

## **In The Name of God**

### **The Instruction for Admission and Listing of Commodity and the Commodity-Based Securities” in IME**

The “Instruction” for “Admission and Listing of Commodity and the Commodity-based Securities” in IME was ratified on April 2008 by the board of directors of the Securities and Exchange Organization and after some revisions got updated to facilitate the handling process of admission and listing of commodities and the securities based thereupon.

#### **Generalities**

##### **Section one- Definitions**

**Article 1-** terms and words defined in the Article 1 of the Securities Market Act and the article of association of the exchange has been employed with the same meaning and force in the present “instruction”. Further details are defined as follows:

١. Prospectus: a combination of information that the exchange is required to release and disseminate publicly in its website while listing a commodity or the commodity-based security in the price list of the exchange. The sample form of such report shall be ratified by the board of directors of the exchange.
٢. Admission: corresponding of the commodity or the commodity-based securities with the provisions stated in this “instruction” in order to list them in the reference price list of the exchange providing the viability of their transactions on the exchange.
٣. Suspension of admission: temporary halt in the public offering of a supplier or a commodity-based security listed in the reference price inventory of the exchange resulting from violation of the present “instruction”
٤. Underlying Asset: the asset subject of the commodity-based securities.
٥. Supplier: a person whose commodity is listed with the exchange reference price inventory
٦. Commodity correspondence form: a form prepared on the basis of the sample exchange form to be submitted to the exchange in order for corresponding standards and specifications of “similar commodity” with those of one of the commodities admitted and listed on the exchange having been certified by the admission and listing advisor.
٧. Similar commodity: a commodity of the same specifications and standards as the commodity listed on the exchange with different supplier or producer.
٨. Off-grade commodity: a commodity of which the main specifications is the same as the one of the commodities listed on the exchange but differs in one or some features in a way that the said difference shall not lead to a change in its nature, variety or application.

۹. Offer committee: it has been established and it performs as per rules and regulations of the present “instruction” in order to review the “similar commodities” and to admit its supplier to the exchange.
۱۰. Delisting : entire removal of the commodity of a supplier or the commodity-based securities from the exchange price list.
۱۱. Applicant: a person who submits the commodity admission application to the exchange
۱۲. Admission Advisor: a person acting as the intermediary between the applicant and the exchange who undertakes full or part of the responsibility of the applicant during the process of admission and listing, registry or public offering on his behalf.
۱۳. Board of admission: a board to be established by virtue of the article 2 of the present “instruction” and fulfills the duties stated in the present “instruction”.

## **Part II- Board of Admission**

**Article 2-** the “board of admission” comprises of 5 members as well as one secretary as follows:

- ۱- the chairman of the board of directors of the Securities and Exchange Organization (“Organization”) or one member of the board of SEO on behalf of the chairman of the board of the “Organization”.
- ۲- The chairman of the board of the exchange or one member of the board of the exchange on behalf of the chairman of the board.
- ۳- One financial expert familiar with the industry, proposed and recommended by the board of directors of the Securities and Exchange Brokers Association ( SEBA ), and certification of the board of directors of the SEO
- ۴- One financial expert familiar with the industry as proposed by the board of directors of the SEO.
- ۵- One financial expert familiar with the industry as proposed by the board of directors of the Iran Mercantile Exchange ( IME ).
- ۶- The IME “managing director”, as the secretary of the board of admission, without right to vote or one director of the exchange on his behalf.

Note 1- the chairman of the board of directors of the SEO shall preside over the board of listing.

Note 2- the tenure of the persons mentioned in the sections 3 to 5 of this article shall be a two year term and re-election of whom shall be allowed for three consecutive terms.

Note3- the persons subject of the sections 4 and 5 of the present article may be replaced prior to termination of their tenure as may discern by the election authority and the person subject of the section 3 of the present article may be replaced before the end of his tenure as may discern by the proposing authority or the “Organization” observing the formalities stated in the section 3 of the present article.

Note 4- if necessary the board of admission may invite other experts and directors at their convenience to attend such meetings. Such persons are void of voting right.

**Article 3-** the meetings of the board of admission shall reach the quorum by with at least 3 members in attendance of which one shall be the president of the

SEO or his representative. The decisions of the board shall be valid by the vote of at least 3 members of which one should be the president of the SEO or his representative.

### **Part III- Markets**

**Article 4-** the IME runs two trading markets, one physical and the other derivatives. The physical market comprises of several trading sessions including metal-industrial, agricultural and petrochemical as well as derivatives sessions including futures trading session. Admission shall take place solely in one of the physical trading sessions and the commodity-based securities.

Note: establishment and launching new markets and sessions shall be feasible as proposed by the exchange and resolution of the SEO.

## **Chapter II- Commodity Admission**

### **Part I: Admission Advisor**

**Article 5-** application for admission and listing together with the documents subject of the article 8 of the present “instruction” must be submitted to the exchange by the admission advisor and be registered with the exchange.

**Article 6-** the admission advisor is selected from among the brokerage firms having the license of reference broker and the investment companies.

**Article 7-** the liabilities of the advisor are as follows:

- ١- advising to the applicant on the process of admission and public offering
- ٢- assessment of the level of readiness of the applicant for admission
- ٣- submitting the required documents and information to the exchange
- ٤- control over compliance of the rules and regulations by the applicants during the process of admission.

Note 1- the admission advisor must review all documents, information and papers provided by the applicant and confirm the documents are in full, signed by the authorized signatories and sealed by the applicant.

Note 2- the relationship between the advisor and the applicant and the scope of their liabilities thereof, envisaged in the sample framework of the exchange of which a version shall be submitted to the exchange.

### **Part II: Commodity Admission Process**

**Article 8-** admission application form shall have to be submitted to the exchange together with the following documents:

- ١- Admission and listing questionnaire,
- ٢- Prospectus
- ٣- Commodity ID form
- ٤- Certified copy of the standard certificate of commodity
- ٥- Admission fee payment slip

- ٦- The written undertaking of the producing company stating that the company has prepared the ground for a visit to the production lines and warehouses at the request of the board of admission or the exchange.
- ٧- Certified copy of the clearing documents of the commodity which is under listing from the Islamic Republic of Iran's Customs Administration
- ٨- Customs Green pass
- ٩- Inspection certificate of origin/destination
- ١٠- Warrant for the commodities which are cleared from customs and shipped into the domestic warehouses
- ١١- Certified copy of proforma invoice, registered for order placing, together with the documents of the opened letter of credit or payment certificate for the non-cleared imported commodity
- ١٢- Certification of the competent authorities for the commodities which are subject to observation of special regulations or obtaining legal licenses
- ١٣- Further information which may be discerned significant by the applicant or at the request of the exchange or the board of admission

Note: with regard to the commodities which are not subject to compulsory standards, applicants shall have to provide quality control certificate from laboratories certified by the Standard Organization. In case that obtaining the certificate from the standard organization is impossible the certificate shall have to be obtained from other exchange certified labs.

### **Part III- Terms of Admission and Continuation of Admission of Commodities**

**Article 9-** to list a commodity at least the following conditions shall have to be met:

- ١- The applicant shall have to enjoy a good and reliable track record of career in the market of the listing commodity and there should be in place a clear outlook of the continuation of the applicants operation.
- ٢- The amount of public offering of the commodity shall have to be in the manner that facilitate fair price discovery on the exchange.
- ٣- The nominated commodity shall not be subject to the restrictions including those of legal pricing and monopoly in supply and demand which prevent fair price discovery.

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**Article 10-** the board of admission shall, at the time of admission of each commodity, establish the minimum annual offer quantity and the minimum percent of offer quantity, in the exchange, out of total annual production for producers and total amount of annual imports for the importers.

Note: enforcement of any change in the minimum quantities subject of the present article shall be possible by proposal of the exchange and confirmation of the board of admission.

**Article 11-** the person who offers commodity in the exchange shall comply with the rules including the requirements of the present "instruction" and the regulations concerned with disclosure of commodity offer information.

### **Part IV- Handling of the Admission Applications**

**Article 12-** the exchange shall, during 30 days from the registration of the application, submit the expert report on admission terms and conditions together with the documents relating to the board of admission. The layout of the mentioned report shall be proposed by the exchange and established by the board of admission.

**Article 13-** the board of admission shall, within 30 days from submission of the report and the documents concerned by the exchange, announces its opinion in writing stating the reasons on approval or dismissal of the admission application to the applicant through the exchange. In case of dismissal of application, the applicant may, during no later than 10 days from notification of the decision of the board of admission, file a protest with the secretariat of the “Organization”. The decision of the board of directors of the “Organization” on re-handling of the issue or confirmation of the view of the admission board shall be final and binding on the applicant, listing board and the exchange.

**Article 14-** in case that the board of directors of the “Organization” discern the protest as justified, the application shall have to be reviewed at the first meeting of the board of admission.

**Article 15-** in case of dismissal of the application and if the applicant relinquishes from protesting, or after implementation of the revision of the decision of the board of directors is dismissed by the board of admission, the application shall be reviewed at least 6 months later in the board of admission having undergone again all procedures of admission and remitting the admission fees.

**Article 16-** listing of the nominated commodity with the exchange price list shall be subject to meeting of the entire provisions which are determined by the board of admission.

**Article 17-** in case the commodity was not offered on the exchange within 6 months from the date of admission, it shall be delisted, and its relisting shall be subject to pursuing the admission procedures anew.

## **Part V- Listing and Public offering of the Similar Commodities.**

**Article 19-** In order to review and handle the listing application of similar commodities, the advisor shall have to submit the following documents to the exchange:

- a- for domestic commodities, all documents and information mentioned in “article 8” of the present “instruction” and the form of commodity adjustment.
- b- For imported commodities, documents and information mentioned in “sections 7, 8, 9” of the “article 8” of the present “instruction” as well as the form of commodity adjustment.
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**Article 19-** the application for “listing” and public offering of “similar commodities” and the request for admission of the supplier of the commodity shall be handled in the “offer committee”. “Offer committee” shall, during no

later than 7 working days as of completion of documents, notify the advisor whether or not it agrees with the listing and offer of commodity on the exchange.

**Article 20-** the “offer committee” comprises of 3 members and one secretary as follows:

- १- one member of the board of directors of the exchange
- २- “managing director” of the exchange
- ३- one expert of the industry as proposed by the “managing director” of the exchange and confirmed by the board of directors of the exchange.
- ॴ- the “admission and listings” manager of the exchange as the secretary of the committee and without right to vote.

Note: the meetings of the committee shall reach the quorum by presence of the majority of the members and decision are valid by the vote of at least 2 members hereof.

**Article 21-** for listing and offering the “similar commodities”, the “offer committee” shall have to meet the followings :

- १- the applicant has to enjoy reliable track record of activity in the market of the admitting commodity
- २- the commodity shall not be subject to restrictions such as the limitations in legal pricing or monopoly in supply or demand.
- ३- The specifications of the “similar commodity” shall have to correspond to that of the admitted original commodity
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**Article 22-** the “offer committee” shall, at the time of affirming the listing and offer of any “similar commodity” and admission of the supplier, establish the minimum annual offer as well as the minimum percentage of the total annual production of the producers and that of the total annual imports of the importers.

Note: the governmental suppliers shall be exempted from the obligations of the present articles.

**Article 23-** in case of agreement of the “offer committee” with the listing and “offer” of the “similar commodity”, the exchange shall have to submit the prospectus of the supplier of the admitted commodity to the “Organization”. In case that the “Organization” shall not, during 3 working days, inform it’s opinion on “non-offering” to the exchange, the exchange may take action to publish the prospectus publicly. The exchange shall be required, at least 3 working days prior to “offer”, to publish the mentioned prospectus for public information through the exchange official website.

Note1: all documents which shall be submitted to the exchange during the handling process of the “offer” of the “similar commodity” shall have to be preserved in the exchange records and to be handed over immediately on demand of the “ Organization”.

Note2: in case the “Organization” discerns that the regulations are not complied with during the handling process of the listing of the “similar commodity” or as

to the method or amount of the information provided, it may prevent offering of the “similar commodity”.

**Article 24-** the offering of the “off-grade” commodities in the exchange shall be subject to agreement of the “offer committee”. “Offer committee” shall, on the basis of the definition of the “off-grade” commodity, have to establish the correspondence of the “off-grade” commodity with one of the admitted commodities of the exchange.

## **Part VI- Suspension of the Admission of Commodities**

**Article 25-** in case that the supplier shall not comply with the entire or part of the liabilities stated in the “article 12” of the present “instruction”, the exchange may suspend the admission of the commodity concerned, for 3 months at the latest. Extending the suspension beyond 3 months shall be subject to the approval of the “board of admission”.

In any case, the suspension subject of the present article shall not exceed 6 months.

**Article 26-** in case of violation of the previous article, the “Organization” may order suspension of the admission of the commodity of the supplier. Establishment of the suspension term shall be made by the “Organization”.

**Article 27-** lifting of the suspension of the admission of the supplier’s commodity, shall be subject to the removal of the cause of the suspension as may discern by the “Organization”, the board of admission or the exchange according to the case.

Note 1: in case of suspension of admission as per “article 19”, if the causes of suspension are removed, the exchange shall directly take action to lift the suspension and shall inform the “Organization” as well as the board of admission of the issue submitting the report on removal of causes of suspension.

Note 2: in case of suspension of admission as per “article 20”, the “Organization” shall notify the exchange of lifting of suspension.

## **Part VII- Revocation of Admission**

**Article 28-** Admission and of a supplier shall be revoked by virtue of the followings

- ʌ- in case of continuation of suspension beyond six months and failure in removing the causes of suspension,
- ʁ- in case of insolvency or bankruptcy of the supplier

**Article 29-** in case of realization of any of the sections of the “article 22”, the exchange, while reporting to the board of admission, shall notify the supplier of such a case. The supplier shall have to, within 30 days, present the explanations concerned to the board of admission and listings. In case the board of admission

discerns that the supplier is able to improve the causes of revocation of admission, it shall specify a determined respite as per the case. Such respite shall not be extended.

**Article 30-** the board of admission may, during the period of respite, suspend admission and listing of the “offer” of a supplier.

**Article 31-** in case of removal of the causes of revocation of admission during the respite, the supplier shall have to report to the exchange of the measures taken as well as the additional required information.

**Article 32-** in case that the causes of revocation are not removed, the commodity of the supplier shall be delisted from the exchange price list.

**Article 33-** the exchange shall, within no later than one week from the date of resolution and through a report stating the causes concerned, inform the supplier and the “Organization” of the revocation of the admission of the commodity. The supplier may, during no later than 10 days from notification of the decision of the board of admission, file his protest with the secretariat of the “Organization”. The verdict of the board of directors of the “Organization” on revision of the case or confirming the view of the board of admission shall be binding on the board of admission, the exchange and the supplier.

**Article 34-** Re-admission of a commodity of which the admission has been previously revoked by the exchange, shall be possible after elapsing one year from the date of revocation with the applicant submitting the application and meeting all admission requirements.

### **Chapter III- Admission of the Commodity-based Securities**

**Article 35-**The admission of the commodity-based securities shall be implemented at the request of the exchange by the board of admission. The exchange shall also embark on submitting the request for admission of the commodity-based securities by receiving proposals from producers, consumers, importers, brokers or other financial institutions.

**Article 36-** to admit the commodity-based securities like futures contracts, the followings shall be prepared and provided to the board of admission:

1-The justification report of admission is including:

1-1: the definition and standards of the underlying asset

1-2: the description and details of the spot market of the underlying asset

1-3: the statistics of the production, consumption, imports and exports of the underlying asset

1-4: the major domestic and foreign producers and consumers

1-5: the special laws governing the production, consumption, pricing, import or export of the underlying asset

1-6: the trend of domestic and international price changes of the underlying asset during the previous 3 years

1-7: the proposal of the daily price limit of the futures contract as well as the maximum volume of each order

1-8: a sample of the contract specification of the futures contract subject of the “article 4” of the “executive “instruction” of the futures trading “ in the Iran Mercantile Exchange

2. the prospectus

3. additional important documents or information as may require by the exchange or at the request of the board of admission.

Note: the underlying asset shall be selected from among the commodities admitted to the exchange or the commodities having a strong spot market by discernment of the board of admission.

**Article 37-** the board of admission shall, within 45 days from submission of the reports and documents concerned by the exchange, notify it’s opinion in writing stating the reasons on approval or dismissal of the admission of the commodity-based securities.

**Article 38-** in case of approval of admission, the exchange shall have to, within 3 months from the date of approval notification, take action to list the commodity-based securities in it’s price list and to publish the related prospectus. In case of failure in implementing the said measures within the specified term, it has to win the approval of the admission board again.

## **Chapter IV- Miscellaneous**

### **Part I- Fees**

**Article 39-** the exchange shall receive the following fees:

1: the admission fees given together with the application of admission and other filled-out documents

2: listing fees received annually from the supplier on the basis of the annual statistics of commodity offer.

Note 1: the applicant and the supplier shall have to pay, within the specified period, the mentioned fees according to the resolution of the board of directors of the exchange and to the extent of the maximum range determined by the board of directors of the “Organization”.

Note 2: in case of supplier’s failure in payment of the fees within the specified term, the exchange may directly withdraw the sum of the fees from the credits or account of the supplier with the clearing house.

### **Part-II- Additional Rules**

**Article 40-** the commodities which have been admitted to the exchange prior to ratification of the present “instruction” shall be deemed as admitted commodities on condition of compliance with the rules and regulations.

**Article 41-** all suppliers, so long as their commodities are admitted to the exchange, have to observe the rules and regulations of the Securities Market Act as well as the provisions of the present “instruction”.

**Article 42-** in case of violation of provisions of the present “instructions” by the individuals concerned, the exchange shall be obliged to handle the cases of violations according to its disciplinary regulations or to report to the competent authority according to the case.