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### A) Guide to Invest in the Tehran Stock Exchange (TSE) By Foreign Natural Persons and Legal Entities

This guide has been composed to serve the needs of prospective foreign investors who are willing to make an Indirect Investment (Foreign Portfolio Investment) in the Tehran Stock Exchange. To invest in the TSE listed securities and manage his/her own portfolio, foreign investor shall fully observe the Regulations on Paragraph C, Article 15 of the fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran (Annex.1) and also the following detailed steps.

#### *Steps of Foreign Investment in the Tehran Stock Exchange (TSE)*

- 1) Foreign investor in first stage shall fill out the application form for investment under the Foreign Investment Promotion and Protection Act (FIPPA) along with the required documents and submit it to Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), at the address: No. 4, Davar Ave., Tehran, P. O. Box: 11365/9618, Iran – Tel/Fax: +9821 311 2917. OIETAI shall present the particular application in its Board of Foreign Investment and in case of being approved; the license for foreign investment by the applicant is signed by the Minister of Economic Affairs and Finance. Receiving the above mentioned license means that foreign investor is under protection of the Foreign Investment Promotion and Protection Act (FIPPA). Any application for foreign investment received by the OIETAI shall be processed not later than 45 days after receiving the whole documents.
- 2) In case the foreign investor receives the license for investment in the TSE according to paragraph 1 above, he/she shall open a special foreign exchange bank account in a branch of Iranian banks.
- 3) Following the opening of special bank account stated in paragraph 2 above, application for issuing a trading code for foreign investor, shall be submitted to the TSE attached with such other required documents. The letter from the branch of the bank in which such foreign exchange bank account is opened, concerning the fact that such bank account is opened according to the letter of the Central Bank of the Islamic Republic of Iran, the TSE address is: No. 228, Hafez Ave. Tehran, Iran. Any application received by the TSE with all required documents shall be processed in the prescribed manner in due time, and a special trading code shall be issued for the foreign investor. The TSE shall notify the foreign investor of issuance of such trading code.
- 4) Trading of listed securities in the TSE shall be possible only through the registered brokers of the TSE. To start trading [contact us](#) by sending your request to Novin Securities Company.

5) Trading of listed securities in the TSE shall be possible only after the whole process is fully accomplished by the foreign investor. Foreign investors are also requested to pay attention to the followings: with request of the foreign investor, broker shall deposit the earned fund (after deduction of commission and tax) in such foreign exchange bank account for foreign investment in the TSE, not later than 4 working days after execution of sell order. However, the foreign investor shall notify the selling broker of information of such bank account in written. Withdrawal of funds from such foreign exchange bank account shall be permitted only to deposit in a broker's bank account for purchasing the TSE listed securities. All funds earned by selling of securities shall be maintained in broker's bank account or transferred to such foreign exchange bank account stated in paragraph 2 above.

Transfer of funds of foreign origin and funds earned by capital gains or dividends shall be accomplished according to regulations on paragraph c, article 15 of the law of the fourth economic, Social, and Cultural Development Plan of the Islamic Republic of Iran (annex.1), and Foreign Investment Promotion and Protection Act. All dividends shall be directly deposited in such foreign exchange bank account. According to article 2 of Regulations on Paragraph C, Article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, transfer of annual profit abroad by foreign investors each year shall be permitted. According to current rules and regulations, the tax payable shall be deducted from dividend and a net amount shall be paid to foreign investor; so, no other taxes shall be paid for dividends.

**Annex 1-** Regulations on paragraph C, Article 15 of the Law of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran In a meeting dated 1 Jun. 2005, according to a joint proposal of the Ministry of Economic Affairs and Finance, and the Central Bank of Islamic Republic of Iran, and by virtue of paragraph c, article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan, concerning the investment of foreign entities in the Tehran Stock Exchange, the Cabinet approved the regulations of paragraph c of the above mentioned article, as follows:

#### Article 1 – Definitions:

- ✓ Organization: Tehran Stock Exchange Brokers' Organization.
- ✓ Board of Directors of the Organization: Board of Directors of the Tehran Stock Exchange Brokers' Organization.
- ✓ Investment Organization: Organization for Investment, Economic and Technical Assistance of Iran.
- ✓ Promotion Act: Foreign Investment Promotion and Protection Act.
- ✓ Foreign investor: natural person or legal entity of foreign origin who, under the Foreign Investment Promotion and Protection Act, and in compliance with the articles of the present regulations, buys and/or sells securities in the Stock Exchange.
- ✓ Foreign Portfolio Investment: Transaction of the listed securities by a Foreign Investor, solely to get profit, not willing to access to the management of the company. The term Foreign Investment in the present regulations solely means this kind of investment.
- ✓ Direct Foreign Investment: The purchase of listed securities by the Foreign Investor in order to get profit and access to the management of the company.
- ✓ Trusted Auditor: Auditing firm, member of Iran Registered Auditors Association, appointed by provisions of the trusted auditing firms and legal inspectors of the Tehran Stock Exchange, ratified by the Council of the Stock Exchange in 3 Khordad, 1378 (24 may, 1999).

Article 2 – To practice as a Foreign Investor in the Stock Exchange, a person must hold a license which shall be issued by the Investment Organization.

Note: The Council of the Stock Exchange shall declare the legal maximum amount of foreign portfolio investment to the Investment Organization every three month, in compliance with general conditions of supply and demand in national capital market.

Article 3 – Foreign investors shall transfer the entire funds into the country and invest in the Stock Exchange, wholly or in part, at most, one year after receiving the license. If the entire funds not been transferred into the country or not been invested in the exchange during this period, investment of the remaining shall be subject to be newly licensed by the Investment Organization.

Article 4 – Foreign Investor shall be solely authorized to invest in the following financial assets:

- Shares of the listed companies,
- Other types of listed securities,
- Any kind of listed Certificate of Participation.

Article 5 – After the issuance of Investment Organization license and before any transaction be performed and any trading code be appointed, the official translation of the following documents shall be submitted to the Organization by the applicant:

- a) Articles of Association of Foreign Investor
- b) Identifications of all shareholders with more than five percent of the entire shares of the Foreign Investor
- c) Identifications of senior managers of the Foreign Investor
- d) Features of bank accounts allocated to (mention in article 7 of the present regulations) transactions of Foreign Investor in the Stock Exchange.

Note 2: Natural person investors shall solely observe paragraph (d).

Article 6 – Foreign Investor shall present the following information to the Organization according to the Organization's current regulations of disclosure:

- a) Annual and quarterly reports and financial statements of practice in the Stock Exchange,
- b) A quarterly list of securities invested on and the value thereof,
- c) A copy of the entire statements of bank accounts according to article 7 of the present regulations, as to show detailed information and turnover of the accounts,
- d) Reports to disclose the effective changes in management structure of the investor (only for legal entities).

Article 7 – Foreign investor shall appoint one of the local banks for its practices.

Note 1: Foreign Investor shall present to the organization and Investment Organization the particular approval of the bank mentioned in this article, concerning any payment or selling of foreign exchanges, in compliance with regulations, of the Central Bank of the Islamic Republic Iran.

Note 2: All receipts and payments of the Foreign Investor shall be solely accomplished through the accounts opened in the bank mentioned in this article, and all funds collected out of selling of securities traded according to the present regulations and all profits of which shall be deposited to these accounts.

Note 3: Foreign Investor shall not be authorized to invest the specific financial sources of these accounts in other purposes, and to such extent other than those mentioned in the present regulations.

Article 8 – provisions of bringing, maintaining, and withdrawing of the principal and interests of the capital entered to the country with respect to the present regulations by the Foreign Investor shall be complied with the Promotion Act and particular regulations of which, and also regulations of foreign exchanges.

Article 9 – Maximum number of shares to be purchased in each listed company by all Foreign Investors through one of the following ways of investment, shall not exceed the amount of 20% of the total number of shares issued by that company:

- 1) Purchasing shares of the company, holding the license mentioned in the present regulations,

2) Purchasing Global Depository Receipt of the shares of a company,

3) Transaction of the shares of the Tehran Stock Exchange listed companies in a foreign Stock Exchange.

Article 10 – Maximum Foreign Investment in Certificates of Participation (mentioned in paragraph c, article 4 of the present regulations) shall not exceed the amount of 20% of the total foreign investor’s funds. Foreign Investment in other types of securities (mentioned in paragraph b, article 4 of the present regulations) shall comply with the same limits as of investment in shares of the companies (mentioned in article 9 of the present regulations).

Article 11 – If the Foreign Investor’s turnover exceeds the ratios prescribed in the present regulations, Foreign Investor will be required to sell the excess securities within a period of one trading week. Organization shall publish to the market, at the end of each trading week, the percentage of foreign investment in each company.

Article 12 – Foreign Investor shall be allowed, after three years of practice in the Stock Exchange, to transfer abroad the principal investment and related capital gains, observing the articles of Promotion Act and national regulations of foreign exchanges. Dividends could be transferred abroad each year, according to current regulations.

Article 13 – If Foreign Investor be not able to reinvest its principal investment and accumulated capital gains, withdrawal of the excess funds, in compliance with the following conditions, shall be allowed:

- ✓ Application for withdrawal of the funds mentioned in this article shall be accepted only if a two third of the shares contributed and other securities allocated to Foreign Investment have already been completed.
- ✓ Withdrawal of the funds mentioned in this article, after being stated by the board of directors of the organization, shall receive the approval of the Investment Organization.

Article 14 – Auditing of the Foreign Investor’s practice in the Stock Exchange shall be accomplished by Trusted Auditor of the Organization.

Article 15 – In case of any form of violating the articles of the present regulations by the Foreign Investor, the trading code of which shall be halted, in the opinion of the Organization, and the Investment Organization shall be informed of that particular violation.

Article 16 – Limits mentioned in the present regulations shall not include foreign direct investment in purchasing shares of the listed companies.

Annex 2 – Regulations on Opening Foreign Exchange Bank Account for Foreign Investment in the Tehran Stock Exchange Regulations on opening foreign exchange bank account for foreign investment in the Tehran Stock Exchange have been informed by the Central Bank of the Islamic Republic of Iran to all Iranian registered banks through a letter as follows:

Subject: Application for the Opening of Foreign Exchange Bank Account for Foreign Applicants (Natural Persons or Legal Entities) to Trade Securities in the Tehran Stock Exchange Enclosed find the approval of the esteemed Cabinet, dated June 6th, 2005 as the “Regulations on Paragraph C, Article 15 of the Law of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran”. In Execution of article 7 of the above mentioned regulations, and after receiving a copy of the license issued by the Organization of Investment, Economic and

Technical Assistance of Iran (OIETAI) to the Tehran Stock Exchange (TSE) upon trading of securities prescribed in the above mentioned regulations, please open a foreign exchange bank account for foreign applicants as follows and as complied with the mentioned conditions:

1) **Conditions of Opening a Foreign Exchange Bank Account** If the applicant is present inside the country, the opening of the foreign exchange bank account shall be accomplished after receiving the required documents attached with a copy of the above mentioned

1. License, in compliance with the particular regulations on money laundering prevention.

2. If the applicant is not present inside the country, the whole process of receiving the required documents and opening a foreign exchange bank account shall be accomplished through a coordination between the branches of representatives of the bank and other Iranian banks or their representatives abroad, and in case of being no branch or representative in

place of the applicant's domicile, the whole process shall be accomplished by the bank agents. The copy of the license issued by the OIETAI shall still be kept by the bank.

Note 1: Following any transfer of money to the foreign exchange bank account, bank shall notify the TSE and the OIETAI of the amount of money and full identifications of the depositor.

## 2) Resources and uses:

1. Resources all deposits shall be accomplished through the current bank instruments such as: foreign exchange bill or bank cheque. The money earned from the selling of securities could be deposited in this account as a new resource

2. Uses Purchase of foreign exchange at daily exchange rates and deposit the Rial equivalent in the TSE or the selected broker's bank account, following the approval of the TSE (account no., name and special code of the branch shall be stated).

Note 1: In order to facilitate the process of changing foreign exchange to Rials for buying securities and changing Rials proceeded from selling the securities (including principal investment and Dividends), in compliance with provisions of the said regulations banks are allowed to open a sub account in Rials for the applicant.

Note 2: Transfer of foreign exchange earned by selling of securities (including changing the principal investment, capital gains and dividends to foreign exchange at daily rates) shall only be possible in compliance with the articles 12 and 13 of the said regulations.

Note 3: The owner of the foreign exchange bank account is allowed to transfer abroad the whole or part of the amount of foreign exchange which has not been changed into Rials for buying the securities.3) With regard to limited fields of activities applied to these accounts (as stated in note 3 of article 7 of the above mentioned regulations), it shall be noticed as a precondition that no profit shall be accrued to these accounts.

## 2) The Bylaw Governing Foreign Investment in the Exchanges and OTC Markets

Upon the recommendation No. 22159 of the Ministry of Economic Affairs and Finance on April 11, 2010; and by virtue of the paragraph 3 of article 4 of the Securities Market act of I.R.I ratified in 2005, the Council of Ministers approved "The Bylaw Governing Foreign Investment in the Exchanges and OTC Markets" on April 18, 2010. as drafted below:

**Article 1:** *the following definitions shall apply for the purposes of the terms and phrases used herein:*

1. Securities Market Act means the Securities Market Act of I.R.I ratified in 2005.
2. Council means the Securities and Exchange High Council.
3. Exchange means the Stock Exchange as licensed by the Council.
4. OTC Market means the OTC market which has been licensed by the Council.
5. Organization means the Securities and Exchange Organization subject of article 5 of the Securities Market Act.
6. Foreigner/ Foreign Entity: each of the following persons is considered to be a foreigner/ foreign entity:
  1. A natural person who does not enjoy the Iranian citizenship.
  2. Any legal entity that has been registered in a country other than Iran.
  3. Any legal entity that has been registered in Iran whereby the total shares of the persons stated in subparagraphs (a) and (b) above in the capital of such entity shall exceed fifty (50%) percent. In the event that the mutual fund is regarded to be a foreign entity, it shall remain to be the same (foreign entity) as long as the shares of the persons stated in subparagraphs (a) and (b) above in its capital have not reduced to 40%.
7. Applicant means a foreigner or an Iranian individual in possession of foreign originated capital who has submitted his application to the Organization to obtain a trading license subject to article 4 of the present bylaw.
8. Trading License means a license which, as per the rules herein, is granted by the Organization to the applicant so as to buy, sell or trade in securities on every exchange or OTC market.
9. Foreign investor means a foreigner/foreign entity that has obtained a trading license from the Organization.
10. Strategic foreign investor means a foreign investor who intends to possess over ten percent (10%) of a company's shares listed on the exchange or on the OTC market or that, upon possession of the shares of a company listed on the Exchange or on the OTC market, fills a seat on that company's board of directors.

11. Transferable Fund means a sum in Rial (local currency) which shall be calculated and announced subject to Note (I) of article 10.

12. Capital Gain means the differential between the securities sale price and the securities purchase price.

Article 2: the foreigners/ foreign entities shall, in compliance with the present bylaw and after the receipt of the trading license, be authorized to trade in securities market or on the exchange or OTC market within the range indicated in the trading license. Other rules governing the transactional activities of foreigners on the exchange or on the OTC market shall be subject to the same laws and regulations which are applicable to the Iranian nationals.

Article 3: the foreign investor shall be permitted to invest in the exchange or in the OTC market up to the thresholds designated in the Law of Promotion and Protection of Foreign Investment passed in 2002 unless the Council imposes some restrictions in certain cases.

Article 4: the foreigners/ foreign entities shall have to submit the required information and documents to the Organization along with an application based on the forms prescribed by the Organization so as to obtain a license for trading in securities on every exchange or OTC market.

Note 1: the Iranian nationals shall, by submitting the documents, information and application forms specified in this article to the Organization, be entitled to obtain a trading license so as to benefit from the facilities and privileges stipulated in article 10 of these rules for investing such portion of their foreign-originated capital on the exchange or on the OTC market.

Note 2: the applicant shall have to report any change in the information submitted to the Organization.

Note 3: the documents and records referred to in this article shall be submitted either in Persian (Farsi) or in English and shall be certified or attested by the competent authorities in the manner prescribed by the Organization.

Article 5: the Organization shall, within seven business days after the receipt of the complete information and documents under article 4, have to issue the trading license and deliver it to the applicant or his agent.

Article 6: the person that obtains a trading license shall, upon the Organization's instructions, have to submit the required information, documents and records to the Organization, exchange or OTC market or other authorities. If such person does not submit

the relevant information or documents to the designated authorities in a timely manner, the Organization shall have the authority to suspend or revoke the foreign investor's license as regards the securities purchase. In such case, the foreign investor shall, during the period of suspension or after revocation of the purchase license, be entitled to sell only the securities he has purchased in his name.

Article 7: the restrictions imposed on the possession of shares by the non-strategic foreign investors on every exchange or OTC market are set forth as follows:

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

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

Note 1: the exchange or OTC market shall, by disseminating information, have to provide the means and tools required for implementation of this article.

Note 2: if the organization, upon due consideration, affirms that the threshold in paragraph 2 of this article has been breached owing to the act of the non-strategic foreign investor, the foreign investor shall be regarded as a strategic investor.

Note 3: the restrictions imposed on the possession of shares in banks, institutions and monetary intermediaries under article 5 of the law amending certain articles of the Fourth Economic, Social and Cultural Development Plan of I.R.I and

implementation of the overall policies prescribed under article 44 of the Constitution approved in 2008 shall also apply to the present bylaw.

Article 8: the strategic foreign investor shall not be allowed to sell the shares he has purchased for a period of two years without the Organization's permission. The sale of such shares shall be affected in compliance with the regulations governing the bulk trade of shares on the exchange or on the OTC market.

Note 1: If, owing to the capital increase in the related company, the ownership percentage of the strategic foreign investor declines in a manner that he is excluded from the applicability of paragraph 10 of article 1, the regulations of non-strategic foreign investor shall apply to him.

Note 2: the sale of preemption rights shall be excluded from the restrictions set down in this article.

Article 9: trading in shares of the companies listed on the exchange or on the OTC market by a financial institution deemed to be a foreign entity shall not be subject to the restrictions laid down in the present bylaw and shall be subject to the same restrictions imposed on Iranian financial institutions provided that: Such financial institution has been licensed by the Organization for its establishment or business activity in accordance with the provisions of the Securities Market Act and regulations thereof. The given transactions shall, at the discretion of the Organization, be carried out in line with provision of specialized Services by that financial institution such as pledge to purchase shares.

Article 10: the foreign or Iranian nationals/entities shall, by obtaining the trading license, be authorized to open accounts in Rials and in foreign exchanges, transfer foreign currencies to Iran and convert them into Rials and vice versa in the Iranian banks for their banking and investing operations. Transfer of the original capital, capital gains and cash dividends received by the persons/entities holding trading licenses overseas (outside Iran) shall be authorized in compliance with the national foreign exchange rules and other relevant standards and regulations. The Central Bank (CBI) of I.R.I shall have to deliver the foreign exchange equivalent of the transferable funds as described in Note 1 of this article to the foreign investor or the Iranian investor holding licenses at the official exchange rate in the national banking system in case of a single currency rate or otherwise, at the market exchange rate. Under particular circumstances and at the discretion exercised by the Central Bank of I.R.I., such funds shall be payable in equal installments at a four-month interval during the course of one year. The necessary guidelines for implementation of this article shall, within three months as of the approval date of the present bylaw, be approved by the Ministry of Economic Affairs and Finance and the Central Bank of I.R.I.

Note 1- the transferable funds shall, at the request of the foreign investor/ or Iranian investor holding trading licenses, be calculated by the Organization and announced to the Central Bank. The guidelines relating to the manner of establishing the foreign-originated capital and the manner of calculating the transferable funds shall, upon the recommendation of the Organization, be approved by the Council.

Note 2- any ban on the transfer of foreign currencies from the country which has been introduced or shall be introduced in the regulations shall not apply to the transferable funds.

Note 3- in the event that an Iranian individual has the foreign-originated funding or a foreign investor has obtained a license for foreign investment under the Law of Promotion and Protection of Foreign Investment, he shall, in addition to the facilities envisaged in this article, benefit from the privileges and facilities provided in such law including the facilities specified for the transfer of his capital inside or outside the country.

Article 11: the following issues shall not apply to articles 7 and 8 of the present bylaw and the rules so required shall be approved by the Council in conformity with paragraphs 13, 14 and 15 of article 4 of the Securities Market Act.

1. The shares of Iranian issuers listed on the exchange or on the OTC market which have simultaneously been listed on the exchange or on the OTC market of another country.

2. That portion of the shares of Iranian issuers listed on the exchange or on the OTC market which shall be allotted in any manner for transaction by foreigners/ foreign entities in another country.

3. The securities issued by the foreign issuer listed on the Iranian exchange or on the OTC market

4. That portion of the shares of Iranian issuers listed on the exchange or on the OTC market which are traded in foreign currencies.

Article 12: the possession of other securities such as musharaka sukuk by the foreign investor shall be subject to the thresholds designated by the Council.

Article 13: the procedural guidelines of the present bylaw shall be approved by the Council whereby all or parts of the functions and powers of the Organization may be delegated to exchanges, OTC markets, associations, central securities depository and settlement companies and brokers. In so doing, the Organization shall have to oversee and supervise the performance of such persons (natural/ entity).

### 3) The Rules Governing Issuance of Securities Trading License to Foreign Investors Introduction:

For the purpose of receiving the documents and information from foreign persons or Iranian persons/nationals who are in possession of foreign-originated capital and apply for trading in the Iranian issuer's securities and issuance of the appropriate trading license for such applicants, the present rules were adopted by the Securities and Exchange Organization board of directors on the strength of the By-law Governing Foreign Investment in the Exchanges and OTC Markets as approved by the Council of Ministers.

Article 1: The definitions provided for the terms and phrases used in article 1 of the Bylaw Governing Foreign Investment in the Exchanges and OTC Markets approved by the Council of Ministers (hereinafter named Foreign Investment By-law) shall also apply for the purposes of the terms and phrases used herein.

Article 2: Any foreign person or any Iranian person (natural/legal) in possession of the capital with foreign origin applying to obtain a trading license shall have to submit the required documentation to one of the brokerage firms which has been duly licensed and authorized by the Organization as follows:

a) The application for a license to trade in the Iranian issuers' securities by the natural or legal persons shall be made either in English or in Persian (Farsi) in the forms attached hereto

b) Identification documents which include:

b-1) If the application is a natural person:

The originals and copies of the birth certificates or passports or national cards for the Iranians in possession of foreign-originated capital and the originals and copies of the passports for foreign persons;

b-2) If the applicant is a legal person:

The originals and copies of the constitution/articles of association or documents of similar nature and documents proving the foundation of company and the scope of powers of the duly authorized signatories.

Note: The documents stated in this article shall be produced either in English or in Persian (Farsi). If the originals of the documents are in another languages, the production of its translation in English or in Persian shall be sufficient providing that the translation of the given language has been certified by the authorities in charge of the official translation in Iran, or by the country in which the applicant resides or by the country which has issued such documents.

Article 3: The brokerage firm shall have to verify the copies of documents mentioned in paragraph (b) of article 2 with the originals and shall, when the documents are found to be conformed, have to sign them by writing the phrase "True copy of the original" and shall send the application along with the certified copies of original documents to the organization for issuance of license.

Note: If the copies of the documents produced have been certified by the following appropriate authorities, it shall not be required to present the original documents to the brokerage firm for verification processing by this firm:

a) Notaries public licensed by the Judiciary of I.R.I;

b) The Embassy or the Consulate of I.R.I at the applicant's place of residence;

c) The competent authorities which have been designated for such purposes in the country of the applicant's residence or in the country which has issued the documents.



Article 4: If the organization finds the required documents and information to be complete, it shall, within seven business days, issue the trading license as per the samples attached hereto in Persian with its translation in English in the name of the applicant signed by the Organization president and shall deliver the license to the brokerage firm where the brokerage shall have to hand it over to the applicant within seven business days. Where the required information and documents are found to be incomplete, the time-limits to notify this matter to the brokerage firm by the Organization and accordingly to the applicant by the brokerage firm shall correspond to the said periods.

Note: The trading license which has been issued in Persian shall be deemed to be an official instrument and worthy of reliance. This matter shall have to be specified in the translation of the trading license.

Article 5: After the receipt of the trading license as prescribed herein, if the licensee is authorized to engage in trading activities on one of the Iranian exchanges or OTC markets, the procedures for obtaining a trading code shall be similar to the prevailing rules.

Article 6: The present rules comprising 6 articles, 3 notes and 4 appendixes were approved on December 04, 2010 by the Securities and Exchange Organization board of directors and would go into effect as of the approval date.

#### 4) The Regulations Governing Foreign Investment in the Exchanges and OTC Markets

Upon the recommendation No. 22159 of the Ministry of Economic Affairs and Finance on April 11, 2010, and by virtue of the paragraph 3 of article 4 of the Securities Market Law of I.R.I ratified in 2005, the Council of Ministers approved "The Regulations Governing the Foreign Investment in the Exchanges and OTC Markets" on April 18, 2010. as drafted below:

Article 1: the following definitions shall apply for the purposes of the terms and phrases used here in:

1. Securities Market Law means the Securities Market Law of I.R.I ratified in 2005.
2. Council means the Securities and Exchange High Council.
3. Exchange means the Stock Exchange as licensed by the Council.
4. OTC Market means the OTC market which has been licensed by the Council.
5. Organization means the Securities and Exchange Organization subject of article 5 of the Securities market law.
6. Foreigner/ Foreign Entity: each of the following persons is considered to be a foreigner/ foreign entity:
  - A. A natural person who does not enjoy the Iranian citizenship.
  - B. Any legal entity that has been registered in a country other than Iran.
  - C. Any legal entity that has been registered in Iran whereby the total shares of the persons stated in subparagraphs (a) and (b) above in the capital of such entity shall exceed (50%) percent. In the event that the open-end mutual fund is regarded to be a foreign entity, it shall remain to be the same (foreign entity) as long as the shares of the persons stated in subparagraphs (a) and (b) above in its capital have not reduced to 40%.
7. Applicant means a foreigner or an Iranian individual in possession of foreign-originated capital who has submitted his application to the Organization to obtain a trading license subject to Article 4 of the present regulations.
8. Trading License means a license which, as per the rules herein, is granted by the Organization to the applicant so as to buy, sell or trade in securities on every exchange or OTC market.
9. Foreign investor means a foreigner/ foreign entity that has obtained a trading license from the Organization.
10. Strategic foreign investor means a foreign investor who intends to possess over ten percent (10%) of a company' shares listed on the exchange or on the OTC market or that , upon possession of the shares of a company listed on the Exchange or on the OTC market, fills a seat on that company's board of directors.
11. Transferable Funds means a sum in Rial (local currency) which shall be calculated and announced subject to Note (I) of article 10.
12. Capital Gains means the differential between the securities sale price and the securities purchase price.

Article 2: the foreigners/ foreign entities shall, in compliance with the present regulations and after the receipt of the trading license, be authorized to trade in securities market or on the exchange or OTC market within the range indicated in the trading license. Other rules governing the transactional activities of foreigners on the exchange or on the OTC market shall be subject to the same laws and regulations which are applicable to the Iranian nationalities.

Article 3: the foreign investor shall be permitted to invest in the exchange or in the OTC market up to the thresholds designated in the Law of Promotion and Protection of Foreign Investment passed in 2002 unless the Council imposes some restrictions in certain cases

Article 4: the foreigners/ foreign entities shall have to submit the required information and documents to the Organization along with an application based on the forms prescribed by the Organization so as to obtain a license for trading in securities on every exchange or OTC market.

Note 1: the Iranian nationalities shall, by submitting the documents, information and application forms specified in this article to the Organization, be entitled to obtain a trading license so as to benefit from the facilities and privileges stipulated in Article 10 of these rules for investing such portion of their foreign-originated capital on the exchange or on the OTC market.

Note 2: the applicant shall have to report any change in the information submitted to the Organization.

Note 3: the documents and records referred to in this article shall be submitted either in Persian(Farsi) or in English and shall be certified or attested by the competent authorities in the manner prescribed by the Organization.

Article 5: the Organization shall, within seven business days after the receipt of the complete information and documents under Article 4, have to issue the trading license and deliver it to the applicant or his agent.

Article 6: the person that obtains a trading license shall, upon the Organization's instructions, have to submit the required information, documents and records to the Organization, exchange or OTC market or other authorities. If such person does not submit the relevant information or documents to the designated authorities in a timely manner, the Organization shall have the authority to suspend or revoke the foreign investor's license as regards the securities purchase. In such case, the foreign investor shall, during the period of suspension or after revocation of the purchase license, be entitled to sell only the securities he has purchased in his name.

Article 7: the restrictions imposed on the possession of shares by the non-strategic foreign investors on every exchange or OTC market are set forth as follows:

- 1) The number of shares owned by the total foreign investors shall not exceed twenty (20%) percent of the total shares number of the companies listed on the exchange or on the OTC market or twenty percent (20%) of the shares number of any company listed on the exchange or on the OTC market.
- 2) The number of shares owned by each foreign investor in any company listed on the exchange or on the OTC market shall not exceed ten percent (10%) of the shares number of such company.

Note 1: the exchange or OTC market shall, by disseminating information, have to provide the means and tools required for implementation of this article.

Note 2: if the Organization, upon due consideration, affirms that the threshold in paragraph 2 of this Article has been breached owing to the act of the non-strategic foreign investor, the foreign investor shall be regarded as a strategic investor.

Note 3: the restrictions imposed on the possession of shares in banks, institutions and monetary intermediaries under Article 5 of the law amending certain articles of the Fourth Economic, Social and Cultural Development Plan of I.R.I and implementation of the overall policies prescribed under Article 44 of the Constitution approved in 2008 shall also be binding in the present regulations.

Article 8: the strategic foreign investor shall not be allowed to sell the shares he has purchased for a period of two years without the Organization's permission. The sale of such shares shall be effected in compliance with the regulations governing the bulk trade of shares on the exchange or on the OTC market.

Note 1: If, owing to the capital increase in the related company, the ownership percentage of the strategic foreign investor declines in a manner that he is excluded from the applicability of paragraph 10 of Article 1, the regulations of non-strategic foreign investor shall apply to him.

Note 2: the sale of preemption rights shall be excluded from the restrictions set down in this article.

Article 9: trading in shares of the companies listed on the exchange or on the OTC market by a financial institution deemed to be a foreign entity shall not be subject to the restrictions laid down in the present regulations and shall be subject to the same restrictions imposed on Iranian financial institutions provided that:

1) Such financial institution has been licensed by the Organization for its establishment or business activity in accordance with the provisions of the Securities Market Law and regulations thereof.

2) The given transactions shall, at the discretion of the Organization, be carried out in line with provision of specialized services by that financial institution such as underwriting (pledge to purchase shares).

Article 10: the foreign or Iranian nationalities/entities shall, by obtaining the trading license, be authorized to open accounts in Rials and in foreign exchanges, transfer foreign currencies to Iran convert them into Rials and vice versa in the Iranian banks for their banking and investing operations. Transfer of the original capital, capital gains and cash dividends received by the persons/entities holding trading licenses overseas (outside Iran) shall be authorized in compliance with the national foreign exchange rules and other relevant standards and regulations. The Central Bank (CBI) of I.R.I shall have to deliver the foreign exchange equivalent of the transferable funds as described in Note 1 of this Article to the foreign investor or the

Iranian investor holding licenses at the official exchange rate in the national banking system in case of a single currency peg or otherwise, at the floating exchange rate. Under particular circumstances and at the discretion exercised by the Central Bank of I.R.I., such funds shall be payable in equal installments at a four-month interval during the course of one year. The necessary guidelines for implementation of this article shall, within three months as of the approval date of the present regulations, be approved by the Ministry of Economic Affairs and Finance and the Central Bank of I.R.I.

Note1: the transferable funds shall, at the request of the foreign investor/ or Iranian investor holding trading licenses, be calculated by the Organization and announced to the Central Bank. The guidelines relating to the manner of establishing the foreign-originated capital and the manner of calculating the transferable funds shall, upon the recommendation of the Organization, be approved by the Council.

Note2: any ban on the transfer of foreign currencies from the country which has been introduced or shall be introduced in the regulations shall not apply to the transferable funds.

Note3: in the event that an Iranian individual has the foreign-originated funding or a foreign investor has obtained a license for foreign investment under the Law of Promotion and Protection of Foreign Investment, he shall, in addition to the facilities envisaged in this article, benefit from the privileges and facilities provided in such law including the facilities specified for the transfer of his capital inside or outside the country.

Article 11: the following issues shall not apply to Articles 7 and 8 of the present regulations and the rules so required shall be approved by the Council in conformity with paragraphs 13, 14 and

15 of Article 4 of the Securities Market Law.

1) The shares of Iranian issuers listed on the exchange or on the OTC market which have simultaneously been listed on the exchange or on the OTC market of another country.

2) That portion of the shares of Iranian issuers listed on the exchange or on the OTC market which shall be allocated in any manner for transaction by foreigners/ foreigner entities in another country.

3) The securities issued by the foreign issuer listed on the Iranian exchange or on the OTC market

4) That portion of the shares of Iranian issuers listed on the exchange or on the OTC market which are traded in foreign currencies.

Article 12: the possession of other securities such as participation certificates by the foreign investor shall be subject to the thresholds designated by the Council.

Article 13: the procedural guidelines of the present regulations shall be approved by the Council whereby all or parts of the functions and powers of the Organization may be delegated to exchanges, OTC markets, associations, central securities depository and settlement companies and brokers. In so doing, the Organization shall have to oversee and supervise the performance of such persons (natural/entity).

Article 14: as of the communication date of the present regulations, the procedural guidelines of paragraph C of Article 15 of the Law of the Fourth Economic, Social and Cultural Development

Plan of I.R.I. approved in 2005, subject of the decree No. h33070T/15619 dated June 6, 2005, and would be abrogated.

## 5) Foreign Investment Promotion and Protection Act

### Chapter One: Definitions

Article 1: The terms and expressions used in FIPPA shall have the following meanings:

FIPPA: The Foreign Investment Promotion and Protection Act.

Foreign Investor: Non-Iranian natural and/or juridical persons or Iranians using capital with foreign origin, who have obtained the investment license referred to in Article (6).

Foreign Capital: All types of capital, being cash or non-cash, brought into the country by foreign investors and include the following:

- a) Cash funds in the form of convertible currency imported into the country through banking system or other methods of transfer, acceptable to the Central Bank of the Islamic Republic of Iran;
- b) Machinery and equipment;
- c) Tools and spares, CKD parts and raw, addable, and auxiliary materials;
- d) Patent rights, know-how, trade marks and names, and specialized services;
- e) Transferable dividends of foreign investors;
- f) Other permissible species approved by the Council of Ministers.

Foreign Investment: Application of foreign capital in a new or existing economic entity after obtaining the investment license.

Investment License: The license issued for every foreign investment in accordance with Article 6 of this Law.

Organization: The Organization for Investment, Economic and Technical Assistance of Iran, subject matter of Article (5) of the Law establishing the Ministry of Economic Affairs and Finance ratified on July 15, 1974.

High Council: The High Council for Investment, subject matter of Article (7) of the Charter of the Organization for Investment, Economic and Technical Assistance of Iran ratified on June 2, 1975.

Board: The Foreign Investment Board, subject matter of Article (6) of this Law.

### Chapter Two: General Criteria for Admission of Foreign Investments

Article 2: Admission of foreign investment shall be made, in accordance with the provisions of this Law and with due observance of other prevailing laws and regulations of the country, subject to the following criteria:

- Help create economic growth, upgrade technology, enhance, development of the quality of products, increase employment opportunities, exports, and penetrate into international markets;

- Does not threaten the national security and public benefits, and deteriorate the environment; does not distort the country's economy and impose unfair implication on products based on local investments;
- Does not involve granting of concessions by the Government to foreign investors. The word concession as used herein means special rights which place the foreign investors in a monopolistic position.
- The ratio of the value of the goods and services produced by the foreign investments, subject matter of this Law, to the value of the goods and services supplied to the local market at the time of issuance of the investment license, shall not exceed 25% in each economic sector and 35% in each field (sub- sector). The fields and investment ceilings in each field shall be determined in the by-law to be approved by the Council of Ministers. Foreign investment for the production of goods and services specifically for export purposes other than oil, shall be exempted from the aforementioned ratios.

Note: The Law for the Ownership of Immovable Properties by Foreign Nationals ratified on June

6, 1921 shall remain enforceable.

Article 3: Foreign investments admitted in accordance with provisions of this Law shall enjoy the incentives and protections available under this Law. Such investments may be admitted under the following two categories:

- a) Foreign direct investment in areas where the activity of private sector is permissible;
- b) Foreign investments in all sectors within the framework of "civil participation", "buy-back" and

"build-operate-transfer" arrangements where the return of capital and profits accrued is solely emanated from the economic performance of the project in which the investment is made, and such return of capital and profit shall not be dependent upon a guarantee by the Government, state-owned companies or banks.

Note1: So long as the foreign investment subject matter of "build-operate-transfer" arrangements referred to in Para (b) of this Article, and its incurred profits thereon are not amortized, the exercise of ownership right by the foreign investor over the not amortized capital in respect of the recipient economic entity is permissible.

Note 2: With respect to investments subject matter of Para (b) of this Article, if, as a result of promulgation of laws or Government resolutions, the execution of approved financial agreements within the framework of this Law is prohibited or : interrupted, the accrued losses, to a maximum of due installments shall be committed and paid by the Government. The scope of acceptable commitments shall be approved, within the framework of this Law, by the Council of Ministers.

Article 4: The investment by a foreign government or foreign governments in the Islamic Republic of Iran shall have to be approved by the Islamic Consultative Assembly on a case by case basis. The investment by foreign state-owned companies is considered to be private.

### Chapter Three: Competent Authorities

Article 5: The Organization is the only official authority for the promotion of foreign investments in the country, and for Investigation of all Issues pertaining to foreign Investments. Applications of foreign investors in respect of issues such as admission, importation, employment and repatriation of capital shall have to be submitted to the Organization.

Article 6: For the purpose of investigation and making decision on applications subject matter of Article (5), a Board under the name of the "Foreign Investment Board" shall be established under the chairmanship of the Vice Minister of Economic Affairs and Finance who is ex-officio the President of the Organization Vice Minister of Foreign Affairs, Deputy Head of the State Management and Planning Organization, Deputy Governor of the Central Bank of the Islamic Republic of Iran and vice ministers of relevant ministries, as the case requires. In relation to applications for admission, the investment license shall, after the approval of the Board, be issued upon confirmation and signature by the Minister of Economic Affairs and Finance. At the time of admission of foreign investments, the Board is required to observe the criteria referred to in Article (2) of this Law.

Note: The Organization, after preliminary appraisal, is required to take the investment applications, along with its own considerations, to the Board within a maximum period of 15 days as from the date of receipt of the applications. The Board is under obligation to review the applications within a maximum period of one month from the date of submission, and announce its final decision in writing.

Article 7: In order to facilitate and accelerate issues related to the admission and activity of foreign investments in the country, all relevant bodies including the Ministry of Economic Affairs and Finance, Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Labor and Social Affairs, Central Bank of the Islamic Republic of Iran, Customs Administration of the Islamic Republic of Iran, Directorate General for Registration of Companies and Industrial Property, and the Organization for Environment Protection are required to introduce to the Organization a fully authorized representative whose designation is signed by the highest authority of the body. The representatives so introduced are recognized to act as medium and coordinator for all issues related to their respective body vis-à-vis the Organization.

#### Chapter Four: Guarantee and Transfer of Foreign Capital

Article 8: Foreign investments under this law shall equally enjoy all rights, protections, and facilities provided for domestic investments.

Article 9: Foreign Investments shall not be subjected to expropriation or nationalization, unless for public purposes, in accordance with due of law, in a non-discriminatory manner, and upon payment of appropriate compensation on the basis of the real value of the investment immediately before the expropriation.

Note 1: Application for compensation shall have to be submitted to the Board within one year from the date of re-expropriation or nationalization.

Note 2: Disputes arising from expropriation or nationalization shall be settled by virtue of the provisions of Article (19) of this Law.

Article 10: Ceding the whole or part of the foreign capital to domestic investor and/or, upon approval of the Board and confirmation of the Minister of Economic Affairs and Finance, to other foreign investor is permissible. In case of ceding to another foreign investor, the cede shall, at least, have the same qualifications as the initial investor, and shall replace and/or become a partner to the former investor from the standpoint of this Law.

#### Chapter Five: Provisions on Admission, Importation and Repatriation of Foreign Capital

Article 11: Foreign capital may be imported into the country by way of one or a combination of the following manners to be protected by this Law:

- a) Sums of cash to be converted into Rials;
- b) Sums of cash not to be converted into Rials but to be used directly for purchases and orders related to foreign investment;
- c) Non-cash items after evaluation by the competent authorities.

Note: Arrangements related to the manner of evaluation, and registration of foreign capital shall be determined in the Implementing Regulations of this Law.

Article 12: The rate of conversion of foreign exchange applicable at the time of importation or repatriation of foreign capital as well as the rate for all transfers, in case of applicability of a unified rate of exchange, shall be the same rate prevailing in the country's official network; otherwise, the applicable rate shall be the free-market rate as acknowledged by the Central Bank of the Islamic Republic of Iran.

Article 13: The original foreign capital and the accrued profits, or the balance of capital remaining in the country subject to a three month prior notice, after fulfillment of all obligations and payment of legal deductions, and upon confirmation by the Minister of Economic Affairs and Finance, shall be transferable abroad.

Article 14: Dividends of foreign investments after deduction of taxes, dues and statutory reserves, upon the approval of the Board, and confirmation by the Minister of Economic Affairs and Finance, shall be transferable abroad.

Article 15: Payments related to the installments of the principal of the financial facilities of foreign investors and relevant expenses, agreements for patent rights, know-how, technical and engineering assistance, trade marks and names, management as well as similar agreements within the framework of the relevant foreign investment, upon the approval of the Board and confirmation by the Minister of Economic Affairs and Finance, are transferable abroad.

Article 16: Transfers referred to in Articles (13), (14) and (15), shall be made subject to the provisions of Para (b) of Article (3) of this Law.

Article 17: Foreign exchange required for the transfers referred to in Articles (14), (15) and (16) of this Law may be secured by way of the following methods:

- a) Purchase of foreign currency from the banking system;
- b) Out of the foreign exchange earnings from the export of the products and/or out of the foreign exchange earnings from service activities of the economic entity in which the foreign capital is employed;
- c) The export of permissible goods subject to the relevant laws and regulations.

Note1: Application of one or a combination of the above methods shall be specified in the investment license.

Note 2: The Central Bank of the Islamic Republic of Iran is under obligation, to make available to the foreign investor the equivalent foreign currency for the transferable sums referred to in Para

(a), upon agreement of the Organization and confirmation by the Minister of Economic Affairs and Finance.

Note 3: In case the investment license expressly refers to Para (b) and/or (c) of this Article, this license is regarded as an export license.

Article 18: Transfer abroad of the portion of the foreign capital imported into the country within the framework of the investment license but remains unused, is released from all foreign exchange, and export and import laws and regulations.

#### Chapter Six: Settlement of Disputes

Article 19: Disputes arising between the Government and the foreign investors in respect of the mutual obligations within the framework of investments under this Law, if not settled through negotiations, shall be referred to domestic courts, unless another method for settlement of disputes have been agreed under the Law for Bilateral Investment Agreement with the respective Government of the foreign investor.

#### Chapter Seven: Final Provisions

Article 20: The relevant executive bodies are required to take, measures, upon the request of the organization, for the issuance of entry visa, residence permit, work and employment permit, as the case may be, for foreign investors, managers and experts working for the private sector involved in foreign investments under this Law, as well as their immediate relatives.

Note: Differences of opinions between the Organization and executive bodies. Will be settled upon the opinion of the Minister of Economic Affairs and Finance.

Article 21: The Organization is required to provide for the public to have access to all information related to investments, foreign investors, investment opportunities, Iranian partners, fields of activity and other information available to the Organization.

Article 22: All Ministries, state-owned companies and organizations as well as public institutes to whom the applicability of law is required to be stipulated by name, are under obligation to provide the Organization with reports on foreign investments implemented as well as information required for foreign investors I so that the Organization can proceed In accordance with the above Article.

Article 23: The Minister of Economic Affairs and Finance is required to provide, every six months, the relevant committees in Islamic Consultative Assembly with a report on the performance of the Organization with respect to foreign investments under this Law.

Article 24: As from the date of ratification of this Law and it's the Implementing Regulations, the Law for the Attraction and Protection of Foreign Investments ratified on November 28, 1945 – as well as its Implementing Regulations are repealed. The provisions of this Law shall be repealed or altered by subsequent laws and regulations in the event that repeal or alteration of this Law would have been stipulated in those laws and regulations.

Article 25: The Implementing Regulations of this Law shall be prepared by the Ministry of Economic Affairs and Finance and shall be subsequently approved by the Council of Ministers within two months. The above Law comprised of 25 Articles and 11 Notes has been approved by the Islamic Consultative Assembly in its session.

## 6) The Securities Market Act of the Islamic Republic of Iran Executive Bylaw

Article 1- The definitions given for the terms and abbreviations used in Article 1 of the Securities Market Act of the Islamic Republic of Iran ratified in November 2005 will also apply to the terms and abbreviations used in the present bylaw. For the purposes of other terms and abbreviations used herein, definitions are provided as follows:

- a. The Act means the Securities Market Act of the Islamic Republic of Iran enacted in 2005.
- b. Regulated Institutions and Organizations mean all institutions and organizations which are deemed to have received permits for their formation or activities from the Council or Organization in accordance with the rules of the Act, such as Exchanges, over-the Counter markets (OTCs), Associations, Derivative Markets, and Commodities exchanges, Central Securities Depository and Settlement Companies, financial Institutions.

Article 2- Upon listing of the securities pursuant to article (30) of the Act, the transactions thereto in each exchange shall be conducted on the basis of the rules which have been approved by the Council.

Article 3- Exchanges, Associations, OCTs and Central Securities Depository and Settlement

Companies are considered self-regulatory organizations (SROs). The Council shall give designations for other self-regulatory organizations.

Article 4- The Central Securities Depository and Settlement Companies, holding companies and portfolio managers are regarded as financial institutions. The Council shall give designations for other financial institutions as prescribed by paragraph (21), article (1) of the Act.

Article 5- The regulated Institutions and organizations shall be subject to the provisions of the Act, rules of the present bylaw as well as the regulations set forth in the context of the legal powers delegated to the competent organs in the Securities Market.

Article 6- The Council is an authority which has jurisdiction for designating and approving tradable securities of any kind, subject to paragraph (24), article (1) of the Act. The organization shall preclude issuance and/or transaction of various papers which have not yet fallen under the category of tradable securities. The statutory requirements for this purpose shall be approved by the Council as proposed by the Organization board of directors.

Article 7- The manner of setting, holding and running the Council's meetings, decision-making process and communications of its approvals shall be specified in accordance with the directive issued by the Council

Article 8- The Organization shall possess an emblem, seal and a special journal. Publication of such journal is mandatory in compliance with appropriate rules of law one year after the commencement date of the Organization's activities by incorporating the following items:

- A. The rules and regulations relating to the securities market by inserting approval date, the approving authority (authorities) and the date of their entry into force.
- B. The permits issued, revoked or suspended by the organ of the securities market along with other information which should be notified to the general public in accordance with the rules in force.
- C. The particulars of the securities registered with the Organization.
- D. Awards, verdicts or executive writs issued by the Organization, the Arbitration Board and/or final judgments passed by courts and other judicial bodies regarding the securities market unless when the board of directors will deem the disclosure of such awards and judgments to be contrary to the market expediency.
- E. Any modifications in the Articles of Association, headquarters' address, name and location of branches and offices of the Organization.



- F. Other measures which, at the discretion of the Organization, will contribute to accomplishing the goals set by the Organization.

Note: The Organization shall be required to operate a website within two years after commencement of its activities, containing at least the items stated in this article.

Article 9- The issuers as well as the regulated institutions and organizations shall have to abide by the regulations stipulated by the Organization in respect of the information disclosure and securities promotion.

Article 10- In order to maintain the independence and ensure the service quality of assessors, financial analysts and the Organization's trusted auditors who are providing professional services in the securities market, the Organization will submit the required rules and standards to the Council for approval.

Article 11- Upon proposal of the Organization, the Council will approve the guidelines, rules and standards on banking transactions which are employed to facilitate the conduct of securities trading and funds settlement thereto. The Council's approvals will be communicated to the

Central Bank of the Islamic Republic of Iran and this bank will take measures for enforcement of the Council's approvals within the context of the authorized banking privileges and regulations.

Article 12- The Ministry of Communications and Information Technology shall have to provide the required technical and telecommunication infrastructures for the development of securities market.

Article 13- In order to establish the required coordination in the securities market and facilitate cooperation with other policy-making and supervisory board's subject of paragraph (12) of article

(7) Of the Act, all commissions, committees and councils, which have been formed or will be formed under special rules and regulations such as the Government's Economic Commission, Economic Council and the like, shall be obliged to invite the Chairman of the Organization to attend their decision-making sessions without having the voting right in cases when they have set on their agenda items for decision-making on national securities, any investment or any change and revision in the securities market.

Article 14- The rules governing the investments made by foreigners in the Exchange and the way they are to be monitored, subject of paragraph (14) of article (7) of the Act, shall be approved by the Council in compliance with the prevalent rules and regulations as proposed by the Organization.

Article 15- Classification of confidential (classified) information and designation of the persons authorized to access such information shall be accomplished in accordance with the rules which have been approved by the Council as proposed by the Organization.

Article 16- The procedures for listing the securities, and commodities as well as all regulatory rules and standards for the exchanges and financial institutions shall be approved by the Organization.

Note: The listing of the securities and commodities which have been issued or listed on the exchanges before the Act became effective, shall be authorized in accordance with the directive approved by the Organization.

Article 17- In execution of article (35) of the Act, the board of directors of the exchanges shall have to investigate the disciplinary violations of brokers, broker/dealers, market makers, issuers and other members of the exchange in accordance with the provisions of the bylaw thereof and on the basis of the directive issued by the Organization. A copy of the verdicts given on the disciplinary infractions shall be communicated to the Organization within 3 days in the maximum after such verdicts have been passed.

Article 18- In execution of paragraphs (3) and (11) of article (7) of the Act, the violations committed by the managing director and board members of the exchanges and organs of other self-regulatory organizations (SROs) in connection with the duties and functions undertaken and the powers vested in them shall be investigated by the Organization's board of directors pursuant to the directive which has been adopted by the Council.

Article 19- The provisions for the actions which will typically lead to a deceptive image of the transactions trend in the exchanges by creating false prices or deceiving people into trading securities shall have to be approved by the Council as proposed by the Organization.

Article 20- The report referred to under Note (2) of article (46) of the Act, shall be presented in accordance with the directive which will be approved by the Organization

## 7) Securities Market Act of the Islamic Republic of Iran

### Chapter One – Definitions and Terms

Article 1: The following definitions shall apply for the purposes of the terms and phrases used in this law:

- ✓ Securities and Exchange High Council means a council which is formed under Article 3 of the present Law and is hereinafter named the Council.
- ✓ Securities and Exchange Organization means an Organization which is established under Article 5 of the present law and is hereinafter referred to as the Organization.
- ✓ Stock Exchange means an organized and self-regulating market in which the securities are traded by brokers and/or dealers in accordance with the provisions of this law. The Stock
- ✓ Exchange (hereinafter named the Exchange) shall be established and administered in the form of a public joint-stock company.
- ✓ Arbitration Board means a board which shall be formed under Article 37 of this law.
- ✓ Association means the self-regulatory organizations of brokers, dealers, market-makers, advisors, issuers, investors and other similar associations which are duly registered subject to the regulations approved by the Organization in the form of non-governmental, noncommercial and non-profit entities so as to regulate the relationships among the persons that are involved in the Securities market as per the rules of this law.
- ✓ Self-Regulatory Organization (SRO) means an organization which is authorized to establish and enforce professional and disciplinary standards and rules in conformity with the present law for the good performance of functions entrusted to it under this law as well as regulating its professional activities and relations among its members.
- ✓ Central Securities Depository and Settlement Company means a company which shall provide services relating to registration, depository, transfer of securities ownership, and settlement of accounts.
- ✓ Over-the-Counter (OTC) Market means a market which is operating in the form of an electronic and non-electronic network where the securities transactions are conducted on the basis of negotiations.
- ✓ Primary Market means a market where the initial offering and subscription of newly-issued securities is carried out and the proceeds derived from securities offering are transferred to the issuer.
- ✓ Secondary market means a market in which the securities are transacted after the initial offering.
- ✓ Derivative Market means a market in which the futures and options contracts based on securities and commodities are transacted.
- ✓ Issuer means a legal entity that issues securities in its name.
- ✓ Broker means a legal entity that engages in securities transactions in the name of other persons and for their account.
- ✓ Broker/Dealer means a legal entity that engages in the securities transaction in the name of other persons and for their account and/or in its own name and account.
- ✓ Market-maker means a broker/dealer that, upon obtaining the required license, engages in trading specified securities with a commitment to increase liquidity, regulate the bid and offer of such securities and limit their price range fluctuations.
- ✓ Investment Advisor means as legal entity that provides advisory services to investors concerning the securities trading (buying and selling) on the strength of a specific contract.
- ✓ Portfolio Manager means a legal entity that, under a specific contract, engages in buying and selling securities for investors so as to gain profit.
- ✓ Investment Bank means a company which is operating as an intermediary between the securities issuer and all investors and may get involved in brokerage, dealership, market-making, consulting, portfolio management, subscription, underwriting and similar operations by obtaining a license from the Organization.

- ✓ Pension Fund means an investment fund that provides supplementary benefits for the retirement period of its members by utilizing savings and investment schemes.
- ✓ Mutual Fund means a financial institution whose main activities are investing in securities and their holders shall share in the fund's profit and loss in proportion to their investments.
- ✓ Financial Institutions means the financial institutions which are active participants in the securities market including, inter alia, brokers, broker/dealers, market-makers, investment advisors, rating agencies, mutual funds, investment companies, financial data processing companies, investment banks and pension funds.
- ✓ Parent (Holding) Company means a company that, by investing in an investee company for gaining profits, acquires sufficient right to vote to elect members of the board of directors to exercise control over the company operations and/or plays an effective role in electing the board members.
  
- ✓ Assessor means a financial analyst who makes an assessment/ appraisal of the assets and securities under the present law.
- ✓ Securities mean any paper of document which shall bear the transferable financial rights for the owner of an asset and/or its profit. The council shall establish and announce the marketable securities. The concepts of financial instruments and securities have been regarded as equivalent in the text of the present law.
- ✓ Issue means the issue of securities for public offering.
- ✓ Public Offering means the offer of issued securities to the public for sale.
- ✓ Private Placement means the direct sale of securities by the issuer to institutional investors.
- ✓ Subscription means the process of securities purchase from the issuer and its legal agent and commitment to the payment of full price as per an agreement.
- ✓ Underwriting means the guarantee furnished by a third party to take up the securities which have not been sold within the subscription period.
- ✓ Prospectus means a notice which provides information concerning the issuer and the securities eligible for subscription to the general public.
- ✓ Registration Statement means a set of forms, information, documents and records which are submitted to the Organization during the course of application for the company registration.
- ✓ Inside Information means any type of undisclosed information to the public which is, directly or indirectly, related to the securities, transactions and the issuer thereof and in the case of securities issuance; it shall affect the price and/or the investors' decisions for trading in the related securities.
- ✓ Portfolio means total financial assets purchased out of the investors' funds.

## Chapter Two – Securities Market Bodies

Article 2- In order to protect the investors' rights, maintain and develop a transparent, fair and efficient market securities and supervise the proper enforcement of this law, the Council and the Organization shall be formed with the composition, function and powers stipulated in the present law.

Article 3- The Council is the highest ranking body of the securities market which shall be charged with the adoption of the macro- policies of such market. The members of the Council shall include:

- Minister of Economic Affairs and Finance
- Minister of Commerce
- Governor of the Central Bank of I.R.I
- Heads of the Iranian Chamber of Commerce, Industries and Mines and the Chamber of
- Cooperatives
- President of the Organization acting as the secretary of the Council and spokesman of the Organization
- Public prosecutor or his deputy
- One representative on behalf of the Associations

- Three financial experts solely from the private sector in consultation with the professional entities in the securities market as recommended by the Minister of
- Economic
- Affairs and Finance and approved by the Council of Ministers.
- One expert solely from the private sector as recommended by the concerned minister and
- Approved by the Council of Ministers of each commodity exchange.

Note-1 the Minister of Economic Affairs and Finance shall be acting as chairman of the Council.

Note 2- The office-term of the members stated in paragraphs 7, 8 and 9 shall run for 5 years and they cannot be elected from among the members of the board of directors and the staff of the Organization.

Note 3- The reelection of the members referred to in paragraphs 7, 8 and 9 of this Article shall be possible for a maximum of two terms.

Note 4- The members stated in paragraph 9 shall merely have to attend the meetings held to take decisions on the same exchange.

Article 4- The functions of the Council are set out as follows:

- ✓ To adopt proper measures towards promotion and development of securities market and exercise of supreme control over the application of this law;
- ✓ To frame the securities market policies in line with the government's macro-policies and in conformity with the relevant laws and regulations;
- ✓ To propose the by-laws for approval by the Council of Ministers as deemed necessary for the enforcement of this law;
- ✓ To approve new financial instruments;
- ✓ To issue, suspend and revoke the activities of exchanges, OTC markets, Central
- ✓ Securities Depository and Settlement company and investment banks;
- ✓ To approve the budget and financial statements of the Organization;
- ✓ To monitor and exercise control over the Organization's operations and handle the complaints against it;
- ✓ To approve the type and amounts of receipts/collectibles by the Organization and exercise supervision over them;
- ✓ To appoint the Organization's auditor/inspector and establish their fees and remuneration;
- ✓ To elect the members of the board of directors of the Organization;
- ✓ To determine the salary, fringe benefits, bonus and remuneration for both the president and members of the board of directors of the Organization;
- ✓ To select members of Arbitration Boars and determine their fees and remuneration;
- ✓ To grant permission to the Exchange for offering the securities of its listed companies on the foreign markets;
- ✓ To grant permission to the Exchange for the listing of foreign securities on the Exchange;
- ✓ To grant permission to the Exchange to facilitate transactions by foreign persons/entities on the Exchange;
- ✓ To address other issues which are, at the discretion of the Council of Ministers, related to the Securities Market.

Note- the Council's resolutions shall become enforceable when they have been approved by the Minister of Economic Affairs and Finance.

Article 5- The Organization is a public non-governmental entity with legal and financial independence which shall be funded through the service charges and fees collected from the companies listed on the Exchange as well as other revenues. The funds required to commence the operations of the Organization shall be raised out of the trust funds of the Stock Exchange Council deposited with the Tehran Stock Exchange Brokers' Organization.

Note- The statute and administrative structure of the Organization shall, within three months as of the ratification date of this law, be compiled by the Council, and approved by the Council of Ministers.

Article 6- The Organization board of directors shall consist of 5 members who are elected from among the trusted and reputable individuals with financial experiences solely from the nongovernmental sector professionals as recommended by the chairman of the Council and approved by the Council. The chairmen of the Council shall issue letters of appointment for the members of the board of directors.

Article 7- The functions and powers of the Organization board of directors are set out as follows:

- ✓ To compile the by-laws required for the enforcement of this law and recommend them to the Council;
- ✓ To draft the implemental regulations of this law;
- ✓ To monitor the strict application of this law and pertinent rules;
- ✓ to register and issue the license for the public offering of securities and exercise control over the procedures thereof;
- ✓ To request the issuance, suspension and revocation of the establishment license of exchanges and other institutions/entities which fall under the Council's jurisdiction for approval;
- ✓ To issue, suspend and revoke the establishment licenses of associations and financial institutions subject of this law which do not fall under the direct jurisdiction of the Council;
- ✓ To approve the statutes/constitutions of the exchanges, associations and financial institutions subject of the present law;
- ✓ To adopt the necessary measures to prevent the occurrence of violations in the securities market;
- ✓ To report such types of violations in the securities market whereby the reporting task has been entrusted to the Organization as per this law to the appropriate authorities and follow up the same;
- ✓ To present the financial statements and periodic reports on the Organization's performance as well as the status of the securities market to the Council;
- ✓ To take the appropriate measures and required actions to protect the rights and benefits of investors in the securities market;
- ✓ To provide the required coordination and cooperation with other supervisory boards and policy-making entities;
- ✓ To propose the utilization of new financial instruments in the securities market to the Council;
- ✓ To supervise the investments made by foreign natural and legal persons in the Exchanges;
- ✓ To draft the budget and propose various revenues and service fees of the Organization for approval by the Council;
- ✓ To approve the limit of service fees and charges of the Exchange and other financial institutions subject of this law;
- ✓ to issue the confirmation letter of the Organization prior to the registration of the public joint-stock firms with the Companies Registration Authority and the Organization's oversight of such entities;
- ✓ To examine and oversee the disclosure of material information by the companies registered with the Organization;
- ✓ To provide cooperation and coordination with accounting authorities, in particular, the
- ✓ Board in charge of codifying the Auditing Standards;
- ✓ To conduct the long-term and macro-research programs towards formulation of future policies of the securities market;
- ✓ To cooperate with and participate in the international institutions and join the related regional and global organizations,
- ✓ To perform all other affairs entrusted to the Organization by the Council.

Article 8- The office-term of each member of the board of directors shall run for five years and their re-election for the second term shall meet no impediment;

Article 9- The chairman of the Organization board of directors shall be appointed from among the board members on the advice of the members and with the approval of the Council for a period of 30 months.

Note 1- The chairman of the board of directors shall be acting in the capacity of the Organization president and regarded as the highest ranking executive official.

Note 2- The functions and the scope of powers of the Organization president shall be described in the of Organization's statute.

Article 10- The engagement of the members of the board of directors shall be on a full time basis as an executive member and shall not absolutely be allowed to engage in or assume another responsibility whatsoever in other establishments, agencies and entities whether governmental or non-governmental.

Article 11- In the case of dismissal, death and/or resignation of any member of the board of directors, his substitute shall be elected for the remaining office term within 15 days as the case may be, subject to the rules specified in Article 6. The conditions for dismissal of the board members shall be stipulated in the statute of the Organization.

Article 12- The members of the board of directors shall, prior to assuming their responsibility in the Organization, take an oath at the Council's meeting so as to perform their legally assigned duties in the best possible manner, take the utmost care and impartiality in the exercise of their functions, ensure that all the resolutions adopted are in the interests of the country and observe the secrecy and confidentiality of the information provided by the Organization and the board of directors. The text of the oath shall be included in the statute of the Organization.

Article 13- The salaries and benefits of the president and of the board members of the Organization shall be paid out of the budget allocated for this Organization.

Note- The attendance bonus/fees of the Council's non-governmental members at the meetings shall be fixed and approved by the Council as recommended by the Council chairman and shall be paid out of the Organization budget.

Article 14- From the start of their appointment and at the termination of their office-terms, the members of the board of directors shall have to report the list of their own assets and property and the assets of their wives and dependents to the Council.

Article 15- The auditor/inspector of the Organization shall be chosen by the Council from among the auditing firms being members of the Association of Certified Accountants for the term of one year. The re-election of the auditor/inspector shall be possible for a maximum of two terms.

Article 16- Any transaction in the securities registered or in the process of registering with the

Organization or any direct or indirect activity and engagement in such transactions by the Council members, Organization, directors and partners of the Organization's auditing firm as well as by their dependents shall be forbidden.

Article 17- The members of the Council and the Organization shall, within two years, have to report their economic and financial activities as well as the full-time or part-time jobs that they have had for the past two years to the Head of the Judiciary.

Article 18- The Council members, Organization, directors and partners of the organization's auditing firms shall have to refrain from direct or indirect disclosure of confidential information they become aware of in the discharge of their functions even after the expiry of their office-terms. The offender shall be sentenced to the punishments prescribed under Article 46 of this law.

Article 19- The Organization may, in performance of its legally assigned duties upon the authority of the state public prosecutor, request the furnishing of the required information within the framework of the existing law from all banks, credit institutions, governmental (state) corporations, public and government organizations including the establishments whose names have been mentioned or specified for the applicability of this law as well as natural persons or non-governmental legal entities. All such establishments and persons shall have to present information to the Organization in the specified period of time.

### Chapter Three – Primary Market

Article 20- The public offering of securities in the primary market shall be subject to their registration with the Organization pursuant to this law whilst the public offering of securities in any manner whatsoever shall be forbidden without applying the provisions of the rules herein.

Article 21- Registration of securities with the Organization shall provide assurance of the compliance with prevailing rules, the Organization's approvals and information transparency and shall not entail confirmation of any privileges, guarantee of profitability and/or any recommendation and advice as to the companies or the securities-related projects by the Organization. This matter shall be specified in the prospectus.

Article 22- The issuer shall have to submit its application for registering the securities in conjunction with the registration statement and the prospectus so as to obtain the required license for public offering.

Note- The application form of securities registration, the contents of registration statement and prospectus which shall have to be submitted to the Organization and also the procedures of publishing the prospectus and providing coordination between the Companies Registration Authority and the Organization shall be set forth subject to the directive issued by the organization and approved by the Council.

Article 23- The Organization shall have to take action for the approval of the prospectus after it has duly considered the request for securities registration and obtained assurance as to their compliance with the rules in force.

Note 1- The securities public offering shall take place within the period of time specified by the organization. Such period shall not exceed 30 days. The Organization may extend the subscription period for a maximum of another 30 days at the issuer's request based on the reasonable evidence.

Note 2- The issuer shall, within 15 days after the expiry of the public offering period, notify the organization of the results of securities sales and distribution in a manner determined by the organization. The steps due to be taken by the issuer, where the securities have not been entirely sold, shall be specified in the prospectus.

Note 3- Utilization of the funds so collected shall be authorized when the Organization has confirmed the completion of the public offering process.

Note 4- In the case that the process of public offering has not been completed, the proceeds so collected shall have to be refunded to the investors within 15 days at the latest.

Article 24- If the Organization finds out that the application forms and the annexes thereto received for registration and issuance of the Securities are incomplete, it shall, within 15 days, reflect the matter to the issuer and request for an amendment. Where the documentation has been completed, the Organization shall, within 30 days at the latest as of the date of filing the application with this Organization, announce its agreement or disagreement with the securities registration to the issuer.

Article 25- As of the effective date of this law, a license for publication of the prospectus shall be issued by the Companies Registration Authority upon the Organization's approval in order to have the public joint-stock companies or their capital increase registered.

Article 26- As of the effective date of this law, the functions and powers of the Central Bank of

I.R.I under Article 4 of the Law on the Issuance of Participation Certificates (Musharakah Sukuk) enacted on September 21, 1997 shall be delegated to the Organization.

Note- The participation certificates which are, subject to this law, exempt from registration with the Organization shall also be excluded from the application of this article.

- ✓ Article 27- The following securities shall be exempt from registration with the Organization:
- ✓ The participation certificates issued by the Government, Central Bank and municipalities;
- ✓ The participation certificates issued by the banks and financial and credit institutions which are under the supervision of the Central Bank;
- ✓ The securities offered in the form of private placements;
- ✓ The shares of any public joint-stock company whose total shareholders' equity is less than the figure set by the Organization,
- ✓ Other securities which shall not require registration at the discretion of the Council, such as the bonds/certificates issued by other organizations and competent authorities.

Note- The issuer of securities which are exempt from registration shall have to report the specifications and features of the securities and the procedure and requirements of their distribution and sales to the Organization as per the conditions laid down by this Organization.

Article 28- Establishment of exchanges, OTC markets and financial institutions subject of this law shall require their registration with the Organization. These entities shall be operating under the supervision of the Organization.

Article 29- The professional competency and qualifications of the members of the board of directors and executives, the minimum required capital, subject of the business area as set down in the statute, reporting system and type of special audit reports of financial institutions under this law, shall be approved by the Organization.

#### Chapter Four – Secondary Market

Article 30- The securities listing on the exchange shall be implemented in accordance with the regulations which shall be approved by the Organization upon the recommendation of each exchange. The exchange shall not be authorized to list the securities which have not been registered with the Organization.

Note- The securities exempted from registration shall be excluded from the provisions of this article.

Article 31- The exchange shall have to prepare the list, number and price of securities traded on business days as per the standards approved by the Organization and shall be publicly announced. Such list shall be deemed as an official instrument and filed in the exchange archives.

Article 32- The Organization shall, upon identification of emergency conditions, be authorized to issue instruction for suspension and/or halting of transactions on each one of the exchanges for a maximum period of three business days. In the case of continuation of emergency state, such period may be extended by the Council.

Note- The emergency conditions shall be specified in a regulation which shall be approved by the Council as recommended by the Organization.

Article 33- Commencement of activities by brokers, broker/dealers and market-makers in any manner and under any designation shall be subject to their membership in the appropriate association and compliance with the provisions of this law, regulations and directives.

Note- As long as the Association of Broker/Dealers and Market-makers has not been formed, the functions and duties of such association shall be performed by the Organization. When the number of the association members reaches 11 persons across the country, it shall be mandatory to form the Association of Broker/Dealers and Market-Makers.

Article 34- The operations and activities of brokers, broker/dealers and market-makers on each exchange shall be subject to their admission into this exchange in accordance with the guidelines recommended by the related exchange and approved by the Organization.

Article 35- The board of directors of the exchange shall investigate the disciplinary violations committed by brokers, broker/dealers, market-makers, issuers and other related members in breach of each provision of this law or appropriate rules in accordance with the prevailing disciplinary regulations. The verdict rendered by the exchange may be appealed with the Organization within one month as of the date of its service. The decision so taken by the organization shall be absolute and enforceable.

Article 36- The deputies among brokers, market-makers, broker/dealers, investment advisors, issuers and other concerned parties arising from their professional activities shall be investigated by the Arbitration Board if no settlement and compromise can be reached by the associations.

Article 37- The Arbitration Board shall be composed of three members whereby one member shall be chosen by the Judiciary Head from among the experienced judges and two members shall be appointed by the Council from among the financial and economic professionals as recommended by the Organization so as to investigate the disputes. In addition to their principal representatives, the Head of the Judiciary and the president of the organization shall, upon the Council's approval, each designate and introduce their

alternate members so as to attend the Arbitration Board sessions in case a principal member is absent. The qualifications for the alternate members shall be the same as those for the principal members.

Note 1- The representative of the Judiciary shall preside over the Arbitration Board.

Note 2- The office-term of the principal and alternate members shall be two terms at the latest and their reappointment shall be allowed for another two terms at the latest.



Note 3- The Arbitration Board has a secretariat which is based at the premises of the Organization.

Note 4- The budget of the Arbitration Board shall be drafted and paid out of the Organization budget.

Note 5- The awards issued by the Arbitration Board shall be absolute and enforceable and shall be implemented by the Offices and Divisions of the Deeds and Real Estates Registration department.

Article 38- In the event that the brokers, broker/dealers, market-makers, investment advisors and other similar organizations apply for temporary or permanent withdrawal from their activities, they shall report the matter to the Organization, Association and accordingly to the appropriate exchange and shall deposit their business licenses with the Association. The related guarantees and collaterals shall remain valid until when the status of the transactions conducted and other obligations has been cleared and settled. The latter part of this article shall also apply to brokers, broker/dealers, market-makers, investment advisors and other similar organizations whose memberships have been suspended or revoked in accordance with Article 35 of this law.

Article 39- The brokers, broker/dealers, market-makers, investment advisors and other similar

Organizations shall have to prepare the required reports and submit them to the appropriate authorities subject to the guidelines compiled and notified by the Organization.

#### Chapter Five -Information Disseminating in the Primary and Secondary Markets

Article 40-The Organization shall arrange a manner that the set of information collected in the process of

Securities registration shall, within 15 days at the latest, be made available to the public pursuant to the relevant by-laws.

Article 41- The Organization shall have the exchanges, securities issuers, brokers, dealers, market-makers, investment advisors and all organizations active in the capital market release full information on their operations as per the National Auditing and Accounting Standards. Article 42- The issuer of securities shall have to prepare its financial statements subject to the legal requirements, accounting and financial reporting standards, implemental regulations and directives as communicated by the Organization.

Article 43- The issuer, investment bank, auditor, assessors and the issuer's legal advisors shall be accountable for compensation of damages to the investors that have sustained a loss due to the failure, negligence, violation and/or on the grounds of presenting incomplete and false information in the course of initial offering arising from an act or omission of an act.

Note 1- The parties suffering from a loss under this article may, within one year at the latest after detection of violation, lodge a complaint with the Exchange board of directors or the Arbitration

Board providing that not more than three years has lapsed as of the public offering date by the issuer.

Note 2- Only those individuals who have purchased the securities of the issuer subject of this article prior to the detection and announcement of violation shall be entitled to claim damages.

Article 44- If the Organization becomes aware that the issuer has provided false, incomplete, or misleading information in the registration statements or in the prospectus, it may stop the public offering of securities at any stage.

Article 45- Any issuer that has obtained its license for securities issuance from the Organization shall be obligated to submit at least the following items to the Organization in accordance with the directive issued by this Organization:

- ✓ The audited annual financial statements;
- ✓ The mid-year financial statements including the audited semiannual and quarter (3 month period) financials;
- ✓ The board of directors' report to the general meetings and the opinion expressed by the auditor,
- ✓ Any information having a material effect on the securities price and the investors' decision-making.

#### Chapter Six -Offences and Punishments

Article 46- The following persons shall be sentenced to (discretionary) imprisonment from three months to one year or to cash penalty being equal to two or five times of the profit gain or the non-incurred loss or to both punishments:

- ✓ Any person who, prior to the public offering, takes advantage of the inside information relating to the securities subject of this law being available to him ex-officio which may, in one way or another, be served against the interests of other parties or be served in his own interest or in favor of the persons from whom he is represented under any designation or causes such information to be disclosed or released in the circumstances not permissible;
- ✓ Any person who trades in securities by using the inside information;
- ✓ Any person whose actions will typically result in a deceptive appearance of the securities transactions trend or will create false prices or lure persons into securities trading,
- ✓ Any person who, without observing the provisions of the present law, publishes a notice or a prospectus aimed at public offering securities.

Note 1- The following persons shall be regarded as insiders in a company:

- a. directors/executives of the company including members of the board of directors, executive board, managing directors and their deputies
- b. Inspectors, advisors/consultants, accountants, auditors and lawyers/ attorneys of the company;
- c. The shareholders who, individually and/or jointly with their dependents hold more than ten
- d. (10%) percent of the company shares or such shares are in possession of their representatives;
- e. The managing director and board members and the directors concerned or the representatives of the parent (holding) companies who own at least ten (10%) percent of shares or fills at least one seat in the board of directors of the investee company,
- f. Other persons who have access to the inside information with a view to their functions, powers and/or their positions (ex-officio).

Note 2- The persons under Note 1 of this Article shall, within 15 days the conduct of transactions, have to report that portion of their securities trading which is not based on the inside information to the Organization and the Exchange.

Article 47- The persons who present false information or forged documents to the Organization or the Exchange or certify such information and documents and/or use false information and forged documents and records in compiling the reports required under the present law shall be sentenced, as the case may be, to the punishments prescribed in the Islamic Punishment Act ratified on May 27, 1996.

Article 48- The broker, broker/dealer, market-maker, investment advisor who, without permission, disclose the secret/confidential information of the persons whereby they ex-officio become aware of or is made available to them, shall be sentenced to the punishments prescribed in the Islamic Punishment Act ratified on May 27, 1996.

Article 49- The following persons shall be sentenced to (discretionary) imprisonment from one to six months or to cash penalty being equal to one or three times of the profit gain or no incurred loss or to both punishments:

- ✓ Any person who, without applying the provisions of this law and under any designation whatsoever, is engaged in the activities such as brokerage, broker/dealership and market making which shall require obtaining a license and/or introduces himself under any of such designations;
- ✓ Any person who is obligated under this law to submit all or parts of the information, records and/or material documents to the Organization and/or to the appropriate exchange and refrains from doing so;
- ✓ Any person who is responsible to compile and gather documents, records, information, registration statement or prospectus and the like for submission to the Organization and accordingly any person who is responsible to examine and comment on or prepare the financial, technical or economic reports or is responsible to certify in any manner such documents and information and violates the provisions of this law in the performance of the assigned duties,
- ✓ Any person who intentionally and purposefully misuses any information, documents, records or false reports relating to securities in any manner whatsoever.

Article 50- The broker, broker/dealer or market-maker that misuses the securities and the funds deposited with him, as required to be kept in a separate account for carrying out transaction, in his own interest or in favor of other parties in contravention of the rules shall be sentenced to the punishments prescribed in Article 674 of the Islamic Punishment Act ratified on May 27, 1996.

Article 51- In the case of committing the violations stipulated in this law by legal entities, the punishments so prescribed shall be inflicted, as the case may be, on those natural persons who have been entrusted with the decision-making responsibilities on behalf of the said legal entities.

Article 52- The Organization shall have to collect the evidence and records relating to the violations stipulated in this law and submit them to the competent judicial authorities and shall, as the case may be, follow up the matter as plaintiff/complainant. If any loss and damage has been incurred by other parties/persons owing to the foregoing violations, the aggrieved party may submit the statement of claim with the judicial authorities for compensation of the loss and damage so sustained in accordance with the rules in force.

#### Chapter Seven -Miscellaneous Provisions

Article 53- The broker, broker/dealers, market-makers and other participants in securities market shall, within six months as of the establishment of the Organization, have to take action to establish their Association following the approval of their statute.

Article 54- Not any shareholder, whether natural or legal, shall be allowed to hold directly or indirectly, more than two percent and half (2.5%) of the shares in the Exchange.

Article 55- Not any shareholder, whether natural or legal, shall be allowed to hold, directly or indirectly, more than five percent (%5) of the shares of the Central Securities Depository and settlement Company.

Article 56- Upon the establishment of the Organization, all records and documents of the Stock Exchange Council subject of the Establishment Act of the Tehran Stock Exchange passed in 1966, shall be transferred to this Organization.

Article 57- The properties and assets of the Brokers' Organization of the existing exchanges including movable and immovable, cash, bank deposits, securities, rights, obligations and other assets shall, after deduction of liabilities and the deposits reserved for the Exchange development, be computed at a committee composed of the organization president, elected representative of the Council and shall, when necessary and appropriate, be apportioned between the joint stock company of the relevant Exchange and the Organization as capital and financial resources at hand respectively. The decisions taken by this committee shall be enforceable upon approval by the Minister of Economic Affairs and Finance.

Note- The employers' records and benefits of the Brokers' Organization of each Exchange shall be redeemed in accordance with the Labor Law legislation.

Article 58- The government shall take necessary measures to activate the commodity exchanges in conformity with the present law and introduce legal guidelines and mechanisms for such purpose.

Article 59- The present law shall fully enter into force four months after the date of its ratification and the Council of Ministers and other authorities referred to herein shall take action in a manner that the administrative and organizational rules and proper executive organs required under this law be established and approved within the said period.

Article 60- Upon the expiry of the periods specified in this law, the Establishment Act of the Stock Exchange approved on May 17, 1966 and all laws and regulations which are in conflict with the present law shall be repealed. The present law comprising 61 Articles, 29 notes was ratified at the opening session of the Parliament (Islamic Consultative Assembly) on Thursday November 22, 2005 and received the assent of the Guardian Council on November 23, 2005.