

In 1390, Tehran Stock Exchange Price Index (TEPIX) increased from 23,294.9 points at the beginning of the year to 25,905.6 at year-end, indicating 11.2 percent growth in return on equities. Other TSE indices grew moderately in 1390 as well, pointing to a slight increase in prices in all sections of the market. During 1390, all TSE indices indicated a minor growth, mainly due to the fall in the prices of raw materials, decrease in new listings under article 44 of the Constitution, lucrative returns on gold and foreign exchange markets, and imposition of economic sanctions. 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 12.9 percent from 29,178.2 points at end-1389 to 32,946.3 points in 1390 year-end. This index showed 84.5 percent growth in 1389.

First and second market indices increased by 10.4 and 15.9 percent, respectively, in 1390. In this year, financial and industrial indices went up by 0.6 and 14.4 percent, respectively. Reviewing the monthly movements of the TEPIX reveals that the highest return of the TSE was related to Farvardin, with a growth rate of 13.7 percent compared with the month before. TEPIX indicated an average negative growth during 1390, pointing to 2.2 percent decline in Esfand 1390 compared with Farvardin of the same year. Except for months Farvardin, Mordad, Shahrivar, Dey, and Esfand of the year

1390, TEPIX recorded negative growth in all other months of this year. The monthly movements of financial index in this year indicated that the highest growth by 11.2 percent was related to Farvardin 1390, compared with Esfand 1389. Financial index had a fluctuating trend in the following months, registering 9.6 percent fall in Esfand 1390 compared with Farvardin.

The highest increase in the industrial index (14.3 percent) was related to Farvardin 1390 compared with Esfand 1389. In all months of 1390, except for Mordad, Shahrivar, Dey, and Esfand, the industrial index registered negative growth.

The Securities and Exchange High Council and the Securities and Exchange Organization formulated and approved a set of rules and guidelines in 1390 as follows:

- Mutual Funds Prospectus (investment in foreign currency assets with guaranteed minimum income);
- Statutes (Articles of Association) of Tehran Stock Exchange (TSE) (public joint-stock company);
- Statutes of Philanthropy Investment Fund;
- Statutes of OTC Market (public joint-stock company);

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- Executive Guideline on Emergency Conditions, Subject of Article 32, Securities Market Act of the Islamic Republic of Iran;
- Executive Guideline on trading of negotiable securities on the OTC market;
- Executive Guideline on conducting securities transactions in the main OTC market;
- Guideline on documentation, registration, and reporting of information by supervised parties;
- Executive Guideline on telephone orders processed through the brokerage call center;
- Guideline on the issuance of a virtual collective code for bulk transactions on the OTC market;
- Guideline on confirmation of managers' competence in financial institutions;
- Executive Guideline on the By-law of Foreign Investment in stock exchanges and OTC markets;
- Guideline on filing and disposal of money laundering documents in capital market;
- Guideline on reporting operations and dubious transactions in the capital market;
- Guideline on the dispatching of documents related to the capital market to customers' addresses;
- Guideline on supervising suspicious parties in the capital market;
- Guideline on customer identification;
- Guideline on observing the AML/CFT Law with regard to the electronic services of the capital market;
- Guideline on capital adequacy requirements of financial institutions;
- Executive by-law on Article 14 of the Law of New Financial Instruments and Institutions aimed at facilitating the implementation of the general policies of Article 44 of the Constitution;
- Executive Guideline on Article 15 of the Law of New Financial Instruments and Institutions aimed at facilitating the implementation of the general policies of Article 44 of the Constitution;
- Guideline on identification and registration of financial institutions active in trading securities in the Securities and Exchange Organization;
- Executive Guideline on trading of oil and oil products futures contracts;
- Guideline on the issuance of Murabaha papers;
- Guideline on information disclosure obligations and approval of transactions by individuals affiliated to issuers in the TSE and OTC market;
- Guideline on issuance of Gharz-al-hasaneh papers;
- Guideline on financial reporting related to leasing papers in financial statements of the "promoter" and "intermediary entity";
- Guideline on option transactions on the TSE;
- Guideline on the retention of cash guarantees of option transactions on the TSE.

### Share and Rights Trading

In 1390, a total of 73,188.8 million shares and rights, worth Rls. 226,447.3 billion, were traded on the TSE, showing 28.2 percent fall in terms of number and 3.8 percent rise in terms of value compared with the previous year.

Of total number of shares and rights traded in this year, 75.7 percent were traded in the first market and 24.3 percent in the second market. Moreover, in terms of value of trading, 77.4 percent of shares and rights were traded in the first market and 22.6 percent in the second market.

The TSE was active for 241 days during 1390. The average daily trading volume was 303.7 million shares in this year, indicating 27.6 percent decrease compared with the daily trading volume of 1389. The average daily trading value reached Rls. 939.6 billion in 1390, up by 4.7 percent compared with the year before.

A comparison of trading in the first half of 1390 with the second half reveals that out of total trading, 54.5 percent, in terms of volume, and 56.0 percent, in terms of value, were traded in the first half, and 45.5 and 44.0 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
1389	68.7	31.3	54.9	45.1
1390	54.5	45.5	56.0	44.0

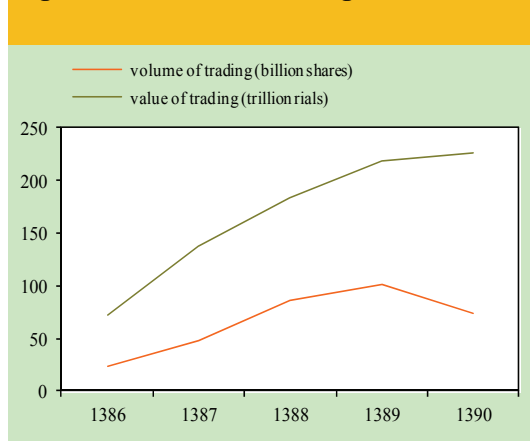
Source: Tehran Stock Exchange (TSE)

**Table 17.2. Activity Indicators of TSE**

	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average daily trading volume (million shares)	Average daily trading value (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
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
1390	66,794.1	6,394.8	<b>73,188.8</b>	212,467.0	13,980.3	<b>226,447.3</b>	241	303.7	939.6

Source: TSE

**Figure 17.1. TSE share trading**



Data on shares and rights traded on the TSE, by industries, indicate that "banks, non-bank credit institutions, and other monetary institutions", with a share of 24.4 percent of total number of traded shares and 18.7 percent of total value of traded shares, had the lion's share in total number and value of shares and rights traded on the TSE. In 1390, "investments" accounting for 12.4 percent of total number and "manufacture of basic metals", constituting 11.6 percent of total value, ranked second.

In this year, 15 industries had a contribution of just 11.5 percent to the growth in the number of shares traded. These industries accounted for 19.0 percent of the rise in the value of shares traded on the TSE. This is indicative of recessionary conditions in the capital market. Of total industries active on the TSE, 11 industries had the highest negative contribution of 39.6 percent to the fall in the number of shares

traded. The mentioned industries reduced the value of trading on the TSE by 17.9 percent. In 1390, "banks, non-bank credit institutions, and other monetary institutions", "investments", "automobile and manufacture of spare parts", and "manufacture of basic metals", accounting for the highest number of shares and rights traded, led to 19.4 and 9.6 percent decline in the volume and value of trading, respectively. Share of "automobile and manufacture of spare parts" industry in the fall of the volume and value of traded shares was 12.6 and 13.8 percentage points, respectively. The mentioned industry was the hardest hit by the recessionary conditions dominating the TSE, followed by "telecommunication" industry which accounted for 10.4 and 4.5 percentage points of the decline in the volume and value of shares and rights traded.

Market capitalization increased by 15.0 percent to Rls. 1,282,506.7 billion at end-1390, compared with the respective figure of 1389 year-end. Moreover, stock market

capitalization to GDP ratio, which is an indicator of market depth, was 20.5 percent in 1390, showing 3.0 percentage points reduction compared with the year before.

In 1390, "manufacture of basic metals", "banks, non-bank credit institutions, and other monetary institutions", "telecommunication", and "chemical products" had the highest contribution to market capitalization by 17.7, 17.4, 11.8, and 10.3 percent, respectively (a total of 57.2 percent). "Automobile and manufacture of spare parts", which had the highest share in the fall of the volume and value of trading, had a share of 4.7 percent in market capitalization. Shares of "multi-industry companies" and "extraction of metallic ores" in market capitalization were 8.4 and 8.1 percent, respectively. Turnover ratio decreased by 5.8 percentage points to 18.9 percent in 1390, compared with 24.7 percent of the year before. Ratio of shares traded to shares issued went down by 14.2 percentage points compared with the preceding year and reached 16.6 percent.

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

	1388	1389	1390	Percentage change	
				1389	1390
<b>Volume of trading (times)</b>	<b>3,030,379</b>	<b>3,398,524</b>	<b>4,537,105</b>	<b>12.1</b>	<b>33.5</b>
<b>Number of buyers</b>	<b>859,584</b>	<b>1,293,294</b>	<b>1,596,862</b>	<b>50.5</b>	<b>23.5</b>
Average volume of buying per person (shares)	99,612.2	78,800.9	45,832.9	-20.9	-41.8
Average value of buying per person (million rials)	214.3	168.6	141.8	-21.3	-15.9

Source: TSE

**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)
1389	1,115,636.2 (71.3)	218,054.9 (18.4)	883,532.2 (60.6)	24.7	30.8
1390	1,282,506.7 (15.0)	226,447.3 (3.8)	1,199,071.4 (35.7)	18.9	16.6

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

### Tehran Stock Exchange (TSE) Indices

Tehran Stock Exchange Price Index (TEPIX) reached 25,905.6 points, showing 11.2 percent increase compared with 1389. This index followed a downward trend in all months of 1390, except for Farvardin, Mordad, Shahrivar, Dey, and Esfand. TEPIX was the highest in Shahrivar by 26,962.2 and the lowest in Azar by 24,494.0 points. Furthermore, the P/E ratio equaled 6.0, indicating 21.4 percent decrease as compared with the preceding year.

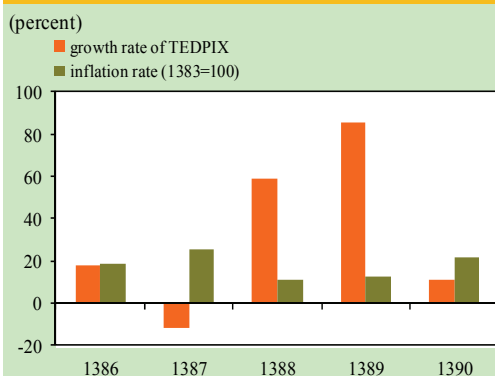
Among the components of TEPIX, "financial index" rose 0.6 percent compared with the year before and reached 60,191.5

points. Moreover, "industrial index" increased by 14.4 percent from 18,093.5 points at end-1389 to 20,697.7 points at end-1390.

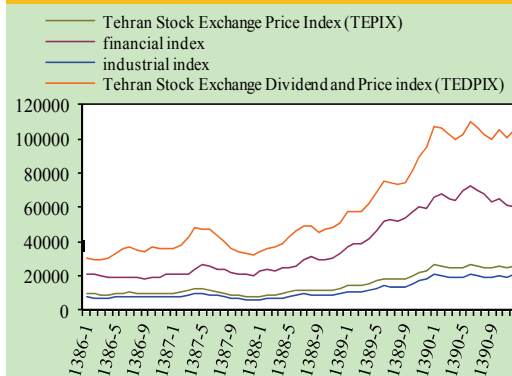
In 1390, the first market index came to 21,643.3 points, up by 10.4 percent compared with 1389 year-end. The second market index went up by 15.9 percent from 29,627.6 points in 1389 year-end to 34,348.2 points at the end of 1390.

Of total 37 industries traded on the TSE, price indices of 25 industries increased in this year while those of 12 industries decreased.

**Figure 17.2. Comparison of growth rate of TEDPIX with inflation**



**Figure 17.3. TSE monthly indices**



**Table 17.5. TSE Indices**

	Year-end			Percentage change	
	1388	1389	1390	1389	1390
<b>Tehran Stock Exchange Dividend and Price Index (TEDPIX)</b>	<b>51,006.0</b>	<b>94,776.0</b>	<b>105,398.0</b>	<b>85.8</b>	<b>11.2</b>
Tehran Stock Exchange Price Index (TEPIX)	12,536.7	23,294.9	25,905.6	85.8	11.2
Free float adjusted index	15,818.9	29,178.2	32,946.3	84.5	12.9
Financial index	33,641.6	59,838.7	60,191.5	77.9	0.6
Industrial index	9,629.5	18,093.5	20,697.7	87.9	14.4
First market index	10,336.5	19,612.1	21,643.3	89.7	10.4
Second market index	17,710.4	29,627.6	34,348.2	67.3	15.9
Top 50 performers index	549.2	1,094.3	1,247.1	99.3	14.0

Source: TSE

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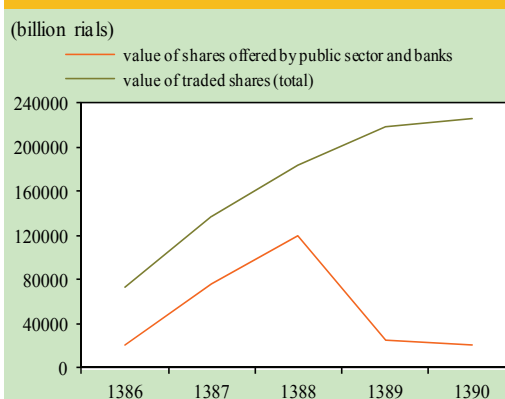
According to the data released by the TSE, in 1390, a total of 441.2 million Justice (Edalat) shares, worth Rls. 272.5 billion, were offered by the Iranian Privatization Organization on behalf of organizations and specialized holding companies. This shows 98.8 and 99.3 percent decrease, respectively, compared with the respective figures of the year before (38,234.1 million shares valued at Rls. 37,330.5 billion).

In 1390, a total of 6,293.0 million shares, valued at Rls. 21,272.2 billion were offered by banks, organizations, and public corporations, indicating 24.3 and 15.3 percent decrease, in terms of number and value, respectively.

Among total offered shares, the highest volume by 53.7 percent and the highest value by 38.4 percent were related to the government, followed by "National Iranian Oil Refining and Distribution Company" and "National Iranian Oil Company" with respectively 21.3 and 20.7 percent of the total volume and 23.0 and 34.3 percent of the

total value of offered shares. "Iranian Mines and Mining Industries Development and Renovation Organization" and "Iranian Privatization Organization" together accounted for 4.3 percent of the total volume and 4.3 percent of the value of offered shares. The volume and value of shares offered by the "National Iranian Oil Refining and Distribution Company" indicated the highest growth compared with the year before.

**Figure 17.4. Value of offered shares**



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

Seller	Number (million shares)		Value (billion rials)		Percentage change		Share in 1390 <sup>2</sup> (percent)	
	1389	1390	1389	1390	Number	Value	Number	Value
Islamic Republic of Iran's Government	1,889.9	3,379.2	4,245.9	8,171.0	78.8	92.4	53.7	38.4
Iranian Mines & Mining Industries Development & Renovation Organization (IMIDRO)	43.9	18.6	350.5	67.3	-57.6	-80.8	0.3	0.3
Industrial Development & Renovation Organization of Iran (IDRO)	1,947.7	0.0	5,560.9	0.0	-100.0	-100.0	0.0	0.0
National Iranian Oil Company (NIOC)	522.6	1,302.7	1,868.0	7,296.4	149.3	290.6	20.7	34.3
Iranian Privatization Organization (IPO)	812.5	253.1	2,445.2	843.0	-68.8	-65.5	4.0	4.0
Iran Power Generation, Transmission & Distribution Management Company (TAVANIR)	60.4	0.0	245.8	0.0	-100.0	-100.0	0.0	0.0
National Petrochemical Company (NPC)	2,889.2	0.0	10,187.0	0.0	-100.0	-100.0	0.0	0.0
National Iranian Oil Refining & Distribution Company (NIORDC)	147.5	1,339.4	207.2	4,894.5	⊖	⊖	21.3	23.0
<b>Total</b>	<b>8,313.6</b>	<b>6,293.0</b>	<b>25,110.7</b>	<b>21,272.2</b>	<b>-24.3</b>	<b>-15.3</b>	<b>100.0</b>	<b>100.0</b>

Source: Securities and Exchange Organization and the TSE

<sup>1</sup> Including offering of Justice (Edalat) and preferred (Tarjihi) shares, shares for the settlement of government indebtedness, and export rewards

<sup>2</sup> Components may not sum to total because of rounding.

## Listed Companies

Total number of companies listed on the boards was raised to 343 in 1390. In this year, the number of items and companies constituting financial index was 32; comprising "banks, non-bank credit institutions, and other monetary institutions" (10), "investments" (14), "insurance and pension funding, except compulsory social security" (4), and "other financial intermediation" (4). Of total companies listed on the TSE boards in 1390 year-end, 69 companies were on the main board, 58 were on the second board of the first market, and 216 were active in the second market.

**Table 17.7. Number of Companies Listed on TSE**

	Year-end			Change	
	1388	1389	1390	1389	1390
<b>Listed companies</b>	<b>352</b>	<b>342</b>	<b>351</b>	<b>-10</b>	<b>9</b>
Companies comprising financial index <sup>1</sup>	26	30	32	4	2
Other companies	326	312	319	-14	7
<b>Delisted companies</b>	<b>15</b>	<b>0</b>	<b>8</b>	<b>-15</b>	<b>8</b>
<b>Companies listed on the boards</b>	<b>337</b>	<b>342</b>	<b>343</b>	<b>5</b>	<b>1</b>

Source: TSE

<sup>1</sup>Including "banks, non-bank credit institutions, and other monetary institutions", "investments", "other financial intermediation", and "insurance and pension funding, except compulsory social security"

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

In 1390, capital increase of companies listed on the TSE and OTC market totaled Rls. 60,115.6 billion, indicating 203.9 percent increase compared with the previous year. Companies' claims and cash assets were the main sources of financing the capital increase, constituting 73.7 percent of total. The corresponding figure of the previous year was 82.2 percent. Furthermore, capital increase out of reserves and accumulated profit was 2.7 and 23.6 percent, respectively, compared with respectively 1.8 and 16.0 percent for the previous year.

## Provincial Stock Exchanges

In order to expand the stock exchange geographically, to prepare the ground for the public access to the capital market, and create investment opportunities for the public, total number of active stock exchanges was raised to 38 until end-1390. In this year, 146,377.7 million shares and securities, worth Rls. 452,894.7 billion, were traded on different stock exchanges (including electronic transactions), indicating respectively 28.2 percent fall and 3.8 percent rise compared with the previous year. Furthermore, 68.1 and 69.3 percent of the number and value of shares, respectively, were related to Tehran, 5.9 and 5.7 percent to Kish, 3.9 and 3.9 percent to Isfahan, 1.8 and 1.6 percent to Mashhad, 1.7 and 1.5 percent to Karaj, and 1.5 and 1.4 percent to Rasht

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

	Accumulated profit	Reserves	Claims and cash assets	Total capital increase	Change in capital increase (percent)
1389	3,172.2	356.4	16,255.6	<b>19,784.2</b>	100.7
1390	14,164.8	1,639.7	44,311.1	<b>60,115.6</b>	203.9

Source: Securities and Exchange Organization

stock exchanges. On top of facilitating access to stock exchanges for people living in provinces, other objectives of establishing provincial stock exchanges include enhancing educational opportunities, building a culture that promotes securities transactions, and introducing companies encompassing the capacities required for getting involved in the stock market.

### Iran Mercantile Exchange

Following the merging of "Metal Exchange" and "Agricultural Commodity Exchange" in 1386 which led to 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 Iran Mercantile Exchange.

In 1390, Iran Mercantile Exchange was active for 237 days. A total of 20.4 million tons of various kinds of goods were traded on "manufacturing and mining", "agricultural", and "oil and petrochemical" floors, up by 19.8 percent compared with the year before. The average daily trading volume on Iran Mercantile Exchange, in the form of cash, credit, and forward transactions was 85.9 thousand tons.

The value of transactions on Iran Mercantile Exchange was Rls. 170.7 trillion in 1390, showing 41.7 percent increase compared with the year before. Higher growth in the value of transactions compared with their volume is indicative of price increases of various commodities. The average daily trading value on Iran Mercantile Exchange, in the form of cash, credit, and forward transactions was Rls. 720.2 billion.

In this year, "manufacturing and mining products" accounted for 60.1 and 57.4 percent of the total value and weight of traded commodities, respectively, which was the

highest compared with the other two groups of commodities. "Oil and petrochemical products", with a share of 37.7 percent in the value and 39.9 percent in the weight of commodities traded on Iran Mercantile Exchange, ranked second.

In this year, a total of 14 oil and petrochemical products were traded on Iran Mercantile Exchange. The weight and value of these products amounted to respectively 8,116.6 thousand tons and Rls. 64,360.8 billion.

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

In 1390, total trading in the OTC market, in terms of value, amounted to Rls. 86,836 billion, showing 41 percent rise compared with the previous year. Total volume of OTC trading included 18,806 million shares, which was 10.4 percent higher than the previous year.

In this year, 30.3 percent of OTC market transactions were related to the first market, 28.6 percent to the market for new financial instruments, 21.7 percent to the third market, and 13.5 percent to the second market, in terms of value. The main OTC market, which started its operations in implementation of Article 99 of the 5<sup>th</sup> FYDP Law in 1390, had a share of 5.9 percent in the total value, and 17.9 percent in the total volume of OTC market transactions. The highest number of shares traded on the OTC market was related to the first market by 5,570 million shares and a value of Rls. 26,337 billion. The volume and value of share trading on the first market grew by 145.8 and 40.1 percent, respectively. The second market of the OTC was launched in 1390 and 5,549 million shares, valued at Rls. 11,692 billion, were traded on this market. Therefore, total first and second markets' transactions came to 11,119 million in terms of the number of shares and Rls. 38,029 billion in terms



of the value, indicating 390.6 and 102.3 percent growth, respectively. Furthermore, 4,300 million shares, valued at Rls. 18,832 billion, were traded on the third market, down by 70.9 and 53.9 percent, respectively, compared with the year before.

The "participation papers market", launched on 11.07.1388, managed to diversify the debt instruments in 1389 and continued its activities in 1390 under the new title of "market for new financial instruments". In 1390, a total of 26 million papers, valued at Rls. 24,875 billion, were traded on the "market for new financial instruments".

**Table 17.9. Total Value and Volume of OTC Transactions in 1390**

	Value (billion rials)	Share (%)	Volume (million shares)	Share (%)
First market	26,337	30.3	5,570	29.6
Second market	11,692	13.5	5,549	29.5
Third market	18,832	21.7	4,300	22.9
Market for new financial instruments	24,875	28.6	26	0.1
Main market	5,100	5.9	3,361	17.9
<b>Total</b>	<b>86,836</b>	<b>100.0</b>	<b>18,806</b>	<b>100.0</b>

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. The number of Joint Investment Funds increased from 16 in 1387 to 33 in 1388, 53 in 1389, and 79 in 1390.

Total capitalized value of these Funds increased by 116.1 percent from Rls. 8,384 billion in 1389 to Rls. 18,114 billion in 1390. Total number of investors (natural and legal persons) increased from 16,711 persons in 1389 to 65,208 persons in 1390. The trading value of investment Funds (buying and selling shares) went up by 122.4 percent to Rls. 24,811.6 billion in 1390. Of total 79 Joint Investment Funds, 33 Funds indicated higher profitability compared with the TSE while 46 Funds were less lucrative than the TSE in 1390. Total number of Funds with higher profitability than the TSE was 7 in 1389.

**Table 17.10. Joint Investment Funds**

	1389	1390	Percentage change
<b>Total number of Funds</b>	<b>53</b>	<b>79</b>	<b>49.1</b>
<b>Total capitalized value (billion riials)</b>	<b>8,384</b>	<b>18,114</b>	<b>116.1</b>
<b>Number of investors</b>			
Natural persons	16,256	64,492	296.7
Legal persons	455	716	57.4
Total	16,711	65,208	290.2
<b>Value of share trading (buying and selling shares-billion riials)</b>	<b>11,157</b>	<b>24,812</b>	<b>122.4</b>

Source: Securities and Exchange Organization

### Participation Papers

The issuance of participation papers indicated large fluctuations in 1390. In the first six months of the mentioned year, based on the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390", the provisional profit rate of participation papers was determined one percentage point higher than banks' deposit rates (5-year term deposits). Moreover, with the aim of transferring the secondary market transactions to the capital market, repurchase of participation papers by the agent bank prior to maturity was forbidden. It was determined that participation papers' holders transfer prior-to-maturity transactions to the TSE. Therefore, the provisional profit rate of participation papers with a maturity of 4 years was set at 15.5, and for papers with a maturity of 5 years, at 16 percent. Of total participation papers issued in the first half of the year valued at Rls. 6,000 billion, only Rls. 485 billion worth of participation papers (8.1 percent) was sold.

The mentioned condition led to the review and revision of the rules on issuance of participation papers by the Money and Credit Council (MCC) in Mehr 1390. On this basis, maximum maturity was set at 4 years and the provisional profit rate was determined at 17 percent. Furthermore, repurchase of participation papers by the agent bank and on the

TSE, prior to maturity and with a provisional profit rate that corresponds with banks' deposit rates, was authorized. Consequently, the sales performance improved and of total issued participation papers worth Rls. 11,300 billion, a sum of Rls. 2,582 billion worth of participation papers (22.8 percent) was sold during months Mehr-Dey of 1390.

Based on the "Monetary, Credit, and Supervisory Policy of the Banking System" approved on Dey 20, 1390, the provisional profit rate of participation papers was raised to 20 percent and repurchase of these papers by the agent bank before one year was allowed at a provisional profit rate of 18 percent and for more than a year, up to 19.5 percent. This led to a remarkable rise in the sales of participation papers. Therefore since Bahman 15, 1390 until 1390 year-end, the amount of sales reached Rls. 44,838.4 billion. For some projects including the ones related to Pars Oil and Gas Field, Construction and Development of Transportation Infrastructure Company, and Kashan, Shiraz, and Saqqez municipalities, the amount of sold papers equaled 100 percent of total issued papers. In general, Rls. 92,167 billion worth of participation papers was issued in 1390 and the sold amount came to Rls. 47,905.4 billion, constituting 52 percent of total issued papers.

**Table 17.11. Issuance of Participation Papers**

	Number of projects	Times of issuance	Total approved amount (billion rials)	Issued amount (billion rials)	Sold amount (billion rials)	Provisional profit rate (percent per annum)	Participation papers at end-1390	
							After maturity date	Before maturity date
As of the date of issuance until end-1389	165	165	534,766.0	496,466.0	423,611.4	15.5-24.0	228,963.6	194,647.9
1390	34	29	92,167.0	92,167.0	47,905.4	15.5-20.0	0.0	47,905.4
<b>Total (as of 1373, date of issuance)</b>	<b>199</b>	<b>194</b>	<b>626,933.0</b>	<b>588,633.0</b>	<b>471,516.8</b>		<b>228,963.6</b>	<b>242,553.3</b>