

## ***Rules on the Registration and Public Offering of Securities***

In the execution of the note under article 22 of the Securities Market Law of the Islamic Republic of Iran approved in November 2005 by the Islamic Consultative Assembly and articles 20 to 27 of the same Law, the existing rules drawn up in five chapters, 19 articles and 6 notes were approved by the High Council of Securities and Exchange on Jan. 15, 2007.

### **Chapter One- Terms and Definitions**

**Article 1-** The definitions provided for all terms and words used in article 1 of the Securities Market Law of the Islamic Republic of Iran ratified in November 2005 by the Islamic Parliament (Islamic Consultative Assembly) shall also apply to the meanings used in the existing rules. For the purposes of other terms used herein, definitions are provided as follows:

**The Law** means the Securities Market Law of the Islamic Republic of Iran ratified in November 2005 by the Islamic Parliament (Islamic Consultative Assembly).

**Underwriter** means any person who, within a specified time-frame, undertakes and guarantees the purchase of unsubscribed securities.

**Agent** means any financial institution, bank, insurance, financial and credit entity or any other legal entity who undertakes the executive operations relating to securities subscription and recovery of funds on behalf of the issuer.

**Deficiency Notice** means a letter in which the Organization notifies the existing problems and shortages in the offering memorandum and registration statement to the issuer.

**Affiliate** means any business unit which is controlled by another business enterprise.

## **Chapter Two- Exemption of Securities from Registration with the Organization**

**Article 2-** Securities public offering in the primary market shall be subject to their registration with the Organization in compliance with the rules of Law and provisions herein.

**Article 3-** Excluding the items stated in paragraphs 1 and 2 in article 27 of the Law, the announcement of exemption or non-exemption of securities from registration shall be decided by the Organization. In other circumstances, the issuer shall, prior to issue of any security, have to seek the Organization's decision. The Organization shall, upon completion of documents by the issuer, announce its written decision regarding the exemption or non-exemption from registration.

**Note-** If the identification of exemption or non-exemption of the under issue securities from registration demands an inquiry from the Council, the Organization shall have to inquire the matter from the Council and thereafter notify the Council's decision in writing to the issuer.

**Article 4-** If the offer of securities demands publication of an offering memorandum, the permission for such purpose shall, upon official notification of the Organization indicating exemption of the under issue securities from registration with the Organization, be obtained from the Companies Registration Authority.

## **Chapter Three- Documentation for Registration with the Organization**

**Article 5-** In order to have the application for securities issue registered, the issuer shall have to fully and simultaneously submit to the Organization against receipt the registration form, registration statement and, as the case may be, the securities offering memorandum draft along with paying-in slip for examination.

**Article 6-** The registration statement subject of article 5 herein, shall, at the discretion of the Organization, as the case may be, include the following:

- 1- The issue's name and file No. with the Companies Registration Authority,
- 2- The address of issuer's head office, and if any branches currently exist or are in the process of formation, the location of such branches,
- 3- Duration of the company,
- 4- The issuer's main area of activity, type and quantity of goods so produced, income from sale of products or from services provided by the issuer during the three recent fiscal years and major customers or business plan for the companies in the process of formation,
- 5- Particulars which include full personal identity, domicile, occupation and track records of founders in the companies in the process of formation, directors and the highest financial officer of the issuer,
- 6- Founders' declaration, the issuer's last articles of association along with the notice of changes made during the past two years or the draft articles of association for the companies in the process of formation,
- 7- Particulars of natural and legal shareholders whose own shares and the shares owned by affiliated companies, wives, minor children, their dependents or legal representatives shall, at the date of submitting documents, reach equivalent to at least 10% of the issuer's shares,
- 8- If the issue of securities or accomplishment of the company object demands obtaining the approval of special authorities, particulars of the permit or in-principle agreement given by the competent authorities along with related copies,
- 9- Information related to any exclusive right or privilege and copies of credentials thereof,
- 10- The risks analysis report relating to the subject matter of issuer's activity as confirmed by the issuer's directors,
- 11- The board of directors' report to the general meeting, annual financial statements for the three recent fiscal years along with the auditor's comment, the issuer's recent mid-period financial statements as well as the issuer's audited biannual financial statements in case of the lapse of 8 months from the end of the previous fiscal year,
- 12- Particulars of the issuer's auditor and legal inspector for the recent two years,

- 13- Names of mass-circulation newspapers,
- 14- Address of the issuer's official website,
- 15- Details of the shareholders' equity of the issuer including the number of shares, nominal value of each share, price and a ratio of the paid-in capital, explanation relating to voting right, convertibility, preferences in respect of distributable profit, retained profit and other reserves as well as the method of assets division after liquidation,
- 16- The amounts of previous long-term debts or debts which are being incurred and the participation certificate which have been issued or are being issued by the issuer along with a summary of the date, maturity, features of such debts, interest rate as well as the amounts of third parties' debts guaranteed by the issuer,
- 17- The issuer's capital sum and a breakdown of cash and non-cash amounts. With respect to the non-cash capital, a description of its amount, features and value in the manner whereby the attributes of non-cash capital and also the amount and type of shares already issued or planned to be issued by the issuer can be understood,
- 18- The amount of the capital subscribed and the amount paid up by the founders,
- 19- Net cash earned from offering any securities which have been publicly offered by the issuer over two years before the documentation date as well as the security price and the name of its agent,
- 20- The briefing given by the board of directors and the report of the company's inspector(s) regarding the capital increase under article 161 of the Commercial Code,
- 21- The objectives of issuing securities along with details and estimated sizes to achieve such objectives and, in case of using other resources, the size and resources so allocated,
- 22- The suggested price for public offering of securities and its calculation method. Where the offer is made at a price different from that of the public offering to the party or parties other than the investment banks, the offer price and the name(s) of person(s) and the grounds for price difference,
- 23- The particulars of Investment Bank and informing the type of agreement with the issuer. Where the Investment Bank, has guaranteed the subscription of all or parts of securities, the level of guarantee shall be defined,

- 24- The underwriter's particulars,
- 25- The agent's particulars,
- 26- A copy of the contract made with the investment bank,
- 27- A copy of any agreement or contract concluded with other legal entities in connection with the issue of securities,
- 28- The number and details of the banking account into which the subscription funds are to be deposited and fixing the subscription deadline,
- 29- The minimum number of shares which shall, at the time of subscription, be guaranteed by the underwriter and determination of the amount required to be paid in cash concurrent with subscription,
- 30- The method of allocating securities to subscribers,
- 31- The issuer's attitude towards the securities which have remained unsold (undigested) at the public offering,
- 32- Costs estimate and cash or non-cash expenses directly or indirectly relating to the issue of securities including the fees paid and other charges incurred which have been paid or will be paid to the investment bank, other financial institutions, banks or other legal entities by the issuer,
- 33- An estimated breakdown of other expenses relating to the sale of securities with the exclusion of costs referred to in paragraph 32 above,
- 34- An estimate of net cash earned from offering securities,
- 35- In the event of exchangeability or convertibility of the securities issued or being issued by the issuer, an explanation about the features and terms of the exchange and conversion of such securities,
- 36- In the event of spending all or a part of the funds earned from securities on the acquisition of or investment in a business unit, the financial statements of such business unit at the discretion of the Organization,
- 37- Other material information affecting the price of securities and investors' decision-making at the discretion of the issuer,

**Note 1-** The issuer may, in place of the fixed price at the public offering, offer a price range. In the price range so designated, the difference between the maximum price and the minimum price shall not exceed 10% of the minimum price. In such case, the final offer price shall be determined following the approval by the extraordinary general meeting.

**Note 2-** The auditor's opinion on the financial statements subject of paragraph 11 shall not be in the form of rejection comment or absence of comment.

**Note 3-** In the case that material changes occur in the registration statement from the date of filing the application to the end of public offering process, the issuer shall have to immediately inform the Organization of such changes and, shall upon obtaining the approval of the Organization, inform the general public via its official website.

**Article 7-** The investment banks, banks, insurance firms, financial institutions and non-banking credit institutes and other financial entities are deployed for the purpose of public offering of securities.

**Article 8-** The offering memorandum consists of the information on registration statement and items specified in the Commercial Code which is prepared as per the form prescribed by the Organization.

#### **Chapter Four- General Requirements for Registration**

**Article 9-** The documents for registration prepared as per the forms prescribed by the Organization shall be signed by the issuer's officers or founders.

**Article 10-** The company shall, upon its formation, have to post the electronic copy of the registration statement approved by the Organization along with other required information on its official website.

## **Chapter Five- Registration of Securities with the Organization and Public Offering**

**Article 11-** After the application has been filed, the Organization shall, in the manner deemed appropriate, inform the issuer of the request for completion and rectification of possible shortages of documents. Where the documentation is completed, the Organization shall, within a period of 30 days, notify its approval or disapproval for the registration of securities to the issuer.

**Note –** As of the date, the notice of shortages has been sent, the issuer shall, over a period of 30 days take steps to rectify such shortages. In case the shortages are not rectified within the specified time-limit, such application shall be rendered null and void.

**Article 12-** The Organization shall, upon giving its permission with the public offering of securities, take action to issue authorization for securities offering. Such authorization shall, in respect of the type, number, price or an acceptable price range for the under issue securities as well as the required time for public offering, be communicated to the issuer in the forms prescribed by the Organization.

**Article 13-** The Organization shall, upon verification of the issuer's eligibility requirements with the contents of the registration statement, take measures to approve the offering memorandum.

**Article 14-** The issuer may, upon the Organization's approval of the securities registration, take action to introduce its under-issue securities in newspapers and media being restricted to the information contained in the registration statement under article 43 of the Law.

**Article 15-** The Companies Registration Authority shall merely examine the documents for which the application has already been submitted to the Organization and has achieved the Organization endorsement in accordance with the provisions herein.

**Note-** The Companies Registration Authority shall, upon ensuring the Organization's approval and after examining other documents, take action to give permission for release of the offering memorandum.

**Article 16-** From the time of submitting the application to the time prior to placing the offering memorandum confirmed by the Organization in the mass-circulation newspapers and on the official website, the issuer shall have the leeway to withdraw from issuing securities. In the case of the issuer's withdrawal from issuing securities or the Organization's disapproval or invalidity of application, the documents, evidence and the processing fees so paid shall not be returned or refunded.

**Article 17-** The public offering permission to move ahead with subscription shall be valid for 60 days at the latest from the date of giving such permission by the Organization. This period may be extended for another 30 days at the latest if justifiable evidence is presented to be accepted by the Organization.

**Article 18-** The issuer shall, upon the Organization's agreement to extend the subscription period under note 1 of article 23 of the Law, take measures to publish such extension on the Organization's official website and in the mass-circulation newspaper for the general public at least 5 days before termination of the subscription period.

**Article 19-** The listed companies shall, each time after implementation of capital increase, announce the case, within one month at the latest, to the Companies Registration Authority while amending the parts relating to the company's registered capital sum in the articles of association so as to be notified to the general public after registration. Accordingly, the related share certificates shall be delivered to the shareholders within a period of two months at the latest. The auditor shall incorporate such items in the company's annual report.