



**Iran
Mercantile
Exchange**

**IME
at a Glance**

Establishment and Legal Status:

Iran Mercantile Exchange was established on September 20, 2007 in accordance with the article 95 of the new law of the Securities Market of the Islamic Republic of Iran and following the merger of Iran Agricultural Exchange and Tehran Metal Exchange. The merger marked a new chapter in the Iranian capital market providing endless trading opportunities for the clients in and out of the country.

Mission

IME is a self-regulated organization operating under the supervision of SEO market regulator. IME is the leading multi-commodity exchange and the only multi-faceted market in Iran and the Middle East. Enjoying the state-of-the-art technology, semi-electronic trading floor, fully electronic derivatives market, low latency and efficient trading system, and unmatched sound and fast settlement-delivery mechanism, the IME provides a transparent, competitive marketplace

where investment needs and trade requirements of a nationwide range of market participants and foreign entities are met in the best manner. The scope of the exchange services to the industry producers to offer their products ranging from agricultural, petrochemical and industrial to the petroleum and oil-related products has made it a world-class and viable market rendering services to the individual and institutional suppliers and buyers at internationally certified level. Having in place spot market alongside derivatives market especially the futures contracts has brought about a robust mechanism for the trade counterparties and clients to sell and purchase their industry requirements. The exchange has provided risk management services

to the market. This service helps market participants manage their risks and take part in the prompt delivery process and at the same time take reverse positions in the futures contracts in order to hedge against the adverse market movements. The IME as a primary market for the price discovery of various products provides an efficient tool for macroeconomic decision makers and acts as the thermometer of the economy.

International Presence

The strategic approach of the IME is to establish and expand constructive and fruitful ties with the world commodity exchanges and regional and international organizations adding value through mutual or multi-lateral cooperation with its counterparts. The IME succeeded to become a full member of the Association of the Futures Markets (AFM) in 2007 and appeared as permanent participant in regional and international conferences held by SFOA and other distinguished institutions.



Oil Exchange

IME launched trading in oil and petrochemical products in February 2008 by virtue of the resolution of the council of Minister and the decree of the president of the Islamic Republic of Iran. Concurrently the IME inaugurated the export trading floor in the Kish Island located on oil-rich Persian Gulf. At the moment, the export trades range from crude oil, fuel oil, base oil to bitumen.

Services to the Market

Various sectors of economy and national industry benefit from the exchange operation. The scope of the services is as under:

- Performing as the first market providing access to the initial offering of the listed commodities
- Price discovery for the industries as primary market for raw materials secondary markets and the end users
- Providing venue for government tenders, sales and procurement purchases
- Providing Trading platform and user interface for the clients
 - Providing Clearing & Settlement services
 - Risk management
 - Technology services
 - Training and education of the market participants



Products

Various products and commodities are listed and traded in IME which are are classified as follows:

Metals and Minerals Products: The ferrous and non-ferrous metals such as Steel, Copper, Aluminum, Zinc and Lead in various forms and dimensions, types of Cement, Coke, Coking Coal Precious Metals Concentrate, and other basic products are traded in the metals and mineral products trading session from 10:30 to 12:00 (+3.5 GMT), in the trading floor via semi electronic open outcry.

Gold: gold bullions with the fineness ranging from 999.9 to 900.00, are traded from 12:00 to 12:30 in the trading floor

Oil Products and Petrochemicals: oil related products range from Bitumen, Base oil, Crude Oil, Fuel Oil, RPO, carbon black, chemical products and petrochemicals like PVC, PET, ABS ,PP ,PE, LDPE,

LLDPE, Aromatics, SBR, PS, MS, and many others. The trades in this Class are executed from 13:30 to 16:00

Agricultural: the agricultural products traded in IME range from cereals to oilseeds to oilcakes and other grains like wheat, feed wheat, feed barley, yellow corn, maize, soybean, soybean meal, raisin, lentil, chick peas, and other products like sugar, sugar, saffron, pistachio, traded in the fully electronic multi-commodity trading system.

Multi-Commodity: All agriculture products and some oil products like Bitumen, VB and Lubcuts are traded through the multi-commodity system from 12:30 to 12:50.

Gold Coin Futures: traded as one of the most active and successful underlying assets in the futures contracts in IME. Trading hour is 10:00 to 18:00.

Note: The official weekend holidays in Iran are Thursdays and Fridays.



Foreign Suppliers Products Traded in IME

At present, the products of 200 national companies as well as 70 foreign producing companies from China, Russia, Turkey, South Korea, UAE, India, Qatar, Bahrain, Germany, Chile, Malaysia, Saudi Arabia, Kazakhstan, the Philippines, and the Switzerland are traded in IME.

The listed Suppliers in IME	
National Suppliers	200
The products of Foreign Suppliers	70
Total	270

The Listed Foreign Supplier (in terms of Products Category)	
The products of Foreign Suppliers	
Oil and Petrochemicals	29
Total	70

Brokers/Members

There are 73 listed brokerage companies in IME who are the members of the exchange licensed by the market regulator, the Securities and Exchange Organization (www.seo.ir). The brokers are authorized to trade on behalf of the clients, settle and clear the contracts for them. The latest list of brokers companies is available on the English web site of IME



Offerings & Orders:

The offerings of the commodities in the spot market are announced and notified to the market 24 hours before the trading takes place, through the exchange website http://new.ime.co.ir/kanoon/Commer_Offer_rep_en.aspx so the clients are able to place their orders with the brokers and rest assured their orders are executed accordingly.

In the derivatives market the clients order their trades as per specifications of the futures contract and in accordance with the order types specified in terms of validity the price. Around 61 brokerage firms are licensed to trade futures for their clients. At the same time there are 4 consecutive contract months available for the investors.

Trading

Spot Trades: Cash against Physical Delivery

Based on the settlement and clearing terms and conditions mentioned in the offering notice the Metals, petroleum and agricultural products are traded at following mechanisms:

- **Spot:** Prompt payment within 72 hours from matching of the trade

against prompt delivery. After matching of the order the buyer pays the full amount of the contract value. The clearing house issues the warehouse warrant (receipt) and the customer takes the delivery of the commodity within 72 hours or more but not later than 10 days as per the offering notice delivery information.

- **Forward:** prompt payment against forward date delivery. The client pays ,within 72 hours after matching of the trade, the contract value and receives the commodity by virtue of the warrant issued by the clearing house within the period specified in the offering notice regarding delivery information. The seller receives the contract value within 72 hours. The offering details and delivery date is also announced to the brokers by the trading floor supervisor before the trade.

- **Credit:** It functions as deferred payment against prompt delivery. in agricultural products In this type of transaction the buyer pays in deffered payment according to the terms stated in the notice of offering and receives the commodity in advance after matching of the trade based on the warrant issued by the clearing house. The contract value is credited and paid to the seller account for the clearing house as per payment terms.

seller shall receive money from the clearing house within the period specified in the notice of offering.



Futures Trading:

futures As per rules and regulations trading is broker-based so the clients must place their orders as per contract specification with a licensed brokerage company. The clinets should pay iniatial margin to their margin accounts with the clearing house to start trading and the clearing house is the sole authority for transferring of the margins or deducting charges and fees between and from the client margin accounts. The bid and ask

orders are placed electronically in queues waiting for their identical price to be matched. During the course of trading the clients are in contact with their brokers adjusting their bid or ask price based on the price information, volatility factors and the national or international market sentiments. Trading commences dynamically from 10:00 to 18:00 .by a pre-opening auction after matching of the bid and ask price, trading position or open interest is formed which may remain up to the end of the trading session or may be offset and closed by the broker at the clients request. At the end of the trading hour a daily settlement price is calculated and announced to market by the clearing house for the settlement of the contracts offsetting the risky accounts. The C/H issues margin calls for the clients whose margin is lower than the maintenance level so they are required to bring the amount of their account to the initial margin level. At the end of the contract month those clients who are interested in physical delivery of the underlying asset may take or make delivery of the commodity subject of the contract. To become a customer of the futures market one should follow the below process:

- opening margin account with IME clearing house via a broker
- payment of the initial margin, giving the order to the broker and matching of the orders based on the price and the time priority posted in the order book of the client and exchange

- physical delivery of the underlying asset at sellers-buyers option

The Built-in Clearing House: The clearing house is the counterparty of the trade parties, which is assigned to clearing the contracts and ensuring the settlement and delivery where applied.

Trading Fees:

Spot Market	Buyer (basis point)	Seller (basis point)	Details
Industrial and Oil & Petrochem	0.262	0.278	per Contract value
Agriculture	0.307	0.323	Contract value
Futures Gold Coin	1.95 USD	1.95 USD	per contract

Gold Coin Futures: The Salient Futures Contract of IME

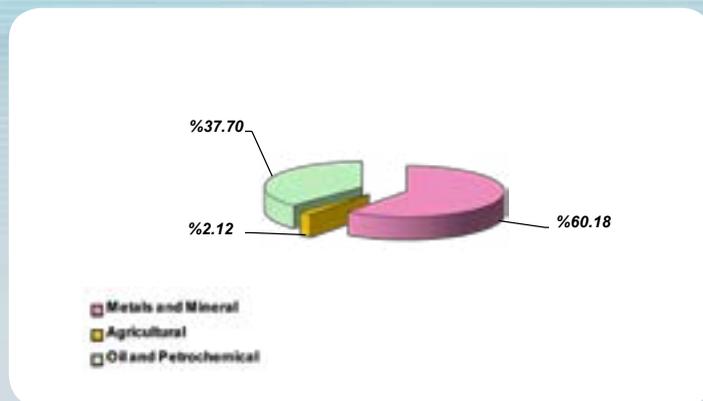
Facts of 2012:

Gold coin futures contracts were launched in 2008 and since then the market has experienced an ever-increasing interest of the investors in these contracts. Below a brief recap of the market of gold future in 2012 is presented:

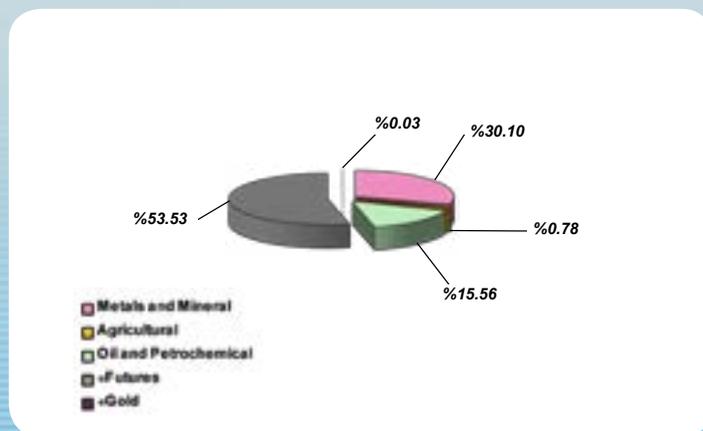


Spot Market Statistics of IME in 2012

IME Trade Volume by Spot products Category in 2012



IME Trade Value in 2012: Spot Products and Futures Trading:



Gold Coin Futures Contract Specifications	
Underlying Asset	Gold Coin (Bahar Azadi)
Contract size	10 pieces
Standard	Fineness of 900/ weight 8.133 grams minted by the Central Bank of Iran
Contract Month	12 month of year
Daily price limit	Max up to +/- 5% with respect to the settlement price of the previous day
Trading duration	As of the date mentioned in the trading notice up to 5 calendar days prior to the termination of the contract month
Delivery date	From the first business day past the last trading date till the end of the month
Delivery vault	The exchange clearing house
Tick size	0.500 USD
Initial margin	It's a flexible amount which is dynamic during the course of the trading duration and is calculated from this formula: $A=(B/C + 1) \times c$ Where A: is the initial margin B: the weighted average of the settlement prices of all contract months of gold coin future , C= 40 USD
Maintenance margin	60% of Initial margin
volume limit per order	10 contract max
Price unit	Rial/ convertible to USD
Trading fee	1.95 USD
Delivery & final settlement fee	4 USD
Trading hour	10:00 -18:00
Symbol	GCMMYY (M stands for month Y stands for year)
Position limit	Entities: 100 contract per symbol upgradable up to 10% of the registered corporate capital and limited to 20% of the whole positions held in the market
Delivery intension notice date	2 business days prior to the last trading date up to 30 minutes after the end of trading session.
Penalties	a)1% of the total contract value calculated based on the settlement price of the previous day, for failure in presenting the delivery intension notice B) 1% of the contract value for the failure to submit the warehouse warrant to the exchange c)1% for the failure in paying the contract value in terms of last day settlement price d)in case of being a deferential between the market spot price and the last day settlement price and it compensates the losses of the non-defaulting client, the differential shall be debited from the defaulting client's account and paid to the account of the non-defaulting client . In all above cases the delivery and settlement fee shall be debited from the account of the defaulting client to the benefit of the exchange.
Miscellaneous	Only the coins of the last year of minting, 2007 (1386 in Iranian calendar) are receivable. The whole positions of the market shall not exceed the total number of coins minted by the Central Bank of Iran.



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