



سازمان بورس و اوراق بهادار  
Securities & Exchange Organization

# Iran Capital Market Insight

August 2018

**Department of Research, Development and Islamic Studies**

**Statistics and Risk Analysis Group**

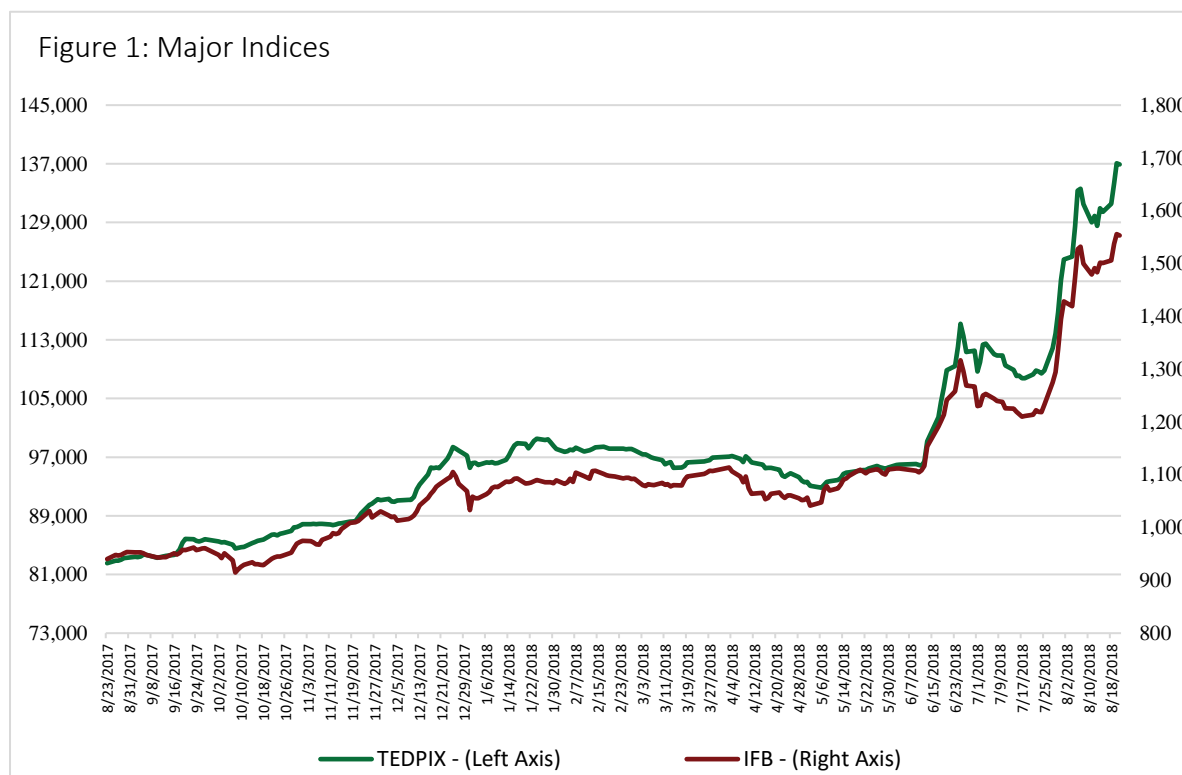
## Capital Market Indices

The end of month figure of Iran capital market major indices including the TSE's (TEDPIX) and the IFB's total return index (IFX) is compared with that of the previous month in Table 1.

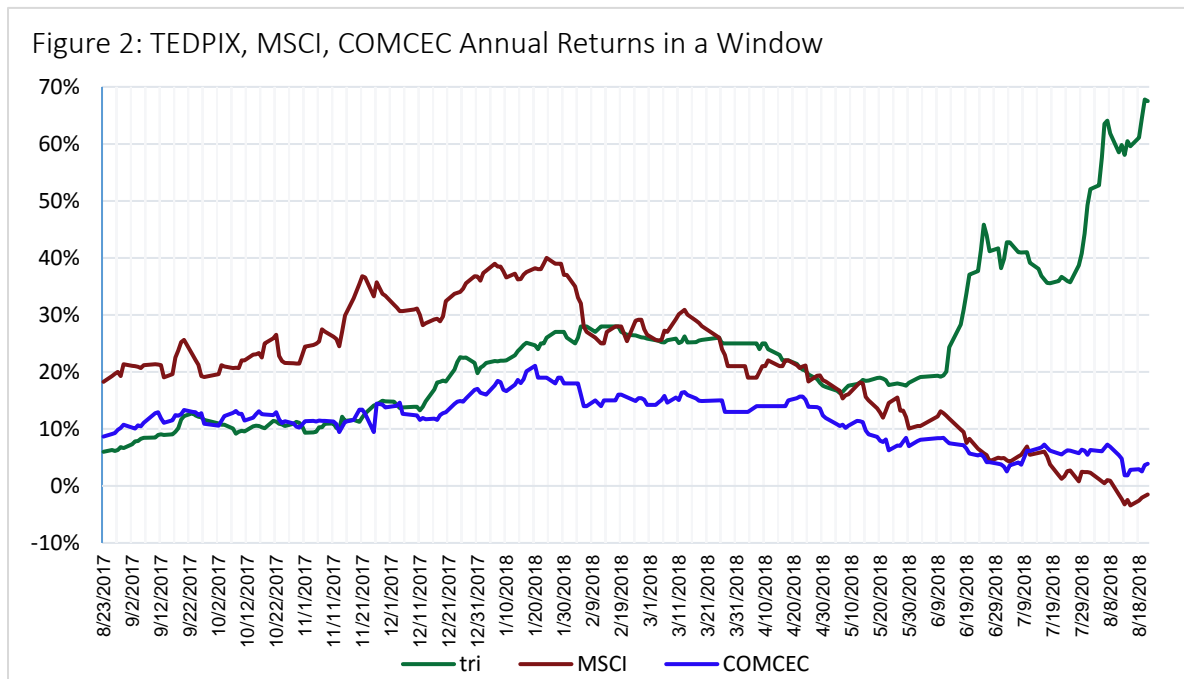
Table 1: Capital Market Indices

Index	Aug 2018	July 2018	Change (%)
TEDPIX	136,911	108,831	25.8%
IFX	1,553	1,222	27.1%

The past year trend of the indices is illustrated in the following figure.



In addition, the performance (annual return in percent) of TEDPIX is compared with MSCI Emerging Market TRI and S&P/OIC COMCEC 50 SHARIAH TRI.

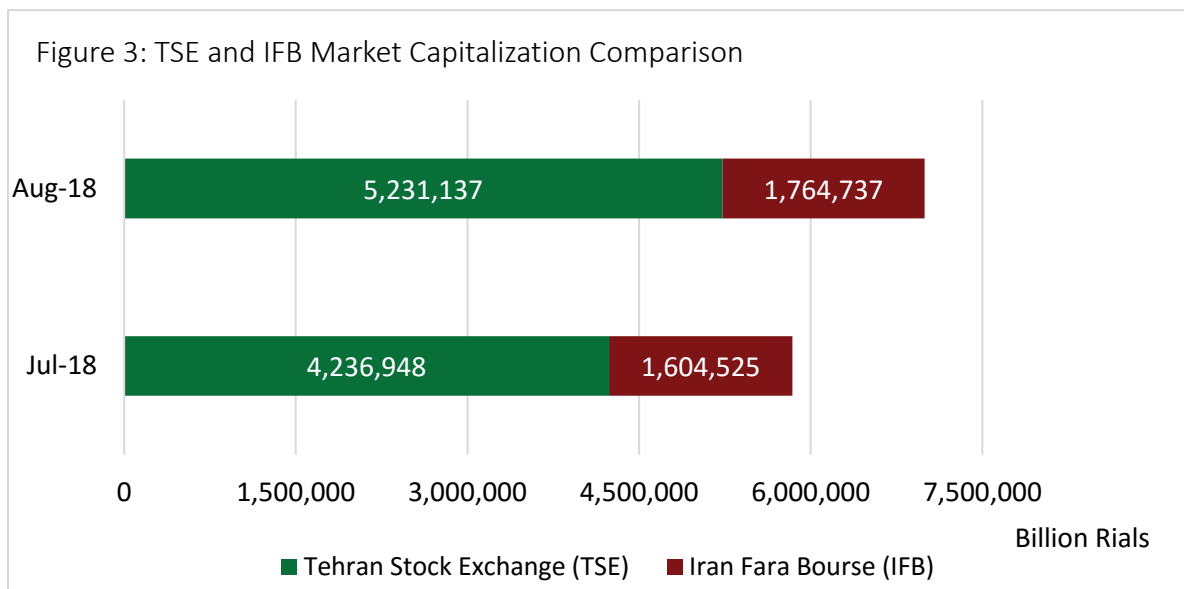


MSCI Emerging Market TRI: The index includes securities from 23 countries; however, excludes stocks from emerging and frontier economies.

COMCEC: The S&P/OIC COMCEC 50 Shariah is designed to provide investors with a Shariah-compliant benchmark that measures the performance of leading companies from the Organization of Islamic Cooperation (OIC) member states.

### TSE and IFB Market Capitalization

Share of the IFB and the TSE market capitalization in comparison with end of July is demonstrated below. The IFB is younger and smaller; yet, has differentiated itself in hosting state-of-the-art financial instruments.

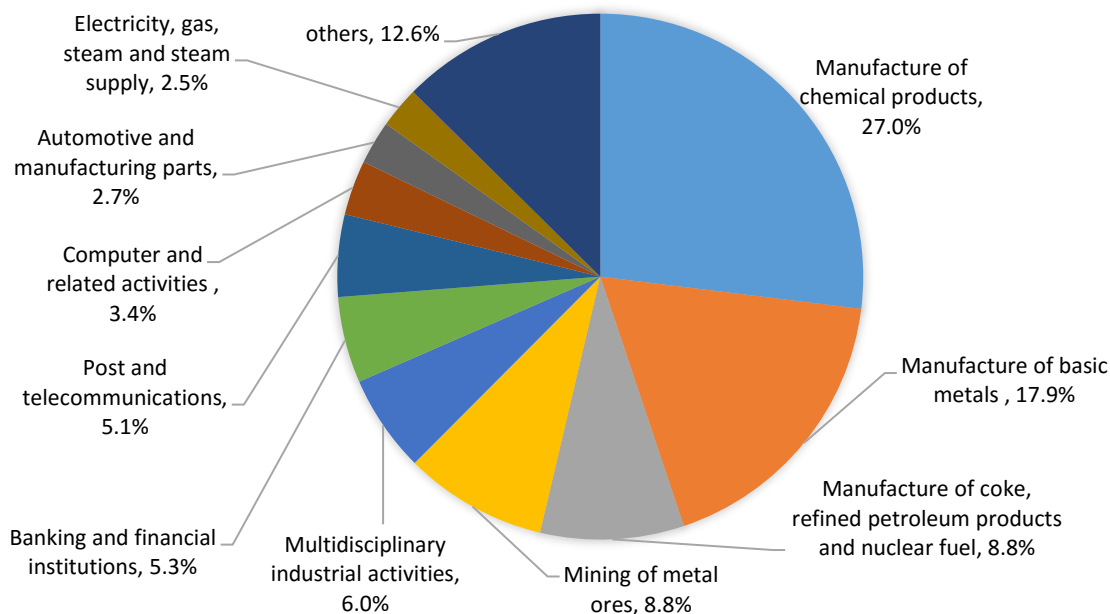


## Industries Market Capitalization

### Tehran Stock Exchange

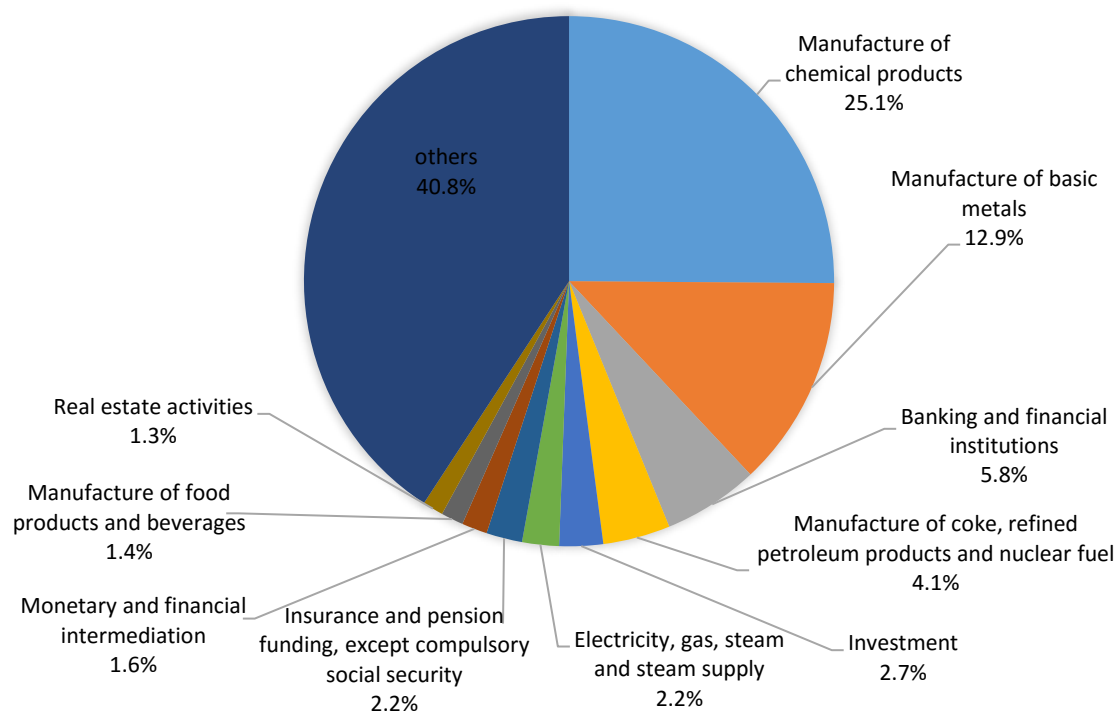
The break-down of top industries' market capitalization in the IFB and the TSE is depicted in the next two figures.

FIGURE 4: TSE TOP 10 INDUSTRIES



### Iran Fara Bourse

FIGURE 5: IFB TOP 10 INDUSTRIES



## Exchanges' Trading Statistics

Value and volume of trades for each exchange is depicted in the following table.

Table 2: Value and Volume of Trades for Each Exchange

Exchange	Date
	Aug 2018
TSE	Trading Volume - Million Shares
	50,229
	Trading Value - Billion Rials
	142,810
IFB	Trading Volume - Million Shares
	13,748
	Trading Value - Billion Rials
	91,511
IME	Trading Value - Billion Rials
	110,113
IRENEX	Trading Value - Billion Rials
	8,028
	<b>Total Trading Value (Billion Rials)</b>
	<b>352,462</b>

## Instruments' Trading Statistics

Trading value and volume of each instrument is depicted in the following figures.

Figure 7: Trading Value and Volume of Each Instrument

### Commodity Markets Trading Statistics

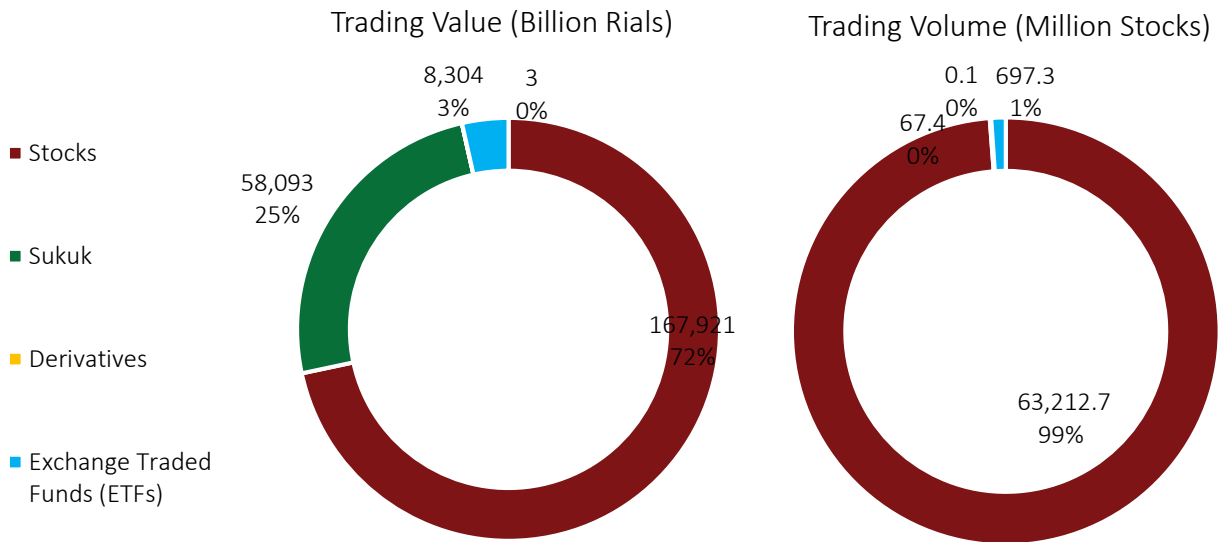
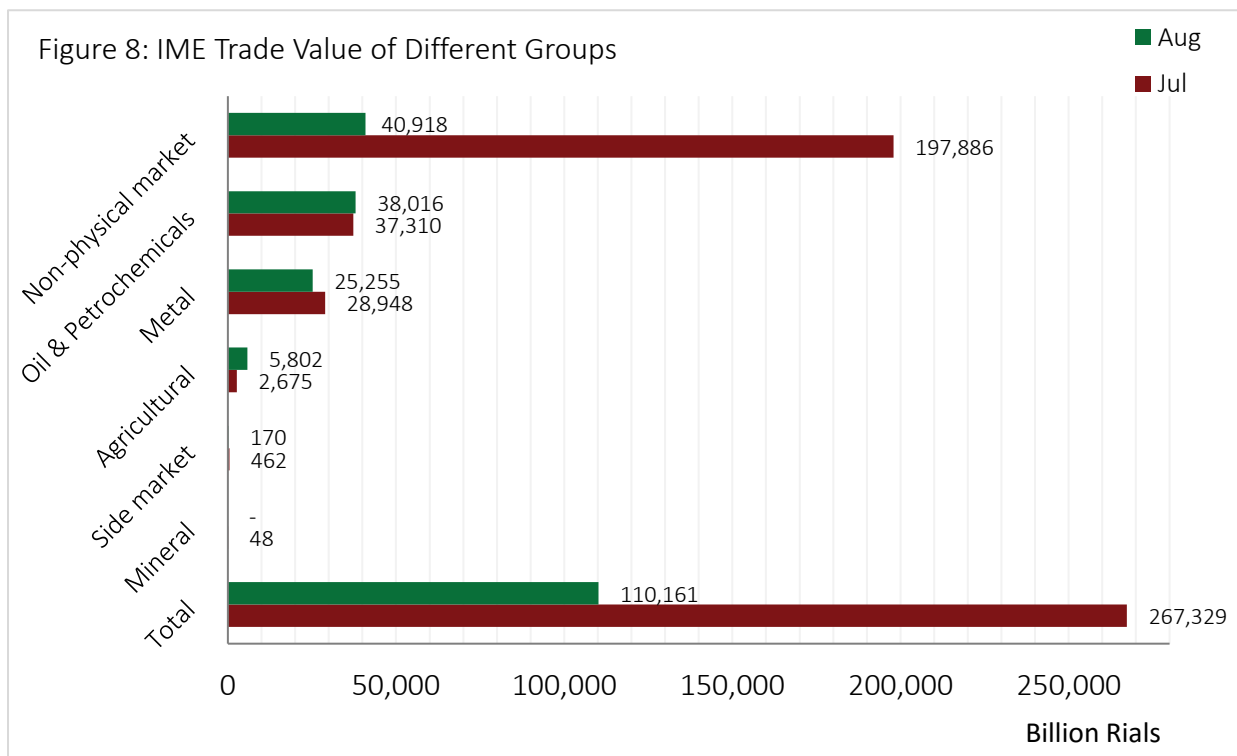
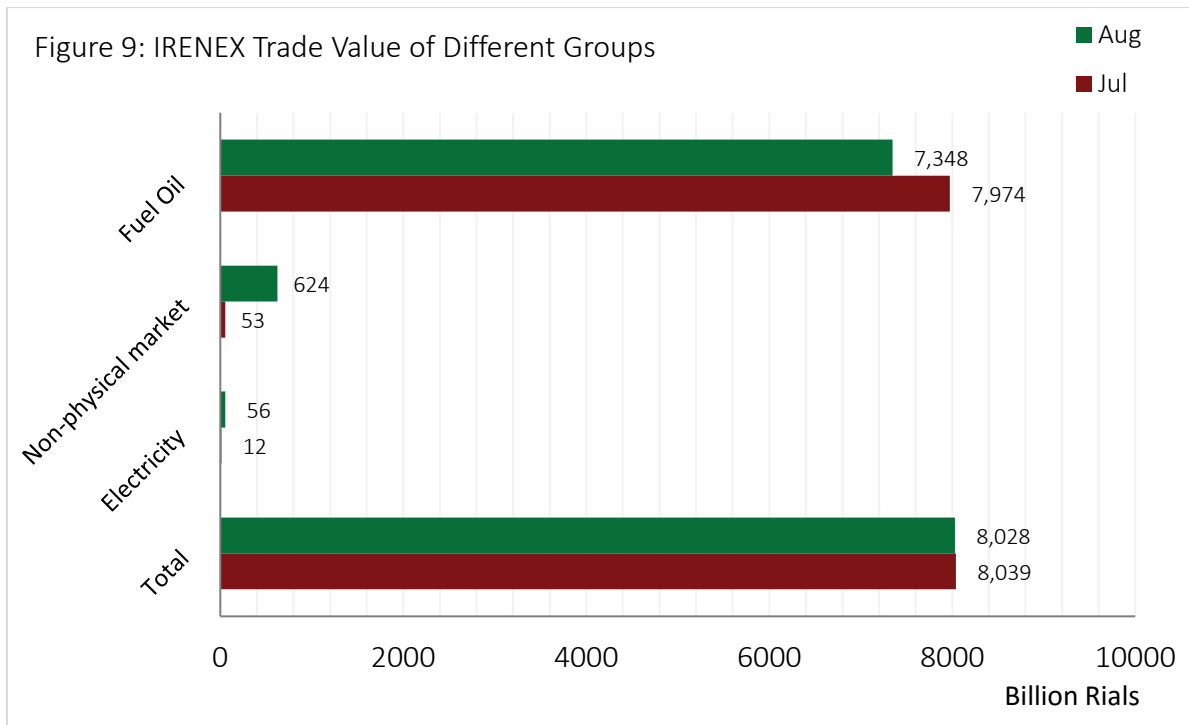


Figure 8: IME Trade Value of Different Groups

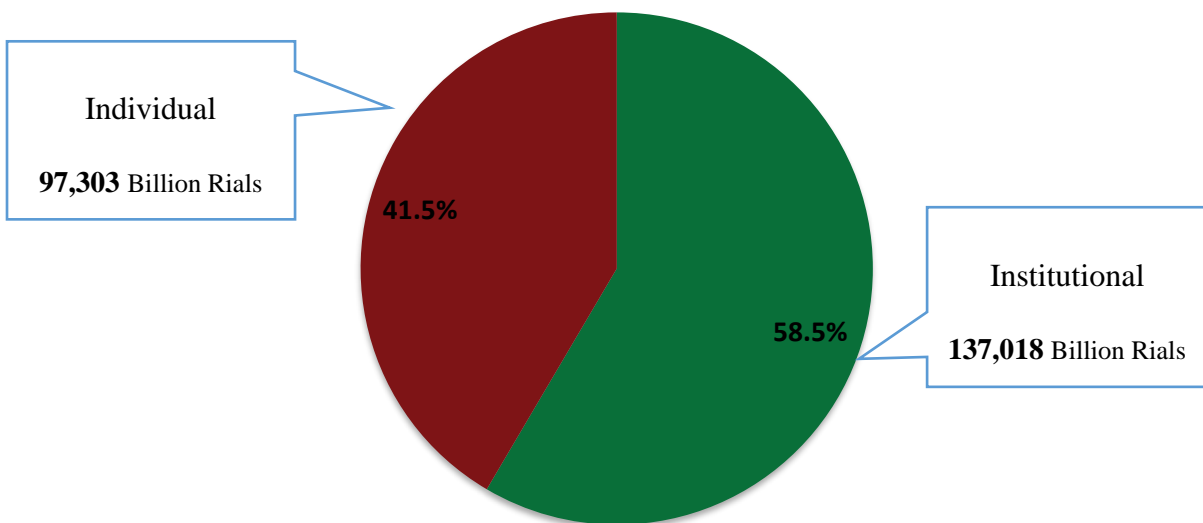




### Share of Institutional and Individual Investors in Trading Value

Figure 10 reveals the proportion of individual and institutional investors in total market trading value.

Figure 10: Investors' Proportion in Trade Value of Four Exchanges



## Institutional and Individual Transactions

Institutional and Individual contribution for each category of instruments is demonstrated in the following figure.

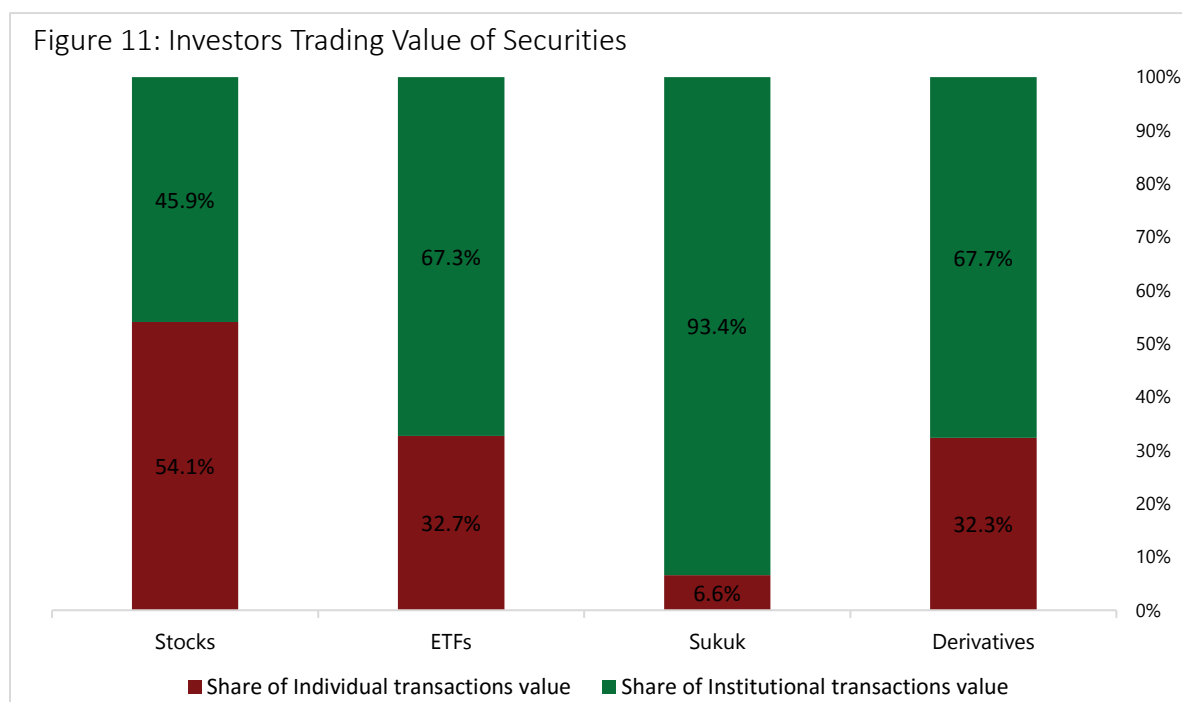
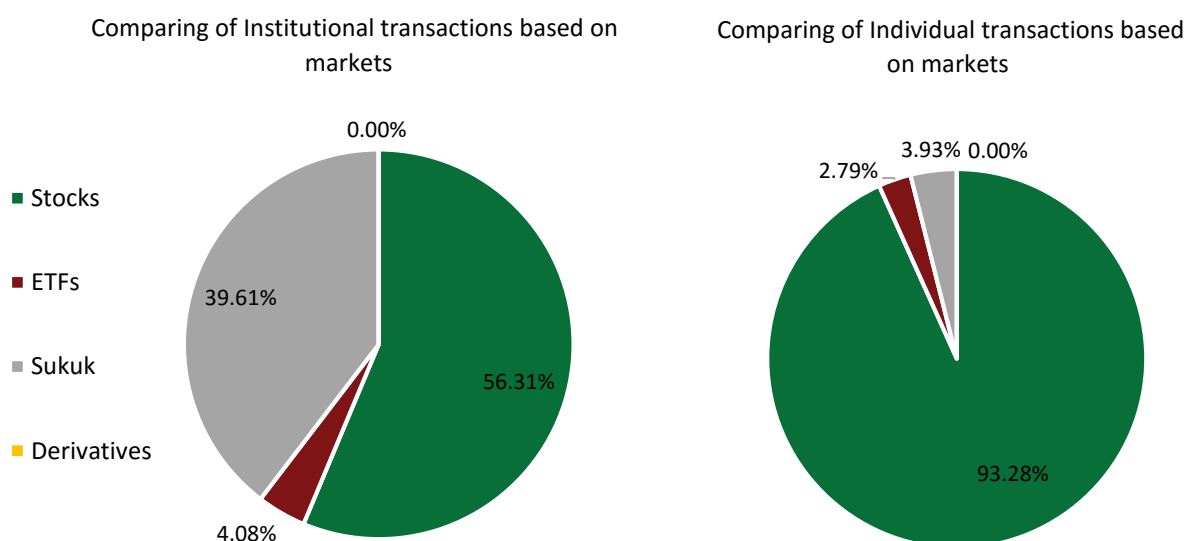


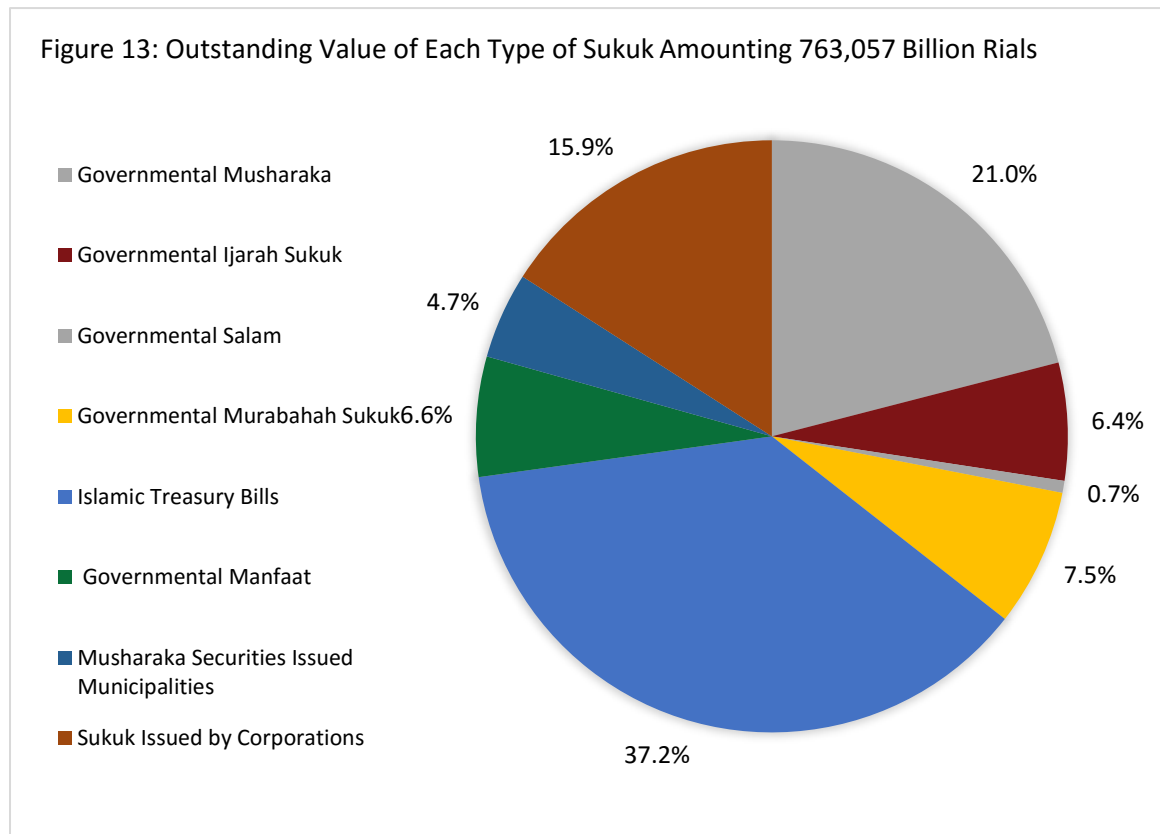
Figure 12: Comparing of Institutional and Individual Transactions Based on Markets





## Sukuk Outstanding Sukuk

The outstanding value of each Islamic securities (sukuk) is presented in the following figure. It is noteworthy that all instruments in the Iran capital market are Shariah compliant.



## Number of Listed and Unlisted Companies

Number of listed and registered companies on the TSE and the IFB are presented in the following table.

Table 3: Number of Listed and Registered Companies on TSE and IFB

	Aug 2018
Listed Companies in the TSE	325
Listed Companies in the IFB	98
Unlisted Companies in the IFB	167

## Initial Public Offerings

The detail of IPOs in the TSE and the IFB is shown in the following table.

Table 4: detail of IPOs

Exchange	Industry	Company Name	Ticker	No.Shares	Offering Date
IFB	Automotive and manufacturing parts	Iran Khodro Diese	IKDP	4,989,000,000	2018/08/18
IFB	Automotive and manufacturing parts	Ravan Fan Avar	RFNZ	100,000,000	2018/07/29
IFB	Automotive and manufacturing parts	Kerman Khodro E.	KKHP	5,000,000,000	2018/08/18
IFB	Manufacture of food products and beverages	N. Pouneh Mashhad	NPMP	641,116,000	2018/08/01

## MONTH IN REVIEW

### 2nd Round of League of Stock Market Stars

On its way to boost and enhance financial literacy and also to expand financial inclusion, the SEO inaugurated the second edition of League of Stock Market Stars on July 7th, 2018. A two-month competition among six-member teams from different universities across the country, where higher portfolio value means a higher place in the competition, the League has attracted 30 teams from different universities that are granted initial credit worth 50 million IR rials to build and grow their portfolios.

It is believed that the event will elevate financial literacy and promote the capital market in society. The League has attracted and involved students, professors, families and even officials from different cities to remind society of the crucial role of financial markets in the domestic economy.

Moreover, the participants will learn how to grow small resources in a transparent environment while grappling practically with investments, regulations, mechanisms and strategies of financial markets in an authentic arena.

Needless to mention, it was reported that last year 15 of the participants were recruited by financial institutions soon after the League.

Apart from the unparalleled opportunity for the students, the event is a reminder for officials, market participants and financial institutions of their responsibilities to benefit from these young minds.

### A New Chapter in Iran-China Capital Markets Relationship

During President Rouhani's last visit to China, a memorandum of understanding was signed off between the Securities and Exchange Organization and China Securities Regulatory Commission on 11 Jun, aimed to strengthen reciprocal cooperation and exchange technical expertise.

Dr. Shapour Mohammadi, CEO of SEO, referring to the MoU, mentioned that cooperation with global organizations and enhancing constructive international interactions has always been high on SEO's agenda. The document was signed by the Minister of Economic Affairs and Finance Masoud Karbasian as a part of cooperation agreements between the two countries.

Dr. Mohamadi noted that both regulators were in constant contact in the past few years and to make it effective and formalized, they entered into a MoU to start a new chapter in their cooperation.

The details of the MoU encompasses connecting the department of Research, Development and Islamic Studies of the SEO to China Institute of Finance and Capital Markets, developing Islamic financial instruments for China and transferring Iran's experience in the field, conducting comparative studies, holding mutual training workshops, exchanging views and experience regarding the two Iranian and the four Chinese commodity exchanges to boost mutual exportation, issuing Iran's sovereign debt securities in China to foreign investors as well as including Iranian institutions in the One Belt, One Road Initiative which is a huge program by China to revive the historic Silk Road as an economic belt.

### **Enhanced IT Infrastructures in Capital Market**

Enhancing the infrastructure of the Iranian Capital market has always been a top agenda for the SEO. Information and Financial technologies have been a great assistance to provide more electronic services to the investors. The SEO Chairman, Shapour Mohammadi, named a couple of developments during the current year that has advanced the markets. CODAL 360, a comprehensive platform encompassing all disclosure requirements by the Iranian issuers, was mentioned first. It provides investors with free and easy access to all the fundamental information of the listed companies and issuers. It has considerably increased transparency and velocity of issuers' direct filings. The round-the-clock alert system sends notifications to top managers of each issuer as their timely reports are due or their companies have breached disclosure requirements e.g. missed a deadline. It has considerably lowered the number of violations, which inevitably led to freeze or suspension of the companies' ticker symbols due to unintentional negligence. Companies in the process of capital raise will also be notified about the latest status of their submitted application and will be immediately informed about additional documents that may need to be filed in order to minimize the processing time. The Iran Fara Bourse and Tehran Stock Exchange also enjoyed a fresh update for their core trading systems. Due to a constantly increasing load of trading on the equity exchanges, it was decided to first separate the trade engine of the IFB from that of the TSE and then upgrade the cores with the help of international entities. It divided the load and increased the overall stability of the systems to prevent possible sudden crashes. Mohammadi concluded that a capital market empowered with top-notch technologies will be transparent and deter fraudulent activities.

### **Crowd Funding Regulations Approved**

Securities and Exchange High Council approved the proposed regulations for Crowd Funding that helps financing SMEs and entrepreneurs with innovative ideas. The Chairman of the Securities and Exchange Organization, Shapour Mohammadi, explained that the regulation, approved by the High Council on May 14, is in line with the tripartite MoU signed January 13 among Ministries of Finance and Economic Affairs, Labor and Social Affairs, and Communication and Information Technology.

The regulation was drafted with the help of beneficiaries including exchanges and submitted to the By-Law Committee of the SEO, which is in charge of setting up multiple sessions to

review and make necessary modifications to all rules and regulations prior to submission to SEO's board. After approval by the SEO board, the regulation was approved by the High Council.

Crowdfunding is a contemporary and popular fundraising method in the world, which is based on the web platforms, where requesting party will use a specific platform to pitch their project or idea to potential contributors. The whole process is supervised and regulated.

In many countries the investors will, in turn, receive certificates that can be transformed in the future e.g. if the company is floated, the investors will receive shares in proportion to their initial investment. This is a suitable exit strategy for investors.

Crowdfunding is applicable for small, innovative and short-term projects like developing mobile apps, designing computer software, restoring and reconstructing buildings, producing movies or any other project that can take the participation form.

Mr. Mohammadi underlined that based on the regulations, the requesting party can raise up to 20 billion IR rials (\$4.7 million) by using a licensed platform and issuing electronic certificates, exempted from registration at SEO. The open projects have the ceiling of 200 billion IR rials (\$47 million), which is not allowed for big enterprises and listed companies on the Tehran Stock Exchange and Iran Fara Bourse, a decision to make it fully available for SMEs.

The request shall be submitted by or through one of the supervised financial institutions and is decided upon by a working group at IFB. The kind of financial institutions allowed to bring forward the requests will be subsequently announced by the SEO.

The Chairman hoped that the move will provide the suitable ground for financing innovating companies.

#### **Fund of Funds, in Iran Capital Market**

The SEO ratified the statute of fund of funds, which is an investment strategy for holding a portfolio of other investment funds. The Iran Farabourse is the first entity to apply for the fund of funds establishment. This vehicle is another strategy for adding more diversity to the capital market and in the foreseeable future, both foreign and domestic investors will benefit from this new fund.

