



# **IME At a Glance**

**Iran  
Mercantile  
Exchange  
2013**



**IME:** A Lawful, Transparent and Reliable Market



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## History and Legal Status of IME

The history of commodity exchanges in Iran dates back to 2001 when the Iranian parliament enacted the law of 3rd and 4th Development Plans. Based on the clause (C) of the article 95 of the 3rd plan and the clause (A) of the 4th plan laws, the High Council of Exchange (HCE) was assigned to launch and expand the commodity exchanges in Iran. Tehran Metal Exchange (TME) was the first commodity exchange, established in 2003. A year later, Iran Agricultural Commodity Exchange (IACE) launched its operation.

Finally, by virtue of the resolution of the HCE and enactment of the new law of the



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securities market (the Securities Market Act) by the parliament in 2005, the ground was prepared for the merger of TME and IACE. The merger marked a new chapter in the Iranian capital market leading to establishment of IME providing endless trading opportunities for the clients in and out of the country. IME launched operation in 2007 as a demutualized organization in the form of open public joint stock company. Since then more than 180 petrochemical, chemical, metal, mineral and agricultural products have been listed and traded in IME.

## In a Glance

IME is a self-regulated organization operating under the supervision of the SEO, market regulator. IME is the leading multi-commodity exchange trading spot and futures contracts in Iran and in the Middle East. Enjoying the state-of-the-art technology, semi-electronic trading floor, fully electronic derivatives market, low latency, efficient trading system, unmatched sound and fast settlement-delivery mechanism, the IME provides a transparent and, at the same time, competitive

marketplace where investment needs and trade requirements of a nationwide range of market participants and foreign entities are met through



3 exchange's trading solution. The exchange provides opportunity to producers to offer their products ranging from metals, agricultural, petrochemical and precious metals to the oil-related products through listings process which complies with the latest standards of quality in the world. This has made the IME a world-class and viable market rendering services to the individual and institutional suppliers and buyers at internationally certified level. Having in place spot market alongside derivatives market especially the futures contracts has brought about a robust mechanism for the trade counterparties and clients to sell and purchase their requirements to feed their production. The exchange has provided risk management services to the market through futures contracts. This service helps market participants manage their risks and take delivery of the underlying asset where needed and at the same time hedge against the adverse market movements.

## Social Responsibilities

### International Presence

Iran Mercantile Exchange attaches great importance to establishing ties with other exchange markets, clearing houses, technology companies, trade associations and educational institutions. To this end, IME has obtained membership of the Association of the Futures Market (AFM), the leading entity of the emerging futures markets, and its membership to

the Federation of Euro-Asian Stock Exchanges (FEAS). Moreover, IME would like to expand its market through signing MOUs with its counterparts around the world. A number of regional and international cooperation are as follows:

- Signing of Memorandum of Understanding with Belarusian Universal Commodity Exchange (BUCE) in 2012
- Signing of Memorandum of Understanding with Kazakhstan Commodity Exchange (BEREKET) in 2012
- Holding 2nd onsite training courses for FEAS
- Cooperation with the Pakistan capital and commodity markets



## IME Services to the Market

Various sectors of economy benefit from the exchange operation. The scope of the services is as under:

- Venue for the first public offering of strategic commodities and products
- A market with sound robust price discovery mechanism
- Providing venue for government tenders, sales and procurement purchases
- Providing the trading platform for the brokerage firms
- Providing Clearing & Settlement services thereby adding value to the market
- Risk management and hedging tools
- Technology services and information dissemination
- Training the market participants
- Issuing delivery certificates
- Arbitration and settlement of disputes

### Products

Various products and commodities are listed and traded in IME which are categorized in three classifications:

Metal and Mineral Products:

Trading hour 10:30-12:00 Tehran Local time (+3:30 GMT)

- Ferrous metals :
  - Crude Steel: Billet, bloom, slab
  - Long Products : I, E, H Beam, Re-bar
  - Flat Products: HRC, CRC, Tin plate, Galvanized sheet
- Non-Ferrous metals
  - Copper : cathode, wire rod, slab
  - Aluminum: ingot, billet, slab
  - Zinc : billet
- Minerals
  - Iron ore, coke, cement, precious metals concentrate
- Precious Metals
  - Gold Bullion(999.9): Trading hour 12:00 - 12:30





Petrochemical and oil-related products:

Trading hour 13:30 - 16:00

- Plastics, LLDPE, HDPE, PP, ABS, PVC, PET, PS,...
- Chemicals, caustic soda, acids, melamine, ethanol, Ammonia, urea, Sodium Carbonate, Benzene,...
- Oil-product, VB, Iso-recycle, Lub Cut, Solvent, RPO, Wax, Base oil, bitumen, iso-feed, and etc.



Agricultural Products:

Trading hour 12:30 - 12:50.

the agricultural products traded in IME range from cereals to oilseeds to oilcakes and other grains like wheat, feed wheat, feed barley, yellow corn, maize, soybean, soybean



meal, raisin, lentil, chick peas, sugar, saffron and pistachio traded in the fully electronic Multi-Commodity Trading System™

### Derivatives products

- Futures Contracts
- Gold Coin Futures Contracts: with the contract size of 10 coins and a thriving liquid market this contract is traded as one of the most active and successful underlying assets in the futures contracts in IME. Trading hour is 12:00 - 18:00.

*Note: the exchange is closed on Thursdays and Fridays*





## Suppliers

Listed Commodities		Companies	
Metals and Mines	49	Local Listed Companies	230
Oil and Petrochemical	74	Foreign Suppliers (not listed)	81
Agricultural	185		
<b>Total</b>	<b>308</b>	<b>Total</b>	<b>311</b>

## Members

There are 79 listed brokerage companies in IME who are the members of the exchange licensed by the market regulator, the Securities and Exchange Organization ([www.seo.ir](http://www.seo.ir)). The brokers trade and clear the contracts on behalf of their clients. The contact details of brokerage companies are available on IME website.

## Offerings and Orders:

The offerings of the commodities in the spot market are announced and notified to the market 24 hours before the trading takes place, through the exchange website so the clients would be able to place their orders with the brokers, rest assured their orders are executed accordingly.

In the derivatives market the clients order their trades as per specifications of the futures contract and in accordance with the order types specified in terms of order validity and the price. Around 63 brokerage firms are licensed to trade futures for their



clients. At the same time there are 4 consecutive contract months available for the investors to trade and take position in.

## Trading

### Spot Trades

Based on the settlement and clearing terms and conditions mentioned in the offering notice the Metal, Petrochemical and agricultural products are traded and cleared as per following mechanisms:

- **Cash:** prompt delivery against prompt payment within 72 hours from matching of the trade. After matching of the order the buyer pays the full amount of the contract value. The clearing house issues the warehouse warrant (receipt) and the customer takes the delivery of the commodity within 10 days or less.
- **Forward:** prompt payment and forward date delivery. The buyer pays, within 72 hours after matching of the trade, the contract value and takes delivery of the commodity at a date specified in the offering notice. The seller is required to pledge collateral specified by the clearing house to ensure fulfillment of the contractual obligations.
- **Credit:** In this type of transaction settlement the seller delivers the commodity to the buyer within 72 hours after matching of the trade and the buyer pays the trade value in the form of deferred payment according to the date stated in the notice of offering announced to the market. The clearing



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house imposes collaterals on the buyer to ensure payment in due time. Seller shall receive money from the clearing house within the period specified in the notice of offering.

### Futures Trading

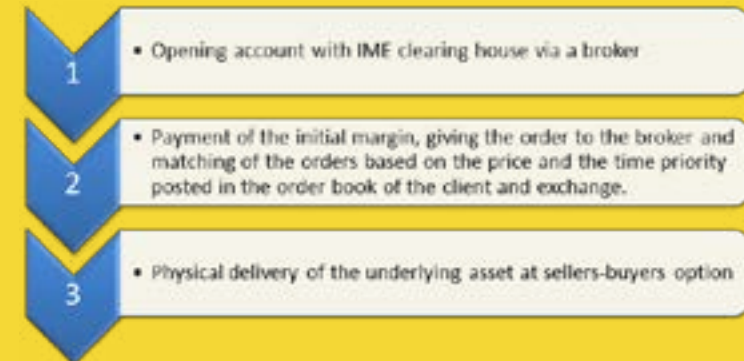
According to the trading rules of the futures market futures trading is broker-based so the clients must place their orders as per contract specification with a licensed brokerage company. The clients should pay initial margin to their margin accounts with the clearing house to start trading and the clearing house is the sole authority for transferring of the margins or deducting charges and fees between the client margin accounts. The bid and ask orders are placed electronically in queues waiting to match to their identical price.

Trading commences dynamically from 12:00 to 18:00 by pre-opening auction after matching of the bid and ask price, trading position or open interest is formed which may remain up to the end of the trading session or may be offset and closed by the broker at the clients request. At the end of trading hour a daily settlement price is calculated and announced to the market by the clearing house for the settlement of the contracts thereby offsetting the risky accounts. The C/H margin calls the clients whose margins are lower than the maintenance level so they are required to bring the amount of their account to the initial margin level. At the end of the contract month those clients who are interested in physical delivery of the underlying asset may take or make delivery of the commodity subject of the contract.



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### Process of acquiring Trading Code



The Built-in Clearing House: The clearing house operates as the central counterparty (CCP) of every trade keeping anonymity of the clients ensuring sound clearing and settlement process.

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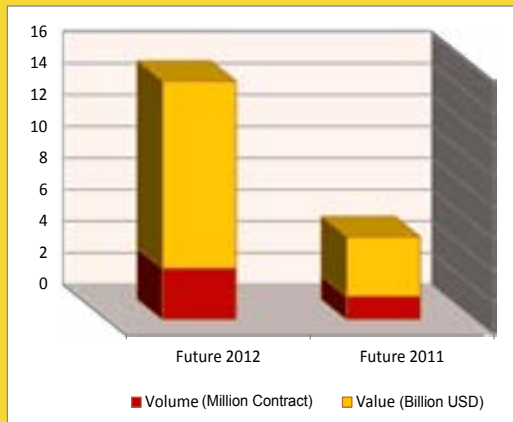


## Futures Market Facts:

### Gold Coin: The Salient Futures Contract of IME

#### Facts of 2012

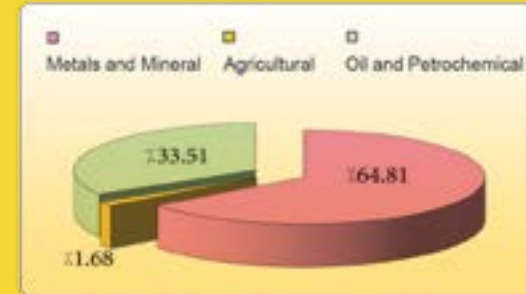
The gold coin futures contract was launched in 2008 and since then the number of market participants has been increasing on a monthly basis.



*Growth: 155% in volume and 263% in value compared with 2011*



## Spot Market Statistics of IME in 2012



*IME Trade Value(Billion IRR) by Products Category*



*IME Trade Volume (Contracts) by Products Category*

Market Report		
Value (Billion IRR)	Volume(Contracts)	
112,878,735,011	9,690,628	Metals and Mineral
2,934,856,310	341,808	Agricultural
58,367,146,303	6,071,065	Oil and Petrochemical
174,180,737,624	16,103,501	Total

*IME Spot Market Statics in 2012*





**Contact us :**  
**No.351,Taleghani**  
**Ave.Tehran-Iran**  
**Zip : 1593649315**  
**Tel:+9821 85641024,26**  
**Fax: +9821 88383061**  
**international@ime.co.ir**  
**www.ime.co.ir**

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