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In the Name of God



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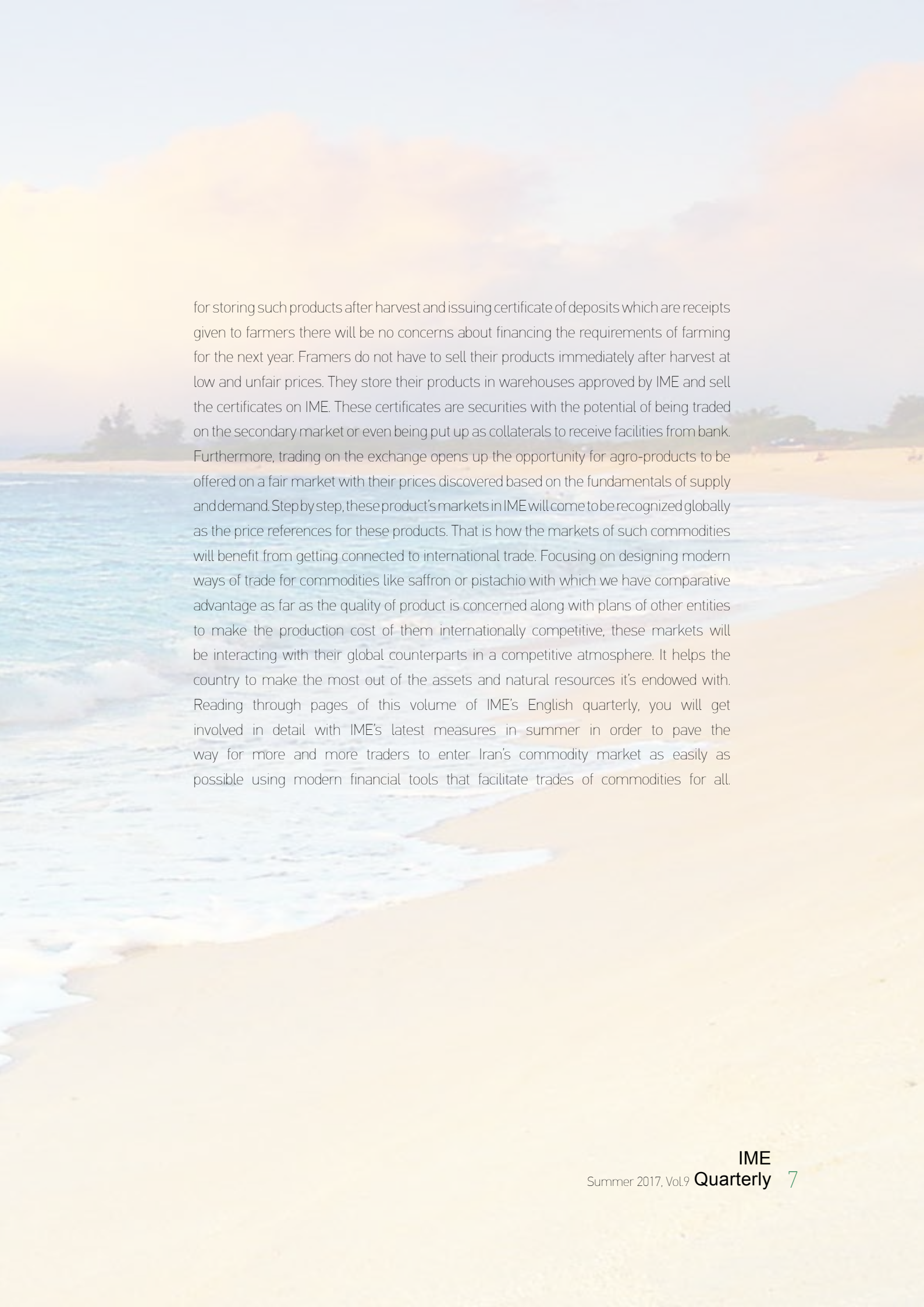
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Editorial Post

Amin Najari

In light of modern and new methods of trading, unlike before, the average investor is more inclined to invest in commodities. Investing in commodities used to require significant amounts of time, energy and money. Today, though, there are a number of different routes to commodity markets, which make it easy for even non-professional traders to participate. In addition to that, another reason to encourage investors to try commodity markets is the time periods in which stock markets are unusually volatile or bearish. Under such circumstances commodities can be an important way to diversify a portfolio beyond traditional securities for parking cash with lower risks. Iran Mercantile Exchange as the unique regulated and organized market of Iran for both physical trades of commodities and securities defines on commodities as the underlying asset enjoy a wide range of financial instruments for those interested in investing in commodities in order to hedge themselves against the volatilities in market prices of the raw materials the might need for their productions. IME also provides solutions, which suit every pocket, for investing in commodities. In order to expand this capacity, IME's CEO has thrown support behind launching commodity funds certificates of deposit on commodities for agro-products. Among the merits of such initiatives is that people from all walks of life will enjoy the fruits of participating in production and trade of agriculture products. People with small amounts of money can invest in commodity funds established on commodities like saffron or pistachio and help the farmers with funds needed to run their farms. On the other hand, with listing standard warehouses



for storing such products after harvest and issuing certificate of deposits which are receipts given to farmers there will be no concerns about financing the requirements of farming for the next year. Farmers do not have to sell their products immediately after harvest at low and unfair prices. They store their products in warehouses approved by IME and sell the certificates on IME. These certificates are securities with the potential of being traded on the secondary market or even being put up as collaterals to receive facilities from bank. Furthermore, trading on the exchange opens up the opportunity for agro-products to be offered on a fair market with their prices discovered based on the fundamentals of supply and demand. Step by step, these products' markets in IME will come to be recognized globally as the price references for these products. That is how the markets of such commodities will benefit from getting connected to international trade. Focusing on designing modern ways of trade for commodities like saffron or pistachio with which we have comparative advantage as far as the quality of product is concerned along with plans of other entities to make the production cost of them internationally competitive, these markets will be interacting with their global counterparts in a competitive atmosphere. It helps the country to make the most out of the assets and natural resources it's endowed with. Reading through pages of this volume of IME's English quarterly, you will get involved in detail with IME's latest measures in summer in order to pave the way for more and more traders to enter Iran's commodity market as easily as possible using modern financial tools that facilitate trades of commodities for all.

Spot Trades Pave the Way for Futures



In the last two years IME's effort has been geared towards development and expansion of its market. Launching options on gold coins, launching certificates of deposit for maize, saffron, barley and gold coins, listing new commodities, holding panels for agro-products and increasing offering volume for agro-products are but a few in line with IME's strategies to expand its existing agricultural market. However, for IME this is only a beginning and IME has the plans to establish futures trades on saffron and other products this year. It's common knowledge that all over the world commodity exchanges offer products with the highest rate of consumption in their countries. For example, China is the biggest consumer of steel; hence its exchanges are platforms for highest amounts of steel trades. In fact, exchanges there are helping the market as means of price discovery and serve as mechanisms for bringing about transparency. If it had not been for the development and expansion that China's exchanges experienced earlier, they would have to follow prices set by foreigners such that Chinese would have no say in discovering prices for products they purchase. The same story is true about Iran; that is to say we need to be the price reference for commodities produced or manufactured in Iran and the merits of which actually outweigh those of the same commodities made in foreign countries. We have to come to a point that the prices for such products are set in Iran within the bounds of a transparent market. On the other hand, after the global financial crisis in 2008, economists came across to the conclusion that the crisis was rooted in securities issued based on no concrete or real economic activity. From then on, there has been a change in their approaches to investment. In fact, they believe that instead of investing in rates market players should invest in real and existing produced or manufactured commodities. Such a philosophy led to the development of securities which are issued based on real commodities. Commodity funds were developed and promoted over the world from then on. In line with that, in Islamic countries Standard Parallel Salam contracts were launched. Both these tools are used for investment and financing. Certificates of deposit are also issued based on the

inventories of warehouses which increase the liquidity of stagnant commodities stored in them. For example, farmers can store their products in a warehouse listed in IME and receive a receipt (certificate of deposit) which is considered to be a security tradable on IME via a registered broker the farmer chooses. Certificates of deposit could be also put up as collaterals to receive facilities from banks. In view of that, IME selected saffron and pistachio as two agro-products we are good at. We have so far launched certificates of deposit (warehouse receipts = warrants) on saffron along with running its spot market on IME: a chain which is about to be completed with establishing saffron futures market. We are about to prepare the groundwork for doing the same for pistachio, with Iran as its biggest producer in the world, taking the first step with continuous offering of it on IME. After that, CDs and futures will be launched on this product as well. The reason why IME is taking such measures is to establish transparent markets for these products in which real prices are discovered via a fair mechanism based on the fundamentals of supply and demand, as we believe the financial instruments of commodity exchanges, which are also used in IME to fulfill such purpose, have been tested widely around the world over years, leading to desirable results. A strong spot market on the above-mentioned products is the preliminary step for establishing a successful derivatives market on them; a spot market on which these products are supplied continuously with buyers constantly available to guarantee the depth and the liquidity of this market. To reach this goal I believe that "Certificates of Deposit" is the best means as it provides an opportunity for those who would like to hedge themselves against price volatilities of such products as well as those who are inclined to enter the market with the aim of speculation. With these market players and their money circulating in the market, we will be witnessing a strong spot market for such products, reviving the hopes for launching futures markets on them, which in turn, leads to IME becoming the global price reference for these products. In fact, you can claim to be the price reference for a particular commodity only when in its market both sides of the trade are playing in the same ground with fixed game rules governing their activities; a market which guarantees the benefits of both sides. As long as trades are done outside the mechanism of the exchange traded contracts, we would not have official prices which could be quoted by references one can trust. Unfortunately, one of the blocks in the way of trading commodities on the platform of exchanges is the conviction that exchanges pave the way for destructive activities of speculators. The thing is, such people exist in the society and do their best to make money using price changes occurring in markets under different names rather than speculation. I believe that we can lead the capitals in their hands towards regulated and organized markets of IME and convert their activities to constructive middlemanship using the supervisory mechanisms of the exchange and make them trade within the bounds of IME's financial tools in order to make their trades as transparent as possible such that their trading volumes and values are clearly stated in documents and could be easily traced. Anyways, IME is taking the initiatives necessary to overcome the problems and prepare the groundwork for establishing standard warehouses which provide the necessities of issuing certificates of deposit as the preliminary step to launching liquid and strong spot markets for agricultural commodities. This chain of activities will end in launching deep and functional futures market for such commodities on IME and help this entity to play its major role in the country's capital market and that is price discovery within a transparent and fair environment and becoming the price reference for selected commodities.



IME's General News



Visiting IME, Minister of Justice of Iran Stated: Business Turnover in Transparent Environment of IME

The country's justice minister by attending Iran Mercantile Exchange declared the IME's financial market as a clear and targeted market and by stressing the serious determination of the 12th government to fight corruption, proclaimed transparency as the main pillar in realizing a healthy economy and said that introducing a clear and transparent market is essential. Of course, we must be diligent to know more about it. Because this market is still unknown to some individuals and authorities, and our goal of these meetings is to recognize it deeply and to help the health of the country's economy. Mostafa Pourmohammadi, expressing that the IME is the main pillar of the health of the country's markets, said that Iran Mercantile Exchange, as a market with clear and transparent prices, is the key to planning and trying to fulfilling the health of other commodity markets of the country, because planning, continuous communication with manufacturers, institutions and important companies such as banks, private sector and other organs can expand this transparency and become a model for other sectors of the economy. He appreciated the deep-seated developments and reforms that have taken place in recent years on the IME, especially in the strategic commodities sector such as agriculture and stated that the significant progress made by the IME in the agricultural sector shows that this market has taken a good approach. Of course, if some of the existing troubles and obstacles can be surmounted, we will surely witness significant growth soon. Pourmohammadi, emphasizing on the IME's transparency, considered the advertisement for IME as an important thing and added that the most important point to note is the health and transparency, and we are proud of this great advantage. He said that once a clear market is transparent, the level of supply and demand and its logical profitability is obvious for all, as a result of the healthy and up-to-date trading process of the market will help the business to be transparent and to balance the prices. It is in the interests of both the manufacturer and the consumer and we hope to continue with this trend.





Exclusion of Acceptable Commodities on IME from Enforcement of the Pricing Rules

Dr. Shapour Mohammadi, chairman of SEO, in a meeting with Mostafa Pourmohammadi, the Minister of Justice of Iran, discussed the IME's role in Iran's economy and financing businesses and corporations in a transparent trading groundwork. The meeting was held in presence of Mostafa Pourmohammadi, the Minister of Justice of Iran, Mehdi Amiri Isfahani, the chairman of Suspending Organization of Iran and the Minister of Justice deputy, Shapour Mohammadi, chairman of the Securities and Exchange Organization (SEO), Hamed Soltaninejad, CEO of IME, and a group of IME's senior managers.

Price Discovery through Mechanism of Matching Supply and Demand in IME

During this meeting, the Minister of Justice of Iran outlined IME's advantages in the economy and stressed that from a logical and economical point of view and aiming at price stability for various commodities we need to recognize

IME's potentials and the government must approve IME's authority in price discovery for all commodities based on the mechanism of matching supply and demand. Mostafa Pourmohammadi highlighted that the trading turnovers of Iran must be taken place in a transparent atmosphere and the IME provided this groundwork. In addition, transparency in the market will provide more stability in prices and will facilitate license issuing system for importing enough and sufficient commodities in the country.

IME's Major Privilege, Transparency and Stability in Prices along with the Elimination of Economic Rent

Chairman of SEO, over this meeting pointed to the IME's role in creating more transparency and price stability along with the elimination of economic rent and stated that according to the Article 18 of the Law for Development of New Financial Instruments and Institutions and in line with facilitating implementation of general principles of Article 44 of the Constitution, the government is obliged to exclude acceptable commodities on IME from enforcement of the pricing

rules, so that through this transparency in the market speculation on various commodities has reached its minimum. On the variation of commodity being offered on IME, Shapour Mohammadi emphasized that we do not have any restrictions on offering the commodities, so that, according to the conditions in the instructions, various commodities can be offered on this market. In other words, different commodities can be traded on IME provided that the offering is continued by the supplier and that they are homogeneous and have the necessary standards. Regarding the possibility of market adjustment for chicken in the country via trading day-old chicks on IME, the chairman of the SEO said that one of instances of price stability provided by IME is trading day old chicks that in case of development, it will help supplying chicken at the reasonable prices in the country.

IME's Collaboration with Suspending Organization of Iran

Over this meeting that was held in IME, Hamed Soltaninejad considered trade of commodities on IME as one of the instances of network sales and said that regarding the network sales and in some other areas we are negotiating with Suspending Organization of Iran to provide the groundwork of trading through network sales on IME and with high transparency in terms of pricing. CEO of IME, presenting a history of the activities of this company in the capital market of

Iran, described the performance and role of IME in transparency of transactions and prices of various types of acceptable products and commodities in the market and its position in the capital market and provided trade statistics in different markets on IME. Then he pointed to the elimination of the economic rents on commodity market through IME's transparent mechanisms and stated that the IME's total trade value reached to the 810,000 billion Rials over the last year which is the highest level during the IM's activity. In other words, this value accounts for 6.5% of the total GDP of the country.



IME Signing MOU with Headquarters of Fighting Smuggling of Goods and Currency

On Tuesday, July 25, 2017, in the presence of the two institutions' senior managers, a memorandum of understanding was signed between Iran Mercantile Exchange and Headquarters of Fighting Smuggling of Goods and Currency. In this meeting which was held in Headquarters of Fighting Smuggling of Goods and Currency, about signing this MoU CEO of IME stated that one of the IME's major missions is to establish regulatory infrastructure for regulatory authorities such as Headquarters of Fighting Smuggling of Goods and Currency so that these institutions can play part of their roles through IME's groundwork. Hamed Soltaninejad added that the important issue is that monitoring requires information and instruments, and the IME in addition to providing comprehensive information to the regulatory authorities in order to prevent out-of-network sales and smuggling of goods in the country, can design and set up the required instruments. He stressed that, of course, in any regulatory debate and in bilateral exchanges, many considerations are not taken into account, but when the exchange steps up, the interests of both parties are met and the transparency debate is fully respected; in these conditions not only the systematic access will be provided through IME, but also the required information will be provided for the regulatory bodies. Regarding signing the MoU between IME and Headquarters of Fighting Smuggling of Goods and Currency, he said that by signing this MoU and exchanging information under this memorandum

the conditions for carrying out the necessary measures to prevent the smuggling of some derivatives of oil such as bitumen, tax evasion and money laundering issues will be fulfilled.



Completion of the Country's Oversight Cycle with IME's Contribution

During the signing of the MoU between the headquarters and the IME, the head of «Headquarters of fighting smuggling of goods and currency» also pointed to the transparency process and the possibility of providing observable information through IME and said in the issued regarding smuggling of goods and currency, we have reached a general principle that, if we give priority to the transparency in the various processes including trade and the purchase and sale of goods and currency, a large part of the problems that lead to corruption or smuggling will be solved and will prevent potential violations. Habibollah Haghighi emphasized that in this area, IME is among the systems that lead the process of providing information and buying and selling of goods toward transparency and provides the possibility of reviewing and monitoring of information Habibollah Haghighi emphasized that in this area, IME is among the systems that lead the process of providing information and buying and selling of goods toward transparency and provides the possibility of reviewing and monitoring of information from the beginning to the delivery of goods. He stated that in order to provide services for Headquarters of fighting smuggling of goods and to complete the regulatory cycle, there are some steps that can be taken from the capabilities and access of the IME. In this regard, effective measures have been taken to sign this memorandum, which we hope will help to provide better and more effective outputs in the area of the process of conducting the missions of the headquarters.

Developing and Boosting Commodity Markets by Creating Commodity ETFs



Trading in secondary market of the Lotus Gold Fund as the first gold-backed investment fund was initiated in IME with the presence of Hamed Soltaninejad, CEO of IME, Ali Teimuri Shandi, CEO of Parsian Lotus Investment Bank, and a team of senior managers from two companies. During the ceremony of starting trading in secondary market of the Lotus Gold Fund, which began with the gold symbol, CEO of IME outlined the benefits of entering commodity ETFs into the gold sector, and said that covering the effects of inflation is one of the most important functions of the fund, and all activists seeking to cover the risks of inflation can use this fund to enter the gold market and invest in it. Soltaninejad described the second function of the fund in its high liquidity, and the possibility of online trading provided by Parsian Lotus Investment Bank as the director and market maker as another advantage of this fund. He added that high security is another important thing that investors in the gold sector pay special attention to. Because in this new method of investing in securities the possibility of stealing or forging documents is zero, establishment of commodity ETFs is a strategy that contributes

to the security of investment, while in direct investment there are some safety issues. He pointed to the tax exemption for investment in these funds as an important point for investors in gold and said that by the launching the fund and the starting its secondary trading, the puzzle pieces of investment in gold on the IME were completed so that after launching the gold coin futures contract in 1387 Hijri (2008) and offering Certificate of Deposit for gold in 1394 Hijri (2015), these funds in the gold area are added to the instruments in the capital market and a modern hedging market was created based on gold. CEO of IME pointed to the real investors that have significantly welcomed the fund and said that in the initial public offering, real investors welcomed highly the first gold-backed investment fund; so that 41% of the fund's investors in the initial public offering were real persons, and during the first day of its secondary trading we also witness the presence and participation of 13% of the real investors. He added that this is very promising for the development of this instrument and suggests that there is a great deal of genuine interest among real investors in the market and emphasizes the high capacity of the IME to develop this instrument. Soltaninejad pointed to the amount of capital attracted to the fund at the time of initial offering and stated that the value of the underwritten units in the initial offering with the consideration of the capital of the preferred investors was more than 168 billion Rials, and it can be increased up to 1000 billion Rials.

Feasibility of Cooperation between IME and DigiKala to Define Comon Markets



During summer, senior executives from Iran Mercantile Exchange visited DigiKala, an active website in the field of e-commerce, discussing the feasibility of bilateral cooperation, supporting domestic production and defining common markets. During this visit, CEO of DigiKala presented the website's activity and marketing strategy with a look back on the history of its start-up and about how to develop its market share in the country as well as the region. Referring to the visit statistics and daily purchases by users of this website, Mohammadi said that e-commerce companies are willing to cooperate with and buy from this Iranian website and stated that currently, the DigiKala has about 3.5 million fixed users, accounting for an average of 1.5 million daily visits. Considering the upward trend in the number of visits since the beginning of the website's activity and in comparison with its global peers in this field, it can be seen that the trend diagram of the growth rate of website visits among its global peers in this area is a good trend. He added that according to the positive trend and based on the Economist magazine's report in 2014, the site was ranked first in Iran's Internet commerce with capital of 150 million USD.

IME' s Appetite for B2B Model

During this meeting, while appreciating the knowledge based services, taking into account the public interest and providing confidence for customers and users, CEO of IME talked about the possibility of exchanging information between the two companies. Hamed Soltaninejad referred to IME's tendency to get the business model of the DigiKala in a win-win environment (B2B) in the economic area of the country and said even though the IME is progressing towards being price reference in the commodity area, it must simultaneously develop its business in the area of e-commerce, too. He added that accordingly, IME should be able to provide in the area of business, services that are currently offered on the DigiKala. But before that, the executive management infrastructure needed to

be provided. He pointed to focusing on the supply of Iranian commodities and institutionalization of domestic product support and consumption, and said that if DigiKala supplies more Iranian goods, it would be better to support domestic production, and this website can be more effective in fulfilling its social mission.

The report added that during the meeting, managers of IME and DigiKala agreed on the feasibility of establishing a link between the two sets and increasing cooperation to participate in the field of e-commerce and contribution to domestic production, so that in a three-month timeline the necessary investigations will be done and limitations and common points for cooperation will be discovered and results will be evaluated.



Financial Tools Operational in Housing Market this Year



CEO of IME said: "Connecting financial tools of IME to the real estate, we will lead the small capitals to the housing market and help to overcome the slump in this market." Hamed Soltaninejad said: "Financial tools in IME can convert the capitals of the estate area to productive capitals and prevent them from being stagnant. He continued: "This method helps the estate market to get rid of slump since these tools enable people to invest in housing and estate for a certain area with any budget they have. This is how capitals, even small ones, are led to the estate market." He said: "There have been some negotiations in this regard with the estate agent unions and housing investment centers so as to connect the IME's financial tools with the estate; in this way, the person who tends to control the risk of housing price growth in the

country or decides to buy a house for his child in the long-term will be able to take the advantage of IME tools in addition to the other existing solutions in this regard. The CEO of IME added: "SALAM contracts are the sales which are done in the format of securities; this means that people with a certain number of securities can have an estate with a certain area. We hope to finalize our agreements with the decision makers of this field and start to offer these financial tools before the end of this year." Soltaninejad also said: "we provide the required conditions and educational training courses to the housing and estate activists if they cooperate with IME." Soltaninejad also stated: "The present activists in this market are the ones who play the key role, so any investment made or action taken to control the estate price fluctuations can happen with the help of Iran Mercantile Exchange."



10% Tax Exemption for Car Manufacturers Entering IME

Chief Executive Officer of IME said: "The car manufacturers who offer their cars on IME can benefit from a 10% tax exemption. Hamed Soltaninejad added: "The suppliers who seek transparency and offer their products on IME will have motivations, such as 10% of tax exemptions. He continued: "If car manufacturers fancy benefiting from the commodity exchange, they should continuously offer their cars on IME so that customers could enter this market as a reliable one. CEO of IME finally stated: "Car long-term market or SALAM market will be soon functionalized on IME so that the people who wish to cancel their car purchase and return their securities would face no problem." Soltaninejad also continued: "This way, other people could easily replace such customers, and the problem that many people are dealing with right now will be resolved."

Decentralized Fashion of Trades on IME by Putting an End to a Command Economy with a Fixed Price System



The director general of the organization of industry, mine and trade of Tehran province said: "In spite of the progress and initiatives in recent years witnessed in IME, industries have not been able to avail themselves of the fund raising opportunities of this entity; a measure high on the agenda presently. Mohammad Reza Mesforoush, pointing to the vital role of financial instruments in fund raising for industries, said that there would a meeting session with IME's officials to investigate IME's capacities for manufacturing companies in this regard. In modern economies making use of newly developed financial instruments is an inseparable factor in fund raising for investors, for which IME stands out as one of the main solutions

Replacing Fixed (Controlled) Price System with IME's Price Discovery Mechanisms.

With regards to the demands of a free economy and leaving behind the governmentally-controlled pricing system he continued that with huge advantages of IME in fair price discovery based on a transparent market economy, we should gear our efforts towards exempting commodities, which do not need their prices to be administered by the government, from controlled pricing system. He reiterated that previously the organization of consumers and producers protection had a say in determining prices of all goods but currently things have changed. With remarkable measures IME has taken in offering various commodities and establishing price discovery mechanisms based on the fundamentals of supply and demand, there is no need for old trends and lots of commodities could be exempted from the controlled price system

IME Pays its Fair Share of Contribution to Ending Monopoly.

As a reply to why there is some resistance, even from the ministry of industry, mine and trade to offering special commodities on IME, the director general of the organization of industry, mine and trade of Tehran province said that the problem is rooted in the distribution of some commodities of our country, which is still in the hands of governmental and semi-governmental entities, as well as their limited production and the monopoly in their markets. Due to that some are concerned that big producers might manipulate the market to their own benefit through distorting the balance in supply. In the end, Mesforoush one again emphasized on the role IME can play to make a way out of the lingering monopoly which is resistant to a transparent trading atmosphere and to losing its position.



Traders in Dire Need of Risk Coverage for Exchange Rates Volatilities of Foreign Currencies

Salehabadi, Managing Director of Export Development Bank of Iran, insisting on the urgency of establishing an insurance policy for traders against exchange rates volatilities of foreign currencies said that launching a currency derivatives market could be a solution to maintaining the stability of the financial system. Salehabadi was quoted as saying by IBNA News Agency that foreign currency exchange rates, especially for main and frequently used currencies, have a significant impact on various sectors of the economy and carries a lot of weight in determining the production costs for commodities whose raw material are imported from foreign countries.

On the other hand, he added that quite contrary to the common assumption that rates of foreign currencies has nothing to do with production cost of manufactured products whose raw materials are also produced or made in Iran, the fact is that such volatilities affect international commodities like copper, which in turn leads to a higher production cost for numerous domestic products dependent on it. Pointing to the fact that such commodities, which are traded based on an internationally price setting system, are offered on Iran Mercantile Exchange and their imports increase means nothing but loss for domestic producers and manufacturers. A rise in foreign currencies exchange rates will enhance the prices of such commodities, which will translate into inflation in the country. Insisting on the notion that the stability of the foreign currencies market does not imply unreal exchange rates for foreign currencies, Salehabadi said that every increase in exchange rates of foreign currencies should be proportionate to inflation rate and added that thanks to the reduction in inflation rates in recent years, we have been witnessing little volatility in foreign currencies market, bringing about relative stability in other sectors of the economy. Reiterating that Iranian importer and exports are in trouble due to this shortcoming in Iran's capital market, the ex-chairman of Securities and Exchange Organization of Iran explained that these market participants will suffer a great loss when they take out loans in foreign currencies and are exposed to intolerable price volatilities as their payments are due. He continues that there seems to be no better panacea to such a predicament than launching a derivatives market for foreign currencies in a way that traders can cover their risks. It would work as a shield against such price volatilities and controls them in a rational and systematic way.





IME's International Events



Upon Signing an MOU between Iran and India's Regulatory Bodies, Indians Buy Iranian Bitumen over the Platform of IME.

The deputy of Securities and Exchange Organization in the international affairs informed about an MOU which is about to be signed between Iran and India's regulatory bodies; this agreement enables the two countries to buy and sell a number of their products over their commodity exchanges. Bahador Bijani said: "Tomorrow on the 10th of August, an agreement will be signed between Dr. Shapour Mohammadi, the head of Iran's capital market supervising institution, and Shiri Ajai Tiagi, his Indian counterpart." He added: "This agreement can be an important step taken towards the joint targets and projects between our commodity exchange and theirs." Bijani also mentioned that bitumen is a great strategic product whose purchase from Iran is of high significance for India; he added: "Signing this agreement, Indian customers will be able to buy Iranian bitumen from the IME's board." He said that one of the most important advantages of this agreement is the elimination of unnecessary middlemen from bitumen market; he explained: "Considering major proportion of Iran's bitumen is purchased by India, we can play a key and more effective role in the price and quality of this product's extra value when this agreement between the regulatory bodies of the two countries is signed." The deputy of the securities and exchange organization in the international affairs referred to this point that the Indian government has approved of this agreement; he said: "Iranian bitumen will be





“Considering the fact that the major proportion of Iran’s bitumen is purchased by India, we can play a key and more effective role in the price and quality of this product’s extra value when this agreement between the regulatory bodies of the two countries is signed.” The deputy of the securities and exchange organization in the international affairs referred to this point that the Indian government has approved of this agreement; he said: “Iranian bitumen will be sold based on a protocol that the commodity exchanges of both countries will finalize. Besides, Iran and India commodity exchanges are going to give priority to bitumen export in their mutual cooperation.” Bijanii also continued: “For bitumen conference held in India a short while ago, the IME’s authorities traveled to that country and attended some meetings with the regulatory body and discussed more details regarding this project. Accordingly, it was assigned for the exchanges to create a platform where bitumen can be directly traded so that the dealers would be eliminated and the product’s quality would not be affected badly.” An Indian board had a meeting in Tehran hosted by the IME last autumn; then, they got familiar with the function of the IME and its position in the country’s capital market, its performance in the recent years, and also the different types of trade markets.

Iran and India's Capital Market Regulatory Bodies Sign MOU to Facilitate Collaborations

The agreement of product sale and purchase in Iran and India's capital market regulatory bodies has been signed at the presence of Dr. Mohammadi and his accompanied board. The regulatory bodies of Iran and India's capital market signed an MOU regarding the sale and purchase of products in both countries' commodity exchanges. This MOU was signed in India with the presence of Dr. Shapour Mohammadi, the head of Iran's capital market supervising institution, and Shiri Ajai Tiagi, his Indian counterpart.

Based on this agreement which has been approved by the Indian government; the purchase and sale of a number of products including bitumen in the commodity exchanges of the two countries have become possible. According to this agreement, Iran's bitumen will be sold based on a protocol the commodity exchanges of the two countries will finalize. In addition to this, Iran and India's commodity exchanges will put the bitumen export issue in their mutual cooperation's priorities. Besides, as bitumen is a strategic product whose purchase from Iran is of high significance for India, Indian customers will be able to buy Iranian bitumen from the IME's board due to this agreement. Dealers' elimination from bitumen market and the two countries' more active and clearer role in setting the prices and also the quality of this product are the other merits of this agreement. According to Bahador Bijani, the successor to the head of stock and securities organization in the field of attracting foreign capitals, the mentioned agreement has been a conspicuous step towards the joint targets and projects between Iran's commodity exchange and the India's two commodity exchanges. At the end of the ceremony, Dr. Mohamadi invited the head of India's capital market regulatory body to Iran so that they could practically start the trades and mutual cooperation which they had agreed on.



Iran and Greece Trade Commodities on the Platform of IME



The head of Majles economic commission informed about Iran and Greece economic joint commission and commercial council. Mohammad Reza Pourebrahimi Davarani said: "Iran and Greece economic joint commission and commercial council follow up their economic cooperation in different fields, such as trade of stocks and commodities through IME. Besides, some agreements have been made to ease Iran and Greece banking relations, tourism, and also marine

transportation and shipment. In regard with the outcomes of some Majles economic commission members' travelling to Greece, he added: "on this trip, economic commission members visited the parliament vice-president, the deputy of foreign affairs minister, and some economic activists of this country." Kerman and Ravar representative to Majles continued: "There were some negotiations and consultations with the Greek Parliament vice-president which led to the agreement regarding the

foundation of Iran and Greece joint commercial council. The head of Majles economic commission also in regard with granting credentials to the new Greek ambassador remarked: "Owing to the negotiations in the meetings with Greek authorities, the required actions related to the prompt credential provision to the new Greek ambassador will be taken; this can surely have a great effect in easing mutual economic relations between the two countries.



Agricultural Trading Floor of IME



In Cabinet's Meeting Headed by President Rouhani, It Was Approved and Agreed to Offer Maize, Barley, and Rice in Supportive Price Plan Contracts on IME.



On Wednesday meeting, the board of ministers headed by President Rouhani agreed with performing the supportive price policy for some products, such as maize, barley, and rice, increasing the trades' transparency, reducing the government's financial duties, and increasing the farmers and consumers' satisfaction by offering maize and barley all over the country and rice (only in Gilan and Mazandaran) on IME. Budget and planning organization of the country was assigned to pay the difference between the prices on IME's board and the mentioned products' supportive prices in

addition to the trading fees of IME separately from the approved credit sources in the budget law of the year 1396 of the country. The board of ministers also assigned the ministry of economic affairs and finance and securities and exchange organization of Iran to prepare and strengthen the required infrastructure for the agricultural products entering the IME with the agriculture ministry's coordination. Iran's central bank also was assigned to provide 7 thousand billion Rials of loan through the national banks to the country's

livestock supportive company; this company was also permitted to pay the difference between the supportive price and the trading price on IME if it is approved by the budget and planning organization of the country.

Furthermore, the cabinet board agreed to allocate 3,187,780,000,000 Rials of credit and bank loans to compensate for the losses and rebuilding the infrastructure installations and other sections damaged in Northern Khorasan earthquake in the same meeting.

With the aim of welfare improvement and living standards promotion for inhabitants on borders, eradication of poverty in these regions, and keeping the population of those regions in their own areas through boosting the activities of the border markets, the board of ministers agreed with the suggestion offered by the ministry of industry, mine, and trade to develop some joint border malls, eliminate the inactive malls from the list of the joint border malls, and also merge the neighboring malls with the operative customs.

In accordance with this directive, Tilekouh border mall in Kermanshah province, and also Shahabi and Chilat malls in Ilam province which have a shared borderline with Iraq will be developed. In the end, the board of ministers determined the industrial-commercial free zones' limits of Enche Boroun, Mehran, Ardebil, Sistan, Baneh, Marivan-Jasak, Boushehr, and Ghasr Shirin.

IME to Trade Pistachio on Export Ring

In a meeting with the aim of expanding and regulating domestic and international trade of pistachio which was attended by the Governor General of Kerman Province, CEO of Agriculture Bank, Head of the Economic Commission of the Parliament, CEO of Iran Mercantile Exchange and the Kerman Province's Representatives to the Parliament held in the headquarters of the Agriculture Bank, it was stipulated that the Agriculture bank tap into its potentials to cause an upswing in trades of pistachio on the platform of IME. The meeting revolved around the importance of the boost in trades of pistachio on IME and its role in making the prices real, eliminating unnecessary middlemen, necessity of preparing the groundwork for pistachio exports and the export-oriented approaches to its production. It



was also decided for a meeting session to be held under the supervision of the National Development Fund of Iran with the presence of the province's representatives and officials of the



Agriculture Bank in order to discuss Exports Financing especially for the agriculture sector, with a focus on pistachio, as well as the purchase rates for pistachio, maximum amount set for the line of credit for pistachio in harvest time and how and where the credit is used. Also, it was stipulated that this line of credit for purchase of pistachios be specified by the agriculture bank to the buyers from IME's trading board the amount of the line of credit, which is to be provided from internal resources of the bank, be notified in a session by the management team of this bank in Kerman Province. In addition to that the Agriculture bank is to take the necessary initiatives in order to facilitate the process of pledging the collaterals pursuant to the listing of IME's warehouses with the Central Securities Depository of Iran. Moreover, warehouses of Rafsanjan Pistachio Cooperative and Sirjan Pistachio Cooperative which have already gone through most of the listing procedure are waiting for the pledging of collaterals and will take care of the rest of the process. One of the outcomes of this meeting session was the Pistachio Commodity Fund which was decided to be launched as a basis for running trades of pistachio certificates of deposit. It is now on the agenda for the Agriculture Bank with

the Agriculture Brokerage responsible to follow the projects in coordination with Iran Mercantile Exchange. The Agriculture Bank is also to announce the engagement of all its branches (especially in Keraman, Sirjan, Rafsanjan, Ravar and Zarand Cities) in this project so that pistachio producers and purchasers can refer to them as to trades of pistachio on IME and the commodity fund IME has established on pistachio. On the other hand, the Borna Gostaresh Tejarat Company (a subsidiary to Agriculture Bank) has been appointed and introduced to the market participants as the buying agent of the agricultural products of the province in the harvest time of pistachios and has been provided by the necessary funds as to it by the bank. Officials of the province have been asked to introduce more buying agents to the Agriculture Bank for going through the credit evaluation process in order for receiving internal credits for buying during the harvest time. Kerman Province officials were also obliged in this session to provide IME officials with the standards for a few mass-produced types of pistachio which are highly liquid in order for IME to finalize the process of pistachio trades on its export ring along with launching trades of certificates of deposit on this agro-commodity.





Financing 200 Billion Rials for Poultry Industry through IME

On Wednesday, July 19, 2017, the first standard parallel SALAM contract for frozen chicken was issued by IME to provide financing for the poultry industry. The standard parallel SALAM contracts for 12,740 MT of frozen chicken equal to 137,080 contracts, each 20 Kg, were offered by Behparvar Aria Industrial Food on IME and all contracts were traded at the base price of 1,459,000 Rials. The first standard parallel

SALAM contract for frozen chicken was welcomed by customers and by trading 137,080 contracts, 200 billion Rials financing was provided for the poultry industry through IME. The standard parallel SALAM contract for frozen chicken is the first SALAM contracts issued by the poultry industry on IME which has been published by Behparvar Aria Industrial Food, and the listing advisor and the

underwriter of these securities is the Omid Investment Bank, and this offering is made by the Pishgaman Behparvar Brokerage Firm and through IME. The securities are held in the customer's name and are tax-exempt and have a 21% rate of return and a 20% market rate, with a maturity of one year and the physical delivery date one month after the maturity date, maximum.



IME's Plan to Optimize Agricultural Trade Using its Financial Instruments



CEO of Iran Mercantile Exchange considers financial instruments used in IME as the essential requirements of optimization of trades in the agricultural sector of the economy so that the producers of the sector will be able to predict market conditions and market trend in future. These instruments could also function as a means to raise funds for farmers to meet their financing needs by selling their produce before harvest. Hamed Soltaninejad, CEO of IME also added that in recent years there has been twice as much agricultural products listed on IME as compared to the past; strategic commodities which have led to a boost in trades of agricultural products on IME both qualitatively and

quantitatively. He continued with giving figures as to trading value of agricultural commodities all over the country, being 270 thousand billion IRR, which is a great potential per se, yet with some threats. CEO of IME pointed to the fact that the unstable condition of the agricultural market in recent years has left farmers disadvantaged as to prediction of market fluctuations, leading to such a disappointment among them. He expressed hopes that via financial tools available on IME it's possible to eradicate this atmosphere of despair if the relevant officials show enough determination in this regard. Soltaninejad insisted that unlike before, facilities should be directed towards trading of agriculture sector

rather than its production; otherwise the production would be faced with lots of issues when trades are in bad conditions. Among the other issues which seemed to be of critical value to Soltaninejad was the quality of products which he stated would witness a better condition for products of low quality through implementation of supportive price policies of Iran Mercantile Exchange.

A Booming Market for Pistachios at Harvest Time

Pointing to the developmental approach of IME towards agricultural products, Soltaninejad added that pistachio is among the commodities listed on IME during the last year and at its harvest time this year IME will establish its market and we will be witnessing trades of pistachios on its agricultural market. Soltaninejad said that pistachios could be traded within certificates of deposit on IME. This way, IME will have warehouses listed across the country in which pistachios could be deposited with standard specifications. Producers will receive a certificate of deposit (or warrant) based on the amount and type of pistachios they have deposited in the warehouse and sell the certificate on IME. He added that the other way to trade pistachios on IME would be through agents or market makers. They are well-known and trusted people who help the farmers with harvesting their produce. Naturally, they will be in need of

facilities to do the job, which is provided partly by the Agriculture Bank and partly by the National Development Fund. He continued that the funds specified by the National Development Fund to exports of pistachio will be released in the form of discounting LCs as trade of pistachio without these funds would be a difficult task.

IME to Offer Dates on its Agricultural Trading Floor

Saying that IME will be offering dates on its agricultural trading floor, Soltaninejad insisted on the fact that standardization is of crucial importance for these products. He continued that such products are offered on IME with the aim of price discovery so that the farmer knows at what price they should sell their products and can also predict the market given that at the harvest time there will be middlemen in the market with their destructive impact. IME Planning to Become the Price Reference for Saffron Pointing to two graded of saffron from Khorasan Province which have been listed on IME, Soltaninejad expressed hopes that IME will be the price reference for this commodity. He also referred to unpicked fruits which are not durable in warehouses and the possibility of trading them on IME within long term contracts so that the farmer can sell them on an integrated market, which will be very beneficial to farmers.



2018, Year of Wheat for Iran Mercantile Exchange

Soltaninejad continued referring to implementation of article 33 of the Law of Increasing Productivity in Agriculture Sector and said currently in line with this article of the above mentioned law the whole maize and barley produced in the country is traded within supportive price policy and the same policy is being applied on wheat but within a pilot scheme. He also said that in conjunction with the Government Trading Corporation of Iran there are numerous meetings being held with the market participants of both private and governmental sector so that the whole country's wheat produce be traded on IME within supportive price policy contracts in 2018. He reiterated that making use of financial instruments of IME like futures, Slam contracts and forwards gives framers the advantage of predicting the future and helps them feel much more secure when trading agricultural products.

IME Retains Standing in Global Market via Modern Financial Instruments

With regards to strategic commodities Soltaninejad focused on the fact that such commodities like saffron and pistachio which bear strategic importance to the economy of the country are needed to be offered on IME so that they can enjoy the merits of financial tools of IME. This way IME can pay its share of contribution to the development of such commodities with data dissemination which it provides on them. He also pointed to day-old chick offered on IME as one of the basic commodities in agriculture sector, which plays a pivotal role in chicken production chain. He said that market fluctuations for this item will be predictable if the prices for it are discovered on IME. Although day-old chicks are produced in the private sector, they are better to be offered on IME so that they undergo the fundamentals of supply and demand for price discovery. He continued that some producers of day-old chick are offering their products on IME's side market and we are preparing the groundwork for them to be able to offer them on IME main floor; a measure with big effects in preventing the presence of unnecessary middlemen and undesirable price fluctuations. He added that continuation of offering this commodity on IME will lead to a balanced market for chickens and chicks.

Animal Farmers will be able to Predict the Market

Pointing to the importance of dairy products, Soltaninejad said that offering them on IME will give the farmers the power of prediction as to the market, which plays the role of a strong dam against their losses. Long term contracts would be very beneficial in this regard and we hope that we will be able to plan for such a market on IME for products like mike with the cooperation of officials of the Ministry of Agriculture Jihad. In the end, CEO of IME elaborated on the trading figures of agro commodities on IME from 21st of March to 18th of August 2017. He said that IME showed a 20% growth in trading volume and a 13% growth in trading value as it sold 147,000 tonnes of agro products valued at 14 thousand billion IRR within the period on its agricultural trading floor.

Completion of the Chain of Wheat-based Products Offering on IME

The CEO of IME said: 'In the chain of the products which are based on wheat, the market's function has always been an issue; and if any support is going to be given in this regard, it must be in the frame of the market mechanism so that enough consideration is given to the quality of wheat and the products made of it.' The CEO of IME said: 'since the listing of flour in the exchange, the quality difference among different types of flour will be recognized and the flour with higher quality will be offered at a higher price.' Hamed Soltaninejad added: 'To complete the chain of products made of wheat, 10,000 ton of flour produced in one of the most well-known factories will be offered on IME for the local market's use.'

He continued: 'the supplied flour could be used in private bakeries and confectionaries.' He also said: 'All organizations and institutions can refer to the IME and buy flour after receiving their trade code; one of the main merits of this offering is the possibility of a distinction between flour of various qualities the different qualities in the products.' Soltaninejad stated: 'This is how the quality of bread and the downstream industries undergoes some changes based on the flour they use; as a result, a new market mechanism will be defined which sets the price based on the quality.' The CEO of IME insisted: 'With the entrance of this product to the exchange, it seems as if we are witnessing a complete chain of the products which are related to wheat on IME.' Soltaninejad added: 'The base price for this flour will be chosen based on wheat's common price and the competition in the market; if all buyers attend the competition on the platform of IME, we can surely have a real and fair price.' He remarked: 'The whole wheat consumption is 2,500,000 ton which is totally converted to flour (this consumption excludes the governmental bakeries); we can claim that the flour's entrance to the IME will definitely improve the downstream industries.'

There is No Legal Ban on Trades of Basic Commodities on IME

There is no legal prohibition to offer wheat on IME; and the guaranteed purchase of other necessary base products, such as corn and barley is nowadays done on IME and in the form of supportive price policy. Yazdan Seif, the directing manager of the Government Trading Corporation in his first press conference stated that the wheat is offered on IME for export; he also talked about the legal prohibition for offering of basic commodities on IME and referred to in the efficiency increase law and said: 'There is no legal prohibition for offering wheat on IME; and the guaranteed purchase of other necessary basic commodities, such as corn and barley is nowadays done in the IME and in the form of supportive price plan.' About performing the plan of offering wheat on IME, he said: 'Agricultural products' offering is done based on the efficiency increase law; and as its consequence, wheat is firstly going to be supplied in North Khorasan province, Central province, Semnan, Zanjan, and Ardebil provinces from Mehr, and then it would be performed all over the country. Seif insisted: 'Wheat guaranteed purchase only makes sense if it is bought from farmers; so we will never purchase wheat from people who are not wheat farmers; the payment for the purchase is directly deposited to the farmers' accounts. He also continued: 'Over 5 million and 158 thousand tons of wheat with the value of 6600 billion tomans have been purchased from farmers so far; 50% of the purchase value (about 3400 billion tomans) has been already deposited to the farmers' accounts, and the farmers who submitted their products before the 27th of Khordad have received the rest of their payment, as well. He added: 'Although we may face a reduction of about 500 thousand tons in the guaranteed purchase in the current year, the quality of the produced wheat is much better than the previous year which is because of the climate and an increase in fertilizers' consumption; this has caused a rise in the wheat's protein and gluten.



Planning for one million tons of Wheat Exports in Current Year

He continued: "Considering the 4% growth in the wheat's world price rate in contrast with the past that had a falling trend, it seems as if we can export Iranian wheat and its by-products better to the world's market; we have managed to receive the permission for export of one million tons of wheat and its by-products due to the production increase and our guaranteed purchase prediction which is about 11 million tons in this year. According to the facts and statistics, wheat and its by-products export has experienced 60% of rise in the last three months compared to the same period in the previous year.

Provinces Producing Most of Iran's Wheat and those Producing Highest Quality Wheat

Regarding the highest quality and quantity of the produced wheat in the country, Seif remarked: "Today, Khuzestan with 1,350,000 tons, Golestan with 1,064,000 tons, Fars with 733,000 tons, Khorasan with 291,000 ton, and Ardebil with 283,000 ton have the highest wheat production and its guaranteed purchase; and among them, Khuzestan, Golestan, Fars, Ardebil, and western provinces like Kordestan produce the best quality Iranian wheat thanks to their efficient agriculture fertilizer consumption which increases the wheat's protein and gluten. We will also make some policies to improve the wheat quality of the provinces which have low level of protein and gluten in their wheat (lower than the standard level).

He stated that the Ministry of Agriculture has been quite successful in increasing and improving the production of oily seeds like rapeseed, he said: "140 thousand tons of oily seeds have been bought from the farmers so far, after reducing their post-harvest losses; 134,000 ton has been delivered to us. Among many provinces, Golestan with 47,000 tons, Khuzestan with 18,000 ton, Mazandaran with 18,000 tons, Fars with 13,000 tons, and Ardebil with 6,000 tons have had the highest record in the guaranteed purchase list of this product. We should plan to allocate a part of the 20% wheat harvest reduction to rapeseed.

Holding a Series of Specialized Meetings on Agricultural Commodities on IME

A series of specialized meetings on agricultural products holds in the presence of officials from the Ministry of Agriculture-Jahad, managers of Government Trading Corporation, Agricultural Planning, Economic and Rural Development Research Institute, Federation of Iranian Food Association, Management and Planning Organization of Iran, and the managers and experts of Iran Mercantile Exchange. These specialized meetings are aimed at assessing the supply and demand trends, past and present price changes in base commodities, and estimating the price trends of domestic and international products in order to achieve greater efficiency in the market management on the IME. The meetings also focus on the more effective participation of the private sector as well as the review of the implementation of Clause

A of Article 32 of 'the 6th five-year development plan and the elimination of barriers to the participation of the public and private sectors in the field of agricultural commodity' on IME. The purpose of holding such meetings is to familiarize agricultural market players with the process of supply and demand for agricultural products in global markets and on the IME. Also, IME's new financial instruments and the experience of world commodity exchanges in applying supportive policies in agricultural sector were also introduced at these meetings. On the other hand, on each meeting, of the IME's Market Development and Economic Studies department presents the price bulletin and the trend of prices for agricultural products in the domestic and global markets.







Metal and Mineral Trading Floor of IME



IME to Become Global Price Reference for Iron Ore

Pourebrahimi, the head of Majles economic commission remarked that non-governmental price-setting in important industries of the country including iron is of high significance. Mohammad Reza Pourebrahimi referred to the 12th government's settlement in the following days and requested the government to make more efforts regarding the non-governmental price setting for products and services, especially iron ore price-setting based on global indicators. The deputy of Kerman province claimed that steel companies supply their products to people and export it to some consumers at the global price; he stated: "Due to the government's interference and the subsidy paid for the raw material, the production cost of this product is less than the global rate." He continued: "While steelmakers buy raw material at a price at least 30% lower than the global price (or just a little higher than this), do steel

consumers in Iran purchase steel at a cost 30% lower than the global price?" Pourebrahimi referred to this point that iron ore price-setting depends on the global prices all over the world; he then declared: "Nowadays, the price of the concentrates delivered by the mineral companies to steelmakers is 40 to 45 percent lower than the global price; besides, the pellets price has at least 30 percent of difference with the global price; this is while some companies such as Copper company sell their products based on the global rate and the LME rate. This is why the iron ore rate stability is weird in our country and also demonstrates the government's tendency for keeping the conditions stable for the local steelmakers. He said: "If steel companies are supposed to receive cheap raw material, it is IMIDRO's duty to provide the raw material from its mines." This deputy of Majles insisted: "The

companies, such as GolGohar and Ghadoremlou which have made the country self-sufficient thanks to their high quality iron ore products including concentrate and pellet should not supply their products at subsidy costs." This member of the supreme economy council believed that



one of the main problems in the past for price-setting was encouraging the private mines to sell and export their raw iron ore; he said: 'When the big semi-governmental mines of the country supply the raw material of the steel manufactories at subsidy price and the steel companies are assured about this, steelmakers never purchase their raw material from the private sector and at its real price. Thus, there will be no choice for the private sector but to export its raw material and resist any investment. The head of Majles economic commission talked about two practical alternatives which could cause balance in steelmakers and iron ore sellers' relations; he added: 'Iron products are supplied in the internal (local) ring of IME at a price 3 to 5 percent lower than the global price and in the export ring at the global price; this is when the real private sector is present at both rings so that there would be a competition between the suppliers. The other alternative is that the compromised price between the sellers and buyers is determined based on the global price in a way that it would not lead to any tax loss for the government and damages for the provinces and the deprived regions which produce the iron ore. The deputy of Kerman remarked that iron ore mines are one of the most valuable resources in Kerman, Yazd, Southern Khorasan provinces and

their deprived regions. He added: 'These vital concerns have been referred to in the correspondence done with the industry, mining, and trade minister of the 11th government, so we hope these challenges will be overcome in the 12th government.'





“Al-Mahdi Aluminum” Welcomes Certificates of Deposit of IME

Al-Mahdi Aluminum Company has been constantly looking for an opportunity to fulfill its financing needs through IME; they expressed their interest in using the certificate of deposit after negotiations. As a result of this, the warehouses of this company located in Bandar Abbas and Tehran are supposed to be listed on IME so that they could benefit from the certificate of deposit. The CEO of IME informed about the attempts they are making to define the estate and housing indicator and the possibility of trading this highly used product based on securities in IME. He said: “One of the most pleasant features of estate and property markets is their numerous activists.”

Hamed Soltaninejad said: “A big majority of people could be the consumer, constructor, or investor in the field of accommodation; however, estate agencies are the ones who are always obsessed with the accommodation issue in their daily talks and activities. In other words, the active people in estate and housing market are making lot of efforts to activate the market and trades so that they could have a clear analysis of the current situation.

The CEO of IME referred to his suggestion to the estate agents union in regard with using the history of data and inputs for defining the accommodation indicator

on IME; he said: “Giving access to the trade website and a monitor to the estate agents, we could prepare the conditions for the sale and purchase of estate or securities based on housing.” According to him, if we want to define a basket of securities on the estate and housing so as to have a homogenous housing basket, we could gain this target with the help of estate agents and mass constructors union. Moreover, another alternative could be considering some housing and estate trades through parallel SALAM contracts or securities on housing and providing the chance of pre-purchase.

He added: “There is also another solution and that is defining some mass construction projects in the frame of financial trades simultaneous with providing the estate agents with an access to the trade website; this is how the semi-constructed buildings could be sold in advance and people’s money will be circulated in the economy without causing inflation.

This official remarked: “Although these trades on IME cannot eliminate slump, a good market with data symmetry could be created thanks to the great and eager human resources in the estate and housing area.

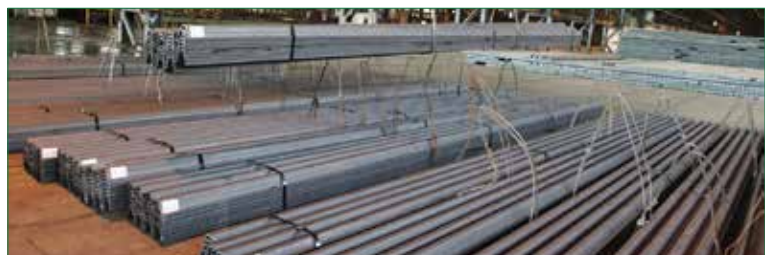
According to him, when there is a clear indicator based on a trade over one

square meter of a residential flat in an average neighborhood in Tehran, the constructors can receive money and build the flat for the person who wishes to buy one; this is while the financial mediators including estate and building investment funds could have their own part, as well. He continued: "There have been some consultations with the estate and Housing Funds Provision these days; the outcome has been the distribution of estate and housing parallel SALAM securities and housing bonds. This means that a number of investment units belonging to a project will be bought; as the number of the purchase units reaches the real value of one flat, the buyer can be provided with his flat.

Soltaninejad referred to one of the financial market features and said: "It is the financial market's feature to grow and benefit from the financial pyramid whose output is an increase in the number of market activists. Ministry of roads and city planning, university scholars, mass constructors, and also estate agents must express their views in this regard so that the house sale by meter through investment units could be initiated.

Al-Mahdi Aluminum Entrance to IME through Certificates of Deposit

Regarding this question that although Al-Mahdi Aluminum Company has not offered even one bar on IME after its privatization, why this product is still stored in Tehran and Bandar Abbas warehouses with the aim of being sold in the free market, Soltaninejad explained: "There have been so many attempts to encourage and attract the producers to the exchange while Al-Mahdi Aluminum Company has been looking for getting finances through IME since its privatization; nevertheless, it has shown tendency towards using the certificate of commodity deposit after the negotiations." He declared: "Consequently, this company's inventories in Tehran and Bandar Abbas warehouses are going to be listed on IME so that it could use certificates of the deposit. A company active in financial mediation area is going to be the market maker." Referring to the primary negotiations with the owner of Al-Mahdi Aluminum Company, this official clarified: "This company is looking for a developed version of using certificates deposit based on which it can sell its products from the warehouses.



Steelmakers to Meet their Financing Needs by Securitization of their Inventories

One of the main missions of the capital market assigned to it by the government is to provide finances for firms. Economic experts, however, believe that there is still a big gap between the current situations of the capital market in this regard and what it is expected to be in spite of its improvements in the previous years compared to the banking system. The CEO of Iran Mercantile Exchange analyzed the current situation of financing for producers by IME in addition to the steelmakers' conditions in the IME, iron ore price liberalization, and also designing new financial tools in this exchange.

What are the terms and conditions of financing for producers through IME?

After 14 years passing from the establishment of IME, an extended range of products is traded on this exchange based on various tools. After setting up different types of cash, credit, and SALAM contracts in the initial years of IME, some advanced tools including standard parallel SALAM contracts, certificates of deposit, futures and options contracts, and recently commodity funds in the commodity stock have been established. In regard with finance supply, slam contracts

on different types of commodities, especially steel products have been in process as short-term financing contracts since the beginning of IME; these agreements still have lots of supporters. In the recent years, government has assigned the capital market to finance firms and industries as one of its main duties; as a result of this, IME has managed to provide different industries with 1.5 billion dollars through issuing of parallel standard SALAMs in this regard. Another relevant possibility is the warehousing system set up for the trades of certificates of deposit. At the present 80 warehouses have been listed in IME, which could be very beneficial to the trades of metals on the exchange.

What actions have been taken to have a growth in financing and an increase in IME's interactions with the steel industry, particularly in the time of recession?

Last year, numerous meetings have been held with the community of steel producers with the aim of steelmakers' benefiting more from the capacities of the IME. The main reason for such meetings was to provide a chance for the market participants to get familiar with trading tools and prepare the grounds for the presence of the steel industry's private sector in IME. Currently, considering the tools that IME possesses, good chances and conditions could be given to the producers even

in the present recession period .For instance ,parallel standard SALAM is a tool for providing finances to producers, giving them the possibility to presell products to buyers or investors .In this way ,some securities will be provided to the buyers which could be transferred to a third party and is quite worthwhile and economical for the producer ;a good illustration of this could be Esfahan Steel Company which absorbed approximately 2,500 billion Rials of cash through parallel SALAM contracts last year .Using the certificate of deposit is the other way that the IME has considered to ease trades of commodities and provision of collaterals for steel producers .One of the most conspicuous roles of the certificates deposit is the chance of collateral provision and supplying them with finances with the result of a more liquid market .This tool makes the investment in commodities possible for different people from different walks of life with the purpose of directing the capitals in the most appropriate way to finance industries .Financing through the certificates deposit ,whether by putting them up as collaterals and receiving facilities accordingly or via absorbing capitals gained from investments ,would impose the least cost on industries .Due to the limited demands in the steel products 'market, one available alternative for provision of finances to steelmakers through the certificates of deposit is issuing the certificates based on the stagnant

inventories of the warehouses ;this is how steelmakers can absorb a huge capital to supply financing needs and develop their market even in the market recession conditions.

Long time has passed since the initiation of the gold coin futures contracts in IME, so isn't it the right time for the start of metal futures contracts?

Futures contracts are one of the most significant risk management tools in today's world ,IME has made a great effort to found and develop it in the country's economy and market. Futures contracts implementation in the products 'value chain can simply provide the chance of long-term planning for the raw material supply, production and sales in different industries.Currently industries are facing with the risk of the price rate fluctuations for raw materials and final products as they are not benefiting from risk coverage tools ,such as future contracts .To start future contracts for any product like metals ,a strong spot market is required and this important goal could be achieved through launching certificates of deposit as the first step.One of the key features of the certificates of deposit is that they make it possible for prices to be discovered on a daily basis ;which is a prerequisite to establishing futures and options contracts for metal products .Currently, industrial and mineral products are

offered on IME daily ,but each on a specific day .Thus ,launching certificates of deposit on metals could lead to the daily price discovery for metals and in turn will result in the right conditions for establishing futures contracts on them

On a global scale ,do financial tools work properly for metal and mineral products?

Prices for most products in the world's commodity market are discovered based on the modern financial tools; for a better analysis of this issue ,we should have a look at the steel and iron trades 'status in the highly-recognized global commodity exchanges .Iron trades in futures and options are very common with considerable amounts of trading volume and value in global commodity exchanges .For example ,in 2016,Dalian commodity Exchange and Chicago Commodity Exchange traded 342million and 202 thousand contracts



respectively .Singapore's exchange traded in 33 ,7 ,2015 million futures, options and swap contracts .Shanghai Futures Exchange also sold 541 million futures contracts on metal products in 2015.This exchange witnessed a 32% growth in 2015 with a 169% increase in trades of futures contracts on iron ore. Mineral and industrial products 'futures contracts will result in producers 'peace of mind and assurance regarding the future prices ,decision making about the future production and sale ,and also planning for extracting and producing in mining area .It is hoped to see vast and huge investments in mineral and industrial areas using the modern financial tools in the following years thanks to the advancement of financial tools in commodity stock based on the new properties.

Recently ,there has been lots of news spread regarding the price discovery for iron ore through IME ,could you elaborate on that a bit?

Currently ,there are several requests from iron companies to have their products listed on IME so that the price of this commodity be discovered on IME based on the fundamentals of supply and demand like any other commodity which is offered on IME .However ,it should be taken into account that small and average iron companies have a small share and low percentage in this market ,as a result ,the IME's

success in discovering the real iron ore price depends on big iron companies' entering IME .Because of the high significance of this issue ,IME is negotiating with enormous iron ore companies and producers and making lots of attempts to ease the conditions for listing their products on IME .On the other hand ,a change in the mineral products 'price setting method is needed due to active companies 'privatization and the only place that can discover the iron ore prices based on its demand and supply is Iran Mercantile Exchange.



6500 Dena Cars to be Offered on IME

Iran-Khodrou industrial group will offer 6500 Dena cars on IME in the current year for the first time in order to have more finance provision tools. Hashem Yekeh Zareh said to ICO press, the directing manager of Iran-Khodrou industrial group said: "According to our plan, we are going to manufacture 26000 Dena cars in the current year; 25% of this manufactory which is equal to 6500 cars will be offered through on Iran Mercantile Exchnagethe." He added: "Consulting with Lotus Parsian Capital Provision Company in May of the present year, Dena car's request was accepted by IME." The directing manager of Iran-Khodrou industrial group also mentioned that benefiting from tax exemption for 10% (tax on the income earned from the sale), transparency in prices and trades, issuing standard parallel SALAM contracts as a new way of finance provision, and linearization of prices for cars have been other reasons for offering Dena on IME. Mr. Yekeh Zareh also declared: "According to article 18 of new law of developing financial institutions and tools, the government is supposed to exclude the products offered on IME from the price-setting system. He insisted: "Offering cars on IME leads to the discovery of the real price for cars since it is the demand and supply that determines the real price of the products. In fact, the exchange is the proper place for demand and supply interactions and fair price discovery." The directing manager of Iran-Khodrou industrial group also added: "Dena offering through IME will soon get started which is considered to be the first step for other products of the company to go through the same procedure. If it appears to be a successful experience, other Iran-Khodrou products will enter the IME.



Oil and Petrochemical Trading Floor of IME



IME Provides the Public with Widely Disseminated Data via Development of its Warehousing System.

The access to the IME could happen through the commodity warehouses since it is believed that trading floors lead to more traders in stocks exchanges and warehouses lead to the development and expansion of commodity exchanges, Soltaninejad said to Fars News. The CEO of Iran Mercantile Exchange informed about the acceptance and registration of 80 warehouses all over the country in his meeting with Fars news agency; he also said: "Right now, the inventories of some provinces, such as Khorasan, Khuzestan, which produce maize and barley, have been registered in the commodity stock." Regarding the worries and censures of buyers and sellers of petrochemicals in IME about the existing problems, such as lack of demand and customer and lack of buyers' satisfaction due to not having an easy access to guarantees, LC, and proper budget allocation, Hamed Soltaninejad said: "In economy, everyone should only deal with his own business. IME is not responsible for budget allocation; however, its main duty is to create a market and provide newly designed financial tools to the public (market beneficiaries)." He stated that it is not logical or even possible to have some special expectations

from IME although they might have become common in the traditional market by mistake; he said: "The IME will be distracted from its own main duty if it deals with such expectations. Credit and budget allocation for trades and business is banks' duty; it should be, however, banks have easier conditions and better options for the people who buy products from the IME. It is also worth mentioning that some negotiations have been carried out with Mellat Bank to allocate special credits and advantages for petrochemical downstream buyers on IME." Soltaninejad referred to some of the functions and services related to the IME which have not been provided to the market beneficiaries so far; he said: "Petrochemical upstream industries have surely had a great cooperation with the exchange and also supplied their products to the end users at a fair price in the previous year. However, exports of petrochemicals has been unfortunately weakened in this year as a result of the restrictions that the Chinese parties have imposed on Iranian petrochemical companies or the purchase limitations for petrochemicals purchase made by some of the neighbors. Thus, the petrochemical companies tended to sell the remaining products (not exported) in the local market which was not easily achievable." The CEO of Iran Mercantile Exchange remarked: "The exchange never interferes with the way the products are going to

be sold; however, many institutions could get their money and settle their accounts with the buyers through IME.'

An End to the Lack of Information in Decision-makings

He added: 'It is the IME's duty to create a market based on a mechanism of supply and demand and prepare the groundwork so that people can settle their accounts and fulfil their commitments in their trades; besides, IME provides up-to-date data (data dissemination system) so that people would not make decisions without any information; there should be equal data and information for everyone.' In regard with the government's decision to assign IME the mission of setting the prices for other strategic agriculture products, such as wheat and sugar, he said: 'It is the government's policy to put the policy of supportive price plan into practice and at the same time have enough concern towards the quality of the agricultural products. Some products like barley and maize have a direct impact on people's life and living condition due to their role in the livestock. If the price of such products increases, the meat price will increase consequently, and this will definitely affect people's life.' He continued: 'Therefore, there must be a market which is observed and supervised continuously; this is how the prices could be checked and controlled based on the market mechanism and to the benefit of all the activists.' This

official believed that the market could be well managed by long-term sales; he added: 'The products which have a key role in setting the supportive price are mainly based on the article 33 of the law of agricultural efficiency and are chosen by the board of ministers annually. In addition to maize and barley, rice and wheat have been among the chosen items this year; the wheat of 4 provinces has been opted for setting the supportive price and this will be extended to all parts of the country gradually.' He continued: 'In regard with rice, we shall say that its supportive price is lower than the price in the market. Whenever the rice price in the market reduces to a price lower than the supportive price, the exchange (IME) will get in and accept the farmers' rice to be offered on IME.'

The Registration of the Inventories of 80 Warehouses

The Chief Executive of IME informed about the registration of the inventories of 80 warehouses, and said: 'The registered (listed) warehouses could be mostly seen in Khorasan, Khuzestan, and some other provinces which produce maize and barley.' In the end, this official said: 'The certificate of deposit supported by the warehouse receipt has been quite successful since it was launched; all the warehouses with a proper capacity for being listed in the IME and high standards and infrastructures have applied for getting listed on the exchange.'

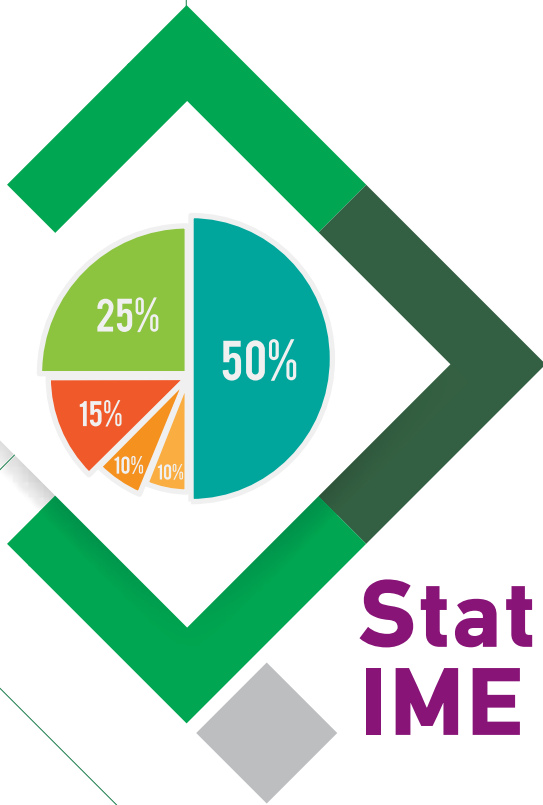
Real Buyers can Attend the Petrochemical Trades of IME

Soltaninejad stated that the entrance to trades petrochemical products (with extra supply) has become possible for individual buyers upon issuing a directive by IME's listing board. The CEO of IME announced in his meeting with IME's reporters: "In order to improve the trade procedures in petrochemical and oil products on IME, increase trades transparency, and have a balanced and organized supply and demand mechanism, some of the limitations imposed to the small consumers and buyers for the purchase of the supplied products in the market in the year 1389 will be gradually eliminated." Hamed Soltaninejad declared: "Considering the fact that for some commodities offered on IME supply exceeds demand, it was decided by IME listing board that the real buyers of petrochemical and oil products whose data has not been registered in Behinyab system and are not eligible to receive any quota of petrochemicals on IME can buy their required product through the petrochemical trading floor of IME." Soltaninejad added: "As the first step, the real buyers can place their orders and buy their required products on non-Behinyab trading days." The CEO of IME said: "In addition to these items, it was stipulated to eliminate the purchase restrictions for some products, such as sulfur and some other oil products so that the individuals could purchase their required product." He said that buyers' presence in the petrochemical trading floor used to be under the condition of being approved by Behinyab system; he explained: "This was the condition for supplying the raw material to the consumers; however, individuals were not allowed to enter the petrochemical trading floor and

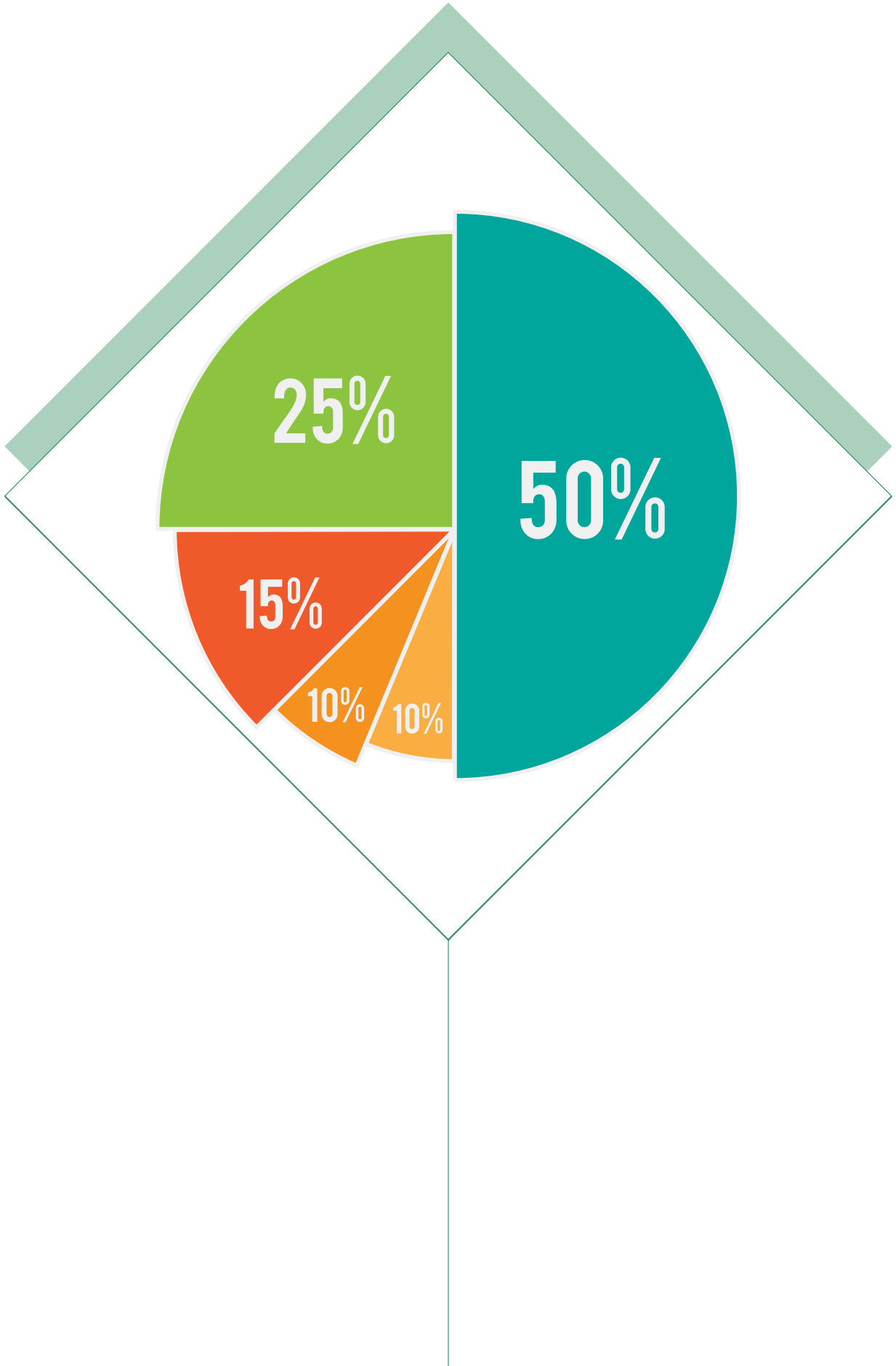




this surely affected the real price discovery mechanism in a free market process based on the fundamentals of supply and demand. Based on the market conditions and the latest decisions, the individuals were permitted to buy the products with extra supply in the petrochemical trades.' According to Chief Executive Officer of IME, the elimination of such restrictions in the petrochemical market proves the high sense of cooperation that we have with the activists of petrochemical industry. It is believed that making any contribution to this industry and its activists is to the benefit of the country's economy. Soltaninejad stated: 'False price fluctuations for the products could be prevented by a clear and logical relation between the demand and supply, a transparent and practical system for price setting and supervising the accuracy of the parties' functions, data and statistics gathering system to analyze the statistics related to production, import, export, and consumption for the market, coordination between the production and commercial sections, and finally risk management possibility are the country's commodity market requirements, especially for the petrochemical products; these features are naturally included in the functions of IME. Soltaninejad's evaluation of the interaction between IME and petrochemical companies for the development of the internal and exporting rings of IME has been positive. About the effects of the trade restriction elimination on the individual buyers, he commented: 'Although there have been numerous restrictions especially for the individuals' presence in the petrochemical products market, some effective actions have been taken to resolve this problem so as to buyers could meet their needs without any limitations in the market and under transparent conditions; as a result of this, the demand and supply mechanism of the market will become more balanced as well.'

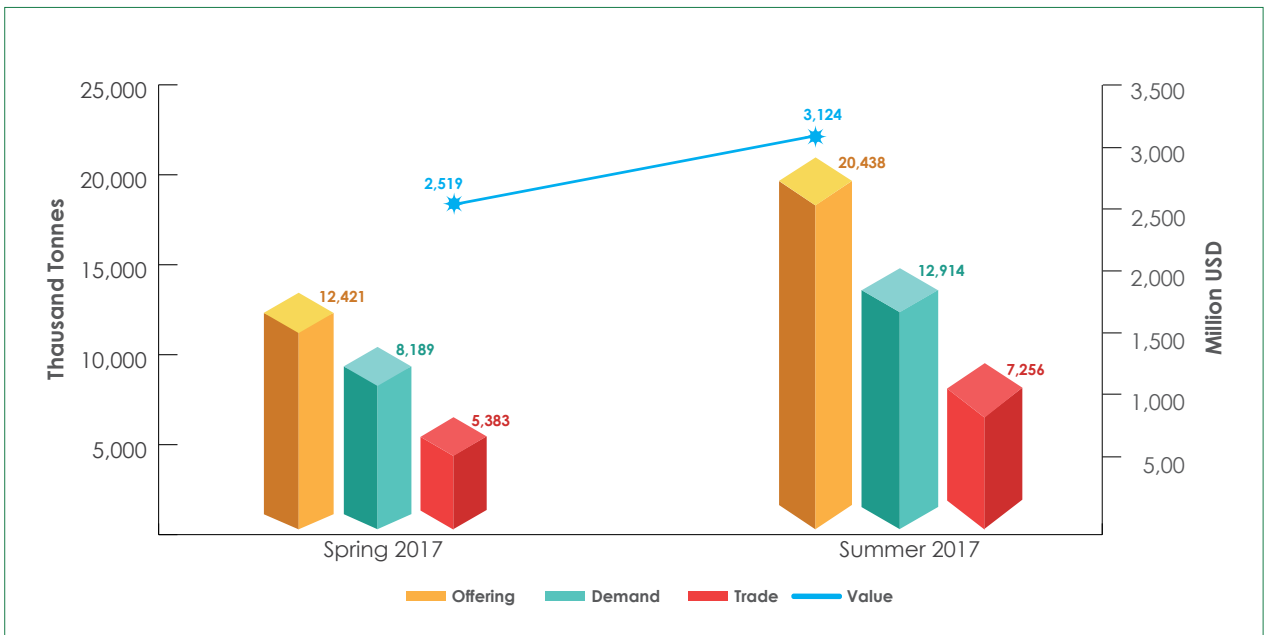


Statistics of IME Business



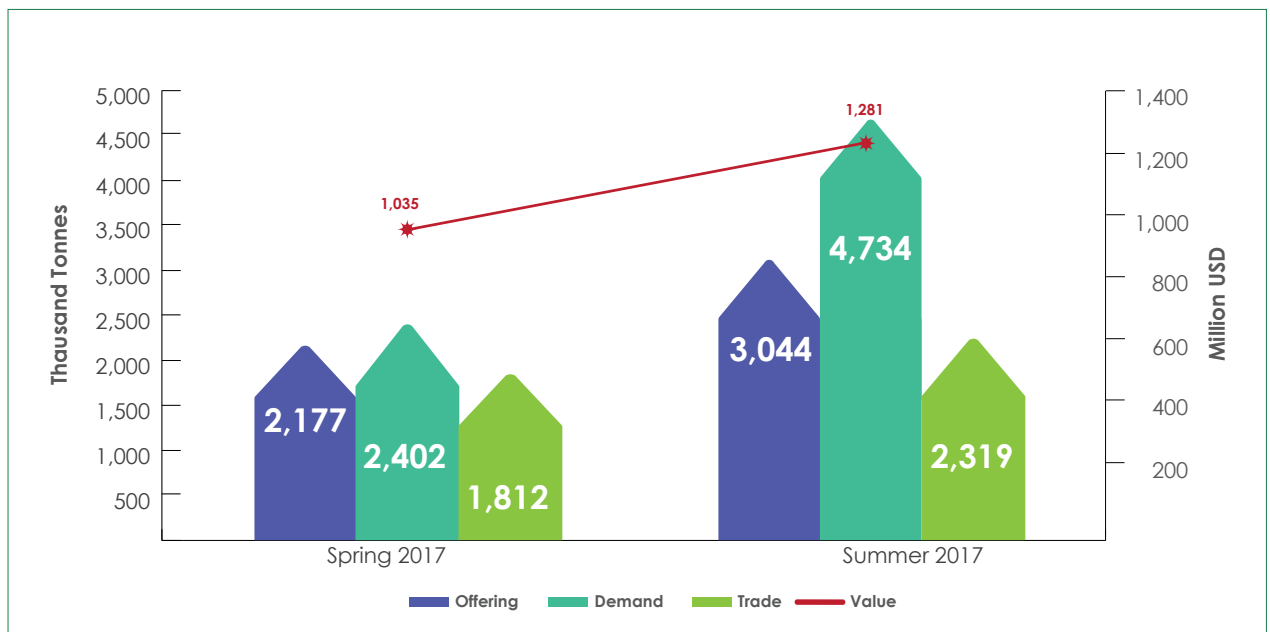
An Overview of IME's Physical Market

Within the second quarter of 1396 hijri year (22 June – 22 September, 2017), IME saw trade of a total 7.2 million tonnes of commodities on its physical market, the value of which stood at 3,124 million USD. The figures show an upward trend as compared to the first quarter of the year with a 35 and 26 percent growth in trading volume and value respectively.



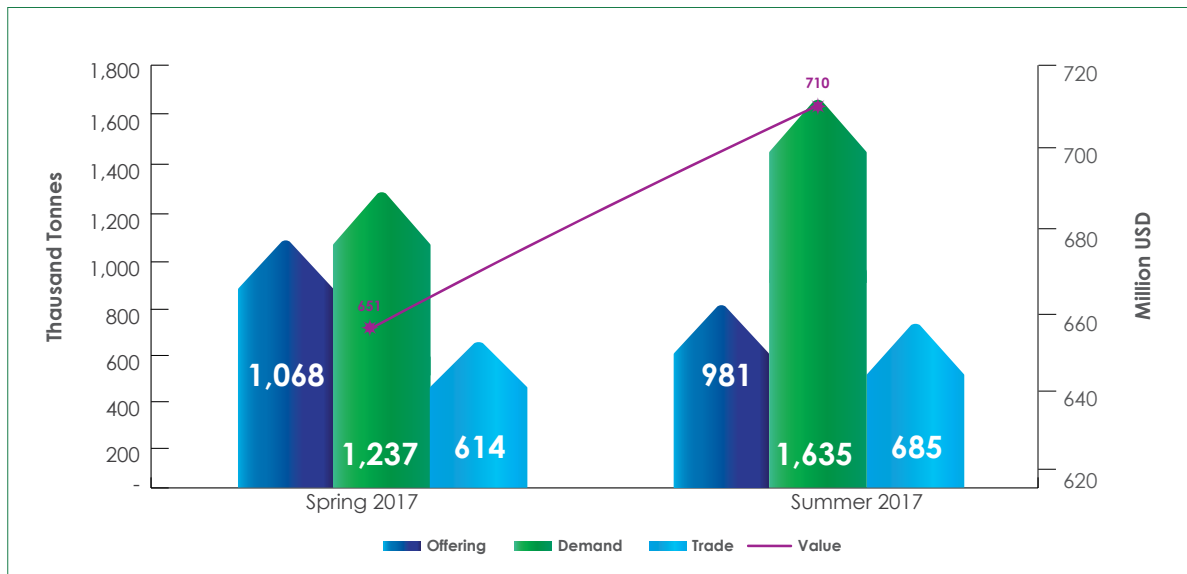
Industrial Products

Among the whole commodities traded on IME's physical market, industrial products occupy the highest place with a trading volume of 2.3 million tonnes valued at 1,281 million USD in the second quarter of 1396 hijri year (22 June – 22 September, 2017), showing 28 and 26 percent of growth in volume and value respectively as compared to a 3-month period before that.

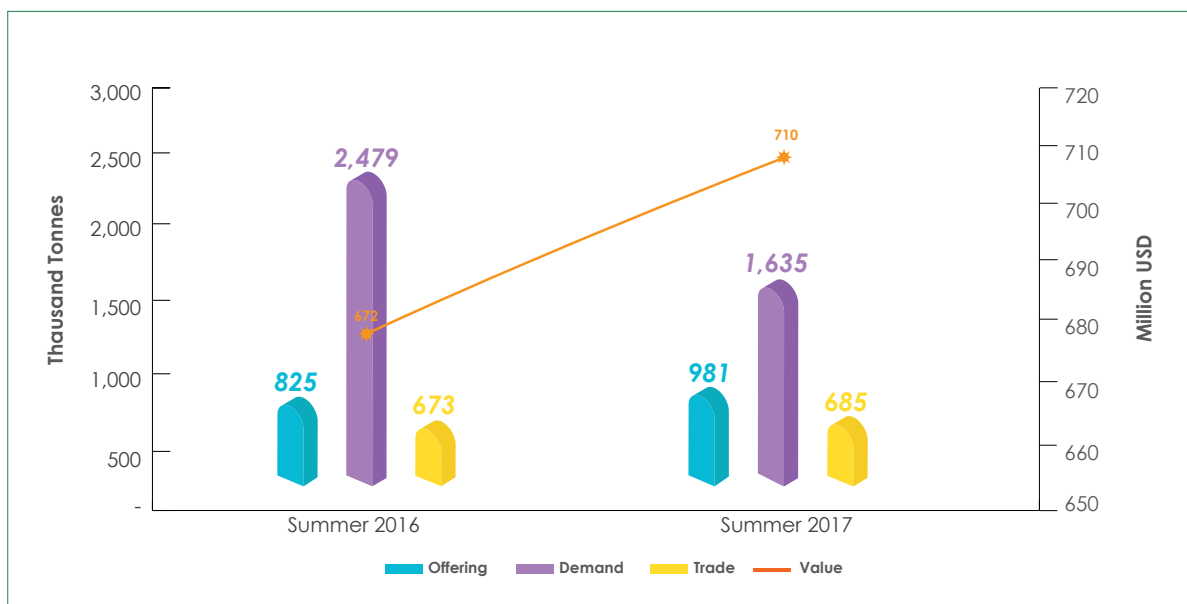


Polymeric Products

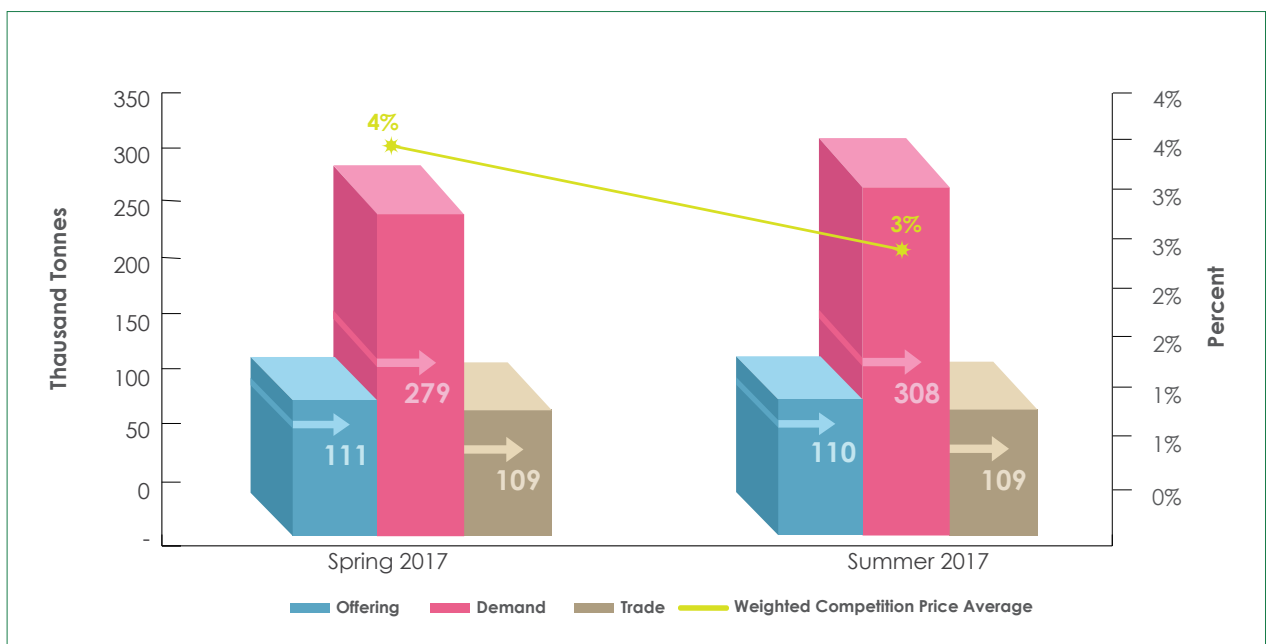
In the 2nd quarter of 1396 hijri year (22 June – 22 September, 2017), volume and value of trades on IME’s physical market for polymeric products stood at 685 thousand tonnes and 710 million USD respectively, witnessing an increase of 12 and 11 percent respectively comparing to the 1st quarter of the year. Dollar’s price rallies and the upward trend in global prices within this period are considered to be the reason for the boost in volume of trades for this market’s commodities.



Moreover, comparing volume and value of trades between the the 2nd quarter of 1396 hijri year (22 June – 22 September, 2017) and the same period in the previous year reveals that while trades saw a mere 2 percent increase in volume, due to base price growth, value of trades went up by 14 percent.

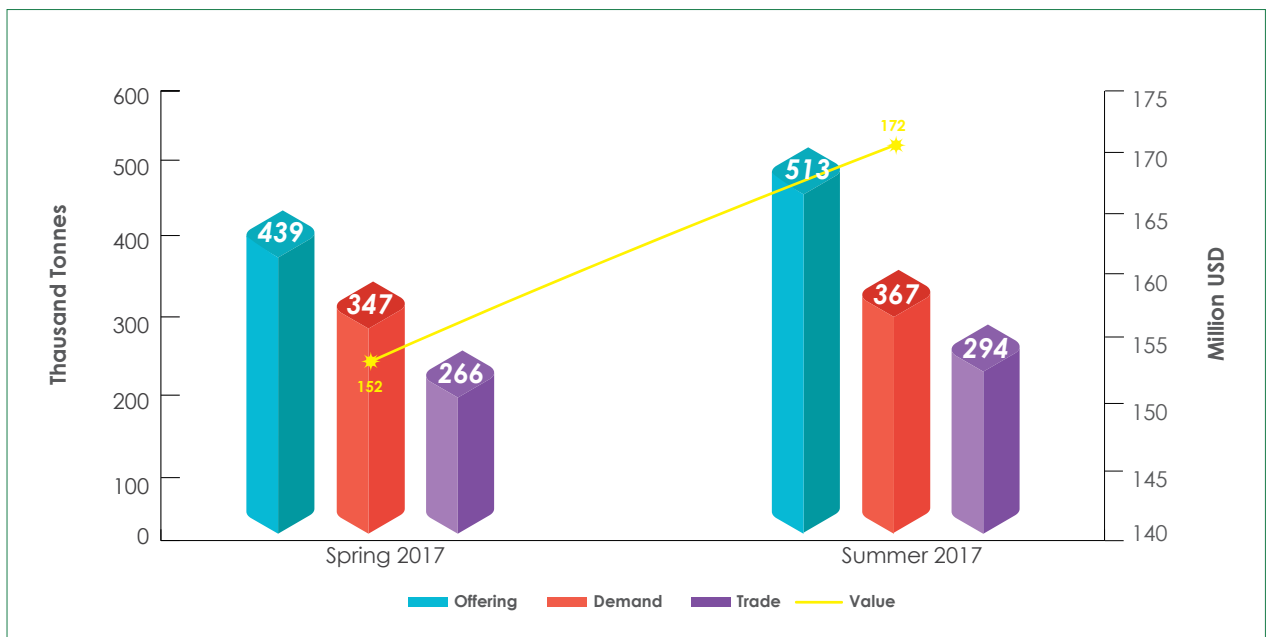


Among the polymeric products traded on IME, polypropylene is the product with the highest demand. The chart below demonstrates trades of this product during spring (21st March to 21st June 2017) and summer (22 June – 22 September, 2017) of the current hijri year (1396). Demand for this product has been 3 times the supply of it and in the current hijri year it has been traded 3 percent higher than the base price on average. That is to say the supply of the product did not meet the demand; hence part of the market need was met via imports.

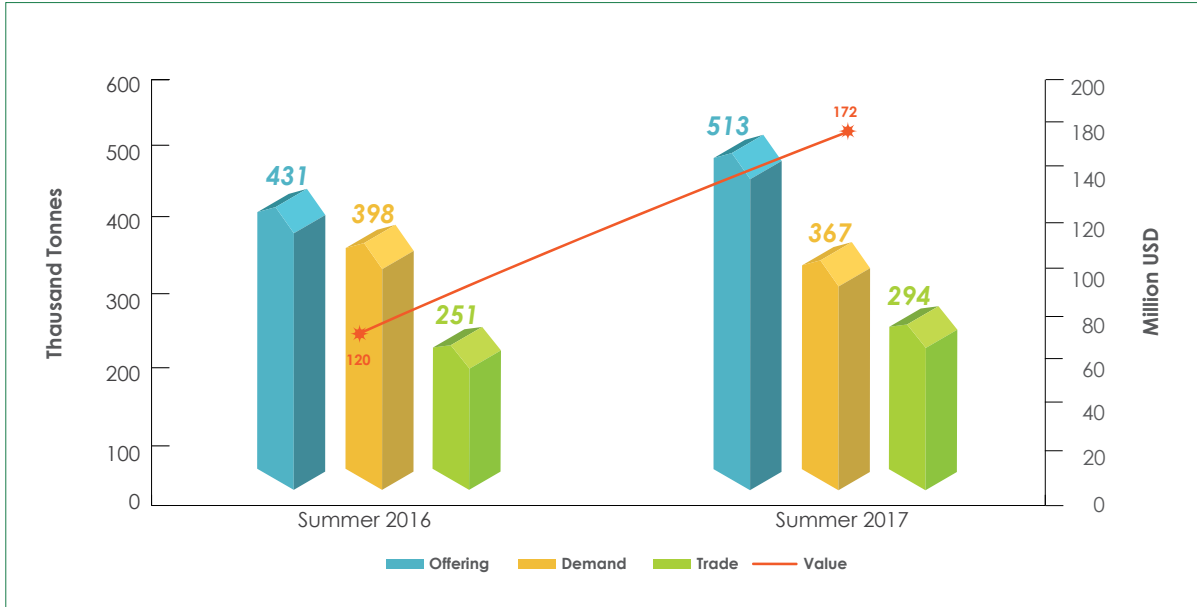


Chemical Products

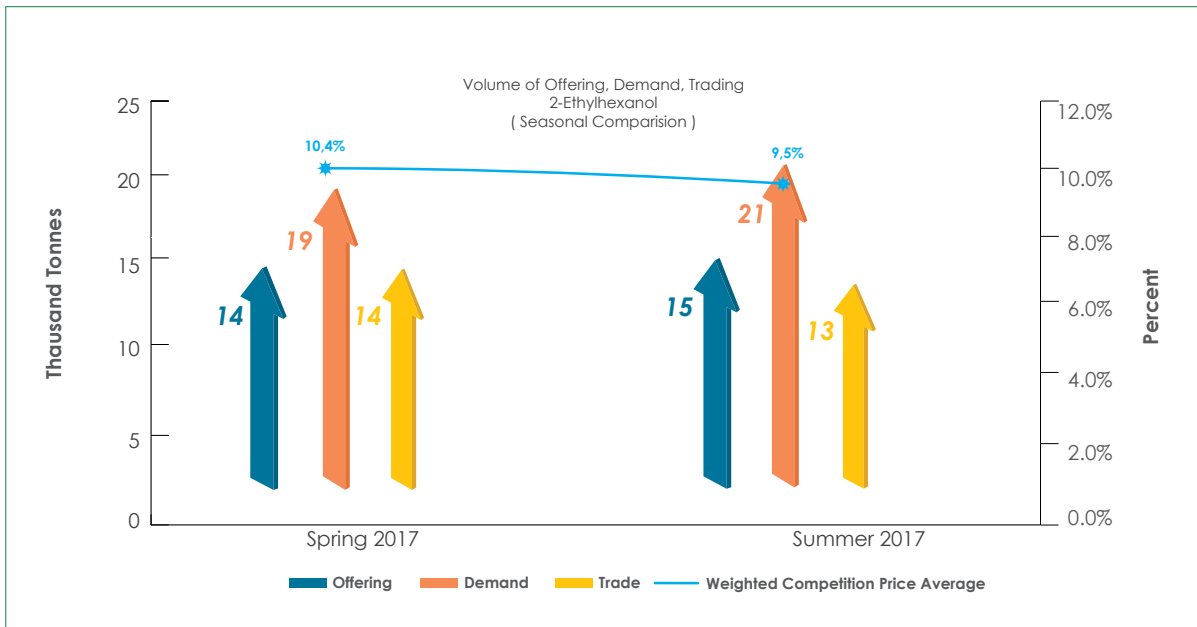
Within the 2nd quarter of the current hijri year, IME traded 294 thousand tonnes of chemicals valued at 172 million USD, showing 10 and 15 percent of growth in volume and value respectively in comparison to the first 3 months of the current hijri year (21st March to 21st June 2017).



As to the same period in the previous hijri year (22 June – 22 September, 2016), volume and value of trades shows 17 and 55 percent of growth respectively.

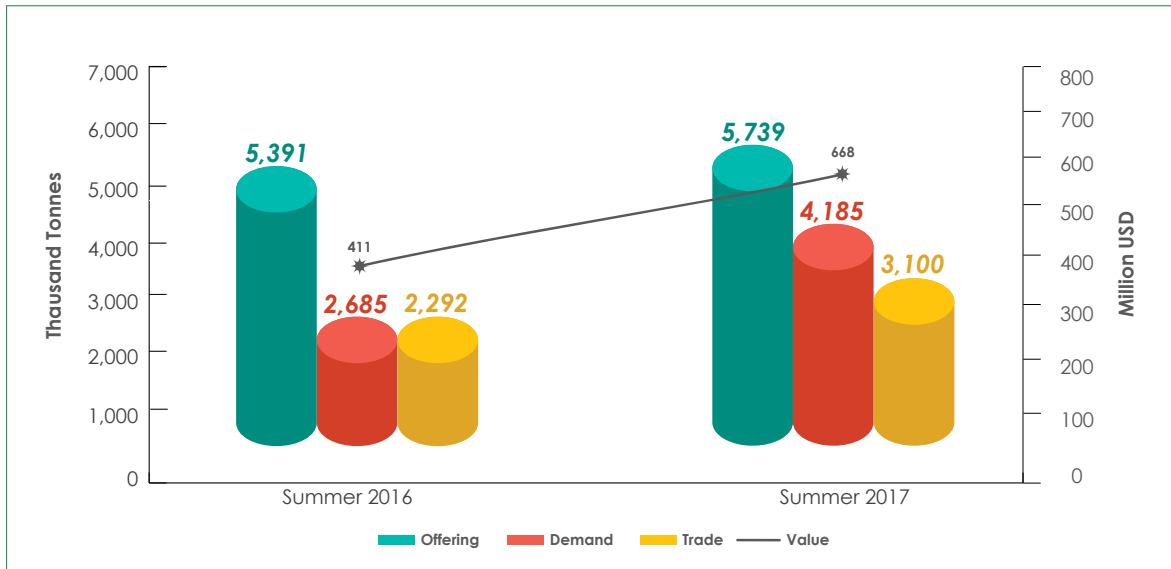
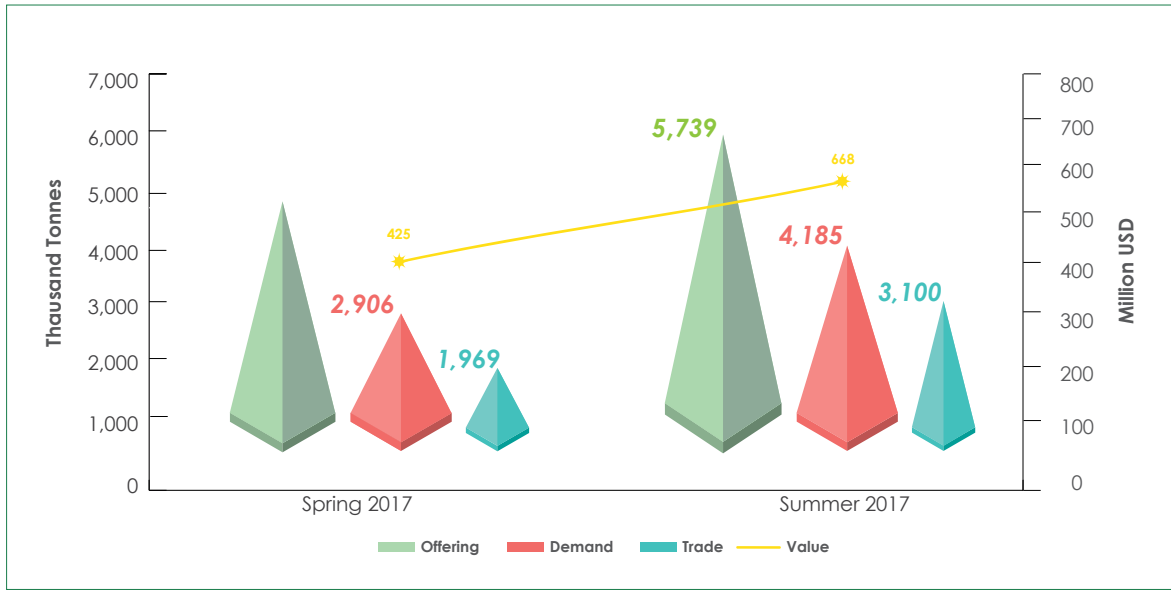


Currently, 2-Ethylhexanol stands out as a product with a high rate of demand in IME. As the following chart shows, due to insufficient domestic production of the commodity, it has been traded 10 percent higher than the base price on average. Thus, imports of this product seem inevitable to make up for the shortage.



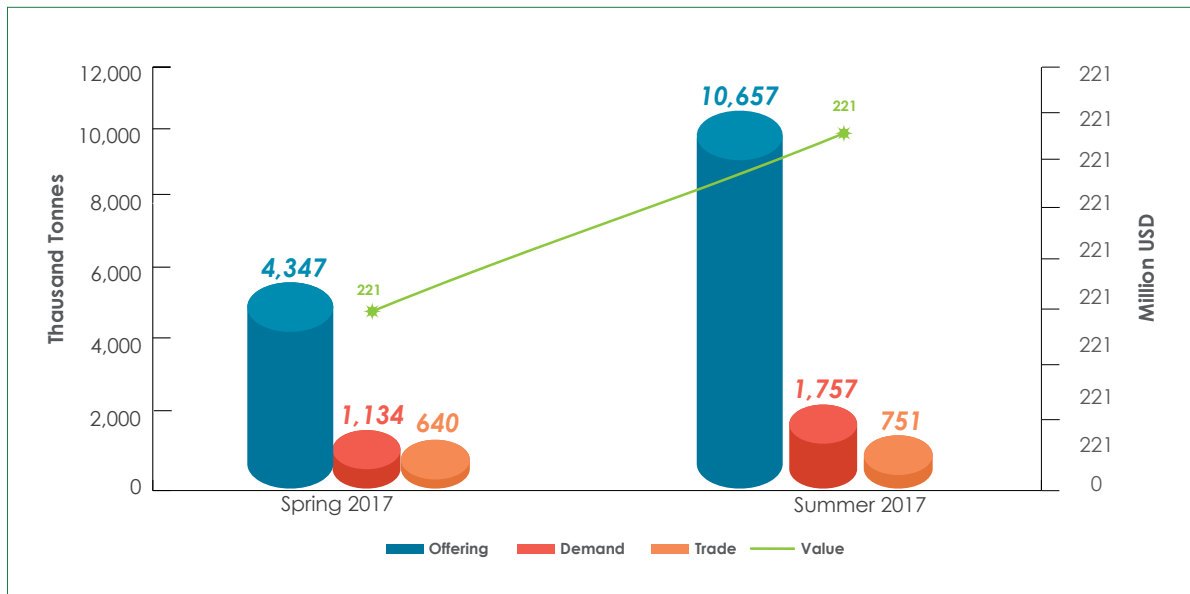
Oil Products

Within the 2nd quarter of the current hijri year (22 June – 22 September, 2017), there were 3.1 million tonnes of oil products traded on IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 668 million USD, which showed a 57 percent growth in volume and a 60 percent increase in value as compared to the previous quarter of the same hijri year (21st March to 21st June 2017). The figures for the same period in the previous hijri year are respectively 35 and 76 percent of growth (22 June – 22 September, 2016).



Agro-products

In the 2nd quarter of the current hijri year (22 June – 22 September, 2017), IME witnessed in total trade of 751 thousand tonnes of agricultural products valued at 221 million USD; a 17 percent growth in volume and a 2 percent growth in value compared to the previous quarter of the same hijri year (21st March to 21st June 2017). Growth in the volume of trades of wheat accounts for the upward trend in the volume of trades for IME's agricultural market.



Commodities Traded on IME's Export Ring

On its export ring IME offered 3.2 million tonnes of commodities of which 1.6 million tonnes were traded. Oil and petrochemical products, industrial products and agro-products account for 1176 thousand tonnes, 440 thousand tonnes and 32 thousand tonnes of trading volume of the ring respectively. The following chart illustrates figure of the ring by commodity group.

Commodity Group	Offering (MT)	Trade (MT)
Oil and Petrochemicals	2,094,268	1,176,028
Metals	880,000	440,000
Agricultural	197,640	31,890

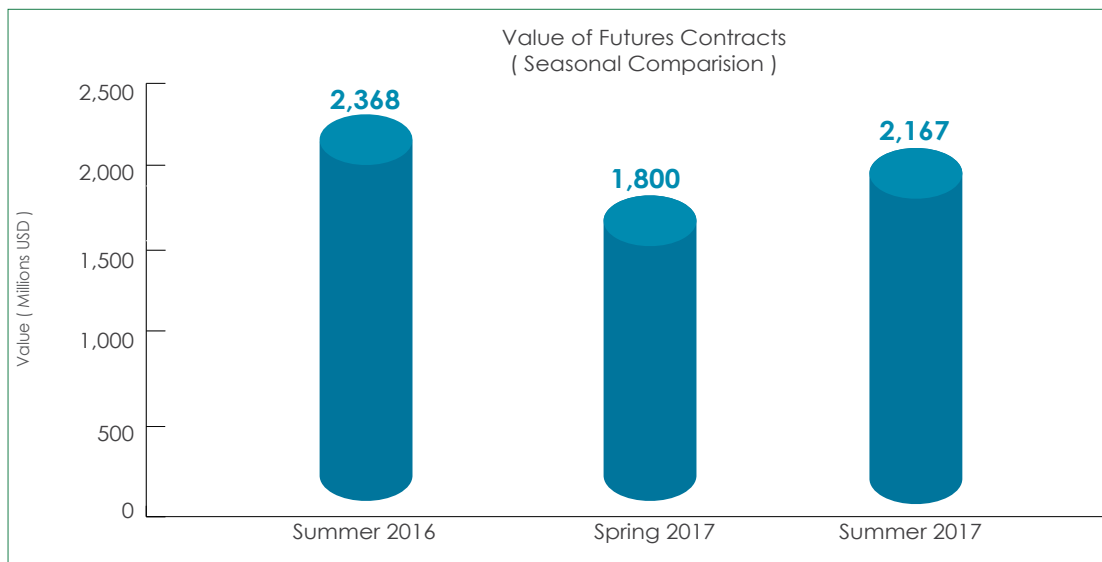
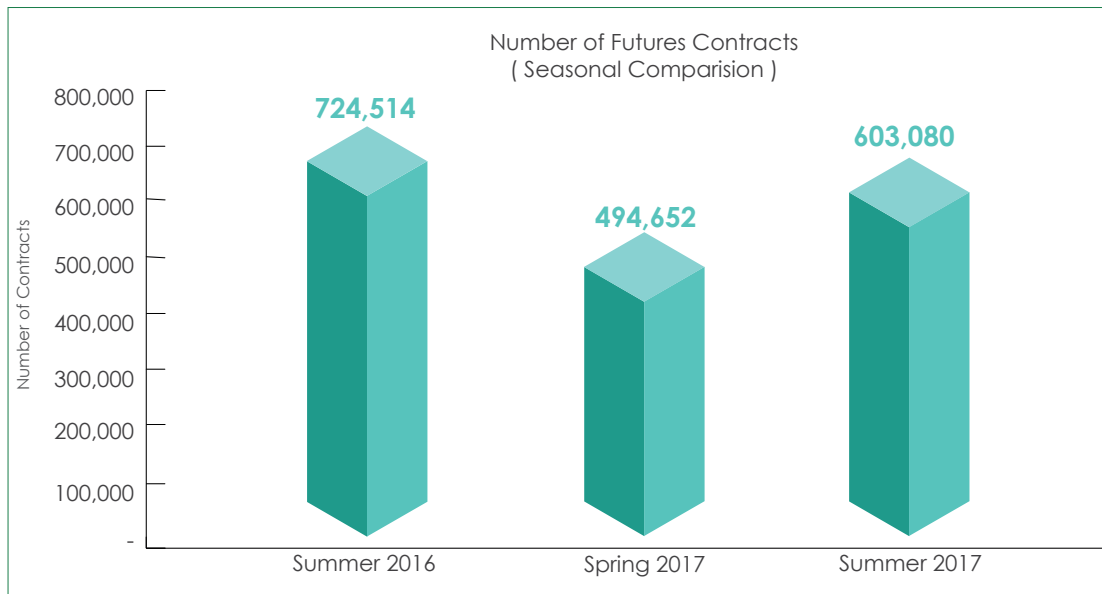
Commodities Traded on IME's Export Ring

Within the scope of commodities traded on IME's export ring, bitumen accounts for highest trading volume and value with more than 1.1 million tonnes. Iron ore with 440 thousand tonnes is the only commodity in the industrial group. Furthermore, wheat with more than 31 thousand tonnes is the number one commodity as value and volume in the agricultural group. The following chart illustrates IME's exported commodities in order of volume in the 2nd quarter of the current hijri year (1396) (22 June – 22 September, 2017)

Commodity	Offering (MT)	Trade (MT)	Average Base Price (\$)	Average Trade Price (\$)
Bitumen 6070	1,486,650	954,633	257	235
Granulated Iron Ore	880,000	440,000	27	31
Bitumen 85100	320,170	100,020	277	238
Granulated Sulfur	74,000	35,000	51	43
Durum Wheat	172,500	31,500	203(€)	203(€)
Bitumen 4050	45,450	28,450	259	259
Bitumen VG30	37,000	20,000	257	257
Sulfur Lumps	35,000	11,000	80	80
BOF Insulation	7,532	6,753	395	369
Granulated Sulfur	6,000	6,000	48	53
BPP Insulation	6,288	5,846	457	425
Bitumen 80100	4,590	4,590	307	307
Bitumen MC30	2,200	1,200	503	503
Bitumen MC70	800	500	575	575
Bitumen PG6422	1,000	500	300	300
Emulsion Bitumen CSS1	900	500	554	554
Bitumen 11515	380	380	275	275
Bitumen 1020	300	300	230	230
Wheat Flour	20,000	250	250	250
Foundation Insulation BOF	720	240	350	350
Powdered Milk	140	140	2,020	2,294
Sulfur Powder	288	96	215	215
Lub-cut Oil	6,000	20	347	347

Derivatives Market

Within the 2nd quarter of the current hijri year, IME traded 603,080 gold coin futures contracts valued at 2,167 million USD, showing 22 and 23 percent of growth in volume and value respectively in comparison to the first 3 months of the current hijri year (21st March to 21st June 2017).



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