

Tehran Stock Exchange Price Index (TEPIX) increased from 38,040.8 points at the beginning of 1392 to 89,500.6 points on Dey 15, indicating 135.3 percent growth compared with end-1391. Share price of most companies listed on the TSE hit their record high on Dey 15, 1392. Moreover, the P/E ratio rose from 5.4 in 1391 year-end to 7.6 points at the end of month Dey. Thereafter, TSE indicators experienced a downward trend. All in all, TEPIX registered 107.7 percent growth in 1392 year-end.

All TSE price indices increased in 1392. Among all indices, the highest growth was related to the "financial index" by 159.2 percent, followed by "second market index" with 142.6 percent.

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 103.9 percent from 44,620.3 points at end-1391 to 90,978.0 points in 1392 year-end. This index had experienced 35.4 percent growth in 1391.

Reviewing the monthly movements of the TEPIX reveals that the highest return of the TSE was related to Mehr, with a growth rate of 18.3 percent compared with the month before. Except for months Dey, Bahman, and Esfand of the year 1392, TEPIX recorded positive growth in all other months of this year. The monthly movements of

financial index in this year indicated that the highest growth by 22.1 percent was related to Tir 1392 compared with the month before. Financial index registered its lowest growth by -8.0 percent in Dey 1392, compared with Azar.

The highest increase in the industrial index (21.2 percent) was related to Mehr 1392 compared with the month before. In all months of 1392, except for Dey, Bahman, and Esfand, the industrial index registered positive growth. Industrial index experienced the highest negative growth of -3.5 percent in Esfand, compared with the month before.

The Securities and Exchange High Council and the Securities and Exchange Organization formulated and approved a set of rules and guidelines in 1392 as follows¹:

- Executive Guideline of standard forward transactions on Iran Mercantile Exchange;
- Disciplinary Guideline for non-brokerage financial institutions;
- Commission (service charge) for secondary market transactions on Iran Mercantile Exchange;
- Transactions by investment units of investment Funds on TSE and OTC market;

¹ <http://rdis.ir/Guidelines.asp>.

Chapter 16 CAPITAL MARKET

- Executive Guideline on securities transactions on the main OTC market;
- Annex to Guideline on securities transactions on the TSE for enlisting exchange traded funds;
- Executive Guideline on online transaction of goods and commodity-based securities on Iran Mercantile Exchange;
- Guideline on issuance of *Istisna* securities;
- Minimum capital of investment Funds;
- Regulations on election of representatives for the Securities and Exchange High Council;
- Guideline on depositing and transacting securities based on intellectual assets on the OTC market;
- Guideline on offering stocks on the first market of TSE;
- Guideline on the obligations and authorities of Iran Mercantile Exchange for member brokerage firms;
- Approval related to the introduction of executives responsible for managing the subjects of Articles 4 and 5 of the guideline on credit purchase of securities on the TSE and OTC;
- Guideline on market-making based on sales on the OTC.

Share and Rights Trading

In 1392, a total of 189.7 billion shares and rights, worth Rls. 964.2 trillion, were traded on the TSE, showing respectively 136.6 and 275.1 percent rise in terms of volume and value, compared with the previous year.

Of total volume of shares and rights traded in this year, 62.8 percent were traded in the first market and 37.2 percent in the

Table 16.1. 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			
1391	76,822.7	3,333.5	80,156.2	254,589.7	2,482.8	257,072.5	239	335.4	1,075.6
1392	185,869.1	3,819.7	189,688.8	955,383.9	8,814.3	964,198.2	243	780.6	3,967.9

Source: Tehran Stock Exchange (TSE).

Table 16.2. TSE Indices

(1369=100)

	Year-end			Percentage change	
	1390	1391	1392	1391	1392
Tehran Stock Exchange Dividend and Price Index (TEDPIX)	105,398.0	154,771.0	321,478.0	46.8	107.7
Tehran Stock Exchange Price Index (TEPIX)	25,905.6	38,040.8	79,015.4	46.8	107.7
Free float adjusted index	32,946.3	44,620.3	90,978.0	35.4	103.9
Financial index	60,191.5	60,811.6	157,627.9	1.0	159.2
Industrial index	20,697.7	32,891.7	65,836.9	58.9	100.2
First market index	21,643.3	30,030.7	58,606.8	38.8	95.2
Second market index	34,348.2	62,839.9	152,441.6	82.9	142.6
Top 50 performers index	1,247.1	1,617.7	3,335.8	29.7	106.2

Source: TSE.

second market. Moreover, in terms of value of trading, 54.8 percent of shares and rights were traded in the first market and 45.2 percent in the second market.

The TSE was active for 243 days during 1392. The average daily trading volume was 780.6 million shares in this year, indicating 132.8 percent increase compared with the daily trading volume of 1391. The average daily trading value reached Rls. 3,967.9 billion in 1392, up by 268.9 percent compared with the year before.

A comparison of trading in the first half of 1392 with the second half reveals that out of total trading, 43.1 percent, in terms of volume, and 48.7 percent, in terms of value, were traded in the first half, and 56.9 and 51.3 percent, in terms of volume and value, respectively, in the second half of this year.

Table 16.3. Share and Rights Trading on the TSE (share/percent)

	Volume		Value	
	1 st half	2 nd half	1 st half	2 nd half
1391	34.9	65.1	27.6	72.4
1392	43.1	56.9	48.7	51.3

Source: TSE.

Data on shares and rights traded on the TSE, by industries, indicate that "chemical products", with a share of 20.2 percent of total volume of traded shares and 34.4 percent of total value of traded shares, had the lion's share in total volume and value of shares and rights traded on the TSE. In 1392, "banks, non-bank credit institutions, and other monetary institutions" accounting for 19.2 percent of total volume and "manufacture of coke, refined petroleum products, and nuclear fuel", constituting 12.7 percent of total value, ranked second.

In 1392, "chemical products" had 39.6 percentage points share in the growth of the volume of traded shares and 112.9 percentage points share in the growth of the value of traded shares. "Banks, non-bank credit institutions, and other monetary institutions" raised the volume and value of traded shares by 27.5 and 21.3 percentage points, respectively. "Automobile and manufacture of spare parts", "investments" and "manufacture of basic metals" followed the two industries mentioned before by respectively 19.1, 14.4, and 7.1 percentage points share of the rise in the volume of traded shares and 15.7, 12.3 and 18.7 percentage points share of the increase in the value of traded shares.

Figure 16.1. TSE share trading

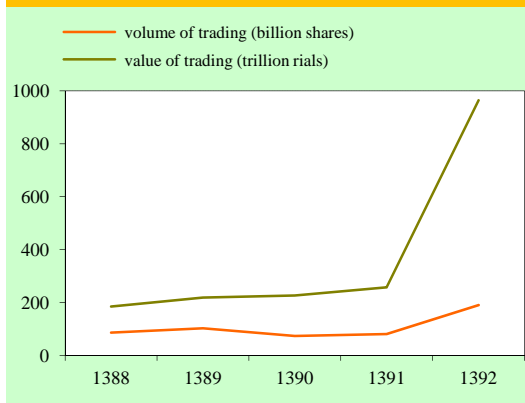
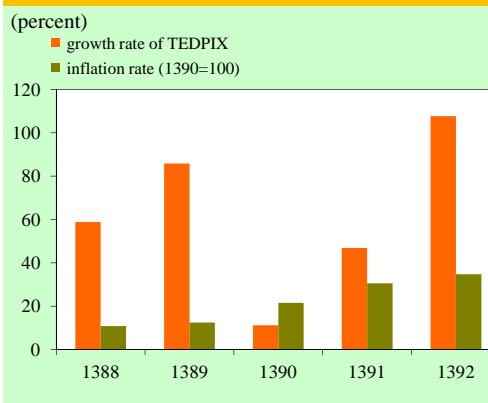


Figure 16.2. Comparison of growth rate of TEDPIX with inflation



Market capitalization amounted to Rls. 3,866.0 trillion at end-1392, showing 126.4 percent increase compared with the respective figure of 1391 year-end. Stock market capitalization to GDP ratio, which is an indicator of market depth, was 41.4 percent in 1392, showing 17.3 percentage points increase compared with the year before.

In 1392 year-end, "chemical products", "banks, non-bank credit institutions, and other monetary institutions", "manufacture of basic metals" and "manufacture of coke, refined petroleum products, and nuclear fuel" had the highest shares in the market capitalization by 24.2, 12.4, 10.9, and 10.3 percent, respectively (a total of 57.8 percent). Turnover ratio increased by 17.4 percentage points to 34.6 percent in 1392, compared with 17.2 percent in the year before.

Tehran Stock Exchange Dividend and Price Index (TEDPIX)

At end-1392, Tehran Stock Exchange Price Index (TEPIX) reached 79,015.4 points, showing 107.7 percent increase compared with 1391 year-end. This index followed an upward trend in all months of 1392, except for Dey, Bahman, and Esfand. Furthermore, the P/E ratio equaled 7.1, indicating 32.7 percent increase as compared with the preceding year.

Among the components of TEPIX, "financial index" rose 159.2 percent compared with the previous year-end and reached 157,627.9 points. Moreover, "industrial index" increased by 100.2 percent from 32,891.7 points at end-1391 to 65,836.9 points in 1392 year-end.

Table 16.4. Volume of Trading and Number of Buyers

	1390	1391	1392	Percentage change	
				1391	1392
Volume of trading (thousand times)	4,537.1	5,235.3	17,125.3	15.4	227.1
Number of buyers (thousand persons)	1,596.9	1,811.9	5,799.2	13.5	220.1
Average volume of buying per person (thousand shares)	45.8	44.2	32.7	-3.5	-26.1
Average value of buying per person (million rials)	141.8	141.9	166.3	0.1	17.2

Source: TSE.

Table 16.5. Market Capitalization, Turnover Ratio, and Ratio of Shares Traded to Shares Issued^{1,2}

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ³ (percent)	Ratio of shares traded to shares issued ³ (percent)
1391	1,707.5 (33.1)	257.1 (13.5)	1,495.0 (24.7)	17.2	15.8
1392	3,866.0 (126.4)	964.2 (275.1)	2,786.7 (86.4)	34.6	..

Source: TSE.

¹ Excludes participation papers.

² Figures in parentheses indicate percentage change over the previous year.

³ Calculated based on the average market capitalization and the volume of issued shares at the beginning and the end of the year.

The first market index was 58,606.8 points at end-1392, up by 95.2 percent compared with 1391 year-end. The second market index went up by 142.6 percent from 62,839.9 points in 1391 year-end to 152,441.6 points at the end of 1392.

Of total 37 industries traded on the TSE, price index of 35 industries increased in this year while that of "transport, storage, and communication" decreased by 18.6 percent and the price index for "industrial contracting" remained the same as in the year before.

In 1392, a total of 8.3 billion shares, valued at Rls. 104.1 trillion were offered by banks, organizations, and public corporations, indicating 268.0 and 1,159.2 percent increase, in terms of volume and value, respectively.

"Organizations and public corporations" accounted for the highest share in the total volume of offered shares by 93.3, and in total value of offered shares by 98.7 percent in 1392. "Banking system", with respectively 6.7 and 1.3 percent of the total volume and value of offered shares, ranked second.

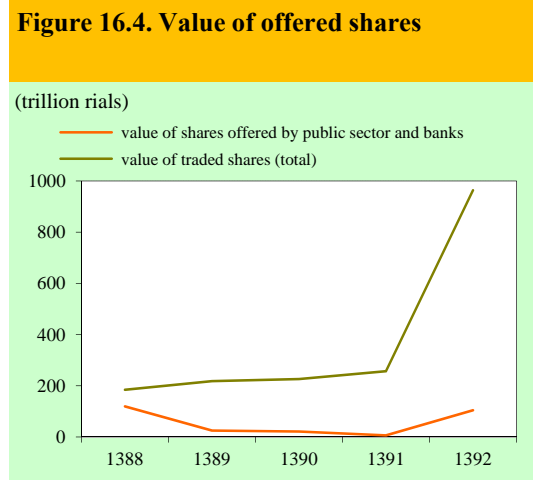
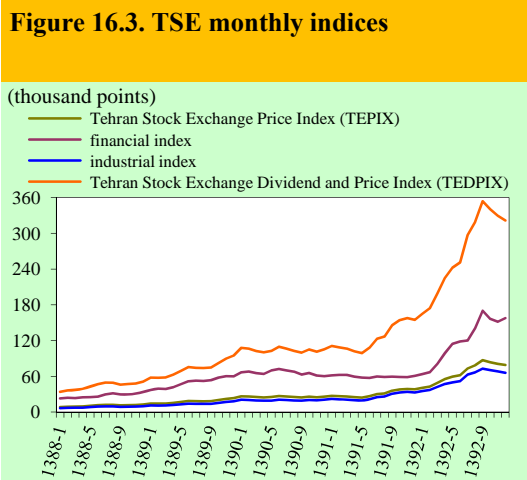


Table 16.6. Shares Offered by Public Sector and Banks¹

Seller	Volume (million shares)		Value (billion rials)		Percentage change		Share in 1392 (percent)	
	1391	1392	1391	1392	Volume	Value	Volume	Value
Organizations and public corporations	2,214.7	7,708.4	6,047.9	102,713.0	248.1	⊞	93.3	98.7
Banking system	31.7	557.8	68.7	1,374.0	⊞	⊞	6.7	1.3
Commercial banks	31.7	557.8	68.7	1,374.0	⊞	⊞	6.7	1.3
Total	2,246.4	8,266.2	6,116.6	104,087.0	268.0	⊞	100.0	100.0

Source: Securities and Exchange Organization and the TSE.

¹ Includes offering of Justice (Edalat) and preferred (Tarjihi) shares, shares for the settlement of government indebtedness, and export rewards.

Listed Companies

Total number of companies listed on the boards reached 316 in 1392. In this year, the number of items and companies constituting financial index was 36; comprising "banks, non-bank credit institutions, and other monetary institutions" (10), "investments" (16), "insurance and pension funding, except compulsory social security" (5), and "other financial intermediation" (5). Of total companies listed on the TSE boards in 1392 year-end, 60 companies were on the main board, 61 were on the second board of the first market, and 195 were active in the second market.

Table 16.7. Number of Companies Listed on TSE

	Year-end			Change	
	1390	1391	1392	1391	1392
Listed companies	351	342	328	-9	-14
Companies comprising financial index ¹	32	34	36	2	2
Other companies	319	308	292	-11	-16
Delisted companies	8	20	12	12	-8
Companies listed on the boards	343	322	316	-21	-6

Source: TSE.

¹Includes "banks, non-bank credit institutions, and other monetary institutions", "investments", "other financial intermediation", and "insurance and pension funding, except compulsory social security".

Capital Increase of TSE and OTC Listed Companies

In 1392, capital increase of companies listed on the TSE and OTC market totaled Rls. 105.8 trillion, indicating 0.5 percent decrease compared with the previous year. Revaluation of fixed assets was the main source of financing the capital increase, constituting 62.2 percent of total. The corresponding figure of the previous year was 18.7 percent.

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 41 until end-1392. In this year, 379.6 billion shares and securities, worth Rls. 1,951.4 trillion, were traded on different stock exchanges (including electronic transactions), indicating respectively 136.7 and 269.1 percent rise compared with the previous year. Furthermore, 59.1 and 64.7 percent of the volume and value of shares, respectively, were related to Tehran, 3.1 and 2.5 percent to Isfahan, 2.9 and 6.1 percent to Kish, 2.4 and 1.8 percent to Mashhad, 1.6 and 1.2 percent to Karaj, and 1.3 and 1.0 percent to Tabriz stock exchanges. Moreover, 20.3 percent of the volume and 15.6 percent of the value of traded shares were related to electronic transactions, compared with 11.4 and 10.0 percent, respectively, in 1391.

Table 16.8. Capital Increase of TSE and OTC Listed Companies (billion rials)

		Accumulated profit	Reserves	Claims and cash assets	Revaluation of fixed assets	Total capital increase	Change in capital increase (percent)
1391	Number	20,170.8	762.1	65,499.5	19,901.2	106,333.6	76.9
	Share in total (percent)	19.0	0.7	61.6	18.7	100.0	-
1392	Number	17,646.4	873.7	21,448.0	65,823.6	105,791.8	-0.5
	Share in total (percent)	16.7	0.8	20.3	62.2	100.0	-

Source: Securities and Exchange Organization.

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 1392, Iran Mercantile Exchange was active for 243 days. A total of 24.4 million tons of various kinds of goods were traded on "manufacturing and mining", "agricultural", and "oil and petrochemical" floors, up by 12.4 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 100.4 thousand tons.

The value of transactions on Iran Mercantile Exchange was Rls. 428.1 trillion in 1392, showing 35.9 percent increase compared with the year before. The average daily trading value on Iran Mercantile Exchange, in the form of cash, credit, and forward transactions, was Rls. 1,761.6 billion.

In 1392, a total of 13.6 million tons of "manufacturing and mining products", worth Rls. 226.2 trillion were traded on Iran Mercantile Exchange, indicating respectively 2.9 and 14.6 percent increase in terms of volume and value of trading compared with 1391. The volume and value of "steel" in total transactions reached 10.2 million tons and Rls. 170.3 trillion, respectively. The volume of trading of "copper" was 419.8 thousand tons and "aluminum", 215.5 thousand tons, valued respectively at Rls. 33.7 trillion and Rls. 14.0 trillion.

Over-the-Counter (OTC) Market

In 1392, total trading in the OTC market, in terms of value, amounted to Rls. 291.2 trillion, showing 97.9 percent rise compared with the previous year. Total volume of OTC trading included 39.6 billion shares, up by 22.6 percent compared with the previous year.

In this year, 40.4 percent of OTC market transactions were related to the second market, 31.9 percent to the market for new financial instruments, 10.5 percent to the third market, and 8.6 percent to the first market, in terms of value. The main OTC market, which started its operations in implementation of Article 99 of the 5th FYDP Law in 1390, had a share of 8.6 percent in the total value, and 32.9 percent in the total volume of OTC market transactions. In 1392, the volume and value of share trading on the first market grew by 57.0 and 82.4 percent, respectively, compared with 1391. In the second market of the OTC, which was launched in 1390, a total of 15.1 billion shares, valued at Rls. 117.8 trillion, were traded. Furthermore, 5.2 billion shares, valued at Rls. 30.4 trillion, were traded on the third market, down by 25.1 and up by 2.4 percent, in terms of volume and value 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 1392, a total of 198 million papers, valued at Rls. 93.0 trillion, were traded on the "market for new financial instruments".

Joint Investment Funds

The number of Joint Investment Funds increased from 16 in 1387 to 33 in 1388, 53 in 1389, 79 in 1390, 92 in 1391, and 119 in 1392.

Table 16.9. Total Value and Volume of OTC Transactions in 1392

	Value (billion rials)	Share (%)	Volume (million shares)	Share (%)
First market	25,096	8.6	6,126	15.5
Second market	117,751	40.4	15,092	38.1
Third market	30,484	10.5	5,171	13.0
Market for new financial instruments	92,984	31.9	198	0.5
Main market	24,933	8.6	13,044	32.9
Total	291,248	100.0	39,631	100.0

Source: www.ifb.ir.

Total capitalized value of these Funds increased by 63.4 percent from Rls. 24.4 trillion in 1391 year-end to Rls. 39.8 trillion at end-1392. Total number of investors (natural and legal persons) increased from 71,088 persons in 1391 to 109,931 persons in 1392. The trading value of investment Funds (buying and selling shares) increased by 301.4 percent to Rls. 54,661 billion in

1392. Moreover, equal to 99.0 percent of investors in mutual funds (investment funds) earned more than 20.0 percent (returns on participation papers) on their investments.

Table 16.11. Joint Investment Funds

	1391	1392	Percentage change
Total number of Funds¹	92	119	29.3
Total capitalized value (billion rials)¹	24,354	39,788	63.4
Number of investors			
Natural persons	70,289	108,817	54.8
Legal persons	799	1,114	39.4
Total	71,088	109,931	54.6
Value of share trading (buying and selling shares-billion rials)	13,617	54,661	301.4

Source: Securities and Exchange Organization.

¹ Year-end performance.

Participation Papers

In 1392, a sum of Rls. 88.9 trillion of participation papers were issued, of which Rls. 43.4 trillion (48.8 percent) were sold¹.

Table 16.10. Issuance of Participation Papers

	Number of projects	Times of issuance	Issued amount (trillion rials)	Sold amount (trillion rials)	Provisional profit rate (percent per annum)	Participation papers at end-1392	
						After maturity date	Before maturity date
As of the date of issuance until end-1391	237	232	811.1	591.7	15.5-24	354.1	237.6
1392	15	15	88.9	43.4	20.0 ¹	0.0	43.4
Total (as of 1373, date of issuance)	252	247	900.0	635.1	-	354.1	281.0

¹The profit rate of participation papers issued by the Central Bank was 23.0 percent in 1392.

¹ It is to be noted that Rls. 40.4 trillion of issued papers and Rls. 20.2 trillion of sold papers were out of the Budget Law for 1391.