

In 1389, Tehran Stock Exchange Price Index (TEPIX) increased from 12,536.7 points at the beginning of the year to 23,294.9 at year-end, indicating 85.8 percent growth in the return on equities. Other TSE indices increased in 1389, pointing to growth in prices in all sections of the market. The free float adjusted index, calculated with the aim of computing the effective weight of firms based on the percentage of free-floating shares, rose 84.5 percent from 15,818.9 points in 1388 year-end to 29,178.2 points at end-1389.

Primary and secondary equity market indices increased by 89.7 and 67.3 percent, respectively, in 1389. Meanwhile, financial and industrial indices picked up by 77.9 and 87.9 percent, respectively. Reviewing the monthly movements of the TEPIX reveals that the highest return of the TSE was related to Farvardin by 13.2 percent. Five other months of the year 1389 also witnessed a growth rate of more than 7 percent. Except for Ordibehesht, Mehr, and Aban, the monthly return on equities in the TSE enjoyed a positive growth.

The Securities and Exchange High Council and the Securities and Exchange Organization formulated and approved a set of rules and guidelines in 1389 as follows:

- By-law on foreign investment in stock exchanges and OTC markets;
- Guideline on the ranking of brokers;
- Executive Guideline on trading of oil and oil products futures contracts in Iran Mercantile Exchange;
- Disciplinary Guideline for brokers;
- Rules on conferring a license for securities transactions to foreign investors;
- Guideline on portfolio activities;
- Rules on calculating free float, subject of Article 6, Law for Development of New Financial Instruments and Institutions, aimed at facilitating the implementation of General Policies of Article 44 of the Constitution;
- Executive Guideline on online transaction in securities on the TSE and Iran's OTC market;
- Guideline on financial information processing;
- Guideline on issuance of Islamic Sukuk;
- Guideline on the activities of intermediary agents;
- Guideline on futures contracts transactions on the TSE;
- Guideline on securities documentation; and
- Guideline on investment counseling activities.

### Share Trading

In 1389, a number of 101,912.7 million shares and rights worth Rls. 218,054.9 billion were traded on the TSE, showing respectively 19.0 and 18.4 percent growth, in terms of volume and value, compared with previous year.

Of total number of shares and rights traded in this year, 81.6 percent were traded in the primary market and 18.4 percent in the secondary market. Meanwhile, in terms of value of trading, 77.7 percent were traded in the primary market and 22.3 percent in the secondary market.

The TSE was active for 243 days during 1389. The average volume of day trading was 419.4 million shares, worth Rls. 897.3 billion. This is indicative of 19.5 and 18.9 percent increase, respectively, compared with 1388.

A comparison of trading in the first half of 1389 with the second half reveals that out of total trading, 68.7 percent, in terms of volume, and 54.9 percent, in terms of value, were traded in the first half, and 31.3 and 45.1 percent, in terms of volume and value, respectively, in the second half of this year.

**Table 17.1. Share and Rights Trading on the TSE** (share/percent)

	Volume		Value	
	1 <sup>st</sup> half	2 <sup>nd</sup> half	1 <sup>st</sup> half	2 <sup>nd</sup> half
1388	49.6	50.4	30.2	69.8
1389	68.7	31.3	54.9	45.1

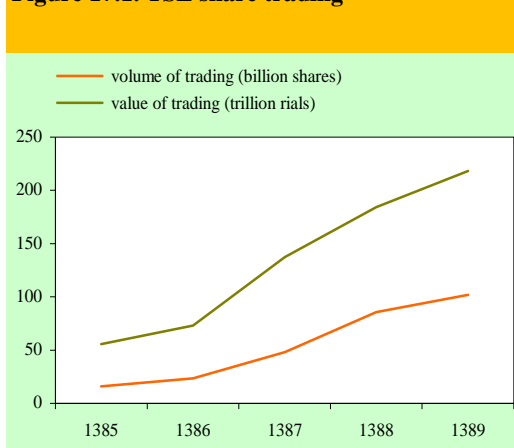
Source: Tehran Stock Exchange (TSE)

**Table 17.2. Activity Indicators of TSE**

	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average volume of day trading (million shares)	Average value of day trading (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1388	84,769.5	855.6	<b>85,625.1</b>	183,253.7	912.5	<b>184,166.2</b>	244	350.9	754.8
1389	100,990.5	922.2	<b>101,912.7</b>	216,661.5	1,393.4	<b>218,054.9</b>	243	419.4	897.3

Source: TSE

**Figure 17.1. TSE share trading**

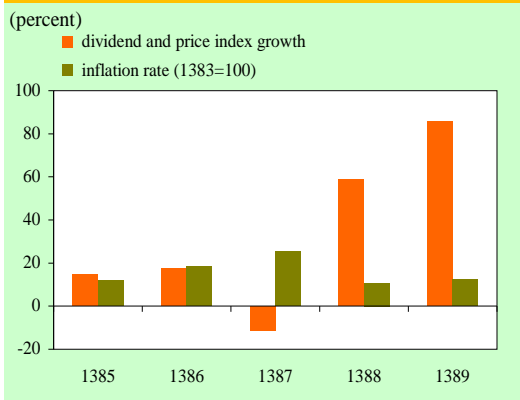


Data on shares and rights traded on the TSE, by industries, indicate that "banks, credit institutions, and other monetary foundations", with 22.8 percent of total volume of traded shares and "automobile and manufacture of spare parts", with 22.7 percent of total value of traded shares, had the lion's shares in total volume and value of shares and rights traded on the TSE. In 1389, "banks, credit institutions, and other monetary foundations" and "automobile and manufacture of spare parts", accounting for 42.5 percent of total volume and 36.7 percent of total value had the highest impact on TSE trading.

In this year, "automobile and manufacture of spare parts", "base metals", and "chemical products" had the highest impact on the volume of shares and rights traded by respectively 19.1, 10.8 and 4.7 percentage

points, compared with the previous year, accounting for 34.6 percentage points of total growth in the volume of shares and rights traded. Moreover, the mentioned industries had the highest shares in raising the value of shares and rights traded by respectively 24.2, 12.2, and 7.7 percentage points, compared with the year before, accounting for 44.1 percentage points of total growth in the value of shares and rights traded.

**Figure 17.2. Comparison of dividend and price index growth with inflation**



Market capitalization increased by 71.3 percent to Rls. 1,115,636.2 billion at end-1389, compared with the respective figure

of 1388 year-end. Furthermore, based on interbank exchange rate<sup>1</sup>, market capitalization went up by 62.5 percent to \$107.6 billion. Moreover, stock market capitalization to GDP ratio was 25.9 percent in 1389, showing a rise of 7.6 percentage points compared with the previous year.

In 1389, "base metals", "banks, credit institutions, and other monetary foundations", and "telecommunication" had the highest contribution to market capitalization by 16.9, 15.0, and 14.9 percent, respectively (a total of 46.8 percent). Turnover ratio decreased by 8.8 percentage points to 24.7 percent in 1389, compared with the year before. Ratio of shares traded to shares issued went up by 3.2 percentage points to 33.0 percent, compared with the preceding year.

### Tehran Stock Exchange Dividend and Price Index (TEDPIX)

Tehran Stock Exchange Price Index (TEPIX) increased by 85.8 percent to 23,294.9 points, compared with 1388. This index had an increasing trend in all months of 1389, except for Ordibehesht, Mehr and Aban. The highest increase was related to Mordad.

**Table 17.3. Volume of Trading and Number of Buyers**

	1387 <sup>1</sup>	1388	1389	Percentage change	
				1388	1389
<b>Volume of trading (times)</b>	<b>1,875,372</b>	<b>3,030,379</b>	<b>3,398,524</b>	<b>61.6</b>	<b>12.1</b>
<b>Number of buyers</b>	<b>540,398</b>	<b>859,584</b>	<b>1,293,294</b>	<b>59.1</b>	<b>50.5</b>
Average volume of buying per person (shares)	88,778.0	99,612.2	78,800.9	12.2	-20.9
Average value of buying per person (million rials)	254.2	214.3	168.6	-15.7	-21.3

Source: TSE <sup>1</sup> Due to the implementation of the new trading system of Stock Exchange as of Azar 16, 1387, calculation assumptions on the number of buyers have changed, leading to a different statistical trend of the mentioned variable.

<sup>1</sup> On the last active day of the TSE in 1389, dollar was exchanged at a rate of Rls. 10,364.

**Table 17.4. Market Capitalization, Turnover Ratio, and Ratio of Shares Traded to Shares Issued<sup>1,2</sup>**

	(billion rials)				
	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio <sup>3</sup> (percent)	Ratio of shares traded to shares issued <sup>3</sup> (percent)
1388	651,428.3 (45.1)	184,166.2 (34.3)	550,191.6 (20.8)	33.5	29.8
1389	1,115,636.2 (71.3)	218,054.9 (18.4)	883,532.2 (60.6)	24.7	33.0

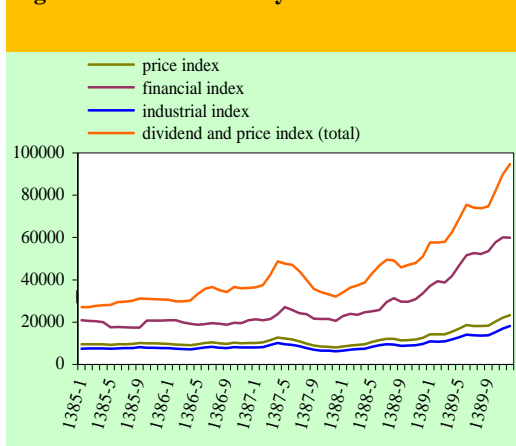
Source: TSE <sup>1</sup>Excludes participation papers. <sup>2</sup>Figures in parentheses indicate percentage change over the previous year.  
<sup>3</sup>Calculated based on the average market capitalization and the number of issued shares at the beginning and the end of the year

The P/E ratio equaled 7.7, indicating 32.5 percent growth as compared with the preceding year.

Among the components of TEPIX, "financial index" surged by 77.9 percent to 59,838.7 points compared with the year before. Meanwhile, "industrial index" increased by 87.9 percent from 9,629.5 points at end-1388 to 18,093.5 points at end-1389.

In 1389, the primary market index rose 89.7 percent to 19,612.1 points compared with the respective figure of last year. The secondary market index picked up by 67.3 percent from 17,710.4 points in 1388 year-end to 29,627.6 points at the end of 1389.

**Figure 17.3. TSE monthly indices**

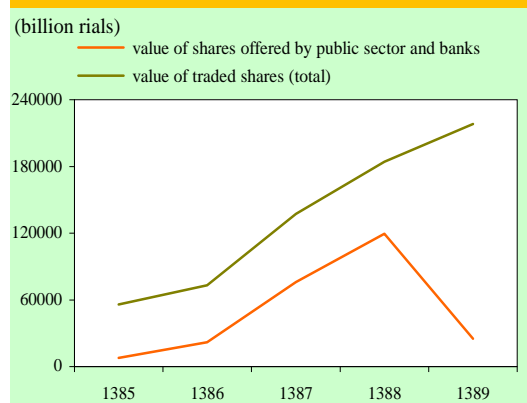


**Table 17.5. Indices of Return on Equities in TSE**

(1369=100)

	Year-end			Percentage change	
	1387	1388	1389	1388	1389
<b>Dividend and Price Index</b>	<b>32,117.3</b>	<b>51,006.0</b>	<b>94,776.0</b>	<b>58.8</b>	<b>85.8</b>
Price index	7,966.5	12,536.7	23,294.9	57.4	85.8
Free float adjusted index	9,657.0	15,818.9	29,178.2	63.8	84.5
Financial index	20,552.8	33,641.6	59,838.7	63.7	77.9
Industrial index	6,172.6	9,629.5	18,093.5	56.0	87.9
Primary market index	6,383.7	10,336.5	19,612.1	61.9	89.7
Secondary market index	12,563.5	17,710.4	29,627.6	41.0	67.3
Top 50 performers index	291.1	549.2	1,094.3	88.7	99.3

Source: TSE

**Figure 17.4. Value of offered shares**

According to data released by the TSE, in 1389, a total of 38,234.1 million Justice (Edalat) shares, worth Rls. 37,330.5 billion, were offered by the Iranian Privatization Organization on behalf of organizations and specialized holding companies. This shows an increase compared with the respective figures of the year before (16,074.8 million shares valued at Rls. 12,056.4 billion). Furthermore, 1,733.3 million shares, worth Rls. 3,419.7 billion, were offered by public sector, in the form of Preferred (Tarjihi) shares to workers, for the settlement of government indebtedness to public organizations, and as export rewards.

In 1389, a total of 8,313.6 million shares, valued at Rls. 25,110.7 billion were offered

by public corporations and institutions as well as the banking system, indicating 79.0 and 84.9 percent decrease, in terms of value and volume, respectively.

Among public corporations and institutions, "National Petrochemical Company" and "Industrial Development and Renovation Organization of Iran" accounted for 40.6 and 22.1 percent of the value and 34.8 and 23.4 percent of the volume of offered shares in 1389. Tejarat Bank accounted for respectively 12.6 and 10.2 percent of total volume and value of offered shares. Bank Saderat Iran offered 10.1 percent of total shares in terms of volume and 6.7 percent of shares in terms of value in 1389.

### New Company Listings on the TSE

In 1389, "Post Bank of Iran", "Dana Insurance Company", and "Tabriz Petrochemical Company" were listed on the TSE, raising the total number of listed companies to 342 by end-1389. This was their initial public offering. Moreover, no companies were delisted from TSE in this year. The number of companies listed on TSE boards increased to 342.

### Financing Capital Increase of Companies Listed on TSE and OTC Market

In this year, capital increase of listed companies totaled Rls. 19,784.2 billion,

**Table 17.6. Shares Offered by Public Sector and Banks<sup>1</sup>**

	Volume (million shares)		Value (billion rials)		Percentage change		Share (percent)	
	1388	1389	1388	1389	Volume	Value	Volume	Value
Public corporations and institutions	28,517.8	6,423.7	96,659.3	20,864.8	-77.5	-78.4	77.3	83.1
Banking system	26,400.7	1,889.9	22,851.1	4,245.9	-92.8	-81.4	22.7	16.9
<b>Total</b>	<b>54,918.5</b>	<b>8,313.6</b>	<b>119,510.4</b>	<b>25,110.7</b>	<b>-84.9</b>	<b>-79.0</b>	<b>100.0</b>	<b>100.0</b>

Source: TSE <sup>1</sup>Includes offering of Justice (Edalat) and preferred (Tarjihi) shares, shares for the settlement of government indebtedness, and export rewards.

indicating 100.7 percent increase compared with the previous year. Companies' claims and cash assets were the main source of financing capital increase, constituting 82.2 percent of total. The remaining 17.8 percent were financed through shareholders' reserves and accumulated profit.

**Table 17.7. Number of Listed Companies**

	Year-end			Change	
	1387	1388	1389	1388	1389
<b>Listed companies</b>	<b>448</b>	<b>352</b>	<b>342</b>	<b>-96</b>	<b>-10</b>
Companies comprising the financial index <sup>1</sup>	22	26	30	4	4
Other companies	426	326	312	-100	-14
<b>Delisted companies</b>	<b>102</b>	<b>15</b>	<b>0</b>	<b>-87</b>	<b>-15</b>
<b>Companies listed on the boards</b>	<b>346</b>	<b>337</b>	<b>342<sup>2</sup></b>	<b>-9</b>	<b>5</b>

Source: TSE

<sup>1</sup> Includes "banks, credit institutions, and other monetary foundations", "investments", "other financial intermediations", and "insurance and pension fund, excluding Social Security".

<sup>2</sup> Of total companies listed on the TSE board at end-1389, 62 companies were listed on the main board, and 56 on the second board of the primary market. Meanwhile, 224 companies were active in the secondary market.

### Stock Exchanges

In order to expand the stock exchange geographically, to prepare the ground for public access to capital market, and create investment opportunities for the public, total number of active stock exchanges was raised to 36 until end-1389. In this year, 203,825.5 million shares worth Rls. 436,109.8 billion were traded on different stock exchanges

(including electronic transactions), revealing respectively 19.0 and 18.4 percent rise compared with the previous year. Furthermore, of total shares traded, in terms of volume and value, 80.7 and 76.3 percent were traded on the TSE, 3.5 and 2.7 percent on Mashhad Stock Exchange, and 0.8 and 1.0 percent on Tabriz Stock Exchange.

### Mercantile Exchange

Upon the merging of "Metal Exchange" and "Agricultural Commodity Exchange" in 1386 and the formation of "Iran Mercantile Exchange", as well as inauguration of "Petroleum Products Exchange", manufacturing and mining, agricultural, and oil and petrochemical products are currently offered on three floors of the Mercantile Exchange.

In the review year, 8,694.0 thousand tons of manufacturing and mining products valued at Rls. 75,235.5 billion were traded on Iran Mercantile Exchange, indicating 16.9 and 39.7 percent increase, in terms of volume and value, respectively, compared with 1388. Among traded manufacturing and mining products, steel had the lion's share by 8,001.2 thousand tons valued at Rls. 57,045.5 billion. Moreover, 290.8 thousand tons of copper worth Rls. 12,762.7 billion, and 134.9 thousand tons of aluminum valued at Rls. 3,664.0 billion were traded on the Mercantile Exchange in 1389.

In this year, of total trading of manufacturing and mining products in terms of

**Table 17.8. Financial Resources of Capital Increase for Companies Listed on TSE and OTC Market**

	Reserves and accumulated profit	Claims and cash assets	Total capital increase	Change in capital increase (percent)
1388	1,639.4	8,218.0	9,857.3	-57.1
1389	3,528.6	16,255.6	19,784.2	100.7

(billion rials)

Source: Securities and Exchange Organization

volume, 92 percent was related to steel, 3.3 percent to copper, 2.7 percent to cement, and 1.6 percent to aluminum. Furthermore, 75.4 percent of the trading of manufacturing and mining products in terms of value was in the form of forward transactions, 24.3 percent was in cash, and the remaining was on credit.

In 1389, approximately 1,633.9 thousand tons of agricultural products including wheat, barley, corn, meals, sugar, concentrates, and pulps, worth Rls. 3,729.7 billion, were traded on the agricultural commodities exchange. In this year, 993.3 thousand tons of wheat, valued at Rls. 2,037.0 billion, were traded on Iran Mercantile Exchange.

In this year, a total of 10 oil and petrochemical products were traded on Iran Mercantile Exchange. The volume and value of traded products amounted to respectively 6,662.6 thousand tons and Rls. 41,478 billion. The highest volume of trading by 56.0 percent was related to bitumen.

### Over-the-Counter (OTC) Market

In 1389, total trading in the OTC market, in terms of value, amounted to Rls. 61,564.3 billion, showing 2,915.6 percent rise compared with the previous year. Of this figure, 63.1 percent was related to the third market, 30.5 percent to the equities market, and 6.4 percent to the participation papers market. Furthermore, the highest volume of shares traded on the OTC market was related to the third market by 14,765 million shares. In the review year, 2,266.4 million shares, worth Rls. 18,799 billion, were traded on the OTC stock market, showing 332.8 and 1,603 percent increase, respectively, compared with the year before. A sum of Rls. 3,942.2 billion participation papers were traded in this year, indicating 320.4 percent rise compared with the previous year. Number of trading days on the OTC market was 243 in 1389 and 116 in 1388.

**Table 17.9. Total Volume and Value of OTC Transactions**

	1388	1389	Percentage change
<b>Total value of OTC transactions (billion rials)</b>	<b>2,041.5</b>	<b>61,564.3</b>	⊞
Shares traded on the stock market			
Volume (million shares)	523.7	2,266.4	332.8
Value (billion rials)	1,103.9	18,799.0	⊞
Shares traded on the third market			
Volume (million shares)	0.0	14,765.0	⊞
Value (billion rials)	0.0	38,823.1	⊞
Transactions in participation papers market			
Volume (million)	0.9	3.9	320.0
Value (billion rials)	937.7	3,942.2	320.4
Number of trading days	116	243	

Source: www.ifb.ir

### Joint Investment Funds

Joint Investment Funds are joint venture or contractual business undertakings between two parties. Such Funds sell their assets as units to the public and invest the receipts thereof in various securities including stocks, participation papers, money market and short-term debt instruments, and other assets, in line with the objectives of the Fund.

Composition of the Fund's assets is known as the Fund portfolio. Accordingly, the buyers of the Fund's assets (units) acquire part of the ownership of the securities portfolio. The Net Asset Value of the Fund refers to the ownership share of each investor in Fund's assets and receipts.

According to Paragraph 20, Article 1 of the Securities Market Act of the Islamic Republic of Iran, approved in Azar 1384, an Investment Fund is a financial institution whose main activity is investment in securities. Owners of this Fund share in the profit and loss of the Fund, proportionate to the amount of their investment.

The first Joint Investment Fund started its operations at the beginning of 1387. With the ratification of the Law for "Development of New Financial Instruments and Institutions" aimed at facilitating the implementation of General Policies of Article 44 of the Constitution (approved in Azar 1388), the activities of these Funds were further developed. Meanwhile, the number of Joint Investment Funds increased from 16 in 1387 to 33 in 1388 and 53 in 1389.

Total capitalized value of these Funds increased by 176.1 percent from Rls. 3,038 billion in 1388 to Rls. 8,388 billion in 1389. Total number of investors (natural and legal persons) increased from 6,366 persons in 1388 to 16,711 persons in 1389. The trading value of investment Funds (buying and selling shares) picked up by 372 percent to Rls. 11,157 billion in 1389.

**Table 17.10. Joint Investment Funds**

	1388	1389	Percentage change
<b>Total number of Funds</b>	<b>33</b>	<b>53</b>	<b>60.6</b>
<b>Total capitalized value (billion rials)</b>	<b>3,038</b>	<b>8,388</b>	<b>176.1</b>
<b>Number of investors</b>			
Natural persons	6,125	16,256	165.4
Legal persons	241	455	88.8
Total	6,366	16,711	162.5
<b>Value of share trading</b>			
<b>Buying and selling shares (billion rials)</b>	<b>2,364</b>	<b>11,157</b>	<b>372.0</b>

Source: Securities and Exchange Organization

### Participation Papers

A sum of Rls. 179,419.1 billion participation papers were issued by public corporations, municipalities and Bank Maskan in 1389, of which Rls. 159,137.1 billion were sold. This equals 88.7 percent of total issued participation papers, and reveals 799.2 percent growth compared with the amount sold in 1388. As in previous years, participation papers were redeemable at any time and their profit rate was on a daily basis. The provisional profit rates for all participation papers were 16.0 and 17.0 percent and tax-exempt.

Based on Paragraph 3, Single Article of the Budget Law for 1389, municipalities of metropolitan cities were authorized to issue and sell Rls. 18 trillion participation papers, for the implementation of projects related to the renovation of the old urban texture and informal settlements. These municipalities were also authorized to guarantee the papers issued and sold by them. Of this amount, Rls. 16.9 trillion were sold.

Based on the Cabinet approval, in 1389, public corporations issued Rls. 62,969.1 billion participation papers for the financing of water and electricity sectors projects as well as the development of gas fields, all of which were sold. Central Bank did not issue any participation papers in this year.

**Table 17.11. Issuance of Participation Papers**

	Number of projects	Times of issuance	Total approved amount	Issued amount	Sold amount	Provisional profit rate (percent per annum)	Participation papers at end-1389	
							After maturity date	Before maturity date
As of the date of issuance till end-1388	148	154	355,346.9	317,046.9	264,474.3	15.5-24	213,917.7	50,556.6
1389	17	11	179,419.1	179,419.1	159,137.1	16-17	0.0	159,137.1
<b>Total (as of 1373, date of issuance)</b>	<b>165</b>	<b>165</b>	<b>534,766.0</b>	<b>496,466.0</b>	<b>423,611.4</b>		<b>213,917.7</b>	<b>209,693.7</b>