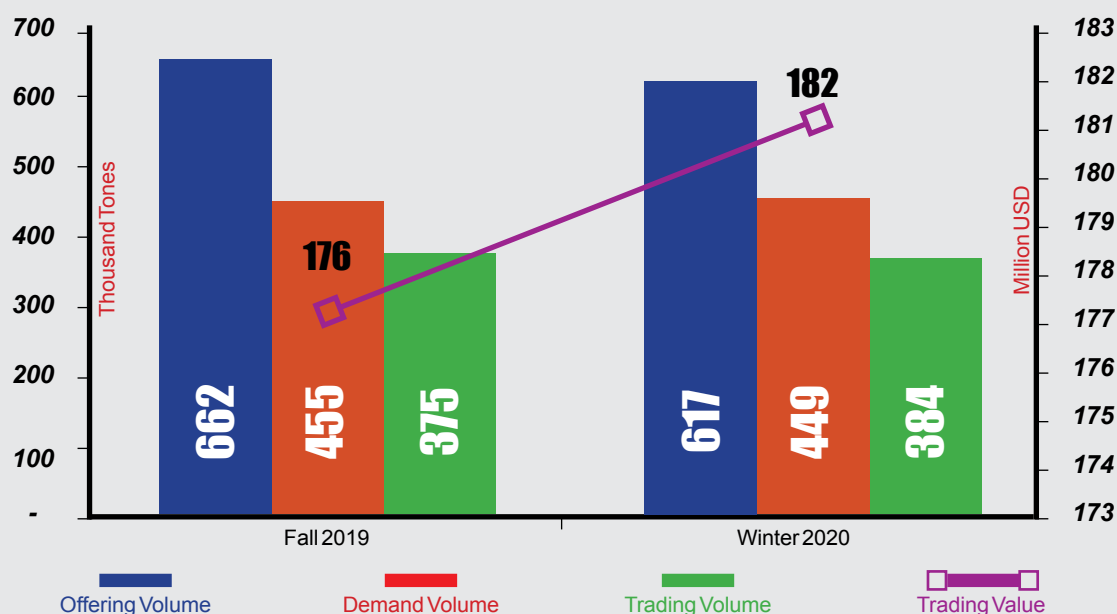
Moreover, comparing volume and value of trades between the fourth quarter of 1398 Hijri year (22 December, 2019– 19 March, 2020) and the same period in the previous Hijri year reveals that the IME saw a 4 percent increase in trading volume and a 15 percent decline in trading value.



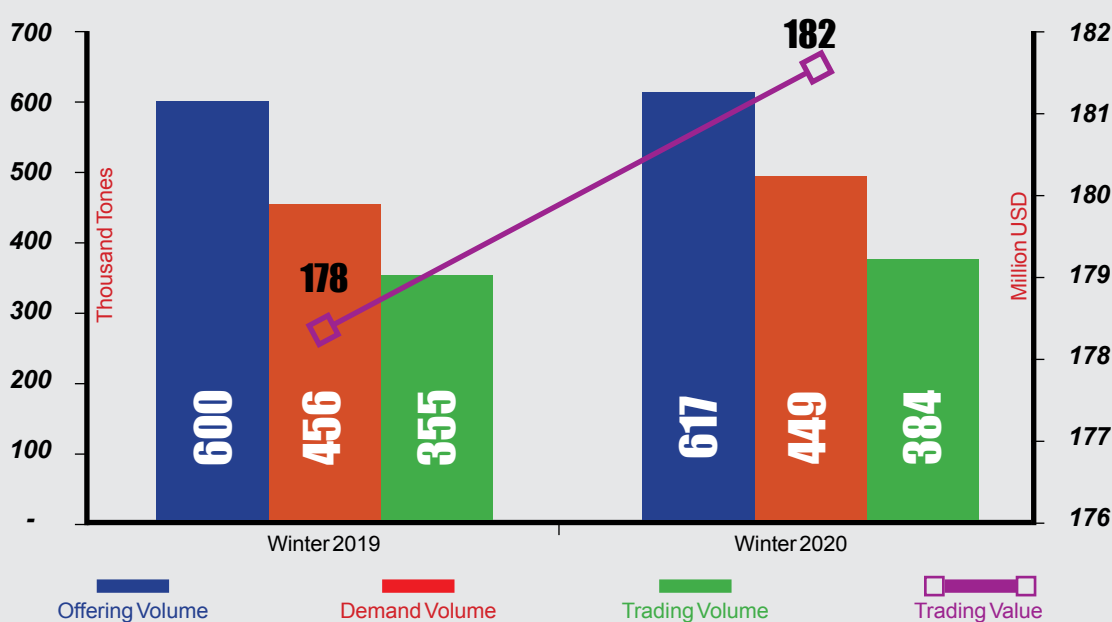


Chemical Products

Within the fourth quarter of the current Hijri year (22 December, 2019–19 March, 2020), the IME traded 384 thousand tonnes of chemicals valued at 182 million USD, showing 2 and 3 percent of growth in trading volume and value, respectively, in comparison to the third quarter of that year.



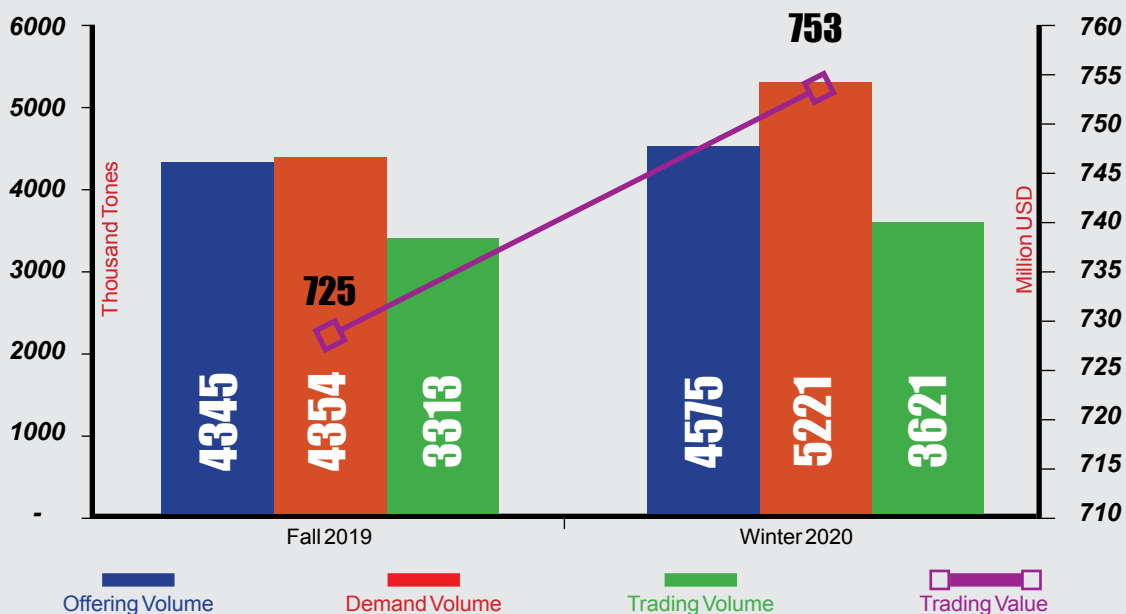
Compared to the same period in the previous Hijri year (22 December, 2018–19 March, 2019), trading volume of chemical products shows 8 percent of increase and the trading value witnessed 2 percent of growth.



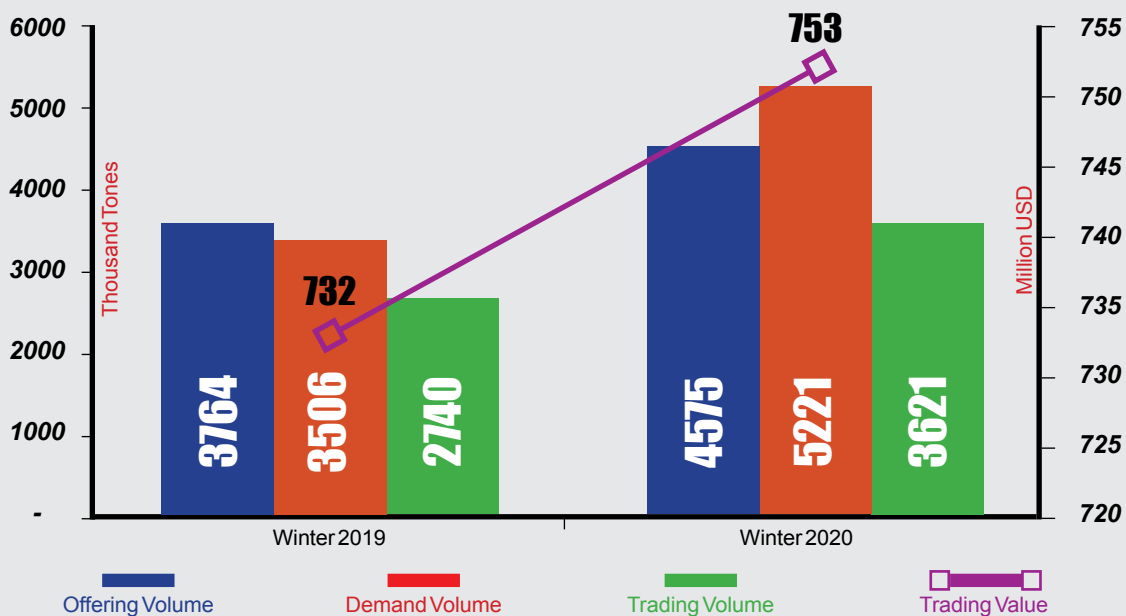


Oil Products

Within the fourth quarter of the last Hijri year (22 December, 2019– 19 March, 2020), there were 3.6 million tonnes of oil products traded on the IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 753 million USD, which showed 9 and 4 percent of growth in trading volume and value, respectively, as compared to the third quarter of that year.



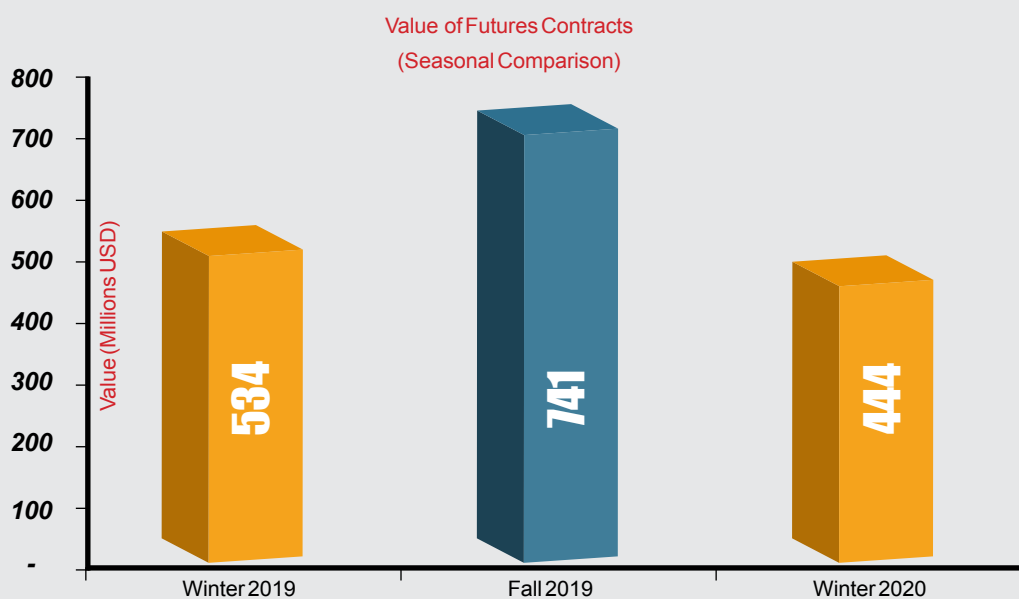
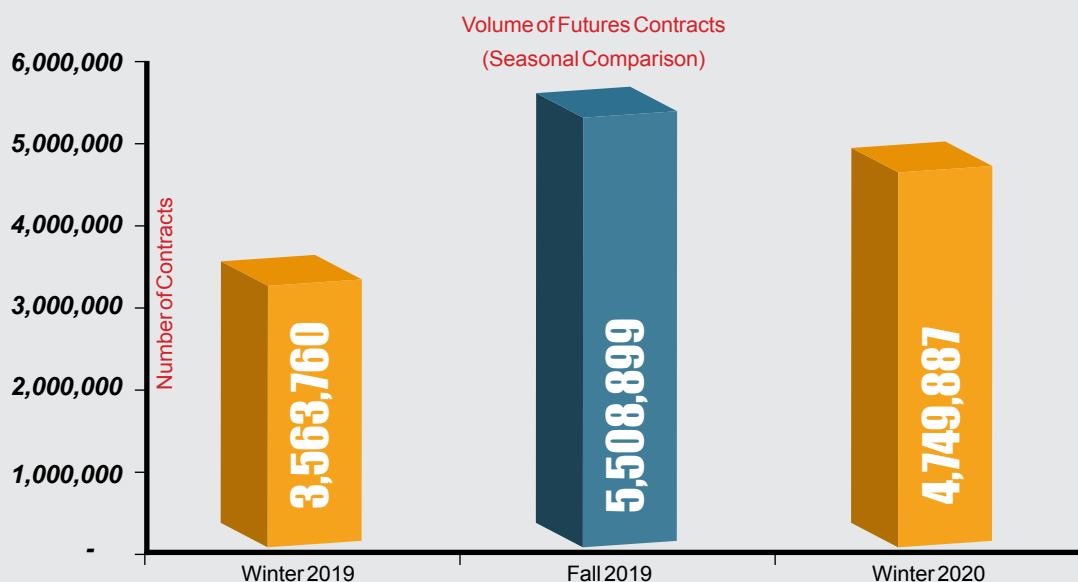
The figures for this period compared with the same period in the previous Hijri year show a 32 percent growth in trading volume and 3 percent of increase in trading value.





Derivatives Market

Within the fourth quarter of the current Hijri year (22 December, 2019– 19 March, 2020), the IME traded 4,749,887 saffron, pistachios and cumin seeds futures contracts valued at 444 million USD, showing 36 and 40 percent of decline in trading volume and value, respectively, in comparison to the third quarter of the year.



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