

## Important Terms

**Strategic investor:** Strategic foreign investor means a foreign investor who intends to possess over ten percent (10%) of a company's shares listed on the exchange or on the OTC market or that, upon possession of the shares of a company listed on the Exchange or on the OTC market, fills a seat on that company's board of directors.

**Non-strategic investor:** Share possession boundaries by *non-strategic foreign investors* investing in listed companies are defined as:

1. Collective investments by foreign investors shall not exceed 20 percent of total issued shares of any listed company; and foreign investors shall not, collectively, hold more than 20 percent of total shares of the aggregate total issued share capital of any bourse or exchange.
2. Shares held by a single foreign investor shall not exceed 10 percent of total issued shares of any listed company.

**Tehran Stock Exchange (TSE):** The first Securities Exchange in Iran and one of the oldest in the region, where shares, SUKUK, rights, and other tradable securities are transacted.

**Iran Fara Bourse (IFB):** The second Securities Exchange in Iran where shares of SMEs mostly, and other tradable securities are transacted.

**Iran Mercantile Exchange (IME):** IME is Iran's biggest commodity exchange where agriculture, petrochemical, and metals and their by-products are transacted.

**Iran Energy Exchange (IRENEX):** The youngest commodities exchange in Iran where electricity and oil and its by-products are transacted.

**Central Securities Depository of Iran (CSDI):** CSDI is the sole CSD in Iran performing clearing and settlement of the transactions, and also maintaining and transferring the securities.

**FIPPA:** Iran's Foreign Investment Promotion and Protection Act (FIPPA) which welcomes foreign investments and encourages all the foreign investors to know their rights and to get more data on the facilities and protections they may enjoy as well as the legal obligations and requirements caused by investing in Iran.

**IPS:** CSDI offers certain electronic services to the capital market practitioners including Investor Portfolio System (IPS) enabling the stockholders to take advantage of such services by obtaining a password. For more information, please refer to <https://enp.csdiran.com/>

## Frequently Asked Questions

### **1. Who is a foreign investor?**

Non-Iranians and Iranians living overseas. In a word, if the source of money is from abroad, it is considered "foreign investment" and may benefit from fund transfer and opening necessary bank accounts for their investment; also to protect and guarantee their capital based on these regulations.

### **2. Where can I invest?**

Tehran Stock Exchange (TSE): <http://new.tse.ir/en/>

Iran Fara Bourse (IFB): <http://en.ifb.ir/>

Iran Mercantile Exchange (IME): <http://en.ime.co.ir/>

Iran Energy Exchange (IRENEX): <http://www.irenex.com/>

### **3. What are the trading instruments?**

Shares, rights, futures (on shares and different commodities such as underlying assets), corporate certificates, different Islamic fixed income securities (Sukuk).

### **4. Are there any limitations for FPI?**

Based on Article 7 of "The Regulation Governing Foreign Investment", the restrictions imposed on the possession of shares by the non-strategic foreign investors on every exchange or IFB are set forth as follows:

The number of shares owned by the total foreign investors shall not exceed twenty (20%) percent of the total shares number of the companies listed on the exchange or on the OTC market or twenty percent (20%) of the shares number of any company listed on the exchanges or the IFB.

The number of shares owned by each foreign investor in any company listed on the the exchanges or the IFB shall not exceed ten percent (10%) of the shares number of such company.

**5. What are the benefits of “investment funds”?**

Foreign investors may share their investments with Iranians, and managing investment will be observed by a well-qualified expert. Those experts are well informed of the Iranian capital market and have the ability and expertise in investing in this market. In a word, it is a less risky investment.

**6. Where should I start as a foreign investor willing to invest in Iran capital market?**

As a foreign investor, you may refer to one of the brokerage firms in Iran.

**7. How can I enter the money and repatriate?**

The foreign or Iranian nationalities/entities shall, by obtaining the trading license, be authorized to open accounts in IR Rials, in foreign exchanges, transfer foreign currencies to Iran, and convert them into Rials and vice versa in the Iranian banks for their banking and investing operations. Transfer of the original capital, capital gains and cash dividends received by the persons/entities holding the trading licenses overseas (outside Iran) shall be authorized in compliance with the national foreign exchange rules and other relevant standards and regulations. The Central Bank of I.R.I (CBI) shall deliver the foreign exchange equivalent of the transferable funds to the foreign investor or the Iranian investor holding licenses at the official exchange rate in the national banking system in case of a single currency peg or otherwise, at the floating exchange rate. Under particular circumstances and at the discretion exercised by the Central Bank of I.R.I., such funds shall be payable in equal installments at a four-month interval during the course of one year. The necessary guidelines for implementation of this article shall, within three months as of the approval date of the present regulations, be approved by the Ministry of Economic Affairs and Finance and the Central Bank of Iran.

**8. How is a foreign investment account created in the Iranian capital market?**

The investor sends the request form for trade permission to the Securities and Exchange Organization of Iran (SEO) based on SEO's criteria for granting permission through an eligible Iranian broker. Whenever the permission is issued, the broker sends it along with the request form for account creation to Central Securities Depository of Iran (CSDI) so that the trade account is issued.

**9. What does a foreign investor willing to trade in the Iran Energy Exchange need to do?**

The broker only is required to send the investor's documents to CSDI and then the process will start soon.

**10. What should foreign individual and institutional investors do in brief?**

Foreign investors either individual or institutional, trading shares for the first time, can send the documents via the broker. After issuing work license, the broker in question needs to send the request for account issuance along with the investment trading license (individual/institutional) and legible image of passport regarding identification details of individual investment to CSDI.

**11. What is Inheritance Transference?**

One's shares and securities are a part of their inheritance which needs to be passed to the heirs by law. Any change in identification details (individual/institutional) for correction is done in CSDI.

**12. How can I get the verification of my letter of attorney for selling the stocks of my client who is a foreigner?**

- The attorney needs to refer to CSDI having the following required documents:
- The original and a copy of the letter of attorney
- The original and a copy of the attorney's birth certificate and national ID card
- A copy of client's or clients' identification documents
- A copy of client's or clients' birth certificate(s) and national ID card(s)
- The original and a copy of the last portfolio
- Written validity and continuity confirmation of the latest letter of attorney

- If the attorney or the client is institutional, the following documents are required as well:
- The official gazette which the signatories have been determined in
- A copy of birth certificates and national ID cards of the signatories
- The letter of introduction for the representative, signed and stamped by the signatories
- If the client is an Iranian who lives abroad
- The signature of the client pointed at in the letter of attorney needs to be verified by the embassy or consulate of the Islamic Republic of Iran in the origin country
- The aforementioned verification of signature carried out by the embassy or the consulate has to be confirmed by the Ministry of Foreign Affairs of the Islamic Republic of Iran
- If the letter of attorney is in a foreign language, its official translation into Persian needs to be verified by the technical office of The Judiciary of the Islamic Republic of Iran
- If the client is a citizen of a foreign country
- The signature pointed at in the letter of attorney needs to be verified by the official authority of drawing up the documents.
- Either signature or stamp of the issuing authority or client's signature certifier needs to be verified by the embassy or consulate of the Islamic Republic of Iran in the origin country
- The mentioned signature verification of embassy or consulate needs to be confirmed by the ministry of foreign affairs of the Islamic Republic of Iran
- The official translation of documents including the letter of attorney and the other certificates into Persian and signature and stamp features pointed at in the text and its back need to be verified by the technical office of The Judiciary of the Islamic Republic of Iran.

**13. How do I get my/my clients' portfolio, which I have already requested for, from the relevant office?**

By receiving your username and the link sent by CSDI which you can download your portfolio from, you can get your requested portfolios directly and with no need to refer to CSDI in person (via IPS).

**14. How can I get aware of my asset statement/stock turnover?**

Get your asset statement/stock turnover by giving in identification certificates (passport) and referring to CSDI or via IPS.

**15. Can I get aware of my portfolio without referring to CSDI?**

Yes, via IPS the investors can apply for a username and use its services right after username and password issuance. (Note: the investors need to offer an email address in order to use this service).

**16. Can a person get the portfolio of the deceased as the representative of their heirs?**

If you are the legal representative of the heir and have a letter of attorney from them, you can get their portfolio by referring to CSDI.

**17. How can I get my dividend?**

You can get your dividend in three ways:

- Declaring your SHEBA number by referring to your broker in person
- Referring to CSDI
- Contracting issuers with CSDI

**18. Although I have declared the SHEBA number, I haven't yet received any dividends.**

**What do I have to do?**

If you have declared your SHEBA number to your broker or contracting issuers with CSDI, make a call to that them and be sure that your information has been sent to CSDI by them.

**19. How do I get the statement of my received dividends?**

After applying to your supervisor broker, it sends a letter to CSDI and an accurate statement of your payment is prepared and sent to the broker.

**20. Regarding the fact that I sold my securities before the end of the year-end dividend period, how can I get aware of its daily inter-period dividend?**

Calculation and settlement of inter-period dividend is done daily and through your supervisor broker.

**21. Am I eligible to get the dividend although I purchased the securities one day before their due?**

Yes, the dividend is paid to the last owner of securities even if they purchased them one day before the due.

**22. How do I get my dividend distributed by CSDI via Melli Bank?**

Firstly, be sure that your dividend has been paid out by making a call to the issuer or CSDI, and then you can get your dividend by referring to all branches of Melli Bank while carrying valid identification documents. Also you are made aware of paying out the dividend by SMS if you have already declared your cellular number.

If you encounter a problem getting the dividends through branches of Melli Bank, make a call to CSDI so that the required measures are taken to solve the problem.

**23. I am a stockholder of a company contracting with CSDI, how do I get informed if I am on the list of recipients of dividend?**

Get aware of this issue by calling the issuer or CSDI.

**24. One of the companies I am a shareholder of has entrusted its capital increase to CSDI. How can I get my capital increase certificate?**

To refer in person;

To receive through post;

To receive through Iran regional exchanges

**25. What documents do I need for opening a brokerage account (as an individual investor)?**

You are required to provide an Iranian brokerage house with your original passport or send us a photocopy of your passport certified by an Iranian Embassy located in your residing country.

**26. What is a trading code? How can I obtain it?**

It is a unique trading ID that you need to have in order to be able to either own or trade shares/bonds in TSE and IFB. You are not required to have this trading code to invest in the mutual funds.

**27. What are the trading hours?**

Pre-opening at 8:30 – 9:00 am, Trading from 9:00 to 12:30 pm. (TSE&IFB). These hours are effective from Saturdays to Wednesdays, except public holidays.

**28. Are there any account charges/ maintenance fees on the brokerage account?**

No, there are no account charges or maintenance fees on the brokerage account.

**29. Are there any initial deposits required to open a new brokerage account?**

No, no initial deposits are required.

**30. Can I wire transfer money via Iranian banking system?**

No, you are only able to transfer money through exchange offices.

**31. Are there any futures and options offered in the market?**

Yes, but their markets are small in size.

**32. What is a trading halt?**

Trading Halt is used when there is any information likely to affect the investment decisions substantially, and is deemed by the SEO and TSE necessary to be disclosed to the public.

**33. How can I get a disclosure of a company listed on the TSE?**

Annual, semi-annual and quarterly reports and any information that could affect stock prices have to be submitted to the SEO on a regular basis by every listed company. These reports and other financial statements are stored in the SEO database and are available to the public. Besides, SEO has implemented a network: CODAL ([www.codal.ir](http://www.codal.ir)), through which the information affecting the prices will be published directly. All the information is available on this website and free of charge.

**34. Can I trade over the internet (online)?**

Yes. There are some brokers who offer online trading service. Any order that you place over the internet will be routed to a TSE member who will then reroute it to TSE market.

**35. How does the settlement work in Iran capital market?**

Currently, settlement for trades executed on the TSE market takes place on the third business day after the transaction - often referred to as T+3. Central Securities Depository of Iran (CSDI) acts as the central counterparty to settlement, so that funds are transferred between brokers and CSDI, and securities are transferred between client accounts. Transactions are settled by book-entry transfer between accounts.

**36. Are there any foreign companies listed in the TSE?**

Not yet. Only Iranian companies are listed on the TSE. However, there is no prohibition in this regard.

**37. How can I buy shares or invest in the stock market?**

For trading in the TSE and IFB, one must choose a member firm (broker) to trade through. Using the TSE & IFB Trading System, your stockbroker will buy or sell shares based on your instructions. Currently, there are 97 member firms operating in the markets. They are licensed by Securities and Exchange Organization (SEO).

**38. What types of securities are listed and traded on the TSE?**

There are four types of securities traded on the TSE: common shares, rights, derivatives (single stock futures) and Islamic bonds.

**39. Is there a special mechanism for trading newly listed stocks (IPOs)?**

Yes, newly listed stocks are sold via an auction method; the buyer places his\her order at a different price with a broker who inputs the order into the trading system. The seller offers the shares at the greatest price in which orders are placed. The seller usually offers 5 - 10 percent of the shares in the first session. Daily price limits may only come into effect the day after the IPO.

**40. Is there any taxation on capital gain/dividends?**

No, capital gains and dividends are tax free for both Iranian and foreign investors.

**41. Are there any mutual funds to be bought on international exchanges that have an exposure to Iran?**

Not yet.

**42. Is it possible to open several accounts with different brokers?**

Yes, it is possible to have several trading accounts with more than one broker; however, the trading permit (code) is unique for each person.

**43. What is “Daily Price Fluctuation Limit”?**

The daily price fluctuation limit of shares in the TSE is set at +/- 4% of the closing price of the preceding business day. The aforementioned daily price fluctuation limit is set at +/-5% in IFB. The limit in terms of rights is set at +/- 8%.