

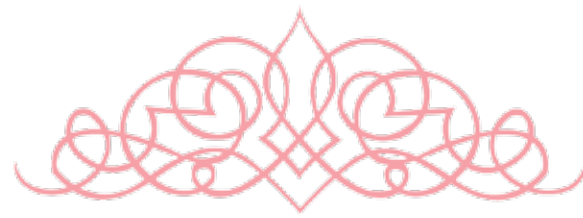
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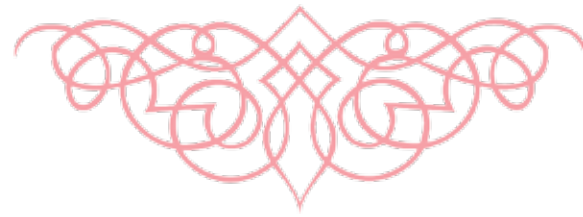
Spring 2018, Vol. 12

IME

Quarterly
Iran Mercantile Exchange Quarterly Newsletter



In the Name of God



Iran Mercantile Exchange Quarterly Newsletter Spring 2018, Vol. 12

Publisher: Iran Mercantile Exchange (IME)

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The background of the page is a light purple color with a pattern of saffron flowers. The flowers are in various stages of bloom, with some fully open and others as buds. They are scattered across the page, with a higher density on the left side and bottom. The flowers have a distinct yellow center and a vibrant purple hue.

Editorial Column


Amin Najari

Futures Contracts on Saffron For the First Time in the World

In the first quarter of 1397 hijri year launching futures trade of saffron is undoubtedly the greatest feat achieved at the Iran Mercantile Exchange. It will go down in the history of Iran's economy as a milestone, as IME paved the way for the country, which consistently exports the largest volume of saffron across the world, to set the international benchmark price for this precious commodity.

Iran's production of saffron far exceeds that of the rest of the world, accounting for 90 percent of the whole amount harvested all over the world, of which more than 80 percent is exported. Given that the highest quality saffron is also produced in Iran, in the nature of things, it lies merely in the hands of Iran to set the prices for it. As the leading commodity exchange of Iran, IME took care of the job and initiated futures trades of Red Gold on 23rd of May 2018 selling 1,027 contracts valued at 170,000 USD.

Spot and futures trade of saffron on IME is the remedy for two fundamental issues Iranian saffron farmers have been struggling with: lack of sufficient capital in their hands at the harvest time leaves them with no choice but sell the produce right away at very low prices.

The background of the page is a light purple color, decorated with numerous saffron flowers. The flowers are in various stages of bloom, with some showing bright yellow stamens. They are scattered across the page, with a higher concentration in the top right and bottom right corners, and a few in the bottom left corner. The overall effect is a soft, floral aesthetic.

This, in turn, leads to them getting trapped in negative competition as there is a rush of saffron in the market at the harvest time and they have to lower their base price so that they can make sure they will sell their produce soon enough to provide themselves with the finances needed for the new planting season.

Saffron farmers community demands an end to the trend, and Iran Mercantile Exchange with its intrinsic functions of price discovery, risk coverage instruments, warehousing facilities seems to be the best place for this commodity to be traded in a much more transparent environment which brings about a more liquid market for all market participants with most of the benefits in the pocket of farmers, not middlemen and the foreign brokers who are currently taking the advantage of the above mentioned situation to buy saffron for export at very low prices, which are not fair at all.

By and large, although IME has a lot of catching up to do as to this project in order to reach all the goals set for saffron market both domestically and internationally, it has managed to partly secure the future of the product for the farmers and prepare the groundwork for establishing a standard framework for trades of saffron with Iran being the price reference for the commodity based on a deep spot market along with futures contracts to facilitate price discovery process and a means to mitigate risks for all domestic and international participants of saffron market.

CEO POST

Pricing within an Uncompetitive Framework Hampers Growth of Iranian Goods



Experts suppose that the Iran Mercantile Exchange can become an important place to support Iranian goods, since the mechanism of trading in this exchange will help to clarify transactions and also increase the quality of products. But, as the chief executive officer of Iran Mercantile Exchange says: supporting Iranian goods through IME also faces with challenges, including the implementation of a directive pricing policy that is also known as price suppression.

Over the past few decades, the implementation of the policy of controlling prices for some commodities has mainly led to the formation of Rents for the benefit of certain individuals, because by purchasing products priced at a lower value, they can sell them in other markets with higher prices, according to the CEO of IME this trend is not even to the benefit of the consumer, because the distinction between real consumers and middlemen is not clear the allotment of the priced product to them is very difficult and even impossible. In the same regard, and in the year that was named as supporting Iranian goods, we have made a conversation with Hamed Soltaninejad, the CEO of IME.

What is the most important challenge for the year that has been named as the year of supporting Iranian goods?

In my belief, the most important challenge and obstacle to the growth of Iranian products is the pricing issue.

Since last year, there have been many insights towards price controls. In fact, the saying that the increase of prices is worrying, this matter is also true for IME, while it is for pricing in a competitive atmosphere, so often prices may also increase based on the fundamentals supply and demand.

What effects does have this price control approach?

Prices control is not feasible, for example, at present there is a view that the price of the foreign currency or some commodities be kept constant, but the result is that suddenly the prices rise unexpectedly. The more important point is that this price control does not have much effect on people's lives, and often results in rent seeking and artificial prices, especially in places such as IME which by nature is supposed to promote transparency.

Why this approach to pricing should be avoided?

Control of the price or quota of goods creates corruption because the control of purchasers depending on whether or not they are consumers is so difficult. To force the manufacturer to sell its products at prices lower than global prices to buyers only creates rent seeking. In former times, it was decided on the zinc or copper ore produced by Iran National Copper Industries Company be priced regardless of what global prices would be, and supplied to the real buyers, the result was that individuals bought the product who were not real purchasers, they deformed it in the defective form and sold it at higher prices, for example, they turned it into copper trays with asymmetric shapes, and sold it at higher prices. By doing so, there were no gains for the consumer, and only a rent was created which was available to only a few individuals. They store and sell them during price volatility times.

What effects do exactly these pricing policies have on sales of products on IME and will they be a challenge to the implementation of the slogan of supporting Iranian goods?

Yes, certainly, we all are striving to support the high quality Iranian goods. The point is that the quality is valued and strengthened via competition, especially goods that are used as raw materials in the process of producing other goods. Considering that, IME is mainly the place of sales of such goods; hence, this policy can damage work trend. Please note that if goods are priced according to the quality, higher quality goods will be automatically exchanged at a higher, price thereby will be supported by consumers. Now, if we prevent higher quality products to be priced higher, it means we are following double standards in pricing. With this view, one cannot support Iranian goods.

You mean that to support Iranian goods we have to prepare the groundwork for price competition?

Yes, in my opinion, the competition is a good arena for support of Iranian quality goods, but directive pricing policy is exactly against this goal. Meanwhile the products that were priced not based on competition in the past have generally not improved in quality, since by controlling the price, producer will not think about increasing the quality because he basically does not receive any rewards for increasing quality; that's why I believe that the implementation of the price control policy is contradictory to the slogan of the year. Transparency is another issue to be taken into consideration. With the implementation of pricing policy, transparency gets pale, because it strengthens the underground economy and creates conditions where individuals can benefit from low prices or rent. In other words,

when we want to supply a product in terms of control and apportionment, a lot of rents will be given to a few individuals. For example, the price of the foreign currency, despite the implementation of the policy of price stability did not decrease and real consumers did not receive the currency they needed during Nowruz holidays.

One of the important issues in the year of supporting from Iranian goods is to enhance the quality of Iranian products. In line with that, does IME have a plan to standardize products?

IME set out an action plan in collaboration with the Standard Organization to standardize goods. In addition, IME can support those who work more and reward them through a competitive mechanism.

How?

For commodities which are not traded on IME, the setting of standards is a kind of excellence seeking and a final point of quality. However, when a commodity is listed to be traded on the exchange, it can also cross this excellence border and reach the maximum standard.

Standardization is usually a punitive argument, that is, if a product does not have the required characteristics, it will be penalized, but on IME, standardization has an incentive aspect, meaning that a product with higher quality will face the reward of increasing demand and a raise in price. And if it is a better commodity, it will receive more money. For example, last year, wheat in some provinces, such as Golestan was sold at a higher price because of its higher quality.

While some purchasers were willing to buy a product which was closer to their consumption destination at a higher price, this is a competitive advantage that purchasers eager to utilize, while the implementation of the pricing system eliminates this advantage, standard discussion and pricing are also based on the quality of supplies and necessities, which is why we are trying to arrange goods that are not standard or their standard are not clarified.

What commodities?

For example, in the saffron sector, there is currently only one standard, while there are different qualities and standards for saffron such as (Sar-gol), (Negin), (Pooshal) Saffron for which specific standard should be defined.

In which sectors should this standardization be implemented?

Regarding that trades in Iran's agricultural sector are mainly carried out traditionally, this standardization should be further implemented in the agricultural sector. The solution for saving the agricultural sector is to make it industrial. For this task, we must proceed from the observational approach to the descriptive and when we want to proceed toward description, our standards must certainly be accurate and precise.

What is the observational method?

Nowadays, when someone wants to buy an agricultural product in Iran, he certainly demands a sample of that item for observation, while in the industrial and mass trade the way of seeing and observing is no longer common, and precise standards are being applied



instead. For example, currently, the sugar that we buy from abroad is a descriptive product, i.e., it has precise and well-defined standards.

How could IME facilitate the process of industrialization for agro-products?

This could be carried out by the launching of trading instruments, for example, certificate of deposit for commodities is a tool to standardize products. At the same time, we require to design more flexible tools to trade agro-products, for example, in the agricultural sector, purchasers prefer to trade products in the long term because agricultural products are

directly related to food security.

We have also come to realize in IME that the models that are now used in the gold sector are not going to work for the agricultural sector, that is, commodity funds or certificates of deposit or futures securities which are currently used in the gold sector, are not applicable in the agricultural sector or in the commodities which are less durable ones because in the agricultural sector, if market makers purchase a few thousand tons of pistachios with current contract terms, they are not able to deliver it at maturity, because they do not know how to use it, so there should be some models suitable for this section this section.

What are your plans to take care of this issue?

By identifying the missing loops, the IME decided to design futures securities and options tailored to this sector. For example, we are now trying to define the futures securities and options of pistachios, dates and goods which are stored in the warehouse, so that the funds operating in this sector can define futures and options on certificates of deposit of these commodities. This causes that fund manager feels comfortable with delivering the goods because it is no longer necessary to receive the goods. In contrast, market participants of the same industry purchase futures and the options of that commodity at the maturity time, because they are the ones who know what to do after delivery of the goods.

Suppose a businessman who exports a lot of pistachios every year is short of the funds required for buying pistachios in a given period of time. The businessman by using the certificates of deposit for commodity can purchase his desired product by paying a specified amount of a fund and receive the product in due time. In this way, the fund will help to finance this sector and the businessman will also help to facilitate the trade of that sector, which means that new financial resources enter the agricultural sectors which previously were not in this sector.

Is it possible that the project fails?

Everything is possible, in general, all over the world, models are designed that will continue to exist if the market favors them. For example, a few years ago, London Metal Exchange designed a kind of futures contract for the PVC transactions or the Chicago Mercantile Exchange designed futures securities of ingot, both of which failed, but these failures did not lead to stop the work; it should be accepted that these tests should be done to solve the problems.

For example, the parallel salam contracts were not also welcomed in the IME at the beginning of the year 1396 (March 2017), but then we realized that there are better tools for doing such trades, like the embedded option that can be easily used for financing, The result was that at the end of the year, we observed a boom in the parallel salam contracts.

What is your program to enhance trade in IME's agricultural trading floor?

In 2018, we will develop the derivatives market for agricultural products. Furthermore, the spot market will start working for dates transactions, options and futures of saffron and pistachios. Meanwhile, our main goal in 2018 is mainly to develop the agricultural products.

What are your plans for other markets in the year 2018?

In the field of petro-chemicals, market participants of this industry have demands that long-term contracts should be designed based on these demands in a variety of forms and more flexibility.

In the case of petro-chemistry, we are trying to expand the method of premium price trading in 2018, and may be even we try this method for steel sheet. One of the demands of the activists of PVC industry is to launch this year's futures contracts so that market participants of this industry can cover their risks against price fluctuations through the contracts. In the international community, we will also try to enhance our relations with the world's commodity exchanges, including Iraq, China and Russia.

Do you have any plans to establish a currency exchange?

In my belief, the foreign exchange market should be launched, no matter who will establish it, but it is important that the foreign currency exchange market start its activity, we cannot say because some people may enter the speculative market, we do not establish a foreign currency exchange market, there are already speculators in this market and it's not that easy to identify them. My question is how one can recognize that those who bought the foreign currency really needed it or not. Speculation or brokerage activity is not something that can be eliminated. So far, all the tools which were used to identify and correctly allocate the foreign currency to purchasers have been useless.



IME's General News



At the same time with Raising Capital by %38, IME Announced 250 Rials Dividend

By holding the Annual General Meeting of Iran Mercantile Exchange, the majority of shareholders approved the company's performance and a 250 Rials dividend per share. The Extraordinary General Assembly also approved a 38% increase in the company's capital.

At the IME's Annual General Meeting, held on Monday morning on June 18 at the Razi convention center, after presenting the report of the Board of Directors for the fiscal year ended March 21, 2018, and describing the major measures and development actions of the IME by Hamed Soltaninejad, the CEO of IME, the company's financial statements were presented by the Independent Auditor and the Legal Inspector, and stated that the financial

condition of the company, as of March 21, 2018, and its financial performance and cash flows for the fiscal year ending on that date, is desirable according to accounting standards, of all the important aspects and the auditor announce his qualified opinion.

At the end, the Annual General Meeting of the IME agreed to pay 250 Rials dividend per share. During the meeting, Behrad Moshar was selected as the Independent Auditor and Legal Inspector. Also at the Extraordinary General Assembly of the company, which was held immediately after the General Assembly, the Extraordinary General Assembly approved raising capital from retained earnings and reserves from 900 billion Rials to 1,340 billion Rials (equivalent to 38 percent).

IME Performance during 1396 Hijri and its Current Year Plans

Also, Hamed Soltaninejad, CEO of IME, during the Annual General Meeting, presented a report on the IME's performance on the 11th year of the company's activity and said: "Throughout its years of operation, the IME, as one of the most important elements of the capital market, has been able to play a strong and influential role in the country's economy, especially in meeting the needs of different sectors of the economy, such as steel, petrochemical, mining and agriculture.

CEO of IME added: Price discovery based on supply and demand mechanism, reducing transaction costs by facilitating access to market information, increasing liquidity based on the creation of a secondary market for transactions, creating a mechanism for financing and pushing it towards justifiable industries, as well as



creating the possibility of hedging, are the most important functions of the exchange in line with the boom in the economy and national production.

Soltaninejad announced the number of 5,537 shareholders in the company on March 21, 1396 Hijri, and said about the company's mission at 1400 Hijri: The IME's vision is to be the dominant price-setter for basic commodities and intermediate raw materials in the region as well as the preferred option for producers to meet their financing needs and to hedge their commercial risks.

IME's Trade Value based on Different Markets

By comparing IME's trade value in different markets during 2017 and the last year, CEO of IME stated that: in the previous fiscal year, the share of the derivatives market increased to 56% of the total value of the exchange, being 48% in the previous fiscal year.

He added: "The trading statistics of various products also indicate that the total value of transactions in the past year increased by 44 percent compared to 1395 Hijri, reaching 11,733 billion Rials, out of which 4,988 billion Rials were traded in physical market and 6,585 billion Rials were traded through derivatives contracts. The value of financial market transactions was also recorded at 160 billion Rials.

IME Highlights during 1396 Hijri

Soltaninejad referred to some of IME's measures during 1396 Hijri, saying: "Listing 11 new products by different manufacturers, listing 95 new warehouses, launching the first commodity investment fund, launching pistachio certificates of deposit, implementing transactions under Article 33 of the Law on Increasing the Productivity of the Agricultural and Natural Resources for wheat and launching premium contracts

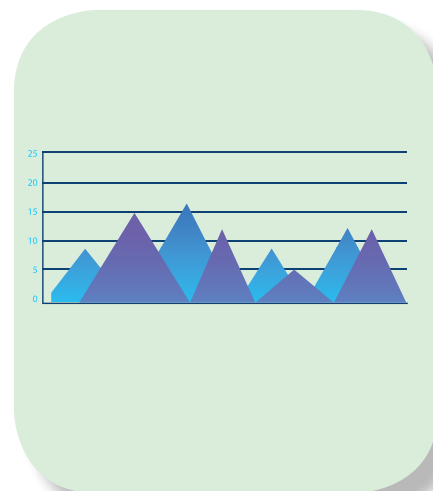
are the most important measures of the past year.

Expressing the general achievements of year 1396 Hijri, he stated: achieving the share of 47% of total capital market trade value in 1396, a 44% growth in total value of transactions, a 51% growth in trade value of commodity based securities and reaching 674 trillion Rials, a growth of 34% growth in the trade value of spot market and reaching 499 trillion Rials was part of the important achievements of last year.

Future Plans

CEO of IME regarding the major projects of the IME, which will be developed this year, said: "The development of current instruments on base assets, creating new derivatives instruments, development of commodity-based securities, upgrading and integration of settlement and clearing house systems, development of trading instruments, expansion and development of size and depth of the market, the evolution of the corporate governance and human resources system, and the reform of the company's financial system are among these macro plans that are foreseen for the year.

He added: "Improvement in the quality of customer service, comprehensive delivery



system, improvement of regulatory and inspection processes, rewriting and upgrading existing systems, governance of information technology, improving the quality and data dissemination and promoting systems, and strengthening and managing company's branding is the other major plans for this year.

Soltaninejad pointing to the important projects for the current year stated that launching future contracts for melted gold, designing and implementing premium contracts, developing a virtual trading system, and comparative studies of IME with selected commodity exchanges in the world are among the most important projects of IME in the current year.



Collaborations between Iran and China's Capital Markets

During the Iranian President visit to China, with the aim of further developing bilateral relations, a memorandum of understanding between the Securities and Exchange Organization of Iran and the Chinese Securities Regulatory Commission for mutual cooperation and technical assistance was signed.

Shapoor Mohammadi, head of the Securities and Exchange Organization regarding the document signed by the Minister of Economy of our country with the Chinese party, told the capital market news agency (Sana), the Securities and Exchange Organization as the supervisory and legislative institution of the Iranian capital market has consistently co-operated with competent organizations and institutions and promoted international constructive engagement, and on this basis, a direct cooperation agreement between the Iranian and Chinese capital markets was signed by the Minister of Economic Affairs and Finance.

A spokesman for the Securities and Exchange Organization said, referring to the details of

this cooperation document that the organization has established successful and effective communications with the Chinese capital market regulator over the past years, and in order to formalize these interactions, Iran-China Capital Market Cooperation Document which is really one of several joint documents between the two countries, was signed by the Minister of Economic Affairs and Finance, Dr. Masoud Karbasian.

Secretary of the Supreme Council of the Exchange added that this cooperation document was approved by the parties after negotiation and receiving the cooperation document from the Chinese counterpart, that is, "The Chinese Securities Regulatory Commission," and a new chapter in the cooperation of the Iranian capital market and China was figured up.

Dr. Mohammadi, referring to the details of this cooperation document, stated: "In MoU, the various fields, including the connection of the Center for Research, Development and Islamic Studies of the Exchange Organization to the Research Center of the Chinese Institute of Finance and Capital Markets, the development of Islamic financial instruments and the transfer of Iran experience and knowledge to China, conducting comparative studies and conducting training courses in both countries through the formation of a joint working group, interaction of views and experience on the exchange of goods and energy of Iran with four commodity exchanges in China with the aim of importing and export of goods from both countries, the publication of international bonds of Iran in China with the aim of attracting foreign investors and the location of the Iranian financial institutions, including the exchanges, the central depository company, as well as the Iranian financial center are mentioned in the workgroups related to Belt and Road Initiative Projects.

The chairman of the Securities and Exchange Organization said that China's commodity exchange is ranked as one of the largest commodity exchanges in the world, and will definitely become smoother with the document on cooperation in the development of Iran exchange, added that it was also agreed that the Chinese party had cooperation and experience exchange in the field of information technology and financial software development (fintech) with Iran and since China has a successful experience in terms of equity, the parties have agreed to have close interactions in this regard.



IME; a Link between Financial Sector and Real Sector of the Economy

On the sidelines of the opening ceremony of the 11th round of International Exhibition of Exchange, Bank and Insurance (FINEX 2018), CEO of Iran Mercantile Exchange stated that at this year's exhibition, the pillars and different institutions of the capital market will provide their latest advancements to market participant and enthusiasts, like a financial supermarket, and FINEX is a great opportunity to provide services based on culture and education.

Hamed Soltaninejad added that risk and return are two concepts that are neglected by our economic culture. Hence, the use of financial instruments to hedge risks as well as getting return should be taught at the exhibition; in this context, workshops on derivative contracts will be provided to enthusiasts through virtual software in the IME's booth.

CEO of IME stated that Iran Mercantile Exchange is an institution that links the real sector of the economy and the financial sector. The market participants in the commodity sector of the real economy are suffering from shortcomings that the IME can introduce them new solutions through

its financial and intellectual tools.

Soltaninejad commented on the role of IME in supporting Iranian goods and said that the exchange has provided an opportunity for industry activists and producers to be able to distinguish between a high quality and low quality product. As a result, more and better Iranian goods are being welcomed and prices will be discovered fairly and truly. He added: "Therefore, the mechanism of the IME will be a double incentive for higher-quality production, and, on the other hand, price discovery based on supply and demand system is another mission of IME that is attractive to manufacturers.

At the end CEO of IME said: "Creating transparency and competition along with proper supply of raw materials for producers is one of the main goals and characteristics of the trade in the IME. In this regard, this year, we will attempt to provide a reliable basis for upstream and downstream industries to experience a booming period in their production, support Iranian goods to be the first option of the people, and help to increase the employment rate in the year 1397 Hijri".

بورس کالای ایران





IME's Agricultural Trading Floor



IME; Ready to List Durable Commodities



Hamed Soltaninejad, CEO of Iran Mercantile Exchange, pointed to the amount of wheat supply in IME and said: “Last year two million tonnes of wheat was traded on IME, 500,000 of which were exported to global markets, showing good opportunity for wheat transactions on IME.”

CEO of IME expressed that at present, the Ministry of Agricultural Jihad has not communicated the amount of wheat to be traded on IME on this year to us, but we will continue to offer wheat on our domestic market, and it seems that just like last year, a significant percentage of domestic wheat will be traded on IME in the current year and the remaining will be exported to global markets.

Regarding the launch of the flower and fruit Exchange, proposed by the Deputy Minister of Agriculture Jihad, Soltaninejad said that the IME is ready to list durable commodities, and any high-volume commodities can be offered on the IME.

“Listing commodities on IME is dependent on some criteria. The listing committee is

able to decide on the acceptance of the product on the IME’s main market, which if refused, the product can be offered on IME’s side market.”

CEO of Iran Mercantile Exchange pointed to the IME’s pivotal role in realization of the slogan of “Support for Iranian Goods” and said: “Iranian goods should be high quality goods to attract consumers’ satisfaction and gain support. If this support be based on price and value, then so much the better. If the goods are traded through the supply and demand mechanism, a high quality commodity will be rewarded with more value and price.

He emphasized that “price” is a good benchmark for the production of high quality goods, and said that in order to distinguish between high quality goods and low quality goods, more money should be paid for high quality goods, but in the event of mandatory pricing and neglecting the competition, the Iranian Goods will not be supported, and all producers will produce goods at a certain level without thinking

about improving the quality of goods. At the end, Soltaninejad pointed out: "Given the fact that high quality goods will find their real price through competition, one way to realize the slogan of "Support for Iranian Goods" will be through Iran Mercantile Exchange.

Saffron Future Contracts Being Launched by IME

Iran Mercantile Exchange is seeking to launch saffron future contracts in order to provide the daily price discovery, risk management of price fluctuations for market participants, and putting an end to a vague and beneficial business for other countries, and, after all, becoming a price reference for this product in the world.

The share of Iran in the global production of saffron is about 90%, but our country as the largest saffron producer in the world is not the main price reference for this product and unfortunately the famous brands of saffron in European countries and some intermediate countries exporting saffron to consumer countries, specify the price of saffron. Also, according to some statistics, Iran's share of saffron turnover of about \$8 billion in the world is less than \$300 million a year that is not proportional to Iran's pivotal role in saffron global production.

One of the solutions to eliminate this shortfall and to increase the profitability of our saffron farmers is to launch the future market for saffron, aiming at attracting the attention of all famous saffron merchants and brands to this market for daily and even



instantaneous discovery of this strategic agricultural product. In this regard, Iran Mercantile Exchange is going to launch future contracts for saffron.

What are the main features of the future contracts?

Futures contracts are considered to be derivative contracts that are welcomed by market participants because of their unique features and are one of the most popular and commonly used financial instruments in the world. In these contracts, customers are committed to buy or sell base assets at a future time, and of course the transaction price will be determined on the day of trading the contract. Therefore, considering delivery in the future, there is no need to pay the full value of the transaction before the maturity of the contract. Individuals should deposit an amount of money in their account at the IME's clearing house as a percentage of the total value of the base commodity. For example, a person with a \$500 as a margin can trade \$5000 saffron on the exchange. Profits and losses of individuals will also be adjusted and settled on a daily basis in line with changes in prices.

What kind of products is traded on IME through future contracts and why saffron?

Currently, futures contracts are traded on

gold coin on IME which are being considered by many industry and commercial activists as a hedging tool. In this area, the IME has always considered futures contracts to hedge agricultural and industrial commodities, which has led to studies and work on saffron as a base asset. Saffron is the most expensive agricultural product and is also a great example of profitability, durability and user-centric production. Currently, Iran produces over 90 percent of the world's saffron, and the producer of this product and being a price reference for this commodity has always been a concern of the agricultural sector, Ministry of Agriculture Jihad and Saffron farmers. Therefore, the launch of the Saffron futures market can achieve this important goal, which is the most important prospect of the IME regarding important national commodities.

What are the advantages of these contracts for the agricultural economy and especially the country's saffron product?

Establishing a saffron price reference in the world can play an effective role in transferring

part of the benefits of saffron transactions from other countries to our country. Leading investment-friendly capital in the productive part of the country's economy to trade this product in the futures market can discover the real price of saffron in the country, and transfer the benefits of vague and very beneficial transactions by other countries, to a transparent and profitable domestic market. Futures contracts are one of the most important tools for commodity exchanges being offered to commodity market actors to help them hedge price fluctuations. This tool can help ensure that saffron buyers and sellers are more likely to be able to trade the product in the future at a price that they already agree on; this will reduce the risk of activities in this sector. Thus, the IME has provided extensive studies to assist saffron market actors and promote transparency in this market, and the main purpose of launching futures contracts is to hedge the price fluctuations of saffron in Iran. From this perspective, the important feature of futures contracts in hedging pricing of goods can greatly overcome





one of the important concerns of saffron market players, including suppliers and consumers. Currently, with traditional trading of this asset, there is no risk coverage for saffron market makers and traders, while the launch of these contracts will enable risk management and hedging, so that producers and market actors can cover their rewards against the risks of price fluctuations. Also, the possibility of long-term planning and management of supply and demand is provided by the activists of this market. At the same time, derivatives instruments transactions as one of the main pillars of the development of the capital market of the country will be developed.

So far, has saffron been traded on IME?

Saffron is offered on IME in the certificate of deposit and in physical market in the form of cash, SALAM and cash. Launching certificates of deposit for saffron on IME has helped to transparent discovery of prices and various types of saffron are being priced on a daily basis which has helped to resolve the ambiguities in this market. Thus, market participants on the IME can

monitor the prices of these products on a real basis every day, which is a positive development. Therefore, we expect booming transactions for the saffron future contracts, as the saffron market activists become more aware and familiar with this product.

Who can participate on this market?

By launching saffron futures contracts on IME, it will be possible to conduct transactions on this asset across the country and through brokerage firms. Entrants to this market trading this product in the form of future contracts are first required to obtain a trading account for derivatives transactions through the brokerage of authorized by IME. Also, according to the recent approval of the Futures committee, activists will be required to study the guidelines and regulations of this market and participate in a test that is conducted around these regulations. Due to leveraged transactions and the possibility of a product transaction with the payment of a part of the price (up to one tenth) and a multiplication of the profits or losses of investors, it is necessary to get acquainted with the rules and the nature of this market.

**Deputy Minister of
Agriculture Jihad;
Overcoming 2 Big
Challenges of Saffron
Market through IME**

this opportunity.”

He said: The Ministry of Jihad-e-Agriculture is obliged to support these farmers. In this regard, during the year 1396 Hijri, the Central Organization for Rural Cooperatives of Iran purchased 67 tonnes of saffron, resulting



At the ceremony of launching the saffron futures on Iran Mercantile Exchange, Deputy Minister of Agriculture Jihad said that we are dealing with two big challenges in the saffron market that with IME's collaboration will resolve them to a great extent.

Ali Akbar Mehrfard pointing that saffron is more commonly used as an additive spice in Iran and as a medicine in the world, stated that last year, 336 tonnes of saffron were produced in the country out of which 236 tonnes were exported, i.e. 20 to 25 percent saffron is consumed in the domestic market and about 80% of it is exported.

Deputy Minister of Agriculture Jihad stated: "The first challenge is the retail farmers; these farmers do not have enough liquidity so that they sell their products as soon as the product is harvested. As a result, 90 percent of the world's saffron is faced with a drop in prices when it reaches the market, and the intermediaries take advantages of

in prevention of false price reduction for saffron and distribution of profit between retail farmers. In other words, if this big purchase did not take place, all the 150,000 hectares of land and thousands of farms that worked for one year to produce saffron were seriously damaged.

Mehrfard mentioned the second challenge in saffron market and said: "The negative competition of our exporters to sell saffron in global markets is our second problem, which deliver the valuable Iranian product at cheap rates to foreigners and the major profits are passed through to the foreigners." "Unfortunately, today we witness that some of the big foreign clients directly hired some brokers in Iran to buy them saffron at a cheap price from farmers." he added.

Deputy Minister of Agriculture Jihad said: "As a result, we are facing a weakness in domestic and foreign trade in saffron,

which we hope to overcome them in the not too far future through IME's cash and futures contracts."

At the end of his lecture, he assigned the Securities and Exchange Organization and the Iran Mercantile a special mission to launch international saffron trade and said: "After the boom in the trading of saffron on IME, it is time to internationalize saffron transactions, so that by producing 90% of the world's Saffron, to be the only price reference for this product."

Chairman of the Securities and Exchange Organization (SEO) Through IME, We Will Take Some Beating in Global Saffron Market

in the IME was held at the presence of Ali Akbar Mehrfard; Deputy Minister of Agriculture Jihad, Mohammad Reza Pour Ebrahimi; Chairman of Iranian Parliament Economic Commission, Shapour Mohammadi; the chairman of SEO, Hossein Shirzad; Head of the Central Rural Cooperative Organization and a group of managers of the agriculture sector and the capital market of Iran.

At the beginning of the ceremony, Shapour Mohammadi, chairman of the Securities and Exchange Organization, said: "Today, we are witnessing the beginning of trading saffron futures in the Iran Mercantile Exchange. It is worth noting that the Deputy Minister of Agricultural Jihad has made many efforts in trading wheat and saffron through IME and we hope to see a continuous supply



Chairman of SEO stated that by launching the Saffron futures contracts in Iran as the world's largest producer and exporter of the product, and through IME's mechanisms, we will strive to become the only price reference for this commodity in the world. The ceremony of launching Saffron futures

of this product on the IME.

He added: IME is unique in the world in terms of variety of products and the presence of saffron as a valuable and strategic product in this exchange is necessary.

Mohammadi referred to the experience of

using future contracts in other countries of the world, adding that the use of futures contracts in agricultural products has a long history, so that future contracts, being traded in most countries of the world, are covering high price fluctuations and price volatility.

He noted that while problems such as the lack of transparent information flow, the widespread presence of intermediaries in an unfair manner and the existence of a forward transactions phenomenon in the negative sense in developing countries, has led to the emergence of future markets and systematic mechanisms especially through exchanges because commodity exchanges can cover price fluctuations and severe risks.

Mohammadi referred to the benefits of using future contracts and said: "Price risk management, facilitating price discovery processes, increasing transparency, helping to market development, facilitating physical transactions, and increasing market transparency are advantages of these contracts."

He noted that in most countries active in agricultural sector, there is an agricultural exchange trading futures contracts, for example, in India, future contracts on cardamom and mint, in China, future contracts on soybean and maize, in Brazil, future contracts on livestock and Arabic coffee and in Malaysia, future contracts on palm oil are being traded. According to the chairman of SEO, if future contracts are traded in the agricultural sector, it will have numerous effects, including price regulation, export facilitation, national interests safeguarding and farmers' access to true value of their products, which also applies to saffron. Because the difference between retail prices of saffron discovered at IME and its global prices declares that there is plenty of opportunities to take

advantage of.

He noted that in Dalian Commodity Exchange, launching future contracts has led to an increase in the liquidity of agricultural products and in National Commodity and Derivatives Exchange of India it has been applied as a risk management tool.

The chairman of the SEO saying that saffron is one of the most important agricultural products and is highly valued, stated: "The required conditions for the success of future contracts for saffron are provided in IME, so that by launching the saffron future contract, Iran, as the largest producer and exporter of saffron in the world, will be the price reference in international markets and a strong cash market for this product.

Pour Ebrahimi at Ceremony of Launching Saffron Futures The Parliament Supports IME's Financial Instruments

At the ceremony of launching the Saffron future contracts in Iran Mercantile Exchange, the Chairman of Iranian Parliament Economic Commission pointed to transparency, increasing efficiency, optimal allocation of resources and fair pricing through the channel of capital market and IME.

Mohammad Reza Pour Ebrahimi stated: "The more we take measures in the capital markets and Iran Mercantile Exchange, the more we achieve positive features in the economy. In this regard, we are witnessing a major new and positive new accomplishment in IME every year.

He pointed to the need to reform and revise capital market laws and said: "In the area of reforming the laws and regulations over the past two years, great measurement have been taken and we are ready to consider suggestions related to the Iran Mercantile



Exchange, if there are any.

The Chairman of Iranian Parliament Economic Commission emphasized that given the production of 336 tonnes of saffron in the country, it is not worthy to trade only a small portion of it on the IME. In this regard, we should either increase incentives or consider the requirements for the transaction of saffron through this exchange, because the transparency of this exchange will help the activists in this field and the fair price discovery.

He added: "Currently, our method and system to export the product is not a specific, professional and brand-specific method. Also, in the area of products like dates, not only we have lost the export market, but also we have negative competition."

We Support Saffron Futures

The Member of Parliament stated that, the quality of some of our agricultural products, such as saffron, is not comparable to the world, and we in Parliament have the readiness to provide the groundwork required to develop Iran's top commodity transactions through IME.

At the end of his speech, he said: "It is a

pity that we do not use the good economic capacities of the country. Hence, the parliament supports everything that strengthens the capital market, especially financial instruments in the area of commodity markets, and such actions as launching saffron futures is approved by the Parliament.

Soltaninejad in Inauguration Ceremony of Saffron Futures

Trades

Farmers to Cover Risks of Saffron Price Volatilities/ Foreigners will Trade Saffron Futures

Iran Mercantile Exchange held the opening ceremony for saffron futures trades in the presence of Mohammad Reza Pour Ebrahimi, head of economic commission in Iran's parliament, Ali Akbar Mehrfard, deputy minister of Agriculture Jihad, Shapour Mohammadi, chairman of securities and exchange organization of Iran.

Hamed Soltaninejad, IME CEO gave a brief record of Gold Coin Futures trade on IME, which launched in 2008 with 3173 contracts



in the first year valued at 61 billion IRR. This underlying assets gained popularity over a short period of time thanks to provision of need infrastructure in IME with 246,754 contracts traded in 2017 valued at 657,965 billion IRR. He added that since the beginning of the current year, IME has sold more than half a million gold coin futures contracts valued at 345,974 billion IRR.

Necessary Features of Underlying Assets in Futures Markets

With regards to futures market Soltaninejad said that to select a commodity as a fit underlying asset for futures market, it needs to be subject to such conditions as:

Fluctuation in its prices due to seasonal changes, environmental conditions, capital shortage for farmers and exporters, middlemen activities and foreign currency rate volatilities
Its price is to be discovered based on the fundamentals of supply and demand without interference of the government

It needs to exist in abundance in the market
It should be standardizable

As to Saffron he added that numerous market participants in its market and its reliable spot price reference are among

the other factor that IME decided to launch futures contracts on it.

Growth in Trading Value of Spot Market and Certificate of Deposit for Saffron
Soltaninejad also mentioned physical trade of saffron on IME and said: saffron was listed in IME in 2010 with 12,000 grams of it sold in IME in 2016, which reached to 121,000 grams in 2017. IME has witnessed trade of more than 7 million grams of saffron so far in the current year with very good prospects of growth till the end of the year. According to Soltaninejad IME launched certificates of deposit for saffron in 2016 with more than 1,260,000 grams of it traded in certificates of deposit within the previous year.

Moreover, Soltaninejad said that foreign trader can also trade saffron derivatives on IME from now on.

IME CEO explained that the type of saffron trade on IME as the underlying asset in its futures market is Super Negin with its contracts size being 100 grams. Order limitation will be 25 contracts.

Finally, he elaborated on the long way IME had paved before launching real trade of

futures contracts for saffron: long negotiation with main producing cities of saffron in Iran to get the view of farmers and also market participants. Holding numerous educational courses to introduce such contracts and their merits to farmers and also the trading procedure to market participant and publishing various analytical and educational articles and brochures on saffron which in the end resulted in its popularity and launching its trades on the exchange.

IME's Trading Board to Become Price Setting Reference for Saffron, Dates and Pistachios

Iran saffron, pistachio and dates are capable of becoming as the main source of pricing and branding in the world, which requires a day-to-day price discovery market and quality assurance that the Iran Mercantile Exchange is the best place to accomplish this.

The member of the Economic Commission of the Parliament in an interview with IANA emphasized on the necessity of strengthening

the IME in the economy and said that it is now 15 years since the launch of the first commodity exchange in our country, that is, the Metals Exchange (year 2003), and producers and consumers who have not yet benefited from IME's trading should be familiar with the benefits of this platform so that everyone believes that being in a transparent market, in addition to all the advantages that the economy of the country brings, is in the interests of the producer and the consumer.

Ahmad Anaraki Mohammadi added: "IME have brought transparency in trades and prices in recent years, and gradually we need to provide an opportunity for all economic actors to benefit from their presence in this transparent market.

"The IME is an efficient tool that helps our markets to keep up with the standards of the day," said Anaraki Mohammadi. Furthermore, strengthening the IME is in the benefit of the government, in terms of cost savings and market regulation, which is why the government also has counts on this market.



According to this member of the Economic Committee of the Parliament, the transparency of sales, the supply and demand, and the prediction of the possibility of inflammation in the markets, the conclusion of long-term contracts and the presence of financial instruments is from the characteristics of IME from which various industries can benefit. This Member of Parliament said that saffron, pistachios and Iranian dates could become the reference price and the main brand in the international market, which is not aspirational and requires proper planning. He also explained that saffron, pistachios and Iranian dates are capable of becoming a price reference and main brand in the world level where there is a need for a day-to-day price discovery market and quality assurance that the IME is the best place to accomplish these cases. Anaraki Mohammadi by emphasizing on the necessity of supporting the government and the parliament from the IME, said: "by support of IME, we are stepping towards the transparency of statistics and information and we can improve the position of products with high production benefits in our country in the world." At the end, the member of the Economic Committee of the Parliament pointed to a shortage of production in some commodities



and said: "There is a shortage in the amount of production and supply of some products in the country, and the government needs to have a good plan for supplying the needs of downstream industries. In some case IME is the entity to blame for this shortage, while IME is a platform to promote transparency and has got lots of trading advantages.







IME's Metals and Minerals
Trading Floor



Premium Contracts, Appealing Instrument for Steel Makers and Iron Ore Producers

Premium contract is a flexible and functional tool especially for industries such as iron ore and steel that has long-term consumers and manufacturers; it can be used for different maturities, and the formula for determining the price of the final deal, prepayment and the type of the final transaction is customizable for optimization based on the needs of the parties to the transaction.

During the 5th International Conference on Iran Iron Ore, Hamed Soltaninejad, CEO of Iran Mercantile Exchange, outlined the IME's capacities to boom Iran's iron ore trading and said that with the efforts made, iron ore, as a commodity that influences the Iranian economy, is set to be offered on IME's domestic market for price discovery.

Growth of Iron Ore Transactions in Global Commodity Exchanges

Soltaninejad checked out iron ore transactions in world commodity exchanges, and said: "surveying iron ore price trend in the global market over the past 40 years shows that the price of this product has dropped out of a stable trend since about 2000 and

has been faced by fluctuations.

Soltaninejad mentioned the Chicago Mercantile Exchange, Singapore Commodity Exchange and Dalian Commodity Exchange as the main commodity exchanges in the world that trade iron ore and said: "Iron ore futures contracts on the Dalian Stock Exchange has the second place among 40 best metal contracts for the year 2017 and the contract was ranked 22th on the Singapore Commodity Exchange, far beyond Dalian Commodity Exchange.

CEO of IME pointed to details of iron ore contracts in the Dalian Commodity Exchange said: "Iron ore futures contracts transactions has reach a significant level from 2 million contracts in 2013 to 342 million contracts in 2017, and the volume of trading in the year 2017 is equivalent to 34 billion tonnes

of iron ore; the volume of the transaction was recorded in conditions where the total annual iron ore production was about 2.3 billion tonnes per year.

"The New York Commodity Exchange, as a subsidiary to the Chicago Mercantile Exchange, trades iron ore within two types of instruments including options and futures contracts, which in 2015 the trading volume for iron ore futures contracts exceeds 139 million contracts and the trading volume



for options contracts reached 74 million contracts. In 2016, the trading volume of futures and options contracts for the iron ore reached 202 million and 72 million contracts, respectively, showing the growing use of derivative contracts in the commodity markets.

Iron ore in the Iran Mercantile Exchange

Soltaninejad referred the history of listing iron ore in the physical market and said: IME has so far been the dominant in trading iron ore in export ring; so that iron ore was listed in the export ring in June 2011 and was listed in the domestic ring in September 2017.

Premium Contract, a Practical Instrument

He added that premium contract is a contract by which price difference for a certain commodity is discovered in the physical market of IME and the parties to the contract shall oblige to trade it at a final price at a certain maturity. Premium is an amount or percentage that is added to or subtracted from the base price for calculation of the final price. The base price is a price which shall be announced at the time specified in the Offer Notice. The committed transaction at the determined maturity stated in the premium contract based on final price. By adding the premium and the base price, the final price is calculated based on which the final transaction shall be settled.

Soltaninejad expressed the benefits of premium contracts as possibility to enter long-term contracts based on the world reference prices, transparency in internal-external price difference discovery in an organized market, default risk hedging, getting ensured of payment and delivery of commodity in future and ensured quality enjoying a long-term contract.

According to CEO of IME, Premium contract is a flexible and functional tool especially for industries such as iron ore and steel that has long-term consumers and manufacturers; it can be used for different maturities, and the formula for determining the price of the final deal, prepayment and the type of the final transaction is customizable for optimization based on the needs of the parties to the transaction.

The Most Important Factors in Inappropriate Pricing of Iron Ore

Soltaninejad pointed to the lack of transparency in the iron ore market, the asymmetric and incomplete information on the market, and the existence of a decentralized market and the dispersion of supply and demand as the main factors of inappropriate and imbalance iron ore pricing, and said: In this regard, one of the suggested solutions is that the prices of the entire chain of products comply with the price of steel bars, which in this case, due to different and not in line with one another fluctuations in the chain of products in the world markets, pricing are inappropriate.

Disadvantages of Monopoly Market

Soltaninejad referred to the disadvantages of the market moving toward monopoly and stated that raising prices and earning unconventional profit, low quality products in uncompetitive space, the lack of efforts to produce new products, inflation with pressure on consumer and lack of price dynamics and the lack of correction of resource allocation are among the most important disadvantages of exclusive markets.

Strategies for Development of Iron Ore Market

He commented on the proposed solution to improve and develop the iron ore market and said: The proposed solution of the IME is to organize a centralized market for iron ore in the exchange, and price justification through the supply and demand mechanism. In this regard, the implementation of the parliamentary resolution in Article 37 of the Law on Removing Barriers to Competitive Production and its Note will be a good guideline.

Soltaninejad said: "With the help of this article of Law, the price of iron ore can be discovered based on the supply and demand process on IME. In this case, after three times supply and lack of demand, the products can be exported and this is a way to detect the surplus of the commodity in the country. As a result of the implementation of this article and the supply of iron ore in the domestic market of IME, the debate on the excess supply of iron ore will be resolved in the event of extinction and elimination of export duties for iron ore in which the surplus has been supplied internally.

| Real and Fair Price Discovery on IME Attracts New Investor to Iron Ore Market

The CEO of Iran Mercantile Exchange said: To increase the confidence and entry of new investors into the iron ore market, the price of this product must be discovered in a transparent and real mechanism. CEO of IME in a conversation with Sana about the fate of iron ore concentrate trading on the commodity exchange, said that last year iron ore was listed on the IME, but its trades did not initiate. He argued about the reasons for accepting iron ore on the IME: "In the iron market, in some sectors of the iron and steel production chain prices are set and in some other parts prices are only discovered, which caused imbalances in the prices of these products". Referring to the 1404 (2025) horizons, Soltaninejad emphasized: "To reach to the capacity of 55 million tons of iron according to the vision plan 1404, deficiencies available in the supply of iron ore should be resolved. According to him, at the height and landing of the global markets because of the price of iron ore inside it, investing in the iron ore industry is encountered with risk. Referring to the favorable conditions for iron ore companies, he said, "by investigating financial statements of iron ore companies, it seems that these companies are profitable



and there is no reason to move the pricing of its products to liberalization. But, as the price of iron ore in the global market increases or decreases due to our pricing in the iron ore being directive an uncompetitive, no new investment is made in the iron ore market. Referring to the need for conducting new investments in the field of iron-ore on the basis of the 1404 (2025) vision plan, CEO of Iran Mercantile Exchange said that new technologies for the extraction production of iron ore should be considered, as reserves which are easily extracted, one day end, and you have to go to the reserves that are harder to extract. For this reason, we must now try to increase investment in the exploration and exploitation of iron ore. Soltaninejd added that if the discovery of the price of iron ore is not conducted in a market environment, the cycle of savings, income and investment would not be completed. The director of the commodity exchange, emphasizing that the price of iron ore is unlikely to be expensive, acknowledged: "In order to increase investors' confidence and the arrival of new investors in this field, iron ore pricing should move to market-orienting. For the reasons of not conducting the iron ore transaction in the IME after reception of this product, he said that applicants should receive a certain amount of supply based on the directives of the reception board, so that an effective reception can be made and it can be said that the process of discovery of the real price is done. Soltaninejad said the IME is holding a series of interactive meetings with suppliers to begin the process of discovery of price. He predicted that in the course of the year 2018 (1397), IME will be a witness of supplying high volumes of iron ore.



IME's Potential to Increase Exports of Steel Products

The member of the board of directors of the IME announced Iran's entry to the group of steel exporting countries and said that: last year, the trade balance of Iran steel reached from 12 tons minus to 5 million tons plus, which means that we have moved from one importing country of this product to an exporting country.

Mansoor Yazdizadeh said that this will affect the conditions of supply and pricing of steel on the IME, because as we are a steel importer, its supply in the exchange and fluctuations conditions should be equivalent to that position. But when we have it for surplus of consumption and export it, the conditions would change, that is, the expectation of the units of production is that steel products be sold at the price of the exported steel. For this reason, attention has been paid to global prices, and in particular the price range, basic prices and price leader of the global prices.

He stressed that the IME is the only source that can transparently enter to the pricing flow. In the past, the prices were determined based on a directive and in the framework of the basket of pricing of the consumer protection and manufacture organization, but after that, the exchange was the only reference that would professionally, in a fully competitive situation, carried out pricing for downstream products and then, half of the goods, such as ingot and slab were entered to the commodity changes.

According to him, the entry of products into the IME is tending to a upstream, and when this action was resultful, and all the companies and production units with the supply on the IME prevented the Rent, the upstream also was encouraged to supply its products in this transparent market to sell them on a global basis. In this way, Khuzestan Steel entered its products into the IME. Mobarakeh Steel also added its slab to the basket of products disposable on the exchange.

With respect to the expectations of the industries and producers from IME in the commodity pricing debate, he added: prices should have a reasonable justification in long term; for example, extraction and investment in iron ore and coal should have economic justification.

The pellets selling unit, according to the market need imports concentrate, and we should not expect to offer it at a multiple of ingot prices. Multiplying as a pacifier in short-term can be effective, but in the long run we have to act based on the supply and demand. The function of the IME is that it starts from the downstream and needs to be upgraded, and reached to upstream, but along with the efforts and actions of the IME, other infrastructures must be provided in this field.

By referring to the national project of the country steel, Yazdizadeh pointed

out: in the Comprehensive Plan of the country

steel, capacity of

production of

the country

steel should

reach to 55

million tons.

When the Steel

Headquarters

approves this

plan as the

highest decision-

making authority

in the steel industry,

equilibrium should be

formed in the steel chain from

the highest to the lowest section. In the

meantime, in order to reach to 55 million

tons of crude steel and create capacities,

if there are obstacles, it will be checked

at the headquarters and will find its way.

Managing director of National Steel Company

added: "Our next plan, after reaching to 55

million tons of crude steel, is to reach to

the processed products to create highest

amount of added value in the steel industry,

and the goal of this development plan is to

focus on steel exports. Because the steel

industry as one of the alternative sources of oil has the high potential of rich domestic resources, labor, and technology, thus, the export of steel could be a good alternative to oil exports. So, last year we began the study phase on the downstream industries to determine what types of products are needed and what they are supposed to become. For example, if the steel is to be turned into a rod, its size should be determined, and if it is to become a sheet, the type should be determined. If steels are stainless, their dimensions will be determined

so that all products that lead to

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path.

Yazdizadeh

added: "The

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ago, but so far, five projects have been

exploited, and although one of these five

projects has not been under the official

utilization, but it has been launched, and

is operating, and two other projects will

be operational by the end of this year.

The steel projects of Mianeh, Shadegan,

Neyriz and Sabzevar were launched in

April 2017, and Sepid Dasht Steel, which

was supposed to be used last March, was

postponed to 2018 due to traffic in the

presidential office. Two steel projects of



Qayenat and Bafgh will be also operated in the first half of the year, and the first phase of the seven projects will be ended.

At the end, He said that these projects were financed by the local funds available in China. they are supposed to become. For example, if the steel is to be turned into a rod, its size should be determined, and if it is to become a sheet, the type should be determined. If steels are stainless, their dimensions will be determined so that all products that lead to higher added value and more employment are on the production path.

Yazdizadeh added: "The first phase of the national steel project of the country in the calculation of 55 million tons of steel, is the completion of seven steel projects that have not yet been exploited since eight years ago, but so far, five projects have been exploited, and although one of these five projects has not been under the official utilization, but it has been launched, and is operating, and two other projects will be operational by the end of this year. The steel projects of Mianeh, Shadegan, Neyriz and Sabzevar were launched in April 2017, and Sepid Dasht Steel, which was supposed to be used last March, was postponed to 2018 due to traffic in the presidential office. Two steel projects of Qayenat and Bafgh will be also operated in the first half of the year, and the first phase of the seven projects will be ended.

At the end, He said that these projects were financed by the local funds available in China.



Trades of Cement on IME, a Way out of Stagnant Problems

Re-establishment of the possibility of exporting clinker and cement solely through Iran Mercantile Exchange is one of the measures that can be taken to resolve the problems of cement exports and reduce tariffs in the targeted countries. According to the report of "IME"; 2017 with the efforts and actions taken at the Deputy Minister of Mining and Mineral

of Industry, Mining amount of cement terms of weight and same period of the has not changed. The amount of exports in the year million tons by value and in 2017, it was tons by the value which has had 26



Industries for Ministry and Affairs, the and clinker exports in value compared to the previous year (2016)

cement and clinker 2013 was about 17 of 1105000000 \$ about 12.6 million of \$ 429 million, percent reduction

in terms of weight and in terms of weight had 61 percent decrease in value. With the efforts and actions taken at the Deputy Minister of Mining and Mineral Industries for the Ministry of Industry, Mining and Commerce, it has not changed in terms of weight and value compared to the same period of the previous year (2016). In recent years, most of the cement units have been subjected to negative competition due to the conditions of the cement market downturn either in the domestic sector or in the export sector, which has led to a reduction in export prices in the target markets, with the efforts of the Deputy Minister of Mining and Mineral Industries and the assistance of the Cement Industry Association (The segregation of the market of export of cement to the export markets of the east, north and west of the country and the determination of the down export price at each of these borders), these markets were partially organized. This action last year led to about \$ 2 increase of price per ton in some of these markets. The main cement import market of Iran is Iraq, which has banned the import of cement of Iran to this country, but also banned importing cement from other countries to this country due to support from domestic production and only allowed the importing clinker into the country. In this regard, because of not missing Iraqi market, cement units compulsorily export only the clinker, which is less expensive than the cement, so it is natural that we face with the decline in export value. It is worthy to say that Many efforts have been made to resolve the problems of cement exports and to reduce tariffs in the target countries, the most important of which is the travel of Deputy Minister of mineral industries and Mining Affairs of Iraq in 2016 to reestablish the possibility of exporting cement, as well as efforts to Investigate the possibility of export of cement and also effort regarding survey of the possibility of export of clinker and cement solely through the mercantile exchange.



IME's Derivatives Market



IME in a Position to Run Futures Market on Foreign Currencies

2017, 21 March 2018, which stood at 600,000 billion rials, Soltaninejad believes that IME is now fit to launch the same



Iran Mercantile Exchange has the potential to launch futures contracts on foreign currencies in order for market participants in need of risk coverage to manage risks imposed by volatility in foreign currency exchange rates, Hamed Soltaninejad; IME CEO was quoted as saying by Kala Khabar. He continued that in critical times when there is a huge demand for foreign currencies, such a market can mitigate the consequent risks caused by price volatility. He added that in various countries over the world such as China, Turkey, and Russia, exchanges are operating derivatives markets on foreign currencies to help market participants cover such risks. IME CEO insisted that another advantage of establishing such a market would be absorbing foreign capitals. A futures market on foreign currencies could relieve foreign investors' concerns as to severe price fluctuations of rials against other currencies. Pointing to IME's derivatives market trading value in the Hijri year 96, 21 March

market for foreign currencies as well. Soltaninejad explained that derivatives markets have been established for even local currencies for countries with large volumes of transactions with one another like Russia and Turkey. To answer the question that why this market has not been launched yet, Hamed Soltaninejad said that according to Iran's Central Bank, establishing such a market is subject to some pre-requisites like a unified exchange rate for foreign currencies as well as launching the interbank foreign currency exchange system, the lack of which have prevented us from moving forward in this regard. Yet, some countries have initiated their derivatives market for foreign currencies in spite of such problems. Anyhow, Soltaninejad added that no matter what institution will carry out the job, we hope we will be witnessing a strong derivatives market on foreign currencies in our country in the near future and IME is ready to do everything in its power to push this project ahead.

Member of Securities and Exchange High Council: IME Ready to Launch Foreign

plan better for more production”.

Mohseni said: IME’s trading mechanism helps to ensure the transparency and predictability of prices to get out of the



Exchange Derivative

Ghasem Mohseni said: Given the 10-year experience of Iran Mercantile Exchange in setting up the derivatives market, it has the necessary infrastructure and readiness to launch the foreign exchange derivative market.

Regarding the role of IME in supporting Iranian goods, the member of Securities and Exchange High Council stated that the government mandatory price setting and price controls damage the body of the country’s production, while this year’s motto as the year of “Support for Iranian Goods” could be implemented through the transparent pricing methods and competitive trades based on the supply and demand mechanism provide by the IME.

Ghasem Mohseni added: “One of the issues facing the producer and the consumer is the pricing and price transparency. So, if prices are predictable, manufacturers can

government mandatory price setting system.

In this condition, the process of price setting will be a function of supply and demand, and this supply and demand will be predictable with a high degree of significance for the future and can increase investment.

Regarding the unified USD rate and its effects on the IME’s transactions and the predictability of transactions for upstream and downstream industries, he stated that the currency exchange rate has significant effect on commodities, including oil and petroleum products, petrochemicals and base metals, which are priced in the global markets according to international currencies. Therefore, the more stable the currency exchange rate, the more comfortable the economic activists will be to predict future condition of their industries.

He added that the foreign exchange derivatives or currency futures and options contracts are of special importance and can be used by economic activists to hedge currency risk

fluctuations. Launching foreign exchange derivative market will help economic activists to hedge currency risk fluctuations for their transactions without any pressure on the government's budget or any kind financial burden on the government. Moreover, the central bank can implement its policies through the financial instruments in the foreign exchange derivative market; hence, the derivative market can help the central bank to regulate the foreign exchange market. Mohseni, regarding the potential for launching the foreign exchange derivative market in the capital market of Iran, said: IME is 100% ready to launch the foreign exchange derivative market and has the required potentials. In addition, trading derivatives have been experience on gold coins and other commodities on IME for many years, and the required guidelines are ready and structurally prepared to launch of the foreign exchange derivative market by this exchange.

Launching a Currency Exchange, Parliament's Proposal to Government

Deputy head of the Research Center of Parliament, today, along with the presence of the head of the Central Bank in the Parliament, Vali alah Seif explained that the launch of the "Futures Exchange Market" is the proposal of the framework of the specialty of the country to the government. Following the presentation of the explanations of the head of the central bank, Vali alah Seif and the head of the Economic Committee of the Parliament, Mohammad Reza Pour Ebrahimi, in the parliament's open courtroom, which focused on the exchange

rate fluctuations and the new decision of the government, Then, Mohammad Qasemi, deputy head of the Research Center of the Parliament addressed his comments on the inflammation of the foreign currency exchange market.

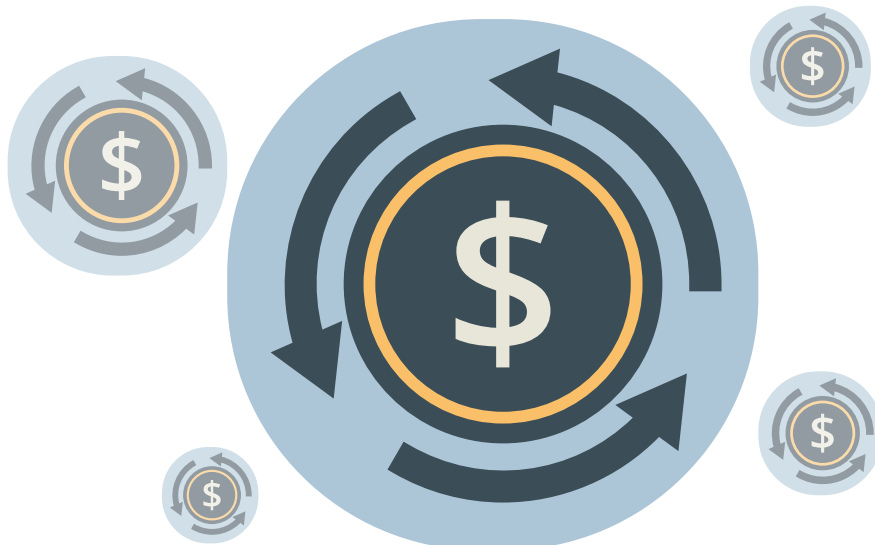
Qasemi said in a part of his speech: "People from the country's specialist framework expect to provide a solution to create market tranquility and trust in economic activists and investors, which is one of the best suited solutions in these days by fans that are also accepted in the world, is the way to the future foreign currency market. The deputy head of the Research Center of the Parliament added that the proposal to set up an exchange market that can create stability and trust in the market has been presented several times and we hope that this issue will be considered by the government. Qasemi continued: "Along with the foreign currency exchange market, the creation of a reserve fund for gold reserves and foreign exchange reserves is one of the things that can bring confidence and trust to the foreign currency market through a reduction in Qasemi said in a part of his speech: "People from the country's specialist framework expect to provide a solution to create market tranquility and trust in economic activists and investors, which is one of the best suited solution in these days by fans who are also accepted in the world, is the way to the future foreign exchange currency market. The deputy head of the Research Center of the Parliament added that the proposal to set up an exchange market that can create stability and trust in the market has been presented several times and we hope that this issue will be considered by the government. Qasemi continued: "Along with the foreign currency exchange market, the creation of a reserve fund for gold reserves



and foreign exchange reserves is one of the things that can bring confidence and trust to the foreign currency market through a reduction in malicious intermediaries.

It should be noted that the proposal for the launch of the futures foreign currency market, some referred to it as the foreign currency exchange, peaked in the year 2011, and eventually in December 2015, the Supreme Council of the exchange in the presence of senior economic officials, including the Minister of Economy and the Director General of the Central Bank has approved the creation of the futures foreign currency market.

The main advantage of this market is to cover the risk of exchange rate fluctuations so that the economic agents during inflammation have a tool for their insurance against foreign exchange rate fluctuations. With the launch of the futures exchange market, activists and investors can provide their foreign currency at a precious price for the coming months in a legal and transparent way, without having to create inflammation in the physical market, by taking the purchase or sale position.



Merits of Single Exchange Rate of Dollar for Iran Mercantile Exchange

lower, since both will point to the same exchange rate. Whether this foreign currency is managed in the same way or we can



The CEO of the Iran Mercantile Exchange evaluated the effects of the single exchange rate on IME

Hamed Soltaninejad, about the effect of the exchange rate uniformity on Iran Mercantile Exchanges, Tasnim news agency told that "One of the important issues in entering to the market is basic prices, and with the government's arrangements, the dollar is moving towards being single-rate.

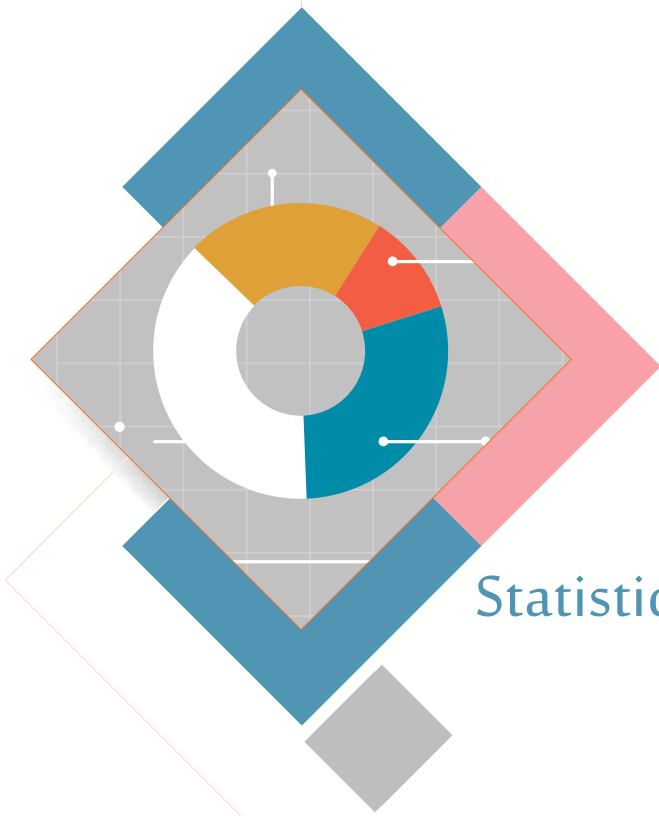
The CEO of the Iran mercantile exchange added that this made it much easier for IME because the base of the basic price of this market would be the foreign currency, which is in fact the result of market foreign currency equilibrium, and it seems that the market will continue to its movement more transparent. Especially in the field of commodities which their basic prices are a function of the foreign exchange rate, and their differences in the upstream and downstream price formulas will be much

extract the foreign currency from a market. This responsive authority added: "Finally, it can be said that the uniformity of the exchange rate will help to relieve the foreign exchange market.

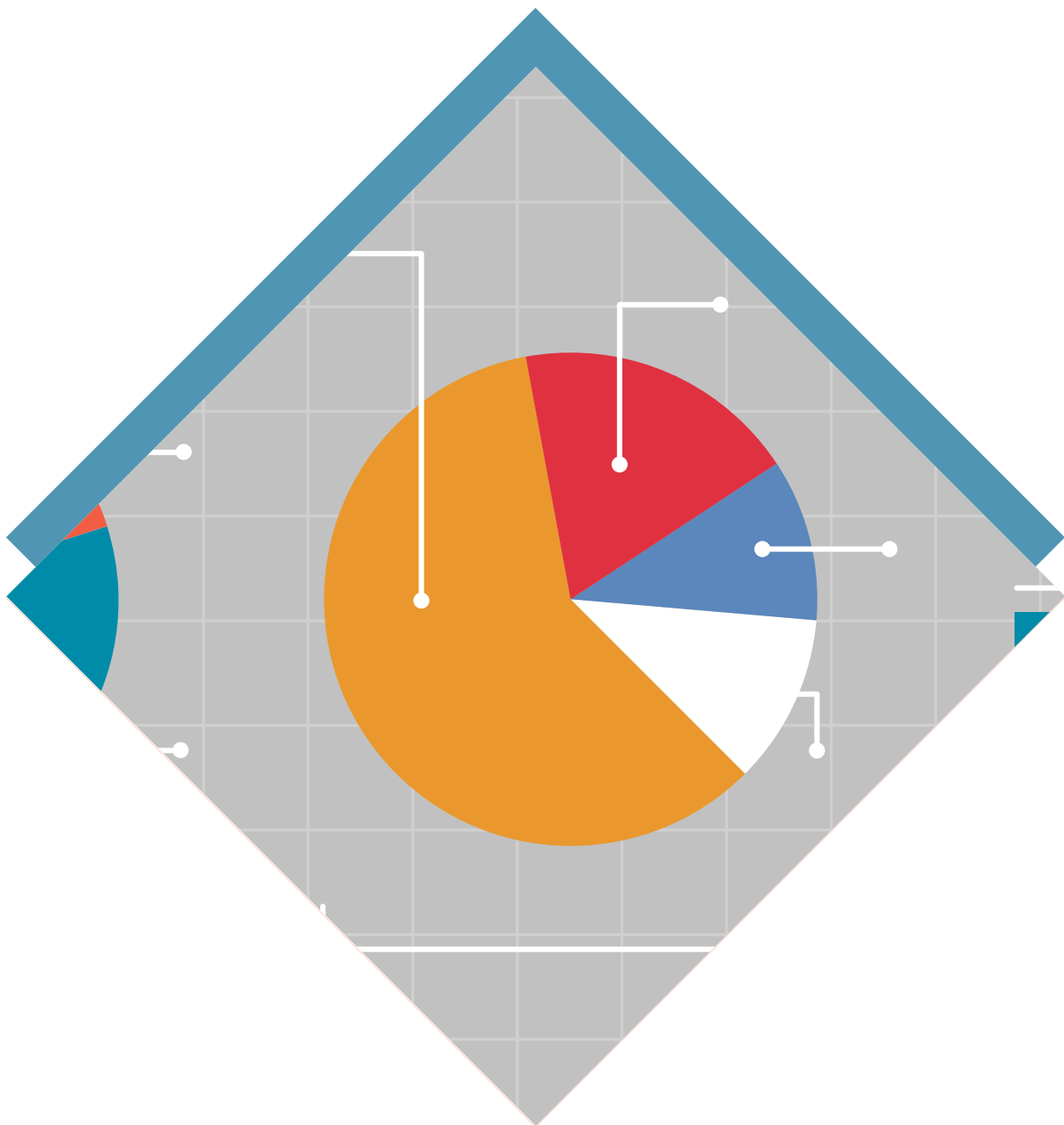
Gold Coin Futures Market Subject to Free Market Fluctuations

He also asserted about the volatility of the coin market and its impact on the upcoming market: The world capital market experience indicates that the derivatives market has always been a controller of cash market risks, and in reality, the derivatives market has never really affected the cash market and this issue has been proved in the action and fundamentals.





Statistics of IME Business



IME Spring 2018 Report

IME Markets work as an effective and transparent channel to support customers manages risk despite recent economic volatility. The research teams continue searching new methods and market data services to make more trades happen in IME. The result is an upward trend of the trading volume and value historically. Trade volume and value has been increased by about 22% and 50% respectively this spring compare to last spring. Figure1 below presents the quarterly trade volume and value since last spring.

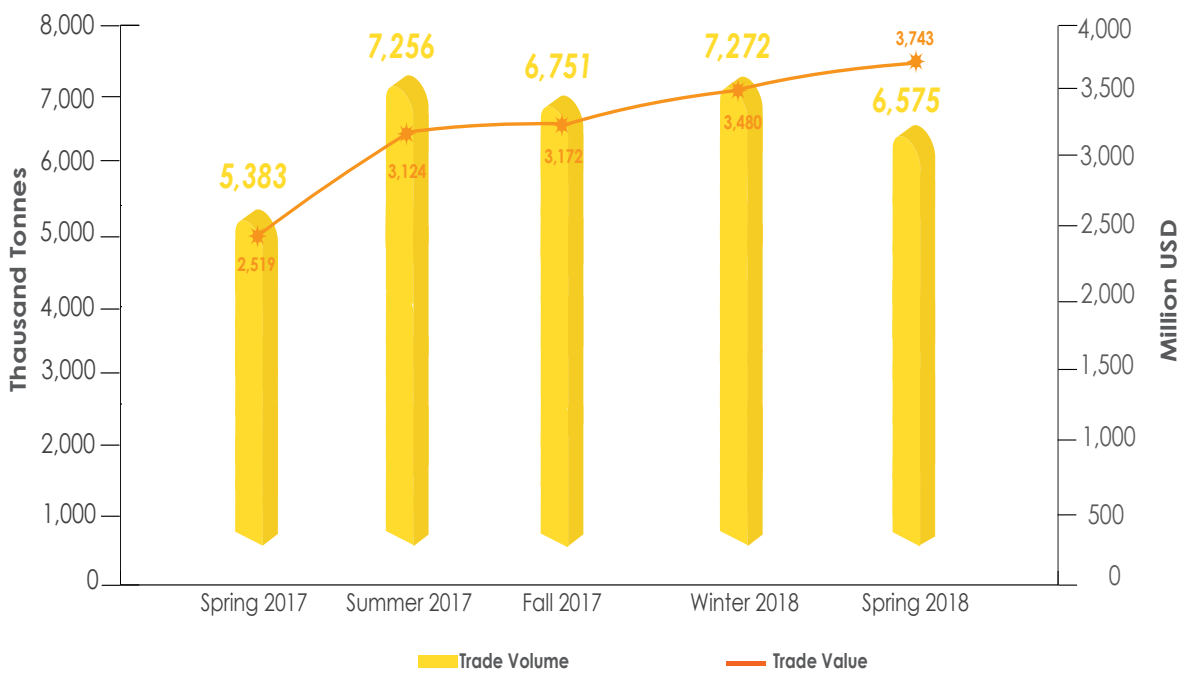


Figure 1 quarterly comparison of traded volume and value

The overall supply, demand, trade volume of the physical market has been shown in figure below for spring, 2017 and spring, 2018. As the market faces higher demand this spring, it ends up with higher trade volume.

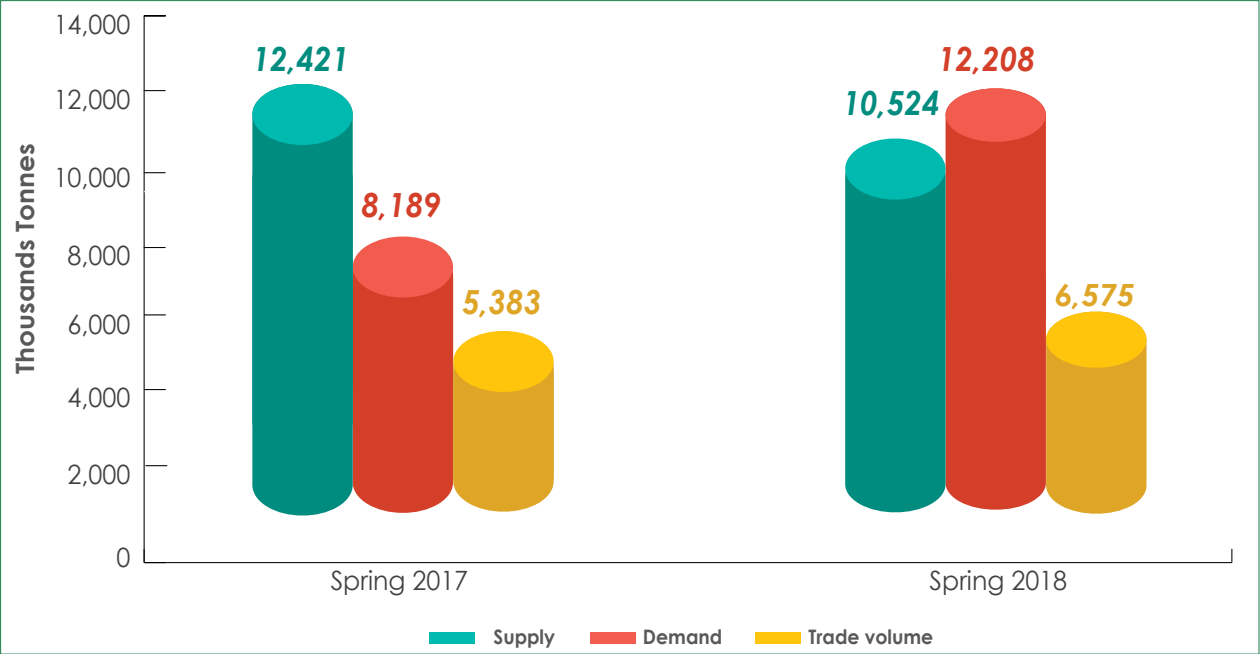


Figure 2 Supply, demand and trade volume

The physical market consists of: oil products, industrial products, petrochemical products and agricultural products. In the spring of 2018, oil products comprise 50% of the whole physical market trades. Industrial and petrochemical products earn the second and third highest market shares. Agricultural products have the least market share around 8% of the whole. In what follows we will investigate more about each of these sub markets.

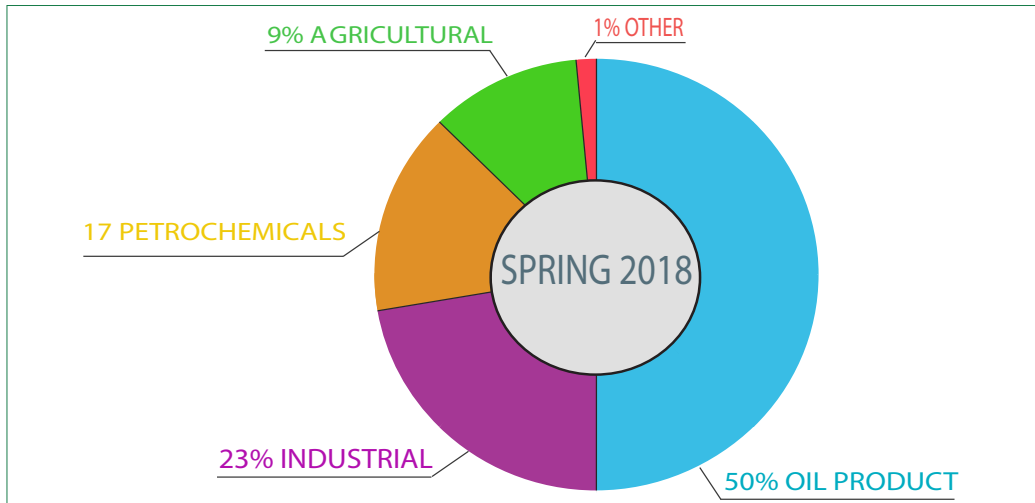


Figure 3 market shares trade volume

Oil Products

The oil products market shows significant increase in supply, demand, trade volume and value in spring 2018 compare to the same time previous year. The overall trade value and volume grow 2.3 and 1.6 times respectively this spring. Also there is an increasing demand for some of the products such as vacuum bottom in this market, so we expect to see more trade volume growth in near future. The figure below presents supply, demand, trade volume and value for the oil products market.

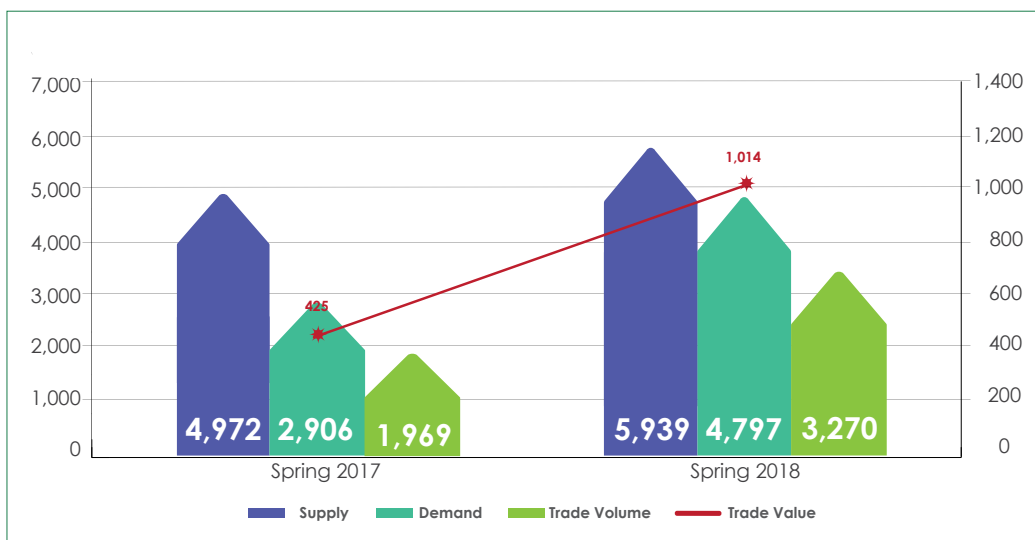


Figure 4 Oil products market

Industrial Products

In industrial products market we observe around 20% increases in the trade value compare to last spring. The figure below shows supply, demand, trade volume and value for this market. Although the overall trade volume for some forms of steel decreased, but on the other hand the trade volume of copper and aluminum increased. The second figure presents how trade volume increased for copper and aluminum this spring compare to last spring.

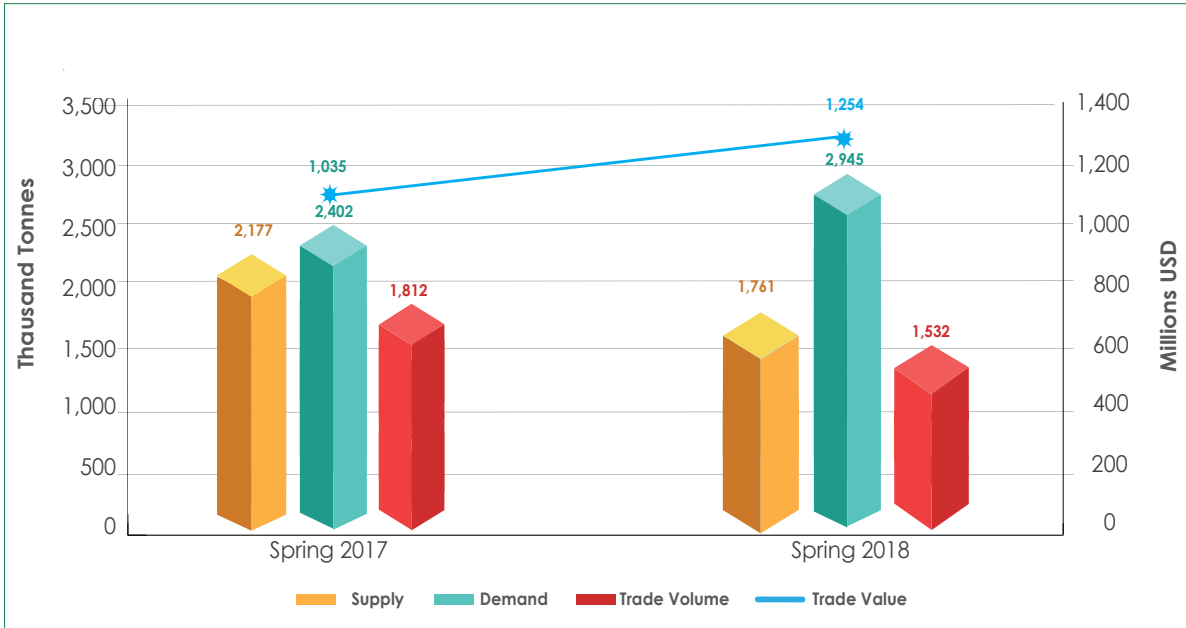


Figure 5 Industrial market

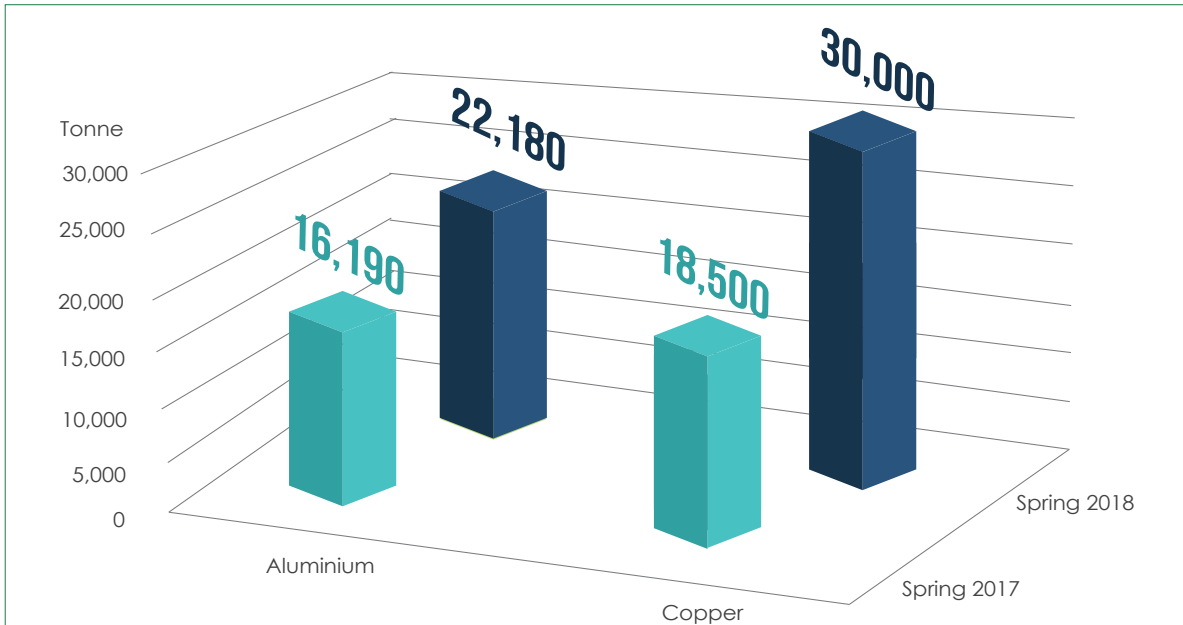


Figure 6 trade volume comparison for copper and aluminum in spring 2017, 2018

Petrochemical Products

The petrochemical market consists of two sections: polymeric products and chemical products. In polymeric products market the overall trade volume increased by 26% and the trade value grew by about 50% this spring. The market faced higher demand for most of the products and demand reaches its highest since last year. The figure below presents supply, demand, trade volume and value for the polymeric products market.

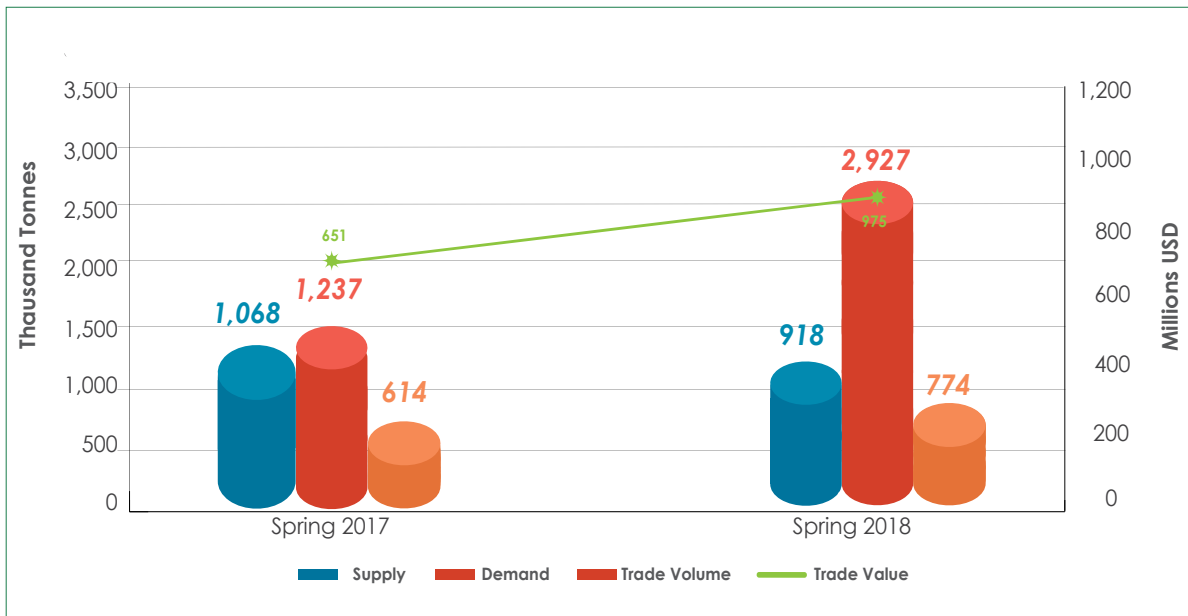


Figure 7 polymeric products market

In the chemical product market supply, demand, trade volume and value increased in spring 2018 compare to spring 2017. The trading volume of almost all of the products in this market show growth. The overall trade volume and value improved by 15% and 54% respectively. The figure below shows supply, demand, trade volume and value for the chemical products market.



Figure 8 Chemical products market

Agricultural Products

The figure below displays supply, demand, trade volume and value for the agricultural products market. Although in spring 2018 the overall supply has been decreased in this market because of some restrictions in sugar supply, the amount of trade volume has not been changed much. While wheat is traded more recently, sugar and barely's market shares have been decreased. The changes in market shares of the main products traded in agricultural market is shown in figure 10.

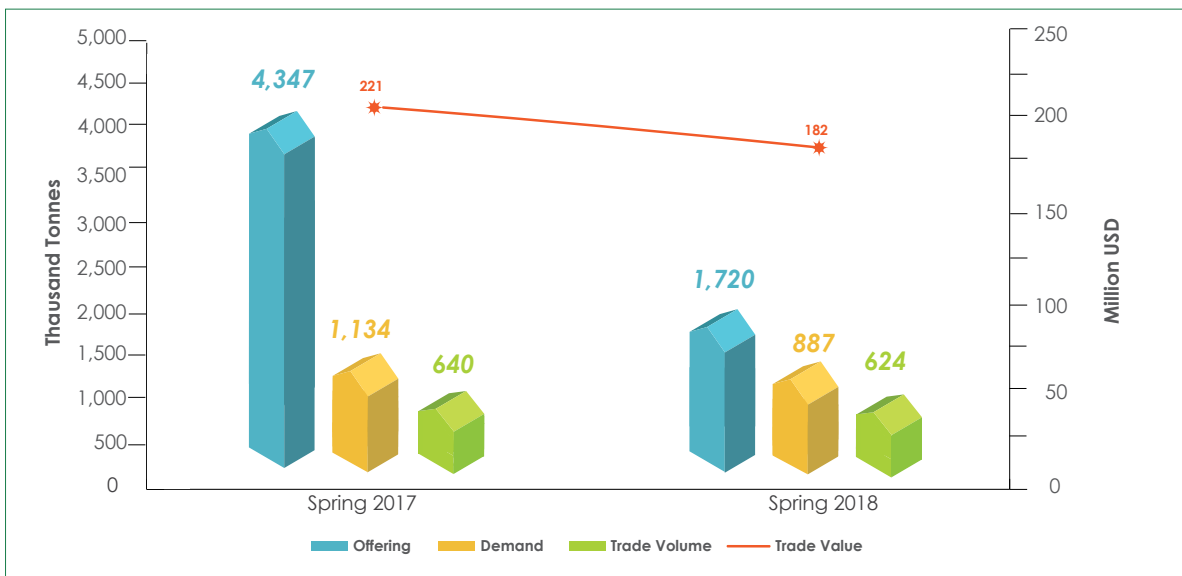


Figure 9 Agricultural market

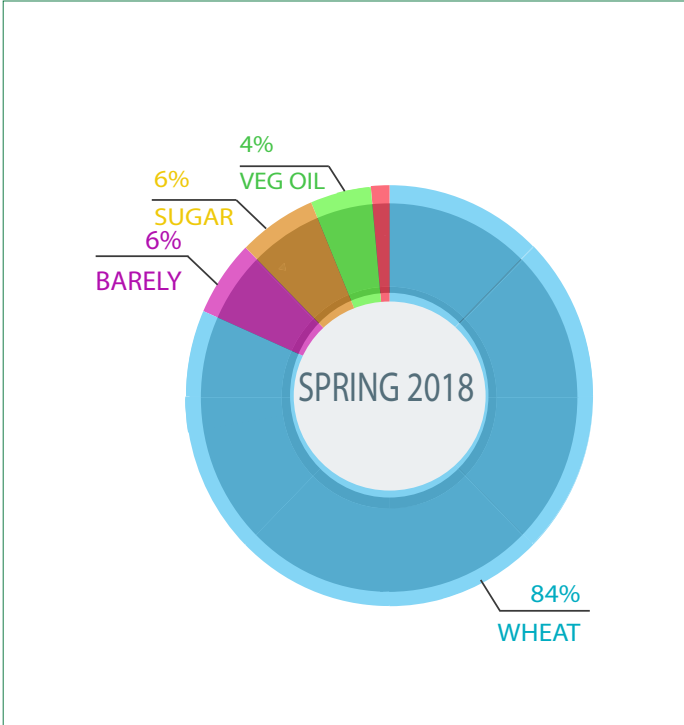
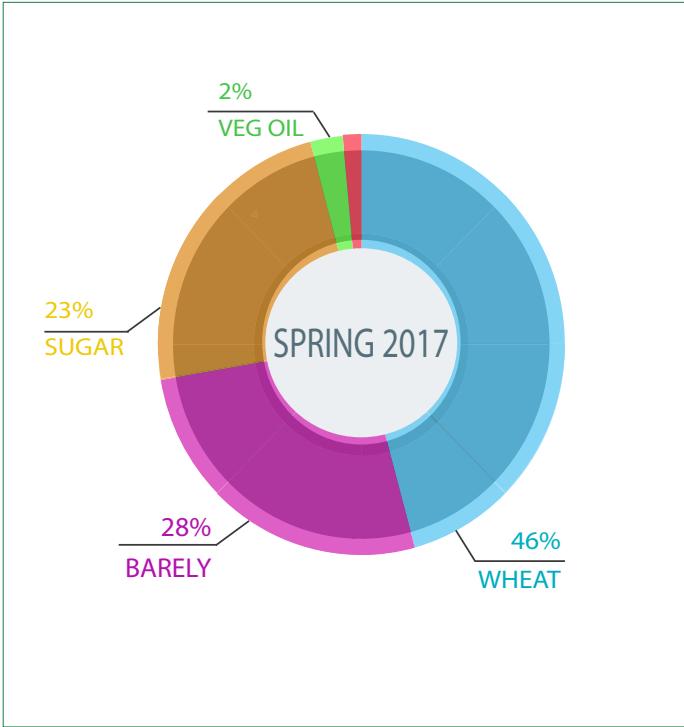


Figure 10 market share of trade volume of agricultural products

Export

The overall trade volume in export ring has been increased about 13% this spring compare to last spring. IME's export market contains mainly petrochemical and oil products but industrial and agricultural products also have some weights. Figure below compares the supply and trade volume in IME's export market.

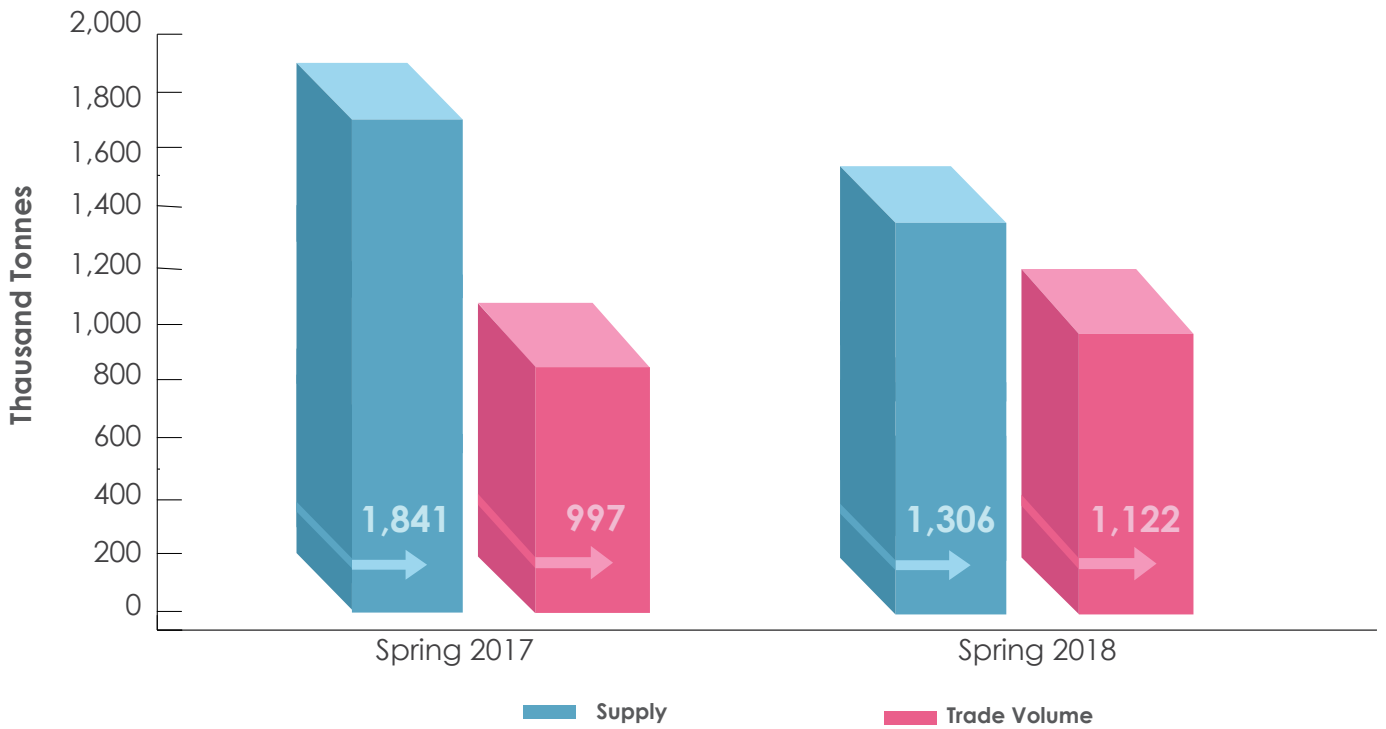
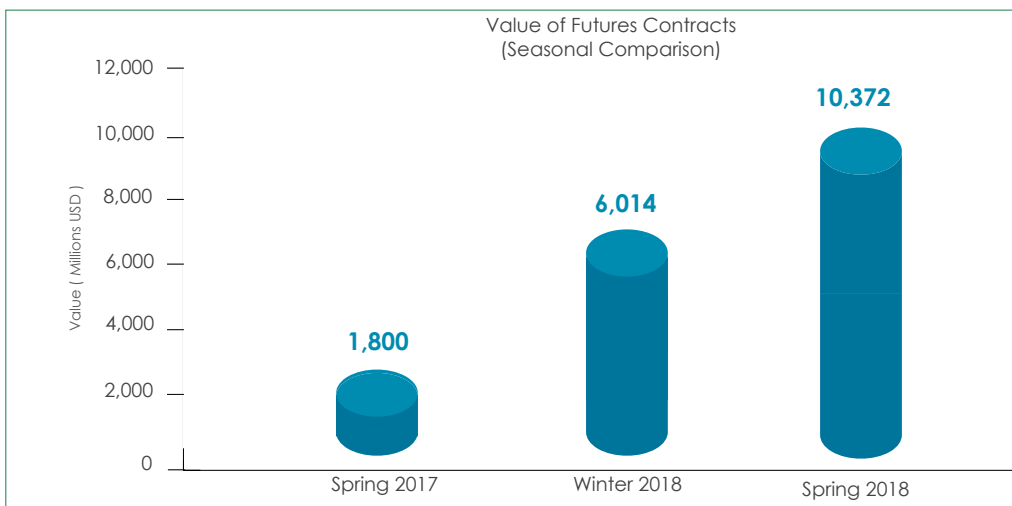
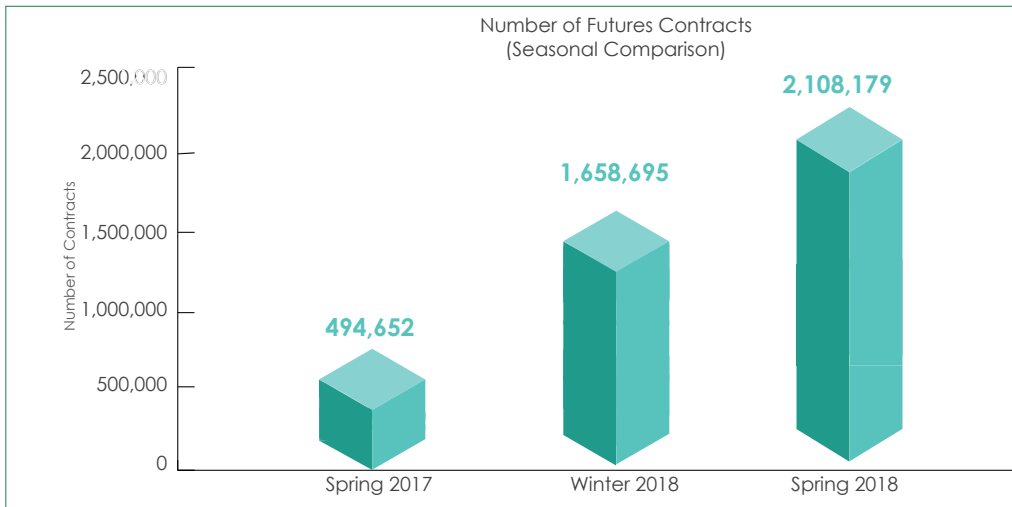


Figure 11 supply and trade volume in IME export ring

Derivatives Market

Within the 1st quarter of the current hijri year (22 March– 21 June, 2018), IME traded 2,108,179 gold coin futures contracts valued at 10,372 million USD, showing 27 and 72 percent of growth in volume and value respectively in comparison to the fourth quarter of the previous hijri year (22 December 2017 – 21 March, 2018).



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2018



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IME
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