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IME

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Iran Mercantile Exchange Quarterly Newsletter



In the Name of God



Iran Mercantile Exchange Quarterly Newsletter

Winter 2017, Vol. 7

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Editorial Column

Amin Najari

At the turn of the New Year, IME would like to extend best wishes to those who celebrate Nowruz as the first day of the first month in the Iranian calendar, which has been honoured mostly by Iranian along with other ethnic groups all over the world more than 3000 years. Iran Mercantile Exchange also hopes to, parallel with its strategies in the previous Solar Hijri Year, be able to implement its policies during the current year and open up new vistas for Iran's capital market. Within the last year, IME managed to follow up some of the plans it had set for itself, achieve its goals and run a number of projects in line with developing its market and widening its scope of activities. By and large, IME does its utmost in playing a constructive role in fulfilling the needs of major industries like steel, petrochemicals, mining and agro-products. It also attempts to increasingly create an atmosphere for trading commodities based on the fundamentals of supply and demand. Among the concerns of IME are cutting down on trading fees via making it possible to have free access to market data, scaling up liquidity through establishing secondary markets for trades, providing efficient and justifiable industries with their financing requirements and -as a irreplaceable function- running risk management solutions to cover price volatilities that businesses encounter. As the most effective initiatives of IME in 1395 Solar Hijri Year, as of March 21st 2016 up until March 21th 2017, could be categorized as follows:

Guaranteed Price Plan for Wheat and Barley

Based on a directive notified by the cabinet on the previous Hijri Year, which stipulates that the wheat and barley produced in all provinces are to be offered on IME, there were 1 million tonnes and 79 thousand tonnes of barley were traded on IME physically and in CDRs respectively, and the framers received their money within 33 working days at the latest. Moreover, IME traded 562 thousand tonnes of maize both physically and in CDRs in line with the same policy. It is worth saying that implementing the above-mentioned policy has got a huge burden off the government's shoulder.

Issuing Standard Parallel Salam Securities for Wheat

In May 2016, with the cooperation of the Government Trading Corporation of Iran, IME managed to finance Iranian wheat producers with 26,500 billion IRR in 2 days. This has been recorded as the biggest financing project for the agricultural sector up to now. The

Government Trading Corporation of Iran took the opportunity created on IME to pay its dues to framers and eliminate part of their financial concerns.

Offering Staples on IME under the Directive of Minister of Agriculture

With the aim of experiencing a more transparent supply and demand mechanism for basic agro-products and timely provision of staples like wheat, oil, rice, chicken and sugar, IME offered 720 tonnes of these products in line with the decision made in this regard by the ministry of agriculture.

Certificate of depositary Receipt on Saffron

Near the end of the previous Hijri year, IME ran trades of CDRs for Saffron in Mashad which led to trade of 1160 grams of the product valued at 500 million IRR. Providing a platform for framers to participate in trades of their own product directly, facilitating sales process, a potential for both retail and wholesale trade of saffron, continuous offering of the product, daily price discovery and decreased delivery costs for saffron are among the merits of trading it on IME.

Long-term Contracts for Oil and Petrochemical Products

With this initiative both manufactures and suppliers are happy, as the former know what products to produce within a specific time period, which eliminates their concerns about occasional market depressions and the latter are not concerned with price discovery mechanism for long-term contracts.

Widening the Scope of International Interactions

It has always been among IME's priorities to develop good relations with international market participants and prove the infrastructure needed to reach this goal. In view of that, within the previous year IME established offices with trading pits in two free trade zones of the country, Aras and Arvand. IME is ready to offer services to traders, merchants and investors from both inside and outside the borders of Iran, and trade all commodities listed on IME within the zones, which will result in a more blooming economy for them. IME also signed MOUs with Pakistan Mercantile Exchange and Indonesian Derivatives and Commodity Exchange. This will facilitate trades between Iran and these countries via the platform of Iran based on which the exchanges will share knowledge and experience and will establish derivative and physical trades of commodities and commodity based securities. Last but not least is IME's membership to the Iranian Committee of International Chamber of Commerce for 3 years and affiliate membership to World Federation of Exchanges, both of which will strengthen IME's ties with the international capital markets.

CEO POST

Winter 2017

On the eve of the New Iranian Year, Nowruz, the CEO of IME offered his felicitations to his Iranian compatriots and the capital market participants.

Dr. Hamed Soltaninejad, highlighting in his message the measures taken in line with realization of the resistive economy in “the year of the Economy of Resistance, Action and Implementation”, expressed hope that the ground be prepared for the ever-increasing role of the capital market in development of the national economy through IME activities.

The message reads: “We are getting near to the end of 1395, the year named by the supreme leader as “the year of the resistive economy, action and implementation”, in which we witnessed a new era of post-sanction episode in a way that despite some international political developments which affected our economy for a short period of time, the national economy experienced a remarkable growth. In this situation, the Iran Mercantile

Exchange, taking advantage of such a positive atmosphere in the national economy pushed toward expansion of its activities and left a highly active and fruitful year behind with a remarkable growth in transactions and developing new financial instruments.

The 200% growth in transactions of the agriculture products could likely be highlighted as one of the key developments of the year 1395 for IME. Seamless and successful implementation of Guaranteed Price

Project for barley and maize

and also the presence of

IME in the markets

of pistachio and

saffron, the most

important

exporting

agriculture

products,

can be

regarded

as other

accomplishments

of this sector.

Raising 2600 billion

Rials of funds for the

government to purchase

wheat from farmers through underwriting

Standard Parallel Salam contracts was

another big stride in employing the

capital market capacities for financing

the agriculture sector which was realized

successfully in the IME.

In the derivatives market, launching

of gold options contracts can be





considered as a major development in using new financial tools in the capital market of Iran. Welcomed by the market participants with 40 thousand contracts traded in three months, the transactions bespeak the promising days in this segment of the market. New trading figures and records in the futures market showcasing 40% growth on annual basis, put emphasis on derivatives market development in the Iranian capital market.

Among other significant developments in IME were the correctional measures in the petrochemical market which were achieved through interaction and unison of the participants of this sector and through launching the long-term contracts to facilitate transactions resulting in a 30% growth in annual trade value and improvements in supplying the raw material by the downstream industries.

All measures implemented in the year 1395 marks growth of IME's trading volume and value by 28% and 75% respectively compared with 1394. This improvement in transactions which represent the economic facts is a harbinger of the economy getting out of recession. All in all, the retrospection of IME's activities in 1395 demonstrates remarkable realization of the planned objectives through restless efforts of the specialized staff and officials of the exchange in line with development of infrastructural efficiencies of IME

in the national economy.

In the end, I hope big changes for the better will be in the offing for Iran's economy and all Iranians enjoy a prosperous year laden with success and happiness.



IME's

General News





Iran Mercantile Exchange; Strengths and Weaknesses in International Interactions

The initiative of newly developed business contracts is a chance Iran Mercantile Exchange (IME) is making use of in a post-sanction context to expand its interaction

with International markets. The total value of IME seals in the first ten months of the Iranian calendar year (March 2016- January 2017) exceeded 15 billion dollars, while aluminum suppliers had no share in the deals, the IME's CEO,

Hamed Soltaninejad believes that the basic infrastructure has been laid for greater international exchange and that will be put into practice once currency clearance issues are resolved.



Q. What attractions does the IME possess for domestic and foreign customers?

A. To domestic customers, the IME is a transparent and palpable market with a normal risk. It has its own special advantages for foreign customers as well. However, clearance using foreign currencies is still a major challenge for us in our international deal.

Q. Taking that into account, is the IME technically disconnected

from other global mercantile exchange markets?

A. Due to the sanctions, we held no direct connection with global markets, as currency clearance was blocked. But the post sanction era has created fresh opportunities for cooperation, encouraging other international markets and adding to their tendency toward presence in the IME. Meanwhile, we have so far received several offers from international companies which are seeking to present their commodities in

the IME. Hoping to remove obstacles on our way, we are looking forward to a growing participation of such foreign firms.

Q. Why has the IME opened branches in the free economic zones? And what is making those zones a favorable field for foreign firms?

A. The first positive point about the free zones is the tax exemption. Secondly, in those areas business is possible not just in Iranian Rial, but in foreign currencies as well. Thus, with its physical presence, the IME has facilitated interactions in the free economic zones. We are now currently active in such zones as Anzali, Arvand, Kish and Aras and are also planning to open branches in the rest of other free zones. This way, we are helping the companies export their products through the IME, while paving the way for the customers to get into the deals and complete the process.

Q. Is the IME equipped with necessary infrastructure for international interactions?

A. IME has been particularly focusing on two major goals: creating access to an interaction system and opening up branches in the free economic zones. Those have been pursued alongside the clearance issue. Meanwhile, we also have on our agenda clearing services for foreign currencies. To that

end, we need cooperation on the part of domestic banks in order to be able to transfer money on euros and dollars. The same holds true, of course, for foreign banks as well.

Q. Is the IME capable of backing up Iranian companies in international marketing?

A. Yes. In fact, that is something which can be carried out in a better and more acceptable mode through the IME, as it is able to submit supply statements to a greater number of international buyers. Currently, the IME issues statements on the availability of supplies in English and makes them accessible on its website. It is also planning to take up the task of transferring commodities to the destination markets as well. There are common online smart services which automatically identify potential customers for different commodities and provide their data to the suppliers. That is another activity we are planning to add to our international services.

Q. Tell us about the protection measures you can adopt to cover currency rate risks.

A. Offering mechanisms to cover customers of Iranian commodities in the face of currency rate fluctuations is also part of our plans. Still, we are basically doing our best to provide a chance for customers, in which they don't have to do business in Rials. If that is not possible, then the currency

risk could be covered through our “currency exchange” plan, which is being prepared at the moment.

Q. How exactly does the “currency exchange” plan cover the currency risk?

A. Since the plan is set to use “Futures and Options” contracts, it enjoys the potential to cover the fluctuation and risk. This is a coverage method common in global markets nowadays.

Q. Is there any chance for physical presence of foreign customers in the IME?

A. Yes. At the moment there are already some foreign firms which have been accepted. More will also be there based on offers they provide us. Those offers will be reviewed by our special admission board, paving the way for the firms’ presence. We have already set up interaction codes for foreign companies present in the IME, through which they can make direct purchases. Such codes are many particularly in the oil products ring. But here the issue is currency conversion again.

Those firms have to use an Iranian agent, through which they conduct the payment process, something which increases the costs of their deals. We are planning to remove those obstacles and facilitate the process. One step is setting up a visa free regime, as applied in the free economic zones. In fact, for foreign companies there are three entry channels letting them into the IME: purchase of raw materials (the export ring), foreign commodities and their marketing inside Iran, foreign investment aimed at developing key industries such as steel production and petrochemicals.

Basically, foreign manufacturers are facing a few complications selling their products in Iran. The biggest challenge is the return cost after the goods fails to get sold as well as costs incurred due to quality loss. To tackle that issue, we have provided the chance for the foreign firms to present their products in the IME in advance through “forward deals”, helping them sell their goods for more reasonable prices.



IME CEO Joins Iranian Committee of International Chamber of Commerce as Board Member

New board members of the Iranian committee of International Chamber of Commerce have been appointed.

Gholam Hossein Shafe'i from Iran's Chamber of Commerce, Industries, Mine and Agriculture, Masud Khansari from Tehran's Chamber of Commerce, Industries, Mine and Agriculture, Mohammad Lahouti from Iran Export Confederation, Hamed Soltanineja from Iran Mercantile Exchange, Younes Mazloumi from Razi Insurance Company, Ali Ashraf Afkhami from Bank of Industry and Mine, Seyed Hossein Salimi and Mohammad Mehdi Behkish were appointed as the new members of the Board of Directors.

Taskforce Set Up on IME to Increase Iran's Exports to Iraq

In line with plans to strengthen business ties with Iraq and to facilitate Iran's exports to this country via the platform of IME, a taskforce was established. Expansion of trades with international markets is amongst 8 main strategies IME has high on agenda. The above-mentioned taskforce was established accordingly. The taskforce is seeking to strengthen and deepen relationship with the Iraqi side, extend cooperation with free economic zones of both Iran and Iraq, resolve customs intricacies, make use of modern financial instruments like Certificate of Depositary Receipt

based on warehousing systems to be launched in free trade zones, which altogether are considered to facilitate trades with Iraq and boost exports volumes. In view of that, there have been negotiations in order to prepare the groundwork for a branch of IME in Iraq with the aim to export various types of industrial and mineral commodities, oil and petrochemical products and agricultural products. IME's high-ranking officials will be members of the taskforce with Mr. Hasani Saa'di running the meeting sessions as the secretariat.



During the First 10 Months of This Year Occurred:

A Growth of 87% in the Total Trading Value of IME

During the first ten months of activity of IME, more than 28 million tonnes of commodities worth over 650,000 billion Rials were traded on the various markets of IME within the frame work of physical transactions, standard parallel SALAM contracts, and certificates of deposit in the forms of cash, futures and credit, compared with the same period of last year experienced a growth of 42% in trading volume and 87% in trading value.

Over this period, the metal and mineral trading floor witnessed trading of various commodities including iron ore, aluminum, steel, zinc ingot, gold bullion, copper, cement, precious metals concentrates, molybdenum sulfur and metallurgical coke. On the oil and petrochemical trading floor commodities such as bitumen products, polymer and chemical products, slaps waxes, insulation, argon, sulfur lumps and granulated sulfur, heavy and light lube-cut oil, and vacuum bottom were traded on the both export and domestic trading floors. Furthermore, commodities including barley, maize, sugar, various types of meal, frozen chicken, saffron, consumer and durum wheat, rice, oilseed and crude vegetable oil were traded by the customers on the agricultural trading floor.



According to the report, during this period, on the IME's side market, 92,606 tonnes of commodities in commodity groups of agricultural, polymers, chemicals, waste, metal and mineral, sulfate and lime, worth more than 1,229 billion Rials were traded.

Based on the report, IME's derivatives market over the ten months of 1395 Hijri , witnessed trading of more than two millions and 545 thousand gold futures contracts worth more than 300,000 billion Rials compared to the same period of the last year experienced a growth of 144% in contract volume and 202% in contracts value.

Options contracts launched at the beginning of January 2017 experienced trading of 25,445 contracts worth over 295 billion Rials.

A 47,000 Billion Rials Financial Market

During the 10 months of 1395 Hijri , the value of IME's financial market passes 47,000 billion Rials and compared to the same period of last year experienced a significant growth of 1,238%.

In the financial market, in addition to standard parallel SALAM contracts, certificates of deposit for commodities

including gold coins, barley and maize were traded.

In the financial market of IME, 6.3 million tonnes of goods within the frame work of standard parallel SALAM contracts and certificates of deposit for 381,000 tonnes of commodities were traded. It is worth noting that 9,561 gold coins were traded within the frame work of certificates of deposit.

During this period, the total volume of transactions in the physical market was more than 21 million and 422 tonnes of goods worth excess to 302,000 billion Rials.

The volume and value of trading on the IME's physical market compared to last year increased by 17 and 24 percent, respectively.

A Growth of 25.5% in Trading Value on Metal and Mineral Trading Floor

During the ten-month period, the metal and mineral trading floor witnessed trading of over 8 million tonnes of goods worth more than 128,000 billion Rials and compared to the same period of last year experienced growth of more than 5 percent in volume and over 25.5 percent in the value of transactions.

Of total transactions in this trading floor, about 5.8 million tonnes of commodities were traded worth more than 95,000 billion Rials. About 2.2 million tonnes of goods were traded in cash worth more than 32,000 billion Rials. Also, 4,130 tonnes of commodities worth

317 billion riyals were traded in credit.

On the steel group, more than 5 million and 913 thousand tonnes of commodities worth more than 96,000 billion Rials were traded and compared to the same period of last year experienced a growth of 16.5% and 33% in trading volume and value, respectively.

Moreover, on this trading floor, more than 92,000 tonnes of aluminum, 1,370 tonnes of zinc ingot, 222,000 tonnes of copper, 102 tonnes of precious metals concentrate, 5,160 tonnes of molybdenum sulfur, 7,300 tonnes of metallurgical coke, a million and 870 thousand tonnes of iron ore and 4,500 tonnes of cement were traded. Furthermore, 597 kg of gold bullion were traded on the same trading floor and compared to the same period of the last year, volume and value experienced a growth 28% and 50%, respectively.

A Growth of 194% in Trading Volume on Agricultural Trading Floor

During the ten-month period, the agricultural trading floor witnessed trading of over 2 million tonnes of commodities and compared to the same period of last year experienced growth of more than 194 percent in volume and over 167 percent in the value of transactions.

Of the total transactions on this trading floor, approximately 1.8 million tonnes of commodities were traded worth over 17 billion Rials. About 281,000 tonnes of goods worth more than 7,000

billion Rials were traded in SALAF. Moreover, about 7,260 tonnes of commodities worth more than 105 billion Rials were traded in credit. In the barley group, more than 1 million and 246 thousand tonnes of feed barley worth more than 8,000 billion Rials were traded which compared to the same period of last year has experienced a significant growth. On this trading floor, over 245,000 tonnes of maize, 11,310 tonnes meals, 9,566 tonnes of frozen chicken, 8 kg of saffron, 17,571 tonnes of rice, 50 tonnes of oilseed and 22,189 tonnes of crude vegetable oil were traded. Also, 388,000 tonnes of sugar worth more than 9,000 billion Rials was traded on the same trading floor.

Trading 11 million tonnes of Various Commodities on Oil and Petrochemical Trading Floor

During the ten-month period, the oil and petrochemical trading floor experienced trading of over 11 million tonnes of commodities worth over 147,000 billion Rials and compared to the same period of last year experienced growth of more than 31 percent in volume and over 7.91 percent in the value of transactions.

The highest trading volume on this trading floor is related to the polymer products so that 2 million and 187

thousand tonnes of polymer products worth 79,000 billion Rials were traded on this trading floor which experienced growth of more than 31 percent in volume and over 33 percent in the value of transactions.

On chemical products group during this period, 800,000 tonnes of chemical products worth over 14,000 billion Rials was traded and compared to the same period of last year, experienced growth of 25 percent in volume and 36 percent in the value of transactions.

On oil groups, 4 million and 168 thousand tonnes of bitumen worth more than 30,000 billion Rials was traded and compared to the same period of last year, experienced growth of 60 percent in volume of transactions. Among other commodities traded on this group we can refer to trading of 295 thousand tonnes of sulfur, 2.6 million tonnes of vacuum bottom, 840,000 tonnes of lube cut oil, 23,100 MT of slaps wax and 40,612 tonnes of insulation.

Trading 757 million USD of Commodities on Export Trading Floor

During the ten months of this year, about 4 million and 916 thousand tonnes of commodities worth more than 757 million USD were traded on the IME's export trading floor.

In this trading floor, 1 million and

870 thousand tonnes of iron ore worth more than 58 million USD were traded to export to the global markets. 2 million and 791 thousand tonnes of bitumen worth more than 659 million USD were traded on the same trading floor. 178,000 tonnes of sulfur worth more than 10 million USD

was traded. Among other commodities traded on the export trading floor we can refer to trading of 40,612 tonnes insulation, 3,270 tonnes of agricultural products, 15,700 tonnes of lube-cut and 17,750 tonnes on vacuum bottom.



Listing the IME Symbol on the Main Board of Base Market of IFB

In the meeting named “One Visit, One Offering” hosted by Iran Fara Bourse Company (IFB) and attended by the CEOs of IME and IFB the IME symbol opened officially on the main board of base market of IFB.

Amir Hamouni, CEO of IFB, after extending a warm welcome to officials, media reporters and journalists present at the meeting said that the base market of IFB consists of 3 sections

A, B and C that the A board is devoted to financial institutions such as exchanges and the IME

is the first exchange being listed in the sections A, the main board of base market of IFB for price discovery.

Then, Hamed Soltaninejad, CEO of IME, appreciating the cooperation of IFB for seriousness and diligence in listing the IME, said the official opening of IME symbol on the main board of base market of IFB is one more step for paving the path towards greater transparency.

Soltaninejad added that as the exchanges are the market for creating transparency in securities and commodity sections, so this is the right of all shareholders and stakeholders of these exchanges to demand price discovery and trade of stocks of these exchanges through a transparent mechanism to be discovered.

He stated that measuring exchanges stocks criteria by experts provides the exchanges managers by feedback to better carry out their activities. But the point that should not be overlooked is that the first and major missions of exchanges are transparency and streamline transactions of securities and commodity sections and the other mission is to hedge and finance.



10th Exchange, Bank & Insurance (FINEX): Tehran, April 15-18, 2017

10th Exchange, Bank & Insurance (FINEX) will be organized and held by the SEO in Tehran, April 15-18, 2017. This exhibition has been the prime event annually organized by the regulatory and supervisory authority to the Iranian capital market, the Securities and Exchange Organization (SEO), and will be attended by local and international companies working in the realm of financial markets. The event makes it possible to have face-to-face discussions with top managers of all Iranian banks, insurance companies, and Iran's capital market that convene in a unique professional gathering, an opportunity for its audiences to witness, study, discuss and make strategic decisions on their future interaction with Iran's investment market.

For a potential international investor to select a market for investment, basic requirements of a proper market include banking system, effective insurance coverage and a lively capital market. Valid and updated information

and data are easily available for the markets where international investors have been traditionally active for several years. But when decisions are to be made on entering a market from which you have been absent for a meaningful number of years, a deeper look at the current situation of the infrastructures of trade and investment is not something to be neglected. The 10th Exhibition and Conference on Exchange, Bank & Insurance (FINEX 2017) is the most authentic event planned by FINEX to make it possible for exchanges, banks, insurance companies, investment funds and all potential international investors to get access to first hand, accurate and up-to-date information on Iran's investment market. The event enjoys exceptional importance due to the recent openings in regard to the country's return to the global market after several years. Outstanding entities well-known



for their activities in financial markets, both domestic and international, will attend FINEX this year. For those seriously considering being in this market in its new era of flourishing, FINEX is not an opportunity to miss!

FINEX Participants

- Managers and experts of banks,
- Managers and experts of insurance companies,
- Managers and experts of investment funds,
- Managers and experts of capital markets,
- Brokers of equity and commodity exchange markets

- Practitioners and investors of Iran's Capital Market

How to register Stand reservation on the 10th International Exhibition of Exchange, Bank & Insurance will be done electronically, so all participants may specify their selected stand via the official website of the fair on: www.iranfinex.ir/english

You may find a quick registration guideline on this website where all information regarding online registration is depicted. All related information, rules and regulation of the 10th FINEX are also available on this website.



Futures & Options Contracts in IME



Record-Breaking Futures Contracts for Gold Coins after 4 Years

Iran Mercantile Exchange witnessed on Monday, 26th of December 2016, a surge of investors and traders in gold coins futures market which led to an unprecedented record in 4 years with totally 30,821 contracts in five trading symbols

The last time the number of IME's gold coin futures contracts exceeded 30,000 goes back to September 2012. Futures market for gold coins experienced a 95 percent growth compared to the day before that, increasing to more

than 100 million dollars.

Moreover, IME issued 1944 call options contracts on gold coins. The prices 11,000,000, 11,250,000, 11,150,000 and 11,175,000 Rials were exercised for 198, 71,346 and 329 contracts respectively.

Also IME traded on the same day 48 Bahar-e-Azadi gold coins in CDRs, a 133 percent growth in comparison to the before it in which the number of traded coins were 36.



IME Launches Put Options Contracts on Gold Coins



Following the successful launch of call options contracts on gold coins, IME managed to officially run trade of put options contracts on the same commodity with the exercise price of 12,000,000 Rials for each coin with the maturity date of Wednesday, 26th of February 2017, at 11:18:22 am.

These contracts followed launch of call options contracts on 14th of December 2016 after frequent requests of market participants for completing the chain of solutions for trading gold coins in Iran.

It is worth noting that the trader of gold coins can tap into different strategies based on their needs, which makes it a historic event in the country's capital market. Applying the same scenario to other commodities as the underlying asset along with bolstering a sound and secure spot market will create the

capacity for effective trading plans and risk management strategies, and make the market more appealing for traders of all walks of life. Flourishing along the way, this financial instrument will play a determining role in realization of IME's vision as to becoming the price reference for various commodities.

What's more is that, in addition to creating an optimistic outlook for as to developing such solutions for other commodities, derivatives contracts on gold coins can be a good help to risk management of portfolios for the stock market participants. That is to say that they will be able to make use of the solutions which are available for them on gold coins besides the approaches they are already taking towards investment, which are mostly ordinary stocks and securities with fixed income.

Options Contracts, Efficient Tools to Hedge against Risks in Agricultural Products Trades

Options contracts are the model proposed by Iran Mercantile Exchange to manage risk of trading in agricultural products market.

Hamed Soltaninejad, CEO of IME said in Iran's 5th National Conference of Financial Engineering, which was held in Management Faculty of Tehran University, that as the agricultural sector carries a lot of weight in sustainable development of economies, IME has the plans to launch financial tools on agro-products. He added that options contracts are a market-based solution which reflects all the costs of supporting the agricultural sector.

He went on elaborating on the proposed model and said it's a scheme of derivatives contracts with income insurance which will help the government reduce its expenses." In options contracts the buyer has the right, but not the obligation, to buy (call) a security or other underlying asset an agreed-upon price (the strike price) on a specific date (exercise date); with the exchange, of course, receiving collaterals." Soltaninejad added. He explained that implementing options contracts on agro-products means that we can offer each farmer a put (sell) option two or three months before harvest time at which it is possible to estimate

his or her crop yield; giving the farmer a choice to sell his or her product to the government or whichever entity that underwrites these securities.

He also said that the other potential of this model the government can pay the price of these contracts as subsidies. He noted that key point here is that we can estimate the farmer's crop yield and offer him the put option accordingly, with the whole price or part of it paid to them as subsidies. He continues that all governments keep part of the agricultural products under their ownership as deposited in warehouses and puts the remaining options out to tender so that eligible purchasers including bakers or flour producers or other relevant industries, who can receive the products from farmers, can buy them.

IME CEO also said that these securities can be sold on the secondary market, which means that the capital market appreciates the value of the support the government has for the agricultural sector; this leads to reductions in marginal costs and will alleviate the problem of agricultural products being sold to middlemen at very low prices. Pointing to the high potentials of our economy for expansion of derivatives market, Soltaninejad asserted the value of derivatives trades surpassed that of the spot market on IME this year; 11.5 billion dollars and 11 billion dollars respectively.

Paying attention to America's economy,

he said, we will see that there are to massive pillars carrying the country on their shoulders: the military and the agriculture. The second one is by no means less important the first. There have always been ups and downs in this industry and all the governments put aside a share of their budget as subsidiaries for it.

Referring to the risks that geography, weather conditions and precipitation rates that are exposed to agricultural sector, this industry has always been based on as structure of small ownership and that's why it needs support. He continues that America's policy to support its agricultural sector in 1930's to 1960's, like that of Iran in currently, was purchase-oriented. In Iran each year the government specifies a great amount of the yearly budget to buying agro-products based on a purchase-guarantee policy. According to official statistics, Iran spent 15,000 billion IRR on buying wheat from framers,

which is half the total civil budget of the country. Experience tells us that the guaranteed purchase plan is not an efficient policy and we need to replace it with market-oriented ones. He added that America changed its policies in this regard in 1996 and moved towards policies which were based on market fundamentals. The same story goes for EU with integrated policies on the agenda for this sector from 1960 and from 1980 on, on account of the increase in amount of crop yields, subsidies were focused on exports.

IME CED went on to say that Brazil as one the countries with the most advanced solutions with regards to its agricultural sector has implemented certificates of depositary receipt on agro-products. Instead of guaranteed purchase policy, Brazil employed the guaranteed price policy at which the farmer could sell their product with a minimum guaranteed profit. In 1990 they went ahead with a plan





based on which farmers could store their products in warehouses and receive a warehouse receipt based on the deposited product, which is a solution to securitize financial tools. Soltaninejad added that farmers could receive loans based on these securities which were tradable on the secondary market. Later on in 1997, Brazilians implemented market-oriented policies and moved towards free-price strategies as well as an insurance program for farmer's products or part of their income.

In his address Soltaninejad also talked about Costa Rica and Mexico and said that their policies are export-oriented and the government, especially in Costa Rica, pay subsidies for a product like coffee and will compensate for their loss. He added that the policies in Mexico are like the ones employed in Chicago Mercantile Exchange, based on which farmers are offered sell positions at appropriate times and the government provides them with money they need for that.

In Iran, IME CEO continued, there have been different approaches toward the issue; before the Islamic revolution from 1350 Hijri year the government forced market participants to buy the agro-products at prices determined by the



government. From 1368 Hijri year we experienced a shift towards guaranteed purchase plan and in 1389 Hijri year, the Iranian parliament passed the law of Increasing Efficiency of the Agricultural Sector, which in its Article 33, that went into effect, in 1394 Hijri year, it stipulate that the government will not buy the product from the farmer. Instead it prepares the ground for the farmer to sell their product in within a market-based structure. In case the product is sold at a lower price that what the government has previously guaranteed, the remaining value will be delivered to their account.

He also mentioned that IME has experienced to big events this year which are implementing guaranteed price plan for Maze and feed barley, hoping that IME would be able to extent this policy to other products as well. This way he said the government would not have to tolerate the marginal costs of warehousing, transportation, etc.

Finally, IME CEO said that IME would welcome all the experts on financial engineering sector to offer their new solutions to expand financial tools usage in Iran's capital market.



Certificates of Deposit in IME



Market Regulation and Transparency Emerged by Launching Pistachios and Saffron Trading Floor in IME

The press conference of Shapour Mohammadi, chairman of Securities and Exchange Organization of Iran (SEO) was held with presence of the media.

In this press conference, Mohammadi stated that a platform for trading pistachios and saffron will be launched in IME which will provide the ground work for more Market Regulation and Transparency in the markets of the two commodities.

Notifying that the more products being offered and traded in IME, the more volume of shadow economy will be reduced, he added that the exchanges play a

significant role in reducing the shadow economy, so offering of homogeneous goods as well as those products with continuous offering in IME and multiple market players should be supported.

Pointing to advantages of trading confiscated properties through IME, chairman of SEO said that this method of trading the confiscated properties will provide more transparency in the economy and will satisfy the public and the authorities.

According to Mohammadi, when there is a reference rate in the market, traders will adapt themselves to it and there will be no more intermediaries.



Real-Time Price Discovery for Iranian Saffron through Certificate of Deposit



The CEO of IME on the opening ceremony for launching certificate of deposit for saffron stated that certificate of deposit provides opportunity of real-time price discovery for Iranian saffron. Trading of certificate of deposit for saffron was launched officially in Khorasan Razavi, Mashhad, attended by a group of senior officials, including Ali Akbar Mehrfard; Deputy Minister of Agriculture, Hasan Amiri; deputy of the Securities and Exchange Organization as well as Hossein Safai; CEO of Central Organization for Rural Cooperatives of Iran.

At the beginning of the ceremony, the first certificates of deposit for saffron was traded officially on the www.tsetmc.com system between representatives of Central Organization for Rural Cooperatives of Iran, and at end of the day, certificate of deposit for 1,160 grams of Iranian saffron worth over 50 million Rials was traded. Based on the report, Amir Masoud Pejman Pour, SEO of Khorasan Razavi Rural

Cooperatives said that in excess to 160 thousand family farmers are active in the field of saffron as a valuable commodity, but due to lack of proper planning, price fluctuations and the lack of an organized market for real price discovery for saffron, these households are among the weakest segment of the society. Accordingly, by using the mechanism of IME, we intend to progress in marketing, creating a stable market, eliminating the intermediaries and solve the liquidity problems of our country's farmers.

Following the ceremony, Hamed Soltaninejad, CEO of IME said saffron is trading in IME in the frame work of certificate of deposit and also in the physical market for cash, forwards and credit. Referring to the advantages of trading saffron in the frame work of certificate of deposit, CEO of IME said that participating the farmers in transactions to sell their products, facilitating the transactions and receiving the trading value as fast as possible, providing the possibility of trading at micro and macro levels, continuous offerings and daily price discovery, reducing product handling costs, moreover, standardization and improving the quality of the product and contribution to promote Iranian saffron brand given that the trading prices and values are reported online on www.tsetmc.com system as well as providing the opportunity of presence of international buyers in these transactions are among the most important advantages of launching trading of saffron in certificate of deposit.

Through IME,
Iran will be
the Price Reference
for Saffron
in the World



On the opening ceremony for launching certificate of deposit for saffron, Iran's deputy minister of agriculture said that through the IME, Iran will be the price reference for saffron in the world. Ali Akbar Mehrfard, Iran's deputy minister of agriculture pointed to the importance of trading saffron in the country and said that trading saffron in the IME will contribute to development of transparent and reliable trading platforms, promoting standards and the quality of the product, as well as expansion of export and becoming the reference price in the world.

Then he added launching trading of certificates of deposit for saffron in IME will result in improvement of Iranian saffron branding process and creating incentives for domestic producers and traders.

Referring to Iran as the world's largest producer of saffron, Mehrfard added that approximately 94 percent of the world's saffron is produced in Iran and after Iran, Greece, Morocco, Kashmir and Spain occupied the next ranks,

hence it is crucial to trade saffron in a transparent and regulated groundwork. He pointed out that 23 provinces are under saffron cultivation, and said the country's main saffron production is in Khorasan Razavi, North and South Khorasan, and according to statistics, the total volume of saffron production in Iran was about 350 tonnes during the year 1394 Hijri (2015).

According Mehrfard in 1393 Hijri (2014) about 98 tonnes of saffron and in 1394 Hijri (2015) about 53 tonnes of saffron worth over 81 million USD were exported to other countries mainly UAE, Saudi Arabia, China, Spain, United Kingdom and Hong Kong.

He said Turkey as the world's second-largest producer of raisins, has launched international raisins exchange and is using the exchange capacity. In line with that, we should use the capacity of the IME in the country in order to create new markets for the products in which we have competitive advantages such as saffron.

IME Provides the Opportunity of Financing and Hedging Saffron Market Participants

On the opening ceremony for launching certificate of deposit for saffron, the deputy of supervision on exchanges and issuers of SEO outlined advantages of launching certificate of deposit for

He pointed to new financial instruments in IME and said that certificates of deposit and standard parallel SALAM contracts are the most important financial instruments and options and futures



saffron.

Hasan Amiri announced 4 major targets of SEO and said development of financial instruments through exchanges, facilitating a variety of transactions in exchanges for stakeholders, introducing hedging instruments and penetrating in global markets are the main objectives of the SEO.

contracts play significant role in hedging in the capital market of Iran.

Following that, Amiri referred to advantages and functions of certificates of deposit and stated that this trading instrument being standards and having required licenses could be traded continuously in a variety of markets. On the other hand, since the certificates of deposit

are considered as securities, there is the possibility obtaining credit facilities from a bank or financial institution (determined by the exchange) by using the certificate of deposit as collaterals.

Becoming Price Reference through Financial Instruments

Focusing on benefits of using certificate of deposit in agricultural sector, Amiri said that

Liquidizing stagnant commodities, creating a strong spot market and daily price discovery, reducing price instability, improving standards and quality criteria for products in warehouses, eliminating the need to frequent handling with continuous trading, ensuring transactions and quality of commodities through warehousemen

guarantees are among the significant benefits of using certificate of deposit in agricultural sector.

According to the deputy of supervision on exchanges and issuers of SEO, Iranian saffron is one of the well-known and strategic commodities in the world, hence, the launch of trading instruments and development of trading this product on a transparent and systematic market such as IME can play a strong role in facilitating transactions and becoming the reference price.

At the end of his lecture, Amiri said that after setting up certificates of deposit for saffron strongly, the commodity fund for saffron can also be launched which has been approved by the SEO and after that we must progress toward creation of derivatives.

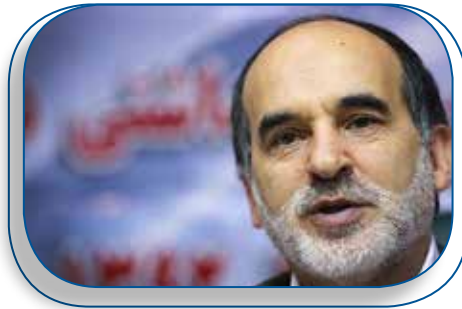
Selling a Product before Production; the Great Advantage of IME

As the last lecturer on the opening ceremony for launching certificate of deposit for saffron, Hossein Safai the CEO of Central Organization for Rural Cooperatives of Iran pointed to the lack of proper planning in the field of production and agricultural products market in the country and said different experiences around the world suggest that if a country does not have predefined plan for production, its failure is inevitable.

He added today those countries are successful in the field of agriculture that a product is sold before production to a predetermined market, but Iran's score in this area is unacceptable.

CEO of Central Organization for Rural Cooperatives of Iran stated that it is not acceptable that in the agriculture sector of our country, especially saffron market, a product is produced without needs assessment and identifying appropriate market and then looking for the market to sell it.

He added that over 90% of the world's saffron is produced in Iran and it absorb plenty of foreign currencies to the country, but still we saw irregularities in production



and the lack of a clear agenda to this product's market.

According to Safai, there are various solutions to this problem in the world one of which is the use of commodity exchange and financial instruments.

He said launching certificate of deposit for saffron is a big step towards regulating and financing the saffron market, but this is the first step and with collaboration of relevant organs and institutions we can witness successful international and domestic trading for saffron in IME.

Emphasizing on education and training for the market participants to improve the agricultural sector of country, Safai said that benefits of trading saffron through the IME should be introduced to all of the market participants from domestic farmer to international investors.



Agricultural Trading Floor of IME



Real-Time Price Discovery for Pistachio in IME

CEO of Iran Mercantile Exchange on the official opening ceremony of trading pistachio in IME announced a real-time price discovery for pistachio. The official opening ceremony for trading pistachio in IME held in IME's trading floor attended by Ali Tayebnia, Iran's Minister of Economic Affairs and Finance, Mohammad Reza Pourebrahimi chairman of the Economic Committee of the Parliament of Iran, Shapour Mohammadi, chairman of

SEO, Mohammad Ali Tahmasbi Deputy Minister of Agriculture as well as media reporters and journalists.

At the beginning of the ceremony, CEO of IME, extending his warm welcome to

the audience, stated that pistachio is one of the country's strategic products and for globalization of this commodity it is necessary to provide prerequisite of being the price reference in the world through creating an integrated market.

Hamed Soltaninejad added that trading Pistachio in IME will promote the brand

of Iranian Pistachio and will provide the possibility of direct presence of international customers in this market via the online dissemination of trading prices and volumes in the country and the world. So, given the 40% share of Iran in the global pistachio market, we must play a role in price discovery for this commodity and the derivatives markets will contribute to achieve this goal.



Thereafter, he outlined the IME's performance and programs in agricultural sector over the Persian calendar year 1395, and stated that since the beginning of 1395 up to March 2 compared with the same period last year IME has experienced growth in trading volume and value in most areas and by the support of

Minister of Agriculture the agricultural sector is enjoying a significant position in the IME.

In this regard, he added that during last year, 753 thousand tonnes of agricultural products were traded in IME and over the current year this figure exceeded 2 million and 360 thousand tonnes representing 213% growth in trading volume and 189% growth in trading value of agricultural products.

Soltaninejad said that by implementation of Article 33 of law of increasing the productivity of agriculture sector on maize and feed barely over a million and 150 thousand tonnes of feed barley and 600 thousand of maize were traded.

Referring the one of the IME's

function as a market regulator for agricultural commodities and the necessity of employing long-term and futures contracts in this area, CEO of IME stated that derivatives market is of high liquidity and has many market participants. A product such as pistachio has the potential to be traded through new financial instruments in derivatives market. Iranian pistachio production volume in 2015 totaled 230 thousand tonnes and the market value of 50 billion Rials. High volume and value of trading pistachio and the large market participants in this market as well as existence of suitable warehouses for storing this commodity are exactly the required conditions to create a well-functioning derivatives market.



Minister of Economy and Finance
Construes Offering
of Pistachio on IME
as Strengthening Linkage and
Collaborations
between Capital
Market and Agriculture Sector



Launching offering of pistachio on IME is a way to scale up demand for Iran's pistachio on global markets and a measure to bolster the interconnection between Iran's capital market and its agricultural sector.

Ali Tayebnia, Minister of Economy and Finance, said in the opening ceremony of pistachio trades on IME that pistachio has always been a leading Iranian product in global markets.

Referring to the event as another step toward fortifying the linkage

between Iran's capital market and its agricultural sector he added that both of them are playing a crucial role in the country's economy and there is no getting away from paying more attention to the agricultural sector if we are about to create job opportunities for the youth and fight against poverty.

He reiterated that the unique role of the agriculture in making money, job creation, decreasing poverty, especially in rural areas, and its strategic value as to food security and the country's

independence leaves no room for complacency, making governments pay much attention to it.

Minister of Economy continued that Iran's pistachio as a well-known Iranian agro-product in the world and is one the merits of the agriculture industry; trading it on IME will lead to an integrated market for this commodity, in which the transparent price discovery mechanism within a competitive atmosphere based on international standards will be a big step forward for this product, being recognized in global markets more than before.

He also stated that in keeping with resistive economy policies, we need our economy to be extroverted and endogenous at the same time. That is to say we have to design our economy so that we make production using domestic resources but with an extroverted approach to sell them not only in our own country but also on global markets in a competitive environment. This way we will be tapping into our domestic resources optimally with our products reaching beyond our borders at the lowest price and with the highest quality. Agriculture sector- and pistachio in particular- is a good example of

this strategy which definitely ends in more profitability.

He argued that with regards to expansion of Iran's exports, we are not merely after increasing our revenues in foreign currencies. We are also interested in lessening our reliance on oil revenues which is attainable with the expansion of non-oil products exports.

Minister of Economy expressed hopes for implementing the same scenario for commodities other than pistachio with the aim of promoting them on a global scale, increase in quality and quantity, more exports and more job opportunities.

In the end, he pointed to the fact that after the new law of the capital market was ratified, we were provided with the legal basis to establish new exchanges unlike when we were limited to the stock exchange in the past. From then on we have been witnessing launch of new financial instruments in our capital market, among which are instruments implemented on commodities in Iran Mercantile Exchange, creating a platform for trade and distribution of commodities, including agro-products, in a competitive and transparent atmosphere.

Iran's Pistachio to Become Price Reference via Platform of IME

Chairman of the Economic Committee of the Parliament of Iran said in the inauguration ceremony of pistachio trades in IME that Iran's pistachio has the potential to become price reference in global markets.

Mohammadreza Poor Ebrahimi said that pistachio is a strategic product in Iran and account for most of the country's non-oil exports. As a well-known commodity in global markets, it could be promoted even more using various financial instruments with a bigger share of contribution in Iran's agriculture. He added that Iran's average pistachio harvest is one-fifth of that of the world and expansion of its trades require more data transparency along with increase in quality and quantity. He also insisted on the fact that financing needs and selling their product are among the most important concerns of pistachio producers. The export issues are also required to be taken into consideration with prices set in a way that are competitive in world Markets. He also added with financial instruments on pistachio like pre-purchasing, spot trading and deferred payment trades and so not only market participants and foreign merchants will be benefited but also Kerman's pistachio industry will



undergo a very bug positive change.

Pour Ebrahimi continued that with the emphasis the Parliament of Iran has put on the capital market in the 6th development plan of Iran, the capital market administration will be in charge of implementing the strategies that parliament members have set out in this regard, with new financial instruments like options trades on the agenda.

Next he pointed out that launching trades of crude oil trades within Iran's capital market framework is one the issues consigned to oblivion which is to be looked into in the 6th development plan in order to remove the impediments it has caused to economic growth.

Furthermore, Pour Ebrahimi criticized the approach toward the debt market, referring to its deficient role in financing the private sector which he believe should be 90 percent rather than the 10 percent share it currently covers. Finally, he reiterated that with regards to the gargantuan rent in the petrochemical industry, the minister of industry will be asked before the parliament members to explain the reason why he insists that petrochemical commodities should exit the Iran mercantile Exchange.

Financial Instruments, Parliament's Panacea to Remedy Agriculture Market Tumult in Iran's Sixth Development Plan

It was stipulated in the parliament that, in order to relieve the stress which is weighing on the market, relevant companies initiate proper long or short positions in agricultural contracts.

The article 42 of "Iran's Sixth Development Plan" bill got the approval of MPs by 156 positive votes, 7 negatives and 4 abstentions out of 233 present members. It has been stated in clause 1 of article 42 that in order to alleviate market tumult and to reduce seasonal volatilities in one hand, and to take the edge off the government's liabilities as to cash flow and other consequential costs involved

in market-regulatory policies as well as supplying strategic commodities, Government Trading Corporation of Iran or any other governmental companies responsible for market regulation regarding commodities pertinent to the article, upon decision by Ministry of Agriculture, based on monthly, seasonal and annual assessments, shall take action as to initiating proper long or short positions in Salam, Standard Parallel Salam, Futures, or Options Contracts on underlying assets relevant to the above-mentioned article within the framework of Iran capital market.



Successful Debut of Wheat Trades on IME's Export Ring

IME's agricultural trading floor witnessed on Saturday, January 7, 2017, trade of 7,000 tonnes of wheat for export and 1,000 tonnes for domestic consumption. There are two ways of offering export wheat on IME: first, consumer and durum wheat are offered on domestic ring on the condition that export is guaranteed, with delivery from the suppliers' warehouse venue. In the second way, wheat is offered on IME's export ring. Delivery will be either FOB or ExWork, for the latter of which the buyers is needed to put up bank guarantee to ensure that the wheat

will be exported within a month; FOB entails putting up no guarantees.

Furthermore, IME saw spot trading of 3,479 tonnes of maize in guaranteed price plan contracts and 6,561 tonnes of maize in CDRs on its agricultural trading floor.

On the oil and petrochemical trading floor, IME traded 16,000 tonnes of vacuum bottom, 400 tonnes of sulfur granules, 758 tonnes of polymeric products and 7,857 tonnes of bitumen. Last but not least, IME's export ring was the platform to trade 2,000 of bitumen.



Self-Sufficiency in Wheat Production Paves the Way towards its Export on IME

Iran Mercantile Exchange witnessed offering of consumer wheat and its derivatives. "Government Trading Corporation of Iran" offers 60,000 tonnes of consumer wheat at the base price 7100 Rials per kg. Buyers can export the wheat or its derivatives afterwards to global markets.

Based on this report, Ilam, Khorasan Razavi and Sistan Baluchistan Provinces have produced 20,000 tonnes of wheat each, which are offered at the base price 7100 Rials. It's worth noting that coefficients and product specifications issued by suppliers can be found on IME's website. According to the offering notice, buyers are supposed to pay the difference between the base price and 110% of the guaranteed purchase price for wheat (guaranteed purchase price for the Hijri year 1395 is 12705 Rials) via a bank guarantee in favor of the holding "Government Trading



Corporation of Iran" (for export customs declaration). LC is also accepted and in case of issuing usance letter of credit, the allowable period of time will be 2 months with a 2% monthly fee. This holding also offers another 21,000 tonnes of consumer wheat on IME

for bakeries and other producers or industries in need of wheat flour. The base price for wheat from Khuzestan, West Azerbaijan, Hamadan, Kermanshah and Markazi Provinces is 9030 Rials per kg and 9393 Rials per kg for Ilam Province.

There are two ways of offering export wheat on IME: first, consumer and durum wheat are offered on domestic ring on the condition that export is guaranteed, with delivery from the suppliers' warehouse venue. In the second way, wheat is offered on IME's export ring. Delivery will be either FOB or ExWork, for the latter of which the buyers is needed to put up bank guarantee to ensure that the wheat will be exported within a month; FOB entails putting up no guarantees.

IME Provides an Efficient Mechanism for Procurement of Grains and the Necessary Infrastructure for Trades in Iran's Flour Industry.

Dr. Hamed Soltaninejad, CEO of IME, paid a visit to Taban Flour Factory, exchanging views with the secretariat of Iran's Flour Industries Union. In the meanwhile, he got involved with the latest development of the industry and some challenges relating to procurement of wheat.

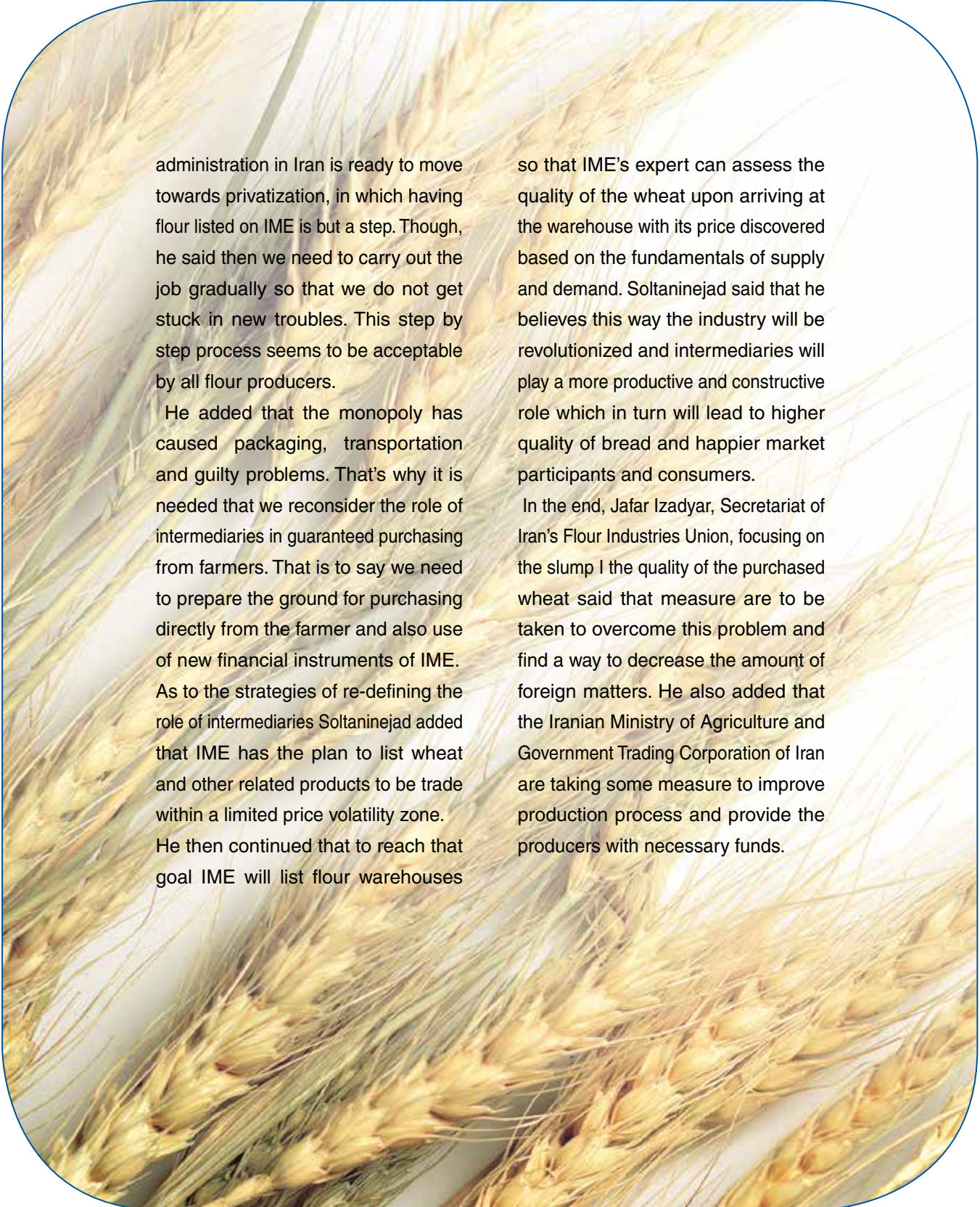
During the visit Dr. Hossein Yazdjerdi, chairman of Iran's Flour Industries Union, insisted on the fact that contrary public opinion Iran's flour industry is among the most modern one with the least human interference in the production process. Referring to Taban Company as an example, he also said that Iran's flour industry is moving ahead shoulder to shoulder with the most state-of-the-art technologies of Europe, keeping with the highest

standards of the industry. He the pointed asserted that flour factories as well as pertinent officials like Ministry of Health, Treatment and Medical Training and Government Trading Corporation of Iran are vigilantly controlling the guilty of the flour produced in Iran as it directly impacts people's health and well-being.

Then he mentioned that thanks to scientific advances, flour industry, which is also one of the oldest ones in history, is among the leading ones in food industries. We are about to have flour listed on IME in order to eradicate monopoly in this industry and promote a free market.

Yazdjerdi reiterated that the governmental monopoly in wheat industry has never been a success and the 11th





administration in Iran is ready to move towards privatization, in which having flour listed on IME is but a step. Though, he said then we need to carry out the job gradually so that we do not get stuck in new troubles. This step by step process seems to be acceptable by all flour producers.

He added that the monopoly has caused packaging, transportation and guilty problems. That's why it is needed that we reconsider the role of intermediaries in guaranteed purchasing from farmers. That is to say we need to prepare the ground for purchasing directly from the farmer and also use of new financial instruments of IME. As to the strategies of re-defining the role of intermediaries Soltaninejad added that IME has the plan to list wheat and other related products to be trade within a limited price volatility zone. He then continued that to reach that goal IME will list flour warehouses

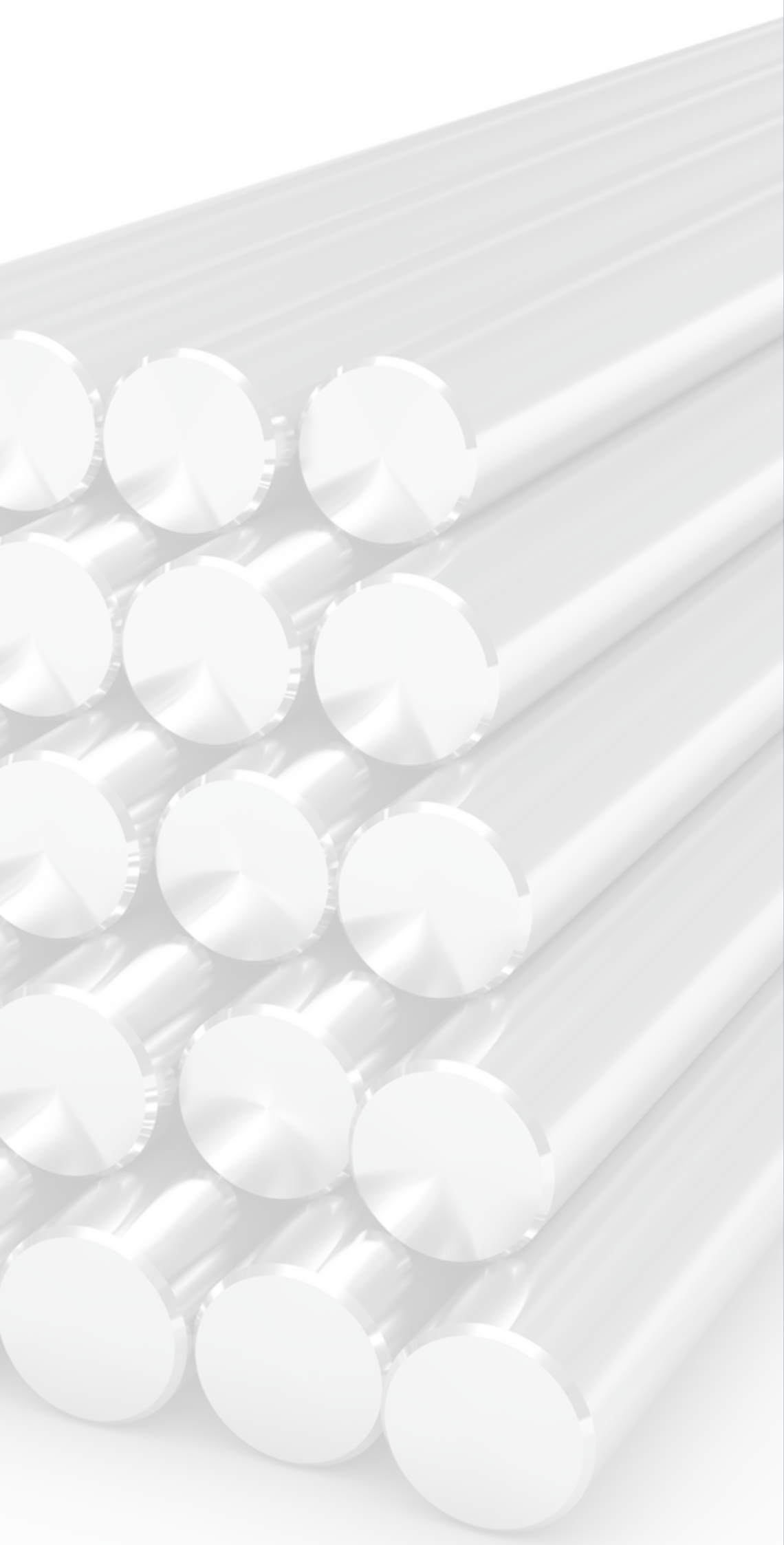
so that IME's expert can assess the quality of the wheat upon arriving at the warehouse with its price discovered based on the fundamentals of supply and demand. Soltaninejad said that he believes this way the industry will be revolutionized and intermediaries will play a more productive and constructive role which in turn will lead to higher quality of bread and happier market participants and consumers.

In the end, Jafar Izadyar, Secretariat of Iran's Flour Industries Union, focusing on the slump in the quality of the purchased wheat said that measures are to be taken to overcome this problem and find a way to decrease the amount of foreign matters. He also added that the Iranian Ministry of Agriculture and Government Trading Corporation of Iran are taking some measures to improve production process and provide the producers with necessary funds.



Metal & Mineral Trading Floor of IME





Iron Ore will be offered on
Domestic Trading
Floor of IME
within "Decade of Fajr"



On the fourth international conference on Iranian Iron Ore, CEO of Iran Mercantile Exchange outlined benefits of implementation of Article 37 of the law of removal of barriers to competitiveness and improving the country's financial system, history of trading iron ore on IME and other world commodity exchanges.

Attended by senior government officials and officials of the Iranian iron ore market, the fourth international conference on Iranian Iron Ore was held in IRIB International Conference Center on Sunday, January 9, 2017.

Hamed Soltaninejad, CEO of IME, stated that implementing clause 2 of Article 37 of the law of removal of barriers to competitiveness and improving the

country's financial system, facilitating trade of the excess of commodities offered on the domestic trading floor on the export trading floor along with developing export markets for iron ore and increasing the share of private sector are among the IME's program in this field.

Pointing to the most important plans of IME regarding development of iron ore industry, Soltaninejad named launching trade of all commodities existing in the value chain of Iran's steel industry, preparing the groundwork for using financial instruments for iron ore mines, as well as launching hedging instruments in this market as IME's future initiatives.

According to Soltaninejad, iron ore

producers can use the IME's financial instruments such as SALAF contracts to sell their products well before they are produced, a turning point in industry.

Advantages of Implementing the Law of Removal of Barriers to Competitiveness

CEO of IME stated that the law allowed the government to use a variety of incentives such as IME's capacity to process raw materials and transform goods with a lower added value to goods with higher added value. Recognition of oversupply in the domestic market to benefit from the export exemption for listed commodities by IME including iron ore is subject to three offerings in a row at a proper price.

History of Iron Ore Trades on Global Commodity Exchanges

Soltaninejad added that iron ore is being traded in Chicago, Dalian and Singapore commodity exchanges in cash and derivatives contracts. The trading volume of Singapore's iron ore futures and options in 2015 totaled 7.33 million contracts and the trading volume of Dalian's iron ore in 2015 is about 260,000 contracts and in 2016, is above 342 million contracts. Also, the trading volume of Chicago's iron ore futures contracts in 2016 is about 202,000 contracts and in 2016 and the trading volume of its options contracts is over 72,000 contracts.

He said that considering the volume of iron ore contracts on these exchanges, it is obvious that by increasing the

volatility in the iron ore price in global markets, the derivatives contracts market is booming in the world exchanges, so that based on statistics, standing after rebar, iron ore has occupied the second position in the trading of derivatives contracts.

According to Soltaninejad, in IME, the first offering of iron ore was on September, 7, 2011, by offering 200,000 MT of iron ore by Gol Gohar Iron Ore Mine on the export trading floor. From 2011 up to now, a total of 12.2 million tonnes of iron ore worth 712 million USD is traded in the IME and iron ore trading volume has increased from 1.5 million tonnes in 2011 to 1.6 million tonnes in the first 9 months of 1395 Hijri, 2016.

Financing Iron Ore Producers through IME

Referring to issuing Standard Parallel SALAM contracts for iron ore in IME, Soltaninejad stated that from July 2014 to November 2016, a total of 3,170 billion Rials of standard parallel SALAM contracts were issued to finance Gol-Gohar Mining and Industrial Company and in November 2015, 806 billion Rials of the securities were issued to finance Chadormalu Mining and Industrial Company through IME.

On the 7th Iranian Steel Market Conference, CEO of Iran Mercantile Exchange announced 4 billion USD financing for industries through IME.

Financing 4 billion USD for Industries through IME



Hamed Soltaninejad, on the 7th Iranian Steel Market Conference outlines 5 main subject in his lecture as “An Introduction to Trading Instruments of IME”, “IME Functionalities in National Economy”, “A Glance at Iron Ore and Steel in World Commodity Exchanges”, “Iron Ore and Steel in Iran Mercantile Exchange” and “Models of Employing Exchange Instruments in Steel Industry”. First he referred to the Introduction to Trading Instruments of IME and said after passing more than 14 years if IME’s activity, there are a broad range of instruments based on various tools in this exchange so that after launching cash, credit and forwards contracts during the early years of IME’s activity, newly a plenty of developed instruments such as standard parallel SALAM contracts, certificate of deposit, futures and options contracts have been launched in the IME.

Soltaninejad added: from the establishment

of IME on 2007 till the end of 2016, a total of 4 Billion USD financing have been provided for industries through SALAF contracts on IME. Also, through the standard parallel SALAM contracts 1.5 Billion USD financing is provided for different industries.

He pointing to the establishment of warehouse management system in the trading of certificates of deposit is in the agenda of IME, said that so far, 80 warehouses for trading agricultural commodity is listed in the IME and there is the same capacity in the metals area.

IME Functionalities in National Economy

Soltaninejad stated that directing capitals to production sectors, modernizing trading methods, establishing a logical and systematic relation between commodity and financial sectors, expansion of capital market are among the main functionalities of IME that to meet these functionalities development of financial instruments, trade facilitation and hedging are included in the agenda. Soltaninejad pointed to the approaches of IME and stated that proper resource allocation, bridging the gap between traditional and modern market structures, domestic markets development and introducing new trading instruments and renovating commodity and financial markets’ infrastructure are the main approaches of IME and to reach this approaches will demand smooth flow

of transactions, lowering trade costs, increased transparency, higher rate of transactions.

According to CEO of IME eased financing, market development, investment, price volatility risk management, facilitation of physical commodity trades and fair price discovery are the other functionalities of IME in the national economy.

A Glance at Iron Ore and Steel in World Commodity Exchanges

After that, Soltaninejad referred to the iron ore and steel in the world commodity exchanges and said trading futures and options contracts on iron ore is appealing and an acceptable volume of trading in the world commodity exchanges is allocated to this product. For instance, iron ore futures trade volume during 2016 in Dalian Commodity Exchange (DCE) is about to 340 million contracts and in Chicago Mercantile Exchange (CME) 72 thousand contracts. Also, in ICE Singapore (former SGX) 1,500 MT of iron ore is traded in futures, options and swap contracts.

Regarding trade of steel in world commodity exchanges, CEO of IME said 541 million Futures contracts were traded in Shanghai Futures Exchange (SHFE) and Steel Futures Trade Volume in London Metal Exchange (LME) and New York Mercantile Exchange (NYMEX) in 2016 is about to 58 and 59 thousand contracts, respectively.

IME's Maturity in the Development of Financial Markets

Soltaninejad referred to trading of iron ore and steel in IME and stated that out of 23 billion USD IME's trading value in 2016, over 11.7 Billion USD was resulted in financial market which in this regard we can say that IME is approached its maturity in the derivatives markets and commodity-based securities. The physical and spot market value is 11.1 billion USD so it is obvious that the financial market share surpassed the cash market. In other words, 51% of the IME's market value is accounted for the commodity-based securities and 49% to trading in the physical market.

He pointed to the metal and mineral trading floor status in spot market and said that over 2016 steel products had the largest share in trading value of this trading floor and with the total value of 3,607 million USD equivalents to 75% gained the first rank. Trading iron ore worth 830 million USD, or 17% of the total trading value in metals and minerals trading floor is in second place. Finally, the CEO of IME outline three models to be employed in the steel industry as CDRs, options and futures contracts and said the most important function and purpose of futures and options contracts is to hedge commodity price fluctuations in order to ensure the seller and the buyer about future prices.

Raw Materials Produced in Accordance with Article 37 of the Law on Elimination of Barriers should be offered in IME

On the 7th Iranian Steel Market Conference, deputy minister and chairman of the board of IMIDRO pointed to the importance of implementation of Article 37 of the law on elimination of barriers and offering raw materials in IME. Mehdi Karbasian stated that we should accept that in the beginning to avoid retailing raw materials the value added must be increased in the country, for example, one ton of iron ore, having a high cost of processing, is traded at its best between 40 and 70 USD/T; therefore, this iron ore should be converted to steel and downstream industries products in several stages. He added that based on Article 37 of the

law on elimination of barriers, mineral raw materials must first be offered in the IME to meet the needs of internal market and in the absence of demand should be exported. Implementation of the law will prevent retailing raw materials and support the production and downstream industries. He added that IME, as systematic and transparent market in the country, always supported the economy and industries in order to improve trading mechanisms and it seems that with the implementation of Article 37 of the law on elimination of barriers to the production, we will witness improving and reforming the





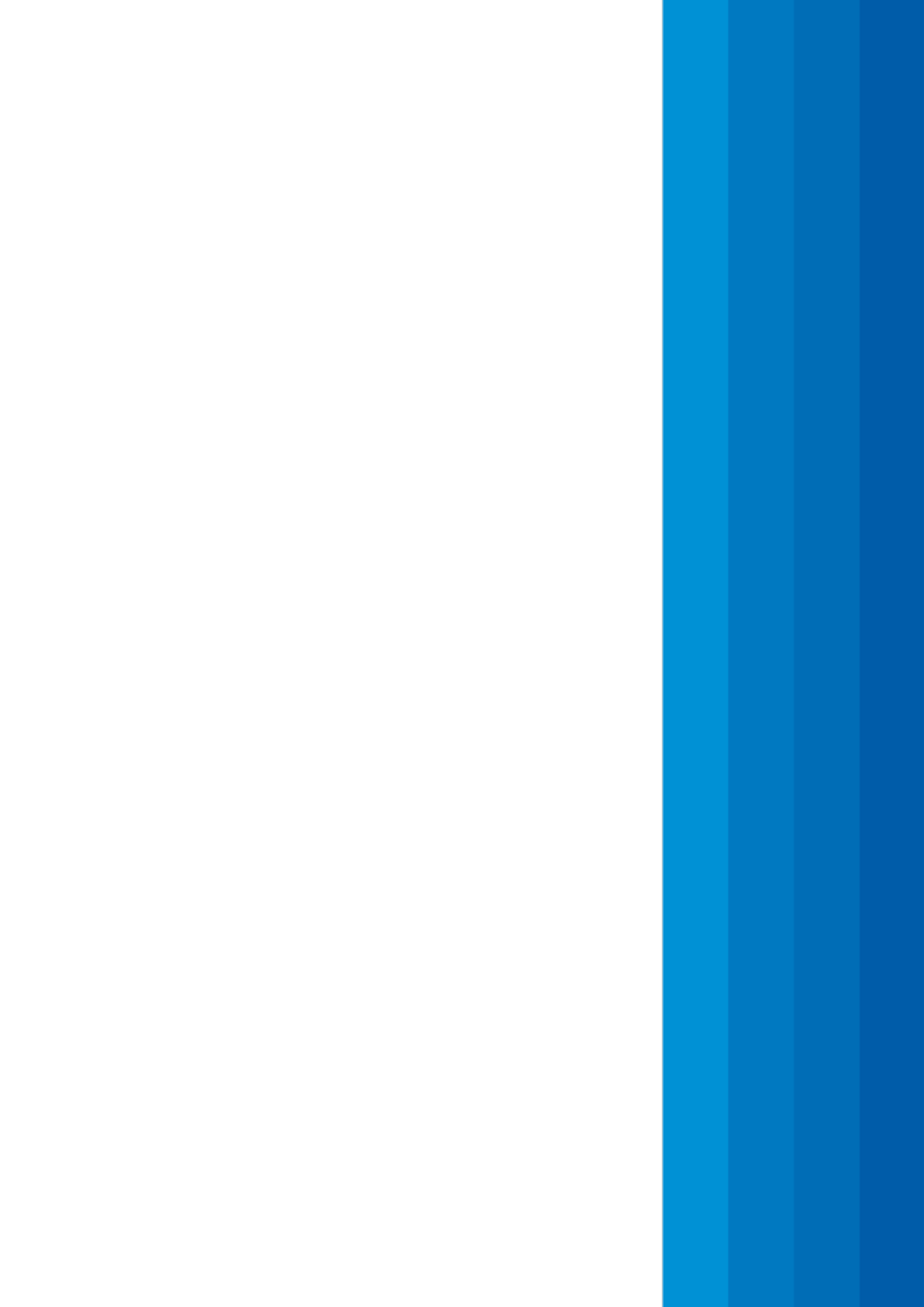
structure of different commodities market including mineral raw materials. The chairman of the board of IMIDRO referred to the necessity of taking advantages of IME's financial instruments by steel makers and said certainly for financing we should not only rely on the money market but also we should benefit from the capacity of the capital market, too. In this context, praiseworthy efforts have been made in

the capital market, but the capital market is not yet a strong competitor for the banking system in the field of financing, while the IME's financial instruments such as standard parallel SALAM contract can be a significant source of financing for the steel makers.



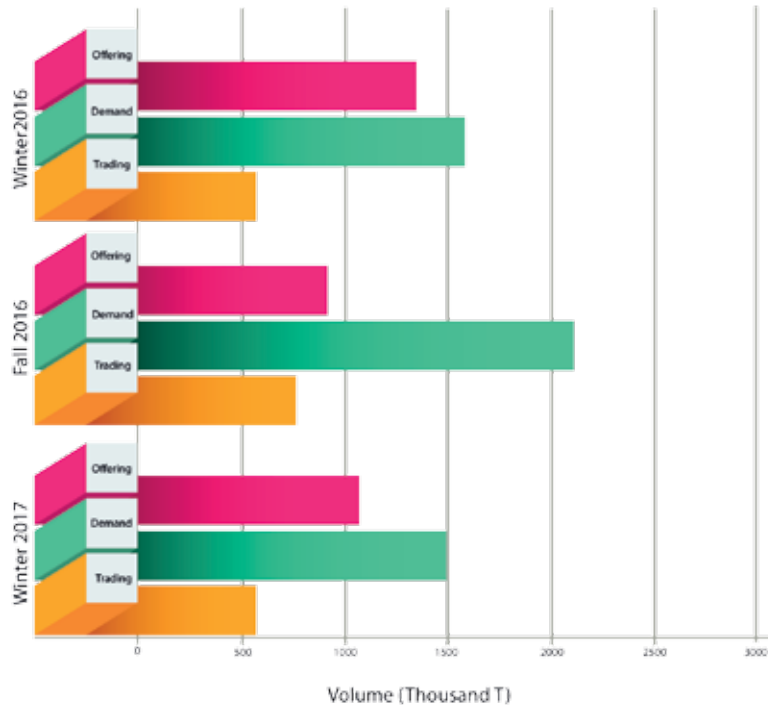


Statistics of IME Business

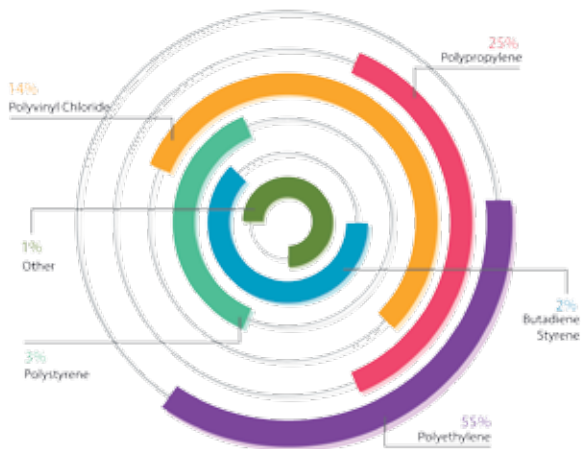


Polymer Products Quarterly Statistics

Volume of Offering, Demand & Trading
Polymer Products
(Seasonal Comparison)



Market Share for Polymer Products
(Winter 2017)

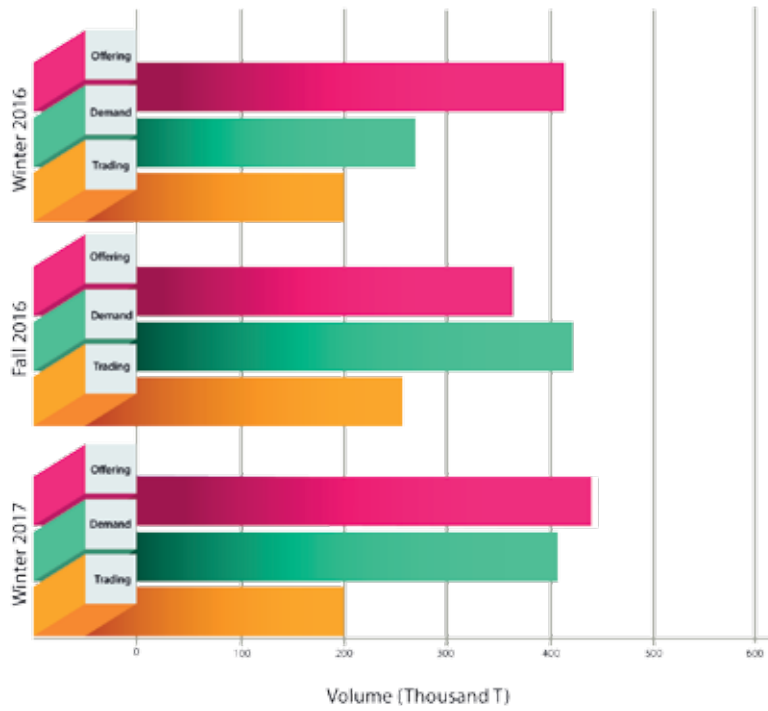


Polymer Products Trading
Value
(Seasonal Comparison)

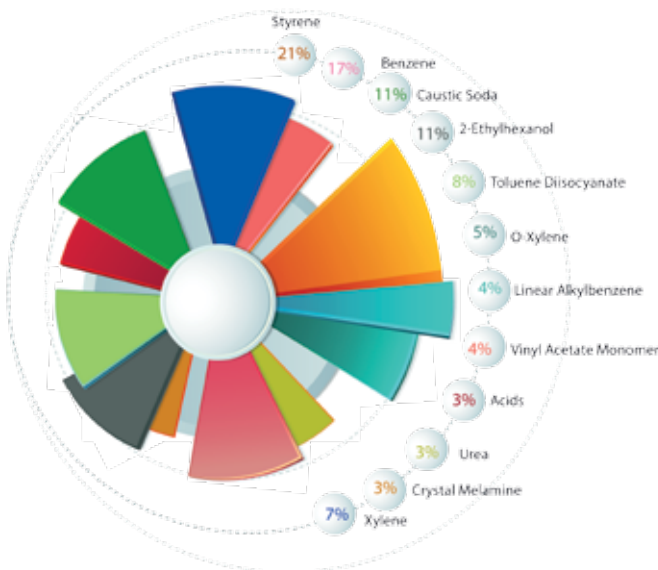


Chemical Products Quarterly Statistics

Volume of Offering, Demand & Trading
Chemical Products
(Seasonal Comparison)



Market Share for Chemical Products
(Winter 2017)

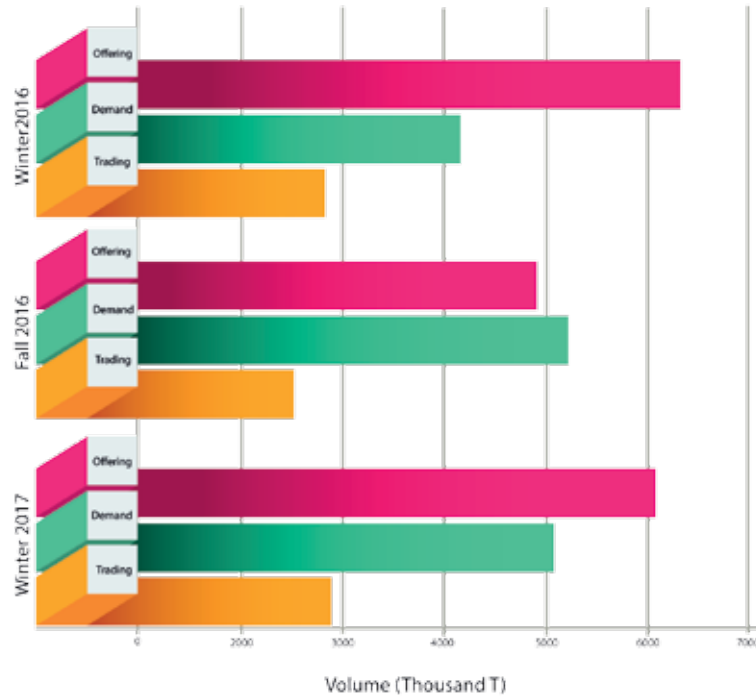


Chemical Products Trading Value
(Seasonal Comparison)

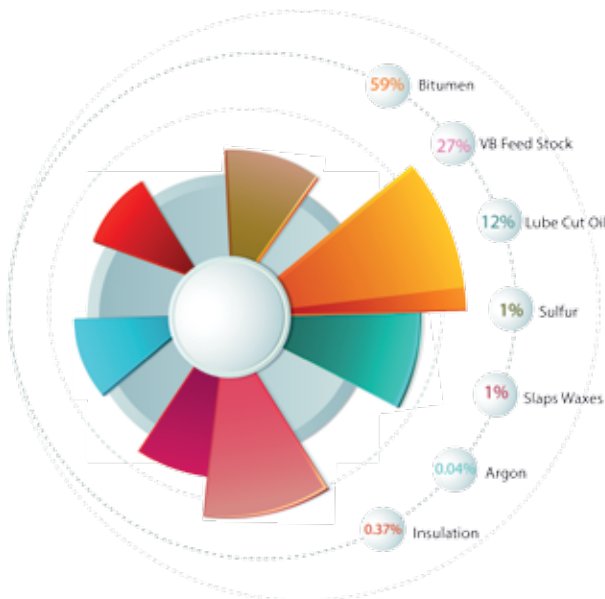


Oil Products Quarterly Statistics

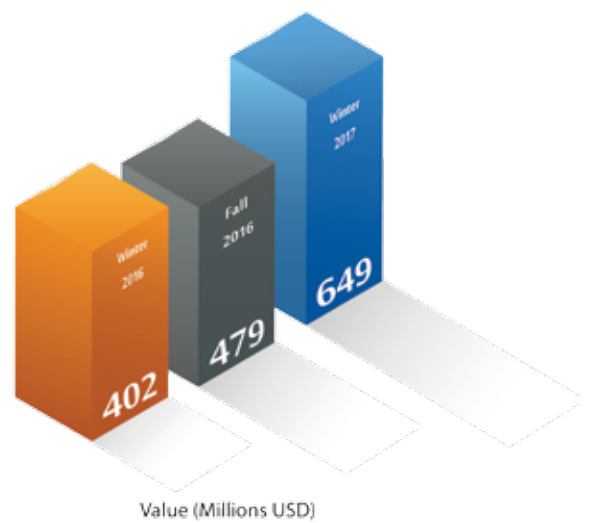
Volume of Offering, Demand & Trading
Oil Products
(Seasonal Comparison)



Market Share for Oil Products
(Winter 2017)

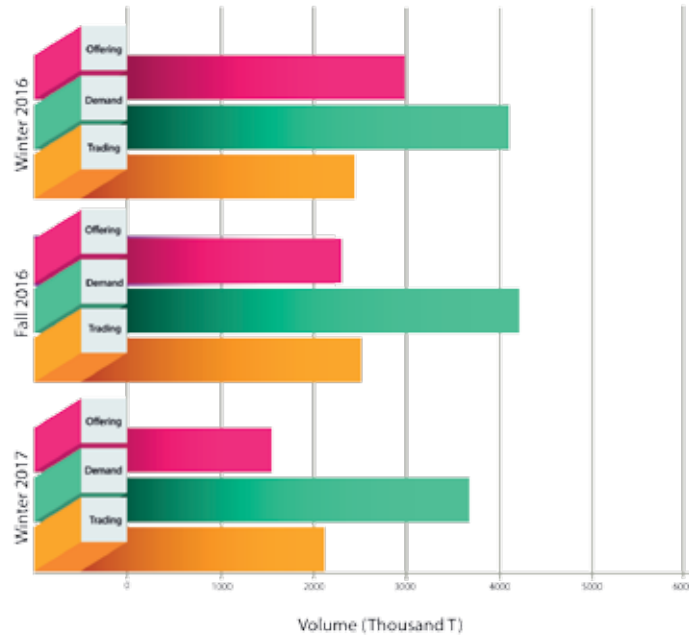


Oil Products Trading Value
(Seasonal Comparison)

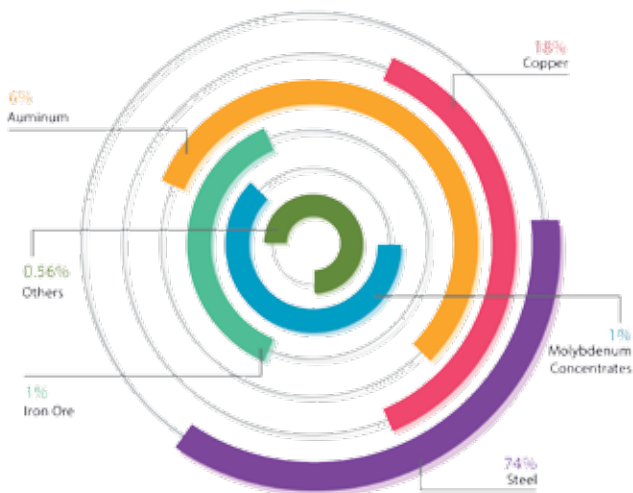


Metal & Mineral Products Quarterly Statistics

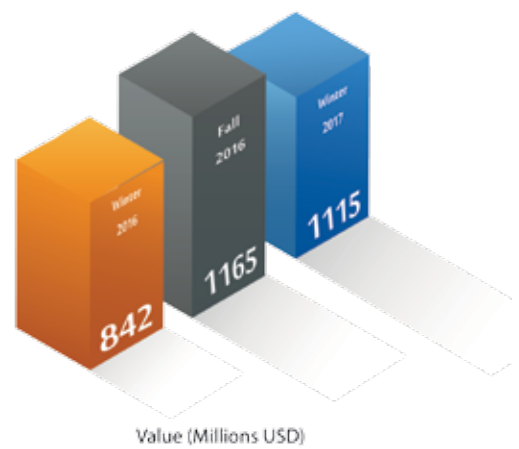
Volume of Offering, Demand & Trading
Metal & Mineral Products
(Seasonal Comparison)



Market Share for Metal & Mineral
Products
(Winter 2017)

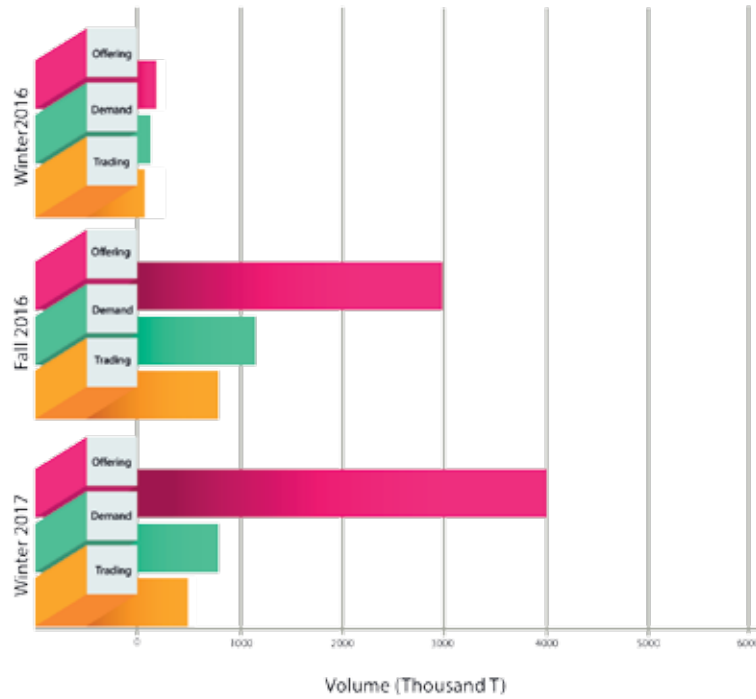


Metal & Mineral Products Trading
Value
(Seasonal Comparison)

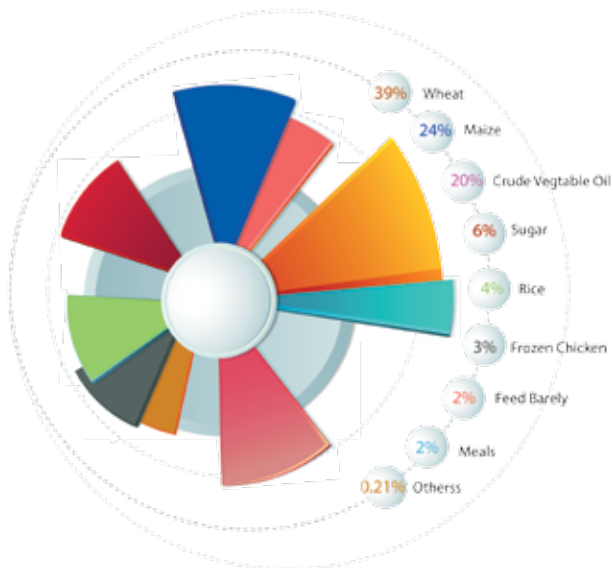


Agricultural Products Quarterly Statistics

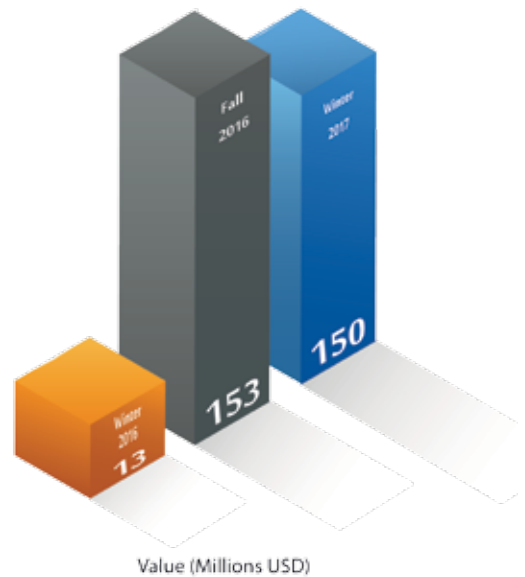
Volume of Offering, Demand & Trading
Agricultural Products
(Seasonal Comparison)



Market Share for Agricultural Products
(Winter 2017)

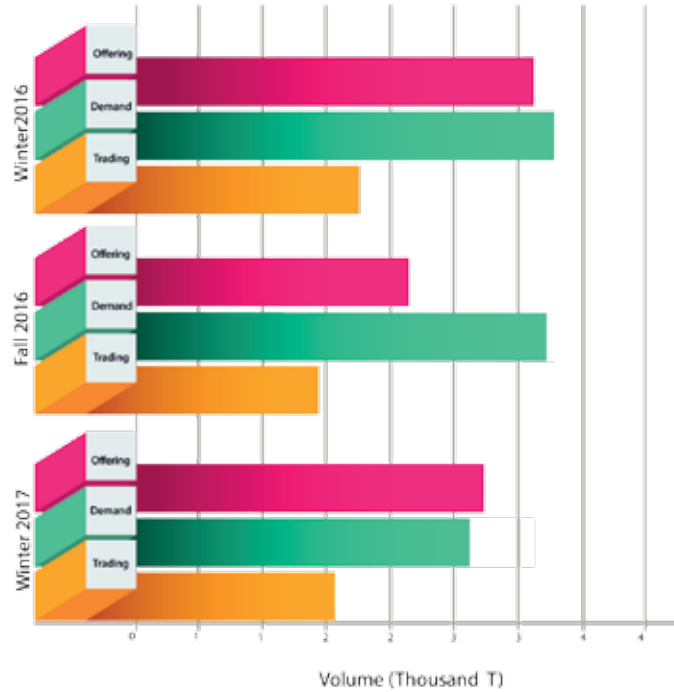


Agricultural Products Trading Value
(Seasonal Comparison)

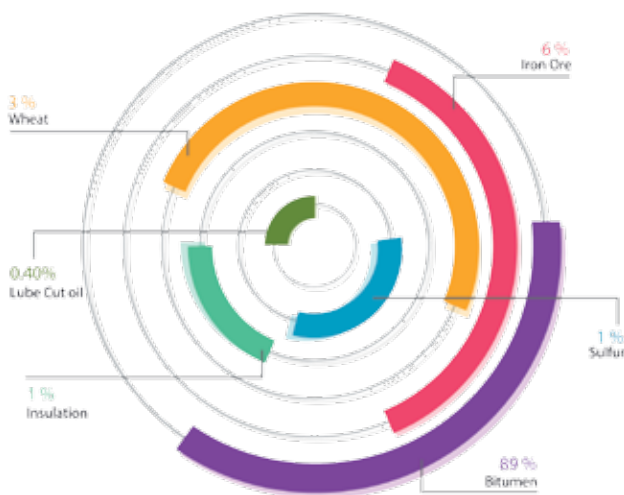


Export Pit of IME at a Glance

Volume of Offering, Demand & Trading
Export Pit
(Seasonal Comparison)



Market Share for Export Pit
(Winter 2017)

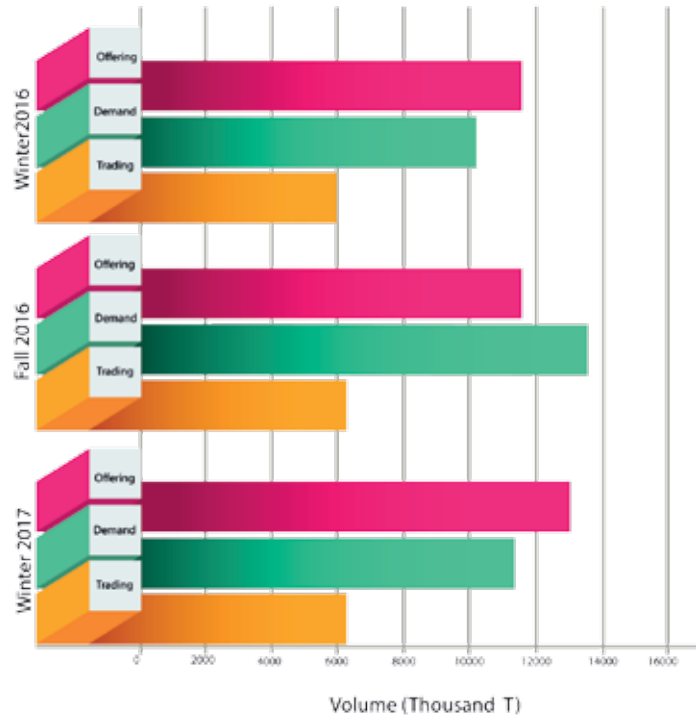


Export Pit Trading Value
(Seasonal Comparison)

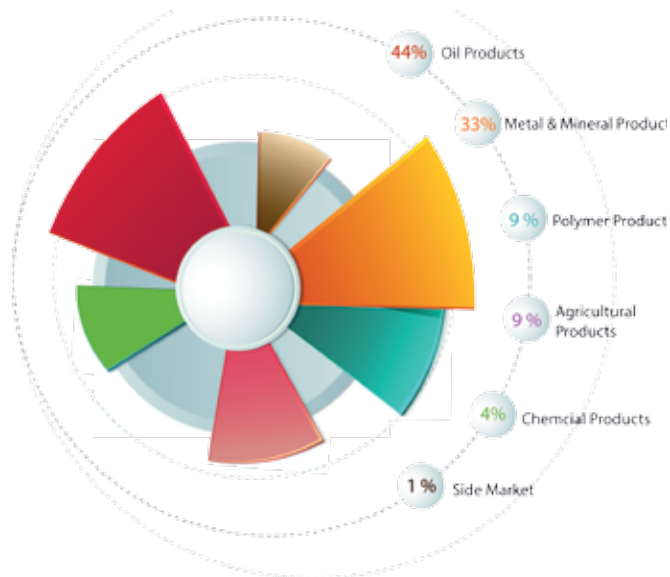


IME Business Statistics in Spot Market

Volume of Offering, Demand & Trading
Spot Market
(Seasonal Comparison)

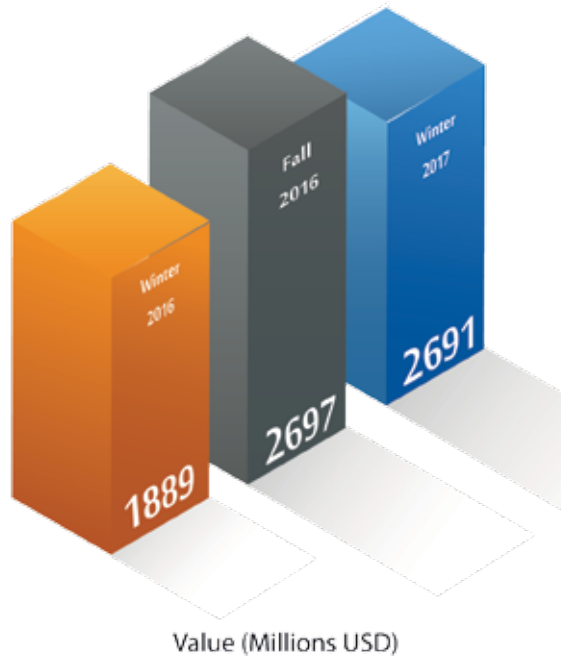


Spot Market Trading Volume
(Winter 2017)

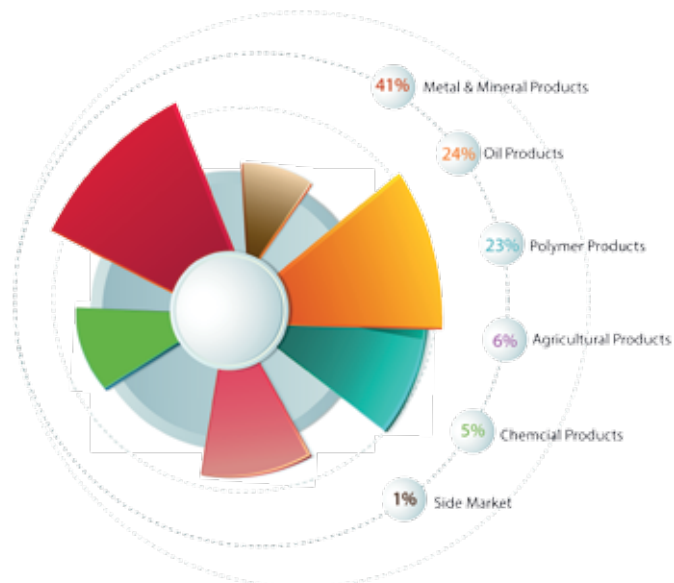


IME Business Statistics in Spot Market

Spot Market Trading Value
(Seasonal Comparison)

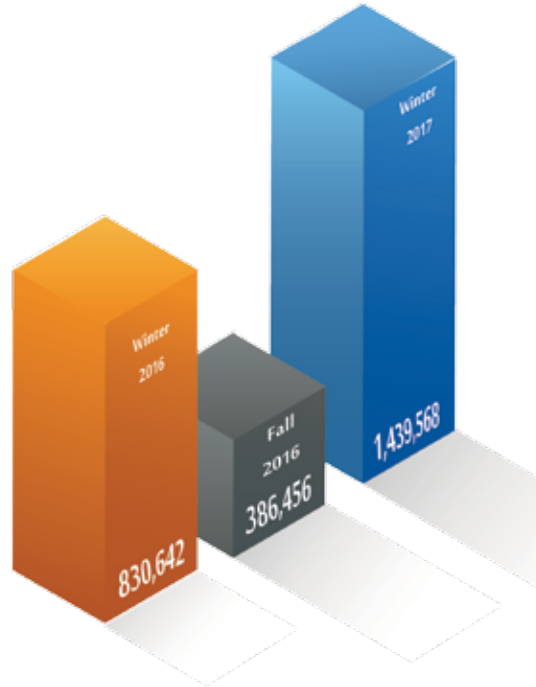


Spot Market Trading Value
(Winter 2017)



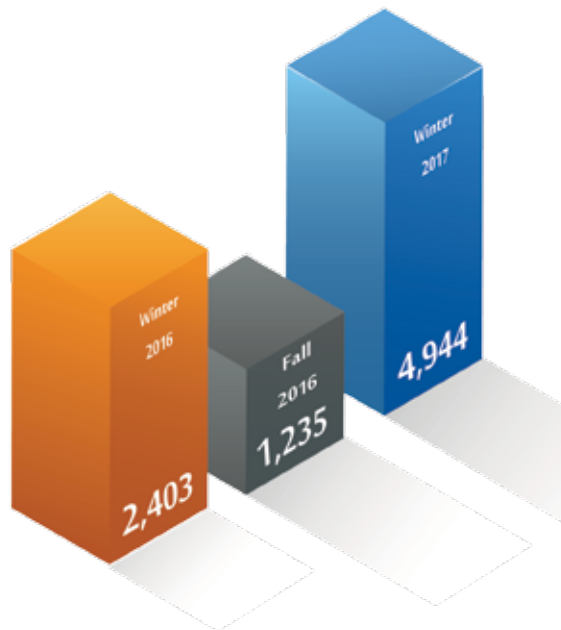
IME Derivative Market Statistics

Number of Futures Contracts
(Seasonal Comparison)



Number of Contracts

Value of Futures Contracts
(Seasonal Comparison)



Value (Millions USD)

2017



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