

Tehran Stock Exchange Price Index (TEPIX) reached 77,230.0 points in 1395 year-end, indicating 3.7 percent decrease compared with end-1394. TEPIX had experienced a rise of 28.3 percent in 1394. The price-earnings ratio (P/E) reached 6.8 in 1395 year-end, indicating 8.2 percent fall compared with end-1394.

All TSE price indices decreased in 1395. Among all indices, the highest reductions were related to the "financial" and "free float adjusted" indices with 16.7 and 8.5 percent, respectively.

The free float adjusted index, calculated with the aim of computing the effective weight of firms based on the percentage of free-floating shares, fell by 8.5 percent from 92,557.0 points in 1394 year-end to 84,725.0 points at end-1395.

The Securities and Exchange High Council and the Securities and Exchange Organization, along with its Board of Directors, formulated and approved a set of rules and guidelines in 1395 as follows:

- Guideline on the timeline of capital increase of companies listed on Securities and Exchange Organization;
- Guideline on market making activities on Iran Mercantile Exchange;

- Guideline on conferring professional capital market certificate to PhD degree holders;

- Guideline on dispute settlement in Iranian Institutional Investors Association;

- Guideline on establishment of Venture Capital Funds;

- Guideline on establishment of Project Funds;

- Guideline on renewal of professional certificates in the capital market;

- Executive Guideline on securities transactions on the main market of the OTC;

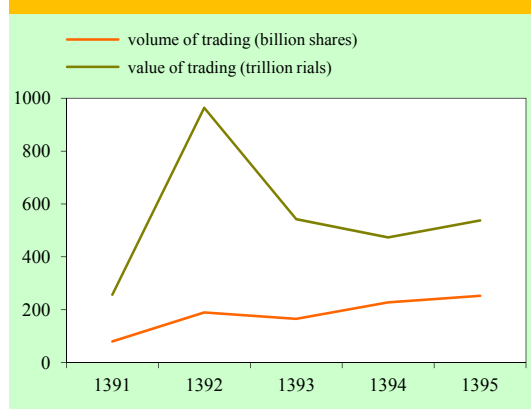
- Guideline on establishment and operations of rating agencies.

Share and Rights Trading

In 1395, a total of 252.6 billion shares and rights, worth Rls. 537.9 trillion, were traded on the TSE, showing 10.9 and 13.6 percent rise in terms of volume and value, respectively, compared with the previous year.

Of the total volume of shares and rights traded in this year, 62.6 percent were traded in the first market and 37.4 percent in the second market. Moreover, in terms of the value of trading, 60.9 percent of shares and rights were traded in the first market and 39.1 percent in the second market.

Figure 16.1. TSE share trading



The TSE was active for 242 days in 1395. The average daily trading volume included 1,043.9 million shares in this year, indicating 11.4 percent increase compared with the daily trading volume of 1394. Meanwhile, the average daily trading value grew by 14.0 percent compared with the year before to reach Rls. 2,222.9 billion in 1395.

Data on shares and rights traded on the TSE by industries indicate that "automobile and manufacture of spare parts" industry had the lion's share in the total volume and value of shares and rights traded on the TSE in 1395, by 32.1 and 21.5 percent, respectively.

In 1395, "extraction of other minerals", "paper products", and "extraction of coal" industries experienced the highest growth rates in terms of the volume of shares and rights traded on the TSE. Meanwhile, "extraction of coal", "paper products", and "wood products" industries experienced the highest increases in the value of shares and rights traded compared with 1394.

"Electricity, gas, steam and hot water supply", "technical and engineering services", "banks and non-bank credit institutions", "manufacture of radio, television, communication equipment and apparatus", and "publishing, printing, and reproduction of recorded media" industries experienced the highest decreases in terms of the volume of trading.

Table 16.1. TSE Activity Indicators¹

	Volume of trading (billion shares)			Value of trading (trillion rials)			Number of trading days of TSE	Average daily trading volume (million shares)	Average daily trading value (trillion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1394	213.2	14.6	227.8	462.4	11.2	473.6	243	937.4	1.9
1395	226.6	26.0	252.6	529.2	8.8	537.9	242	1,043.9	2.2

Source: Tehran Stock Exchange (TSE).

¹The volume and value of trading include the unofficial board.

Table 16.2. Indices of Return on Investment in TSE

(1369=100)

	Year-end			Percentage change	
	1393	1394	1395	1394	1395
Tehran Stock Exchange Price Index (TEPIX)	62,531.8	80,219.0	77,230.0	28.3	-3.7
Free float adjusted index	72,209.8	92,557.0	84,725.0	28.2	-8.5
Financial index	135,088.8	158,225.0	131,866.0	17.1	-16.7
Industrial index	51,296.0	66,994.0	66,100.0	30.6	-1.3
First market index	45,317.5	57,004.0	54,460.0	25.8	-4.5
Second market index	127,840.6	170,269.0	166,371.0	33.2	-2.3
Top 50 performers index (weighted average)	2,576.3	3,254.0	3,035.0	26.3	-6.7

Source: TSE.

The highest reductions in terms of the value were related to "electricity, gas, steam and hot water supply", "manufacture of radio, television, and communication equipment and apparatus", "technical and engineering services", "banks and non-bank credit institutions", and "transport, storage, and communication". Moreover, "automobile and manufacture of spare parts", "investments", "banks and non-bank credit institutions", and "manufacture of base metals" accounted for the largest volume of shares and rights traded in 1395.

The volume of trading was 15.5 million times in 1395, up by 12.5 percent compared with 1394. The corresponding growth figure in the year before was 8.0 percent.

At end-1395, market capitalization reached Rls. 3,220.0 trillion, indicating 7.0 percent decrease compared with the respective figure of 1394 year-end. Stock market capitalization to GDP ratio, which is an indicator of market depth, was 25.3 percent in 1395, showing 5.8 percentage points decrease compared with the year before.

In 1395 year-end, "chemical products", "manufacture of base metals", "banks and non-bank credit institutions", "telecommunication", "manufacture of coke, refined petroleum products, and nuclear fuel", and "multi-industry companies", had the highest shares in the market capitalization by 20.6, 10.3, 9.8, 8.9, 6.6, and 6.4 percent, respectively (a total of 62.6 percent). Turnover ratio rose by 1.0 percentage point to 16.1 percent in 1395.

Figure 16.2. Comparison of growth rate of TEPIX with inflation

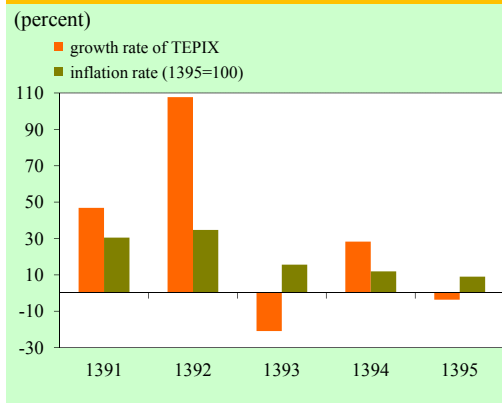


Table 16.3. Volume of Trading and Number of Buyers¹

	1394	1395	Percentage change
Volume of trading (million times)	13.8	15.5	12.5
Number of buyers (thousand persons)	230.9	288.6	25.0
Average volume of buying per person (thousand shares)	986.7	875.4	-11.3
Average value of buying per person (million rials)	2,051.5	1,864.1	-9.1

Source: TSE.

¹ Figures are based on total transaction of shares and participation papers.

Table 16.4. Market Capitalization, Value of Trading, Turnover Ratio, and Stock Market Depth¹

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ² (percent)	Market depth (stock market capitalization to GDP ratio) (percent) ³
1394	3,461.0	473.6	3,137.1	15.1	31.1
Percentage change compared with the year before	23.0	-12.7	-6.1	—	6.1
1395	3,220.0	537.9	3,340.5	16.1	25.3
Percentage change compared with the year before	-7.0	13.6	6.5	—	-5.8

Source: TSE.

¹ Excludes the unofficial board and participation papers.

² Calculated based on the ratio of the value of trading to the average market capitalization.

³ Changes are in percentage points.

Tehran Stock Exchange Price Indices

At end-1395, Tehran Stock Exchange Price Index (TEPIX) reached 77,230.0 points, showing 3.7 percent decrease compared with 1394 year-end. Furthermore, the P/E ratio equaled 6.8, indicating 8.2 percent decline compared with the preceding year.

Among TEPIX components, "financial index" fell by 16.7 percent compared with the previous year-end and reached 131,866.0 points. Moreover, "industrial index" decreased by 1.3 percent from 66,994.0 points in 1394 year-end to 66,100.0 points at end-1395.

The first market index was 54,460.0 points at end-1395, down by 4.5 percent compared with 1394 year-end. The second market index reached 166,371.0 points at the end of 1395, showing 2.3 percent decrease compared with end-1394.

Of the total 39 industries traded on the TSE, price index of 22 industries increased while that of 15 industries decreased in 1395¹. "Extraction of other minerals", "publishing, printing, and reproduction of recorded media", "tanning, dressing of leather, and manufacture of footwear", and "extraction of coal" indices accounted for the highest rises by 171.5, 108.5, 89.8, and 88.2 percent, respectively. The highest falls were related to "automobile and manufacture of spare parts", "manufacture of radio, television, and communication equipment and apparatus", "instruments, medical and optical tools", and "transport, storage, and communication" indices by 38.9, 36.3, 35.9, and 30.0 percent, respectively.

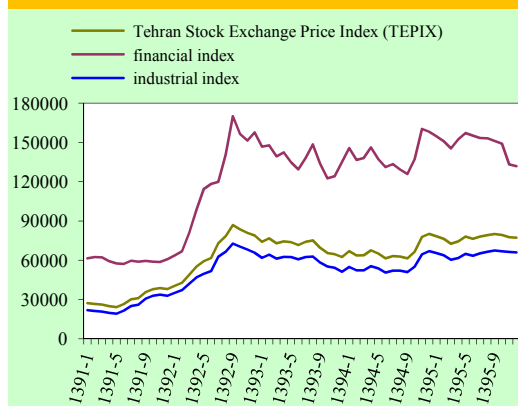
Listed Companies

The total number of companies listed on the boards reached 325 in 1395. The number

¹ Two new activities of "financial and monetary intermediaries" and "support activities for financial intermediaries" were added to TSE activity classification in 1395.

of items and companies constituting the financial index was 40; comprising "banks and non-bank credit institutions" (11), "investments" (16), "insurance and pension funding, except compulsory social security" (6), "other financial intermediaries" (6), and "financial and monetary intermediaries" (1).

Figure 16.3. TSE monthly indices



Capital Increase of TSE and OTC Listed Companies

In 1395, the capital increase of companies listed on the TSE and OTC market totaled Rls. 296.8 trillion, indicating 22.6 percent increase compared with the previous year. Claims and cash assets were the main source of financing the capital increase, constituting 61.1 percent of total. The corresponding figure of the previous year was 60.1 percent.

Iran Mercantile Exchange (IME)

In 1395, Iran Mercantile Exchange was active for 242 days. A total of 25.4 million tons of various kinds of goods were traded on "manufacturing and mining", "oil and petrochemical", and "agricultural" floors, up by 9.2 percent compared with the year before.

In 1395, the value of transactions on Iran Mercantile Exchange was Rls. 369.5 trillion showing 24.4 percent increase compared with the year before.

In this year, a total of 9.4 million tons of "manufacturing and mining products" worth Rls. 156.8 trillion were traded on Iran Mercantile Exchange, indicating 5.0 percent fall in terms of volume and 21.6 percent rise in terms of the value of trading compared with 1394. The volume and value of "steel" in total transactions reached 7.0 million tons and Rls. 117.2 trillion, respectively. The volume of trading of "iron ore" was 2.0 million tons and "copper", 0.3 million tons, valued respectively at Rls. 2.1 trillion and Rls. 27.1 trillion. In 1395, a total of 2.5 million tons of agricultural products worth Rls. 28.1 trillion were traded on the IME. Meanwhile, the weight and value of oil and petrochemical products traded on the IME were 13.5 million tons and Rls. 184.6 trillion, respectively.

Over-the-Counter (OTC) Market

In 1395, total trading on the OTC market amounted to Rls. 461.3 trillion in terms of

value, showing 1.7 percent rise compared with the previous year. The total volume of OTC trading included 80.4 billion shares, down by 3.9 percent compared with the previous year.

In this year, 61.2 percent of the value of OTC market transactions was related to the market for new financial instruments, 20.7 percent to the second market, 7.2 percent to the first market, 2.1 percent to the third market, and 0.1 percent to the SMEs. The main OTC market, which started its operations in implementation of Article 99 of the 5th FYDP Law in 1390, had 8.7 percent share in the total value and 39.4 percent share in the total volume of OTC market transactions. In 1395, the volume and value of share trading on the first market grew by respectively 24.0 and -1.4 percent compared with the year before.

The "participation papers market of OTC", 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 1395, a total of 1.8 billion papers, valued

Table 16.5. Number of Companies Listed on the TSE

	Year-end			Change	
	1393	1394	1395	1394	1395
Listed companies	323	320	327	-3	7
Companies comprising financial index ¹	37	38	40	1	2
Other companies	286	282	287	-4	5
Delisted companies	9	1	2	-8	1
Companies listed on the boards²	314	319	325	5	6

Source: TSE. ¹ Includes "banks and non-bank credit institutions", "investments", "other financial intermediaries", "insurance and pension funding, except compulsory social security", and "financial and monetary intermediaries". ² Of the total companies listed on the TSE board in 1395 year-end, 69 companies were on the main board, 61 companies on the second board of the primary market, and 197 companies were active in the second market.

Table 16.6. Capital Increase of the 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)
1394▲	47,124.4	318.1	145,373.9	49,248.9	242,065.3	6.1
1395	32,718.4	29,542.5	181,438.4	53,082.9	296,782.2	22.6

Source: Securities and Exchange Organization.

at Rls. 282.2 trillion, were traded on the "market for new financial instruments".

Joint Investment Funds

The number of Joint Investment Funds increased from 157 in 1394 to 195 in 1395. The total capitalized value of these Funds increased by 110.1 percent from Rls. 626.4 trillion at end-1394 to Rls. 1,316.2 trillion in 1395 year-end, mainly attributable to fixed-income funds, 76.1 percent of the assets of which were invested in Certificates of

Deposit (CDs) and banking deposits. The total number of investors (natural and legal persons) increased from 817.2 thousand persons in 1394 to 1,869.4 thousand in 1395. The trading value of Joint Investment Funds (buying and selling shares) increased by 100.7 percent to Rls. 91.5 trillion in 1395. Return on investment in all Joint Investment Funds with fixed income was higher than the provisional profit rate of participation papers while for Joint Stock and Mutual Funds, it was lower. The profit rate of participation papers in 1395 was 17.5 percent¹ on average.

Table 16.7. Total Value and Volume of OTC Transactions in 1395

	Value (trillion rials)	Share (percent)	Volume (million shares)	Share (percent)
First market	33.1	7.2	14,800.9	18.4
Second market	95.5	20.7	25,792.3	32.1
Third market	9.7	2.1	6,330.0	7.9
Market for new financial instruments	282.2	61.2	1,814.3	2.3
Main market	40.3	8.7	31,677.8	39.4
SMEs	0.4	0.1	19.9	*
Total	461.3	100.0	80,435.0	100.0

Source: www.ifb.ir.

Table 16.8. Joint Investment Funds

	1394	1395	Percentage change
Total number of Funds¹	157	195	24.2
Total capitalized value (trillion rials)¹	626.4	1,316.2	110.1
Number of investors (thousand persons)			
Natural persons	814.8	1,865.1	128.9
Legal persons	2.4	4.3	78.5
Total	817.2	1,869.4	128.7
Value of share trading (buying and selling shares) (trillion rials)	45.6	91.5	100.7

Source: Securities and Exchange Organization.

¹Year-end performance.

¹ Based on CBI Circular No. 95/116595 dated Tir 14, 1395, stipulating a 15 percent profit rate for participation papers, all budget-based participation papers, including the unsold papers of 1394, were replaced at profit rates of 15 and 16 percent. Prior to the mentioned date, the unsold papers of 1394 and the papers issued in that year were replaced at market at 18 and 21 percent.

Participation Papers

In 1395, a sum of Rls. 145.6 trillion worth of participation papers were issued under CBI's license, of which Rls. 46.7 trillion (32.1 percent) were sold, with Rls. 85.1 trillion of "issued papers" and Rls. 42.0 trillion of "sold papers" being related to the budget laws of 1392 through 1394.

5th Five-Year Development Plan (1390-1395)

Article 99 of the 5th FYDP describes and expands issues related to capital market. This Article generally addresses transparency and information sharing issues in capital market so that the related risks in this market are disclosed to market players. Measures spelled out in this Article for the years of the Plan include the following:

- Obligations for market players to involve in securities transactions which are registered in Securities and Exchange Organization and the OTCs that are licensed by Securities and Exchange Organization, in compliance with the rules and regulations laid down by the related agencies;

- Conducting funds payment and clearing operations (transfers) following the transaction of securities and settlement of funds on central depository companies;

- Registration and upkeeping of transaction records with the capability of reversing the transactions;

- Creating the database on capital market managers holding a position in financial or securities issuing foundations;

- Capacity and professional appraisal of managers of financial or securities-issuing entities by the Securities and Exchange Organization.

The assessment of performance of Article 99 of the 5th FYDP indicates that in line with the aims and objectives regarding the establishment of a fair, transparent, and efficient market, the Securities and Exchange Organization has formulated and put into operation certain policy measures. A primary area of these regulations and policies was the guideline on registration, upkeeping, and reporting of data, information, and financial documents of supervised entities. Moreover, the Securities and Exchange Organization adopted measures to ensure that the supervised entities comply with AML regulations, report suspicious operations and transactions in the capital market, and release the information and approvals of transactions by related entities of TSE and OTC issuers. Internal control of brokerage firms, the bylaw on Article 13 of the Law on Development of New Financial Instruments and Entities, and other measures on facilitation of General Policies of Article 44 of the Constitution as approved in 1388 were among the adopted measures by the Securities and Exchange Organization. This organization also drafted

Table 16.9. Issuance of Participation Papers under the CBI's License

	Number of projects	Times of issuance	Approved amount (trillion rials)	Issued amount (trillion rials)	Sold amount (trillion rials)	Provisional profit rate (percent per annum)	Participation papers by end-1395 (trillion rials)	
							After maturity date	Before maturity date
As of the date of issuance until end-1394	278	273	1,079.0	1,040.7	687.0	15.5-24	613.6	73.4
1395	19	19	145.6	145.6	46.7	15, 16, 18, 21	0.0	46.7
Total (as of 1373, date of issuance)	297	292	1,224.6	1,186.3	733.7	-	613.6	120.1

and prescribed contents for training courses relevant to capital market transactions and guidelines on prevention of irregular transactions by investment funds, guidelines on depository operations of goods and commodity-based securities, settlement and clearance of transactions on the energy-based exchange, classification of audit companies (related to Article 10 of entrusted auditors) and the listing of commodities and commodity-based securities on Energy Stock Exchange.

The review of TSE performance over the 5th FYDP years also indicates that TEPIX grew by 231.5 percent from 23,295 points in 1389 to 77,230 points in 1395. This shows that the return on investment was 22.1 percent on average during the course of the

Plan, which was higher than the average inflation rate of the period (20.2 percent). Moreover, market capitalization grew by an annual average rate of 19.3 percent in the mentioned period.

The turnover ratio, an indicator of shares transfer in the market, is used as a criterion for market liquidity. This ratio reached 16.1 percent in the last year of the Plan, as against 24.7 percent in 1389. The turnover ratio was at its highest level in the year 1392 (34.6 percent) while its lowest figure by 15.1 percent was related to the year 1394. The average turnover ratio was 19.7 percent in the course of the Plan, indicating 2.6 percentage points decrease compared with 22.3 percent during the 4th FYDP years.

Table 16.10. Performance of Main Capital Market Indices during the 5th FYDP

	TEPIX	Number of companies listed on TSE	Volume of shares traded (billion)	Value of shares traded (trillion rials)	Market capitalization (trillion rials)	Turnover ratio (percent)
1390	25,905.6	343	73.2	226.4	1,282.5	18.9
1391	38,040.8	322	80.2	257.1	1,707.5	17.2
1392	62,531.8	316	189.7	964.2	3,866.0	34.6
1393	62,531.8	314	165.2	542.5	2,813.2	16.2
1394	80,219.0	319	227.8	473.6	3,461.0	15.1
1395	77,230.0	325	252.6	537.9	3,220.0	16.1
5th Plan (1390-1395)	77,230.0	325	988.6	3,001.8	3,220.0	19.7
Annual average growth (percent)	22.1	-0.8	16.3	16.2	19.3	-6.9