

Trading Floor Transaction by Law

Part I – Terms & Definitions

Article 1 – Terms and definitions stipulated in this Procedure are as follows :

"Ask" It is defined as the declaration of readiness for selling all types of contracts and financial instruments tradable through a broker according to the exchange regulations.

"Bid" It is defined as declaration of readiness for purchasing types of contracts and financial instruments tradable through a broker according to the exchange regulations .

"Contract " a document evidencing transaction of a given quantity of a certain commodity or security based on the commodity traded in the exchange .

"Purchase contract" it's a contract in which the clearing house acts as the buyer's representative against the seller .

"Sale contract" it is a contract wherein the clearing house performs as the seller's representative against the buyer .

"Sub-contract" a contract through which the brokers allocate their customer's orders immediately after conclusion of the transaction .

"Buyer" The individual or legal entity who executes his/her purchase order through a broker.

"Seller" The person or legal entity who executes his/her own purchase order through a broker.

"Broker" The legal entity who trades for and on behalf of his/her clients to their account or for his/her own profit at his/her own account all types of contracts and financial instruments tradable in the exchange. Transactions within the exchange is executed exclusively by the brokers .

10." Broker / Trader " legal entity executing transactions for and on behalf of clients at the clients account or for his own benefit his / her own account of all types of contracts and financial instrument , negotiable in the exchange .

11." Trading Floor Supervision " an individual entity overseeing sound and proper implementation of transactions and their adjustment with the respective rules and regulations on behalf of the managing director of the exchange . The scope of the authorities and the liabilities of the supervisor shall be according to a bylaw to be approved by the board of directors .

12." Settled Contract " a contract, cleared and settled by the respective broker in the clearing house .

13." Unsettled Contract " a contract , not yet cleared and settled by the relevant broker in the clearing house .

14." Cash(Spot) Contract " a contract wherein the price of the traded commodity is paid in cash and the transaction leads to prompt delivery .

15 " Credit Contract " a contract wherein the commodity is delivered promptly and the price shall be paid at the expiry date .

16." Forward Contract " a contract wherein the delivery shall be made in a certain date in future and with a certain price . The total value of the contract shall be paid at the time of conclusion of the contract .

17." Futures Contract " a contract which is signed based on transaction of an underlying asset for a certain price and quantity for a certain time in the future .

" Call Option Contract " a contract wherein the supplier sells the right but not the obligation of purchasing a certain quantity of a given goods at a certain price in a certain time in the future to the other side .

" Put Option Contract " it is defined as a contract in which the bidder sells the right but not the obligation of selling a certain quantity of an underlying asset at a certain price for a given time in the future .

" Limit Order " it is defined as an order to be placed or executed at a determined or better price .

" Stop-Loss Order " it is defined as an order to be executed provided that the market price has reached to a certain price level .

" At-the-market Order " defined as an order to be executed at the prevailing market price .

" Other types of orders " the orders certified by the exchange .

" Transaction price " it is a price that the transaction is executed thereon after matching the quantities of asks and bids .

" Transaction Certificate " it is a document to be issued after execution of the contract and the approval of the Floor Supervisor according to rules and relevant directives and forwarded via intra network to clearing house .

" Lot " a quantity of a certain commodity determined as the unit of transaction in the exchange contracts .

IME : Mercantile Exchange or the Exchange in brief.

TSE : Tehran Stock Exchange Organization

Part II –General Regulations and Guidelines

Article 2 – The transactions are executed five days a week in the exchange except for Thursdays and Fridays and other calendar holidays. The trading hours are determined by the approval of the board of the exchange .

Article 3 – Definitions, terms and conditions and ordering procedure and its acceptance shall be according to the rulebook provided and approved by the Tehran Stock Exchange Organization .

Article 4 – Transactions within IME is executed via open outcry auction. The brokers put forward their buy and sell orders considering the quantities ordered by the buyer and the seller.

By termination of the auction , the brokers are entitled to execute the transactions electronically within the hours determined by the board of the exchange .

Article 5 – In case that , the asks and bids of the selling broker and the buying broker are declared at set prices, and there is no buyer or seller at such prices, the mentioned ask and bid shall be null and void by shifting to the next transaction .

The non-traded bid or ask could be repeated at the same session if the broker incline to or the exchange may discern that.

Article 6 – In case that the ask price of each session shows a significant change in compare with the settlement price of the previous session and the board of the directors of the exchange discern that there is no justifiable ground for this change, the board shall be authorized to prevent the execution of the transaction .The board of the directors of the exchange is entitled to assign it's authority to the managing director in such case.

Note 1 – In case that the beneficiary broker opposes the decision to prevent transaction execution based on this section, he or she must submit in writing his or her protest citing the reason, to the managing director of the exchange for hearing and decision making. Such protest shall be considered and decided within 48 hours in a committee comprising managing director's representative and two impartial brokers appointed by the head of the board of the exchange. The written judgment and decision of the representative together with that of one of the brokers shall be final and binding.

Note 2 – Market Review Committee comprising three members including one on behalf of the managing director, market manager of the exchange and Trading Floor Supervisor will hold a session to review the proposed ask and bid prices as well as the market status .

Article 7 – In the event that, the selling broker himself inclines to purchase, and his/her bid price is the same as that of other brokers, priority is given to other brokers. If the selling broker enters competition at new prices and other brokers enter the competition at the same period, in equal prices, the priority to buy is always given to the other brokers and the purchase priority among such brokers is given to the broker who has firstly entered his/her bid price in the electronic system.

Article 8 – In the event that a broker has offered a commodity for selling in parts and other brokers intend to buy a part thereof, the selling broker is obliged to segregate his / her offer(ask) after conclusion of the contract, and to issue subcontract for that part of the contract already purchased. If a broker intends to sell his / her product as a whole lot, he or she must declare when offering.

Article 9 – In cases that the broker's purchase declaration or the conclusiveness of the transaction is in doubt, the decision of the managing director of the exchange or the trading floor supervisor in removing the doubt is final and binding.

Article 10 – Once the transaction price discovered through competition, the purchasing broker of highest price shall be the winner.

In case of ambiguity, the decision of the Managing Director of IME or that of the floor Supervisor is binding.

Article 11 – If the Managing Director of the Exchange or the floor Supervisor discern that a broker has accepted immediately the execution of a transaction, such transaction shall be deemed as conclusive and final.

Article 12 – The selling and purchasing brokers are obliged to obtain the transaction certificates from the clearing house already approved by the trading floor Supervisor.

Article 13 – Transaction fees in the commodity exchange include brokerage fees, share fee of the IME, share fee of TSE and other legal expenditures determined by TSE.

Article 14 – The Civil Code, article 10 reads that: Cash, Credit, Forward, Futures and Options contracts shall be traded according to standardized lots(contract size) .

Article 15 – The cash volume of the credit and forward contracts a broker is authorized to have is determined by the board of directors of the IME.

Article 16 – The scope of daily price movement in the credit and forward contracts within the maximum limit determined by the Board of Directors shall begin comparing the limit with the price on the floor board; and in case of market volatility the price ceiling shall be increased in the next trading sessions.

Article 17: The payment for a commodity traded as forward contract, can be made either in cash or by credit bonds.

Article 18: The ultimate number of futures and options that each broker entitles to have at the same time, is determined by the Board of IME.

Article 19: Price limit in futures and options contracts shall begin with the maximum price compared with that offered on the floor electronic board, determined by the Board of the Exchange and in the event of market volatility price limit shall be increased in the next sessions.

Article 20: In futures contracts then two sides are entitled to assign their rights to the other.

Article 21: In every futures contract a certain amount of money is deposited with the broker by the buyer and seller and with the clearing house by the broker; and each side undertakes by proviso to adjust the amount of deposit proportionate with the future changes of the price and the clearing house is authorized by power of attorney to assign a portion of each side's initial margin to the other side ,commensurate with the fluctuations, as the right of possession and he/she shall be authorized to utilize the mentioned portion to be settled at the expiry date.

Article 22: The right of option (premium) for the call and put option contracts shall be paid in cash at the time of sale and purchase.

Article 23: In all contracts the followings must be considered and mentioned:

specifications of the commodity and types of contracts

The amount of the traded commodity

The unit of measurement for the commodity
Time of Transaction
Standard and technical specifications of the commodity
Delivery date
Delivery standard and the type of packaging
Warehouse or Delivery point
Unit of currency

Article 24: Warranties(collaterals) and deposits required for the execution and settlement of the obligations of the two parties in all types of contracts shall be obtained by the Clearing House of the Exchange. The type and the amount of the warranties and deposits are as per procedure of the Clearing House.

Article 25: Transaction of the exporting commodities in a certain foreign currency shall be executed as per the rulebook ratified by the Exchange.

PART III – The Procedure of Trading at IME

Article 26: Trading at IME is executed in four stages as per following:

1- At the first stage the client submits his/her purchase or sale enquiry to the Broker or his/her agent as per relative guideline; the broker in turn reflects the Clients order in the Trading Floor.

2- At the second stage, the client's order is executed in the open outcry auction in The Trading Floor. At this stage the brokers place the clients orders and a little bit later the auction transaction shall be executed.

3- After the registration of the transaction the third stage begins, during which the Clearing House having processing the data, provides the final report including the required deposit, daily settlement and transaction fees, and transmits those reports to the offices of the brokers.

4- In the fourth stage, the Clearing House clears and settles all of it's outstanding accounts with the clients and sends the Transaction Execution Notice for the client.

PART IV – Trading Floor & Supervision

Article 27- Trading of the exchange contracts is implemented by the brokers in the Trading Floor, for the clients to their own account.

Article 28- The Trading Floor is run under supervision of the Floor Supervisor on behalf of the Managing Director of the IME.

Article 29- The Floor Supervisor allows each selling broker to offer his/her contract in the Exchange Floor so as to be able to sell it at the best price.

Article 30- Oversupply on the basis of the discovered price is registered in the system within the period determined by the Board of the Exchange.

Article 31- Each selling broker is required to submit to the Supervisor the filled sale enquiry form certified by the Clearing House. The Supervisor at the time of transaction lets the relevant broker announce his/her ask via electronic system to all of the brokers in the floor; the buying brokers in turn, announce their bids during the transaction period. The supervisor transmits the Certificate of the Transaction Execution to the Clearing House via electronic network(system) for clearing and settlement.

Article 32- At the end of the trading session, the Transaction Certificate issued by the Supervisor, shall be rendered to the buying and the selling brokers through the Clearing House.

Article 33- All of the operational forms and sheets for the execution of this bylaw shall be arranged and produced by the Exchange Specialty Committees and ratified and approved by the Board of Directors of the Exchange.

Article 34- This Procedure has been prepared, regulated and provided under implementation of the sect 12 of the Article 38 of the IME Article of Association ratified at 10/ March 2008 in 33 articles and 2 Notes.