

### Securities Market Act of The Islamic Republic of Iran

#### Chapter One

#### Definitions and Terms

**Article 1:** The following definitions shall apply for the purposes of the terms and phrases used in this Act:

1. Securities and Exchange High Council means a council which is formed under article 3 of the present Law and is hereinafter named the Council
2. Securities and Exchange Organization means an Organization which is established under article 5 of the present law and is hereinafter referred to as the Organization.
3. Stock Exchange means an organized and self-regulating market in which the securities are traded by brokers and/or dealers in accordance with the provisions of this law. The Stock Exchange (hereinafter named the Exchange) shall be established and administered in the form of a public joint-stock company.
4. Arbitration Board means a board which shall be formed under article 37 of this law
5. Association means the self-regulatory organizations of brokers, dealers, market-makers, advisors, issuers, investors and other similar associations which are duly registered subject to the regulations approved by the Organization in the form of non-governmental, non-commercial and non-profit entities so as to regulate the relationships among the persons that are involved in the Securities market as per the rules of this law.
6. Self-Regulatory Organization (SRO) means an organization which is authorized to establish and enforce professional and disciplinary standards and rules in conformity with the present law for the good performance of functions entrusted to it under this law as well as regulating its professional activities and relations among its members.
7. Central Securities Depository and Settlement Company means a company which shall provide services relating to registration, depository, transfer of securities ownership, and settlement of accounts.
8. Over-the-Counter (OTC) Market means a market which is operating in the form of an electronic and non-electronic network where the securities transactions are conducted on the basis of negotiations.
9. Primary Market means a market where the initial offering and subscription of newly-issued securities is carried out and the proceeds derived from securities offering are transferred to the issuer.
10. Secondary market means a market in which the securities are transacted after the initial offering.
11. Derivative Market means a market in which the the futures and options contracts based on securities and commodities are transacted.



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12. Issuer means a legal entity that issues securities in its name.
13. Broker means a legal entity that engages in securities transactions in the name of other persons and for their account.
14. Broker/Dealer means a legal entity that engages in the securities transaction in the name of other persons and for their account and/or in its own name and account.
15. Market-maker means a broker/dealer that, upon obtaining the required license, engages in trading specified securities with a commitment to increase liquidity, regulate the bid and offer of such securities and limit their price range fluctuations.
16. Investment Advisor means a legal entity that provides advisory services to investors concerning the securities trading (buying and selling) on the strength of a specific contract.
17. Portfolio Manager means a legal entity that, under a specific contract, engages in buying and selling securities for investors so as to gain profit.
18. Investment Bank means a company which is operating as an intermediary between the securities issuer and all investors and may get involved in brokerage, dealership, market-making, consulting, portfolio management, subscription, underwriting and similar operations by obtaining a license from the Organization.
19. Pension Fund means an investment fund that provides supplementary benefits for the retirement period of its members by utilizing savings and investment schemes.
20. Mutual Fund means a financial institution whose main activities are investing in securities and their holders shall share in the fund's profit and loss in proportion to their investments.
21. Financial Institutions means the financial institutions which are active participants in the securities market including, inter alia, brokers, broker/ dealers, market-makers, investment advisors, rating agencies, mutual funds, investment companies, financial data processing companies, investment banks and pension funds.
22. Parent (Holding) Company means a company that, by investing in an investee company for gaining profits, acquires sufficient right to vote to elect members of the board of directors to exercise control over the company operations and/ or plays an effective role in electing the board members.
23. Assessor means a financial analyst who makes an assessment/ appraisal of the assets and securities under the present law.
24. Securities mean any paper or document which shall bear the transferable financial rights for the owner of an asset and/or its profit. The Council shall establish and announce the marketable securities. The financial instruments and the securities are regarded as alternative concepts in the text of the present law.
25. Issue means the issue of securities for public offering.
26. Public Offering means the offer of issued securities to the public for sale.



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27. Private Placement means the direct sale of securities by the issuer to institutional investors.
28. Subscription means the process of securities purchase from the issuer and its legal agent and commitment to the payment of full price as per an agreement.
29. Underwriting means the guarantee furnished by a third party to take up the securities which have not been sold within the subscription period.
30. Prospectus means a notice which provides information concerning the issuer and the securities eligible for subscription to the general public.
31. Registration State ment means a set of forms, information, documents and records which are submitted to the Organization during the course of application for the company registration.
32. Inside Information means any type of undisclosed information to the public which is, directly or indirectly, related to the securities, transactions and the issuer thereof and in the case of securities issuance, it shall affect the price and/ or the investors' decisions for trading in the related securities.
33. Portfolio means total financial assets purchased out of the investors' funds.

### Chapter Two

#### Securities Market Bodies

**Article 2 :** In order to protect the investors' rights, maintain and develop a transparent, fair and efficient market securities and supervise the proper enforcement of this law, the Council and the Organization shall be formed with the composition, function and powers stipulated in the present law.

**Article 3 :** The Council is the highest ranking body of the securities market which shall be charged with the adoption of the macro-policies for such market. The members of the Council shall include:

1. Minister of Economic Affairs and Finance
2. Minister of Commerce
3. Governor of the Central Bank of I.R.I
4. Heads of the Iranian Chamber of Commerce, Industries and Mines and the Chamber of Cooperatives
5. President of the Organization acting as the secretary of the Council and spokesman of the Organization
6. Public prosecutor or his deputy
7. one representative on behalf of the Associations
8. three financial experts solely from the private sector in consultation with the professional entities in the securities market as recommended by the Minister of Economic Affairs and Finance and approved by the Council of Ministers.
9. one expert solely from the private sector as recommended by the concerned minister and approved by the Council of Ministers of each commodity exchange.

Note1: The Minister of Economic Affairs and Finance shall be acting as chairman of the Council.

Note2: The office-term of the members stated in paragraphs 7, 8 and 9 shall run for 5 years

and they can not be elected from among the members of the board of directors and the staff of the Organization.

Note3: The reelection of the members referred to in paragraphs 7, 8 and 9 of this article shall

be possible for a maximum of two terms.

Note4: The members stated in paragraph 9 shall merely have to attend the meetings held to

take decisions on the same exchange.

**Article 4 :** The functions of the Council are set out as follows:

1. to adopt proper measures towards promotion and development of securities market and exercise of supreme control over the application of this law;
2. to frame the securities market policies in line with the government's macro-policies and in conformity with the relevant laws and regulations;
3. to propose the by-laws for approval by the Council of Ministers as deemed necessary for the enforcement of this law;
4. to approve new financial instruments;
5. to issue, suspend and revoke the activities of exchanges, OTC markets, Central Securities Depository and Settlement Company and investment banks;
6. to approve the budget and financial statements of the Organization;
7. to monitor and exercise control over the Organization's operations and deal with the complaints against it;
8. to approve the type and amounts of receipts/collectibles by the Organization and exercise supervision over them;
9. to appoint the Organization's auditor/inspector and establish their fees and remuneration;
10. to elect the members of the board of directors of the Organization;
11. to determine the salary, fringe benefits, bonus and remuneration for both the president and members of the board of directors of the Organization;
12. to select members of Arbitration Board and determine their fees and remuneration;
13. to grant permission to the Exchange for offering the securities of its listed companies on the foreign markets;
14. to grant permission to the Exchange for the listing of foreign securities on the Exchange;
15. to grant permission to the Exchange to facilitate transactions by foreign persons/entities on the Exchange;
16. to address other issues which are, at the discretion of the Council of Ministers, related to the Securities Market.

Note: the Council's resolutions shall become enforceable when they have been approved by the Minister of Economic Affairs and Finance.

**Article 5 :** The Organization is a non-governmental public entity with legal and financial independence which shall be funded through the service charges and fees collected from the companies listed on the Exchange as well as other revenues. The funds required to commence the operations of the Organization shall be raised out of the trust funds of the Stock Exchange Council deposited with the Organization of Tehran Stock Exchange Brokers.

Note: The statute and administrative structure of the Organization shall, within three months as of the ratification date of this law, be compiled by the Council, and approved by the Council of Ministers.

**Article 6 :** The Organization board of directors shall consist of 5 members who are elected from among the trusted and highly reputable individuals with financial experiences solely from the non-governmental sector professionals as recommended by the chairman of the Council and approved by the Council. The Chairman of the Council shall issue letters of appointment for the members of the board of directors.

**Article 7 :** The functions and powers of the Organization board of directors are set out as follows:

1. to compile the by-laws required for the enforcement of this law and recommend them to the Council;
2. to draft the executive regulations of this law;
3. to monitor the strict application of this law and pertinent rules;
4. to register and issue the license for the public offering of securities and exercise control over the procedures thereof;
5. to request the issuance, suspension and revocation of the establishment license of exchanges and other institutions/entities which fall under the Council's jurisdiction for approval;
6. to issue, suspend and revoke the establishment licenses of associations and financial institutions subject of this law which do not fall under the direct jurisdiction of the Council;
7. to approve the statutes/constitutions of the exchanges, associations and financial institutions subject of the present law;
8. to adopt the necessary measures to prevent the occurrence of violations in the securities market;
9. to report such types of violations in the securities market for which the reporting task has been entrusted to the Organization under this law to the appropriate authorities and follow up the same;
10. to present the financial statements and periodic reports on the Organization's performance as well as the status of the securities market to the Council;
11. to take the appropriate measures and required actions to protect the rights and benefits of investors in the securities market;
12. to provide the required coordination and cooperation with other supervisory boards and policy-making councils;

13. to propose the utilization of new financial instruments in the securities market to the Council;
14. to supervise the investments made by foreign natural and legal persons in the Exchanges;
15. to draft the budget and propose various revenues and service fees of the Organization for approval by the Council;
16. to approve the limit of service fees and commissions of the Exchange and other financial institutions subject of this law;
17. to issue the confirmation letter of the Organization prior to the registration of the public joint-stock firms with the Companies Registration Authority and the Organization's oversight of such entities;
18. to examine and oversee the disclosure of material information by the companies registered with the Organization; Rules and Regulations of The Iranian Capital Market
19. to provide cooperation and coordination with accounting authorities, in particular, the Board in charge of Codifying the Auditing Standards;
20. to conduct the long-term and macro-research programs towards formulation of future policies of the securities market;
21. to cooperate with and participate in the international institutions and join the related regional and global organizations,
22. to perform all other affairs entrusted to the Organization by the Council.

**Article 8 :** The office-term of each member of the board of directors shall run for five years and their re-election for the second term shall meet no impediment;

**Article 9 :** The chairman of the Organization board of directors shall be appointed from among the board members on the advice of the members and with the approval of the Council for a period of 30 months.

Note1: The chairman of the board of directors shall be acting in the capacity of the Organization president and regarded as the highest ranking executive official.

Note2: The functions and the scope of powers of the Organization president shall be described in the of Organization's statute.

**Article 10 :** The engagement of the members of the board of directors shall be on a full time basis as executive members and they shall not absolutely be allowed to engage in or assume another responsibility whatsoever in other organizations, agencies and entities whether governmental or non-governmental.

**Article 11 :** In the case of dismissal, death and/or resignation of any member of the board of directors, his substitute shall be elected for the remaining office term within 15 days as the case may be, subject to the rules specified in article 6. The conditions for dismissal of the board members shall be stipulated in the statute of the Organization.

**Article 12 :** The members of the board of directors shall, prior to assuming their responsibility in the Organization, take an oath at the Council's meeting so as to perform their legally assigned duties in the best possible manner, take the utmost care and impartiality in the exercise of their functions, ensure that all the resolutions adopted are in the interests of the country and observe the secrecy and



confidentiality of the information provided by the Organization and the board of directors. The text of the oath shall be included in the statute of the Organization.

**Article 13 :** The salaries and benefits of the president and of the board members of the Organization shall be paid out of the budget allocated for this Organization. Note: The attendance bonus/fees of the Council's non-governmental members at the meetings shall be fixed and approved by the Council as recommended by the Council chairman and shall be paid out of the Organization budget.

**Article 14 :** From the start of their appointment and at the termination of their office-terms, the members of the board of directors shall have to report the list of their own assets and property and the assets of their spouses and dependants to the Council.

**Article 15 :** The auditor/inspector of the Organization shall be chosen by the Council from among the auditing firms being members of the Association of Certified Accountants for the term of one year. The re-election of the auditor/inspector shall be possible for a maximum of two terms.

**Article 16 :** Any transaction in the securities registered or in the process of registration with the Organization or any direct or indirect activity and engagement in such transactions by the Council members, Organization, directors and partners of the Organization's auditing firm as well as by their dependants shall be forbidden.

**Article 17 :** The members of the Council and the Organization shall, within two years, have to report their economic and financial activities as well as the full-time or part-time jobs that they have had for the past two years to the Head of the Judiciary.

**Article 18 :** The Council members, Organization, directors and partners of the Organization's auditing firms shall have to refrain from direct or indirect disclosure of confidential information they become aware of in the discharge of their functions even after the expiry of their office-terms. The offender shall be sentenced to the punishments prescribed under article 46 of this law.

**Article 19 :** The Organization may, in performance of its legally assigned duties upon the authority of the state public prosecutor, request the furnishing of the required information within the framework of the existing law from all banks, credit institutions, governmental (state) corporations, public and government organizations including the establishments whose names have been mentioned or specified for the applicability of this law as well as natural persons or non-governmental legal entities. All such establishments and persons shall have to present information to the Organization in the specified period of time.

### Chapter Three Primary Market

**Article 20 :** The public offering of securities in the primary market shall be subject to their registration with the Organization pursuant to this law whilst the public offering of securities in any manner whatsoever shall be forbidden without applying the provisions of the rules herein. Rules and Regulations of The Iranian Capital Market 13

**Article 21 :** Registration of securities with the Organization shall provide assurance of



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the compliance with the prevailing rules, the Organization's approvals and information transparency and shall not entail confirmation of any privileges, guarantee of profitability and/or any recommendation and advice as to the companies or the securities-related projects by the Organization. This matter shall be specified in the prospectus.

**Article 22 :** The issuer shall have to submit its application for registering the securities in conjunction with the registration statement and the prospectus so as to obtain the required license for public offering. Note: The application form of securities registration, the contents of registration statement and prospectus which shall have to be submitted to the Organization and also the procedures of publishing the prospectus and providing coordination between the Companies Registration Authority and the Organization shall be set forth subject to the directive issued by the Organization and approved by the Council.

**Article 23 :** The Organization shall have to take action for the approval of the prospectus after it has duly considered the request for securities registration and obtained assurance as to their compliance with the rules in force.

Note1: The securities public offering shall take place within the period of the time specified by the Organization. Such period shall not exceed 30 days. The Organization may extend the subscription period for a maximum of another 30 days at the issuer's request based on the reasonable evidence.

Note2: The issuer shall, within 15 days after the expiry of the public offering period, notify the Organization of the results of securities sales and distribution in a manner determined by the Organization. The steps due to be taken by the issuer, where the securities have not been entirely sold, shall be specified in the prospectus

Note3: Utilization of the funds so collected shall be authorized when the Organization has confirmed the completion of the public offering process.

Note4: In the case that the process of public offering has not been completed, the proceeds so collected shall have to be refunded to the investors within 15 days at the latest.

**Article 24 :** If the Organization finds out that the application forms and the annexes thereto received for registration and issuance of the securities are incomplete, it shall, within 15 days, reflect the matter to the issuer and request for an amendment. Where the documentation has been completed, the Organization shall, within 30 days at the latest as of the date of filing the application with this Organization, announce its agreement or disagreement with the securities registration to the issuer.

**Article 25 :** As of the effective date of this law, a license for publication of the prospectus shall be issued by the Companies Registration Authority upon the Organization's approval in order to have the public joint-stock companies or their capital increase registered.

**Article 26 :** As of the effective date of this law, the functions and powers of the Central Bank of I.R.I under article 4 of the Law on the Issuance of Participation Certificates (Musharakah Sukuk) enacted on September 21, 1997 shall be delegated to the Organization. Note: The participation certificates which are, subject to this law,



exempt from registration with the Organization shall also be excluded from the application of this article.

**Article 27** : The following securities shall be exempt from registration with the Organization:

1. the participation certificates issued by the Government, Central Bank and municipalities;
2. the participation certificates issued by the banks and financial and credit institutions which are under the supervision of the Central Bank;
3. the securities offered in the form of private placements;
4. the shares of any public joint-stock company whose total shareholders' equity is less than the figure set by the Organization;
5. other securities which shall not require registration at the discretion of the Council, such as the bonds/certificates issued by other organizations and competent authorities.

Note: The issuer of securities which are exempt from registration shall have to report the specifications and features of the securities and the procedure and requirements of their distribution and sales to the Organization as per the conditions laid down by this Organization.

**Article 28** : Establishment of exchanges, OTC markets and financial institutions subject of this law shall require their registration with the Organization. These entities shall be operating under the supervision of the Organization.

**Article 29** : The professional competency and qualifications of the members of the board of directors and executives, the minimum required capital, subject of the business area as set down in the statute, reporting system and type of special audit reports of financial institutions under this law, shall be approved by the Organization.

### Chapter Four

#### Secondary Market

**Article 30** :The securities listing on the exchange shall be implemented in accordance with the regulations which shall be approved by the Organization upon the recommendation of each exchange. The exchange shall not be authorized to list the securities which have not been registered with the Organization

Note: The securities exempted from registration shall be excluded from the provisions of this article.

**Article 31** : The exchange shall have to prepare the list, number and price of securities traded on business days as per the standards approved by the Organization and shall be publicly announced. Such list shall be deemed as an official instrument and filed in the exchange archives.

**Article 32** : The Organization shall, upon identification of emergency conditions, be authorized to issue instruction for suspension and/or halting of transactions on each one of the exchanges for a maximum period of three business days. In the case of continuation of emergency state, such period may be extended by the Council.



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Note: The emergency conditions shall be specified in a regulation which shall be approved by the Council as recommended by the Organization.

**Article 33** : Commencement of activities by brokers, broker/dealers and market-makers in any manner and under any designation shall be subject to their membership in the appropriate association and compliance with the provisions of this law, regulations and directives. Note: As long as the Association of Brokers/Dealers and Market-makers has not been formed, the functions and duties of such association shall be performed by the Organization. When the number of the association members reaches 11 persons across the country, it shall be mandatory to form the Association of Brokers/ Dealers and Market-Makers.

**Article 34** : The operations and activities of brokers, broker/dealers and market-makers on each exchange shall be subject to their admission into this exchange in accordance with the guidelines recommended by the related exchange and approved by the Organization

**Article 35** : The board of directors of the exchange shall investigate the disciplinary violations committed by brokers, broker/dealers, market-makers, issuers and other related members in breach of each provision of this law or appropriate rules in accordance with the prevailing disciplinary regulations. The verdict rendered by the exchange may be appealed against with the Organization within one month as of the date of its service. The decision so taken by the Organization shall be absolute and enforceable.

**Article 36** : The deputies within brokers, market-makers, broker/dealers, investment advisors, issuers and other concerned parties arising from their professional activities shall be investigated by the Arbitration Board if no settlement and compromise can be reached by the associations.

**Article 37** : The Arbitration Board shall be composed of three members whereby one member shall be chosen by the Judiciary Head from among the experienced judges and two members shall be appointed by the Council from among the financial and economic professionals as recommended by the Organization so as to investigate the disputes. In addition to their principal representatives, the Head of the Judiciary and the president of the Organization shall, upon the Council's approval, each designate and introduce their alternate members so as to attend the Arbitration Board sessions in case a principal member is absent. The qualifications for the alternate members shall be the same as those for the principal members.

Note1: The representative of the Judiciary shall preside over the Arbitration Board.

Note2: The office-term of the principal and alternate members shall be two years at the latest and their reappointment shall be allowed for another two terms at the latest.

Note3: The Arbitration Board has a secretariat which is based at the premises of the Organization

Note4: The budget of the Arbitration Board shall be drafted and paid out of the Organization budget.

Note5: The awards issued by the Arbitration Board shall be absolute and enforceable and shall be implemented by the Offices and Divisions of the Deeds and Real Estates Registration Department.

**Article 38 :** In the event that the brokers, broker/dealers, market-makers, investment advisors and other similar organizations apply for temporary or permanent withdrawal from their activities, they shall report the matter to the Organization, Association and accordingly to the appropriate exchange and shall deposit their business licenses with the Association. The related guarantees and collaterals shall remain valid until when the status of the transactions conducted and other obligations has been cleared and settled. The latter part of this article shall also apply to brokers, broker/dealers, market-makers, investment advisors and other similar organizations whose memberships have been suspended or revoked in accordance with article 35 of this law.

**Article 39 :** The brokers, broker/dealers, market-makers, investment advisors and other similar Organizations shall have to prepare the required reports and submit them to the appropriate authorities subject to the guidelines compiled and notified by the Organization

### Chapter Five

#### Information Dissemination in the Primary and Secondary Markets

**Article 40 :** The Organization shall arrange a manner that the set of information collected in the process of securities registration shall, within 15 days at the latest, be made available to the public pursuant to the relevant by-laws.

**Article 41 :** The Organization shall have the exchanges, securities issuers, brokers, dealers, marketmakers, investment advisors and all organizations active in the capital market release full information on their operations as per the National Auditing and Accounting Standards.

**Article 42 :** The issuer of securities shall have to prepare its financial statements subject to the legal requirements, accounting and financial reporting standards, executive regulations and directives as communicated by the Organization.

**Article 43 :** The issuer, investment bank, auditor, assessors and the issuer's legal advisors shall be accountable for compensation of damages to the investors that have sustained a loss due to the failure, negligence, and violation and/or on the grounds of presenting incomplete and false information in the course of initial offering arising from an act or omission of an act.

Note1: The parties suffering from a loss (aggrieved parties) under this article may, within one year at the latest after detection of violation, lodge a complaint with the Exchange board of directors or the Arbitration Board providing that not more than three years has lapsed as of the public offering date by the issuer.

Note2: Only those individuals who have purchased the securities of the issuer subject of this article prior to the detection and announcement of violation shall be entitled to claim damages.

**Article 44** : If the Organization becomes aware that the issuer has provided false, incomplete, or misleading information in the registration statement or in the prospectus, it may stop the public offering of securities at any stage

**Article 45** : Any issuer that has obtained its license for securities issuance from the Organization shall be obligated to submit at least the following items to the Organization in accordance with the directive issued by this Organization:

1. the audited annual financial statements (FY);
2. the periodic financial statements including the audited semiannual financials (SAN) and quarterly (3 month-period) financials (Q);
3. the board of directors' report to the general meetings and the opinion expressed by the auditor, 4. any information having a material effect on the securities price and the investors' decision-making.

### Chapter Six

#### Offences and Punishments

**Article 46** : The following persons shall be sentenced to (discretionary) imprisonment from three months to one year or to cash penalty being equal to two or five times of the profit gained or the non-incurred loss or to both punishments:

1. any person who, prior to the public offering, takes advantage of the inside information relating to the securities subject of this law being available to him exofficio which may, in one way or another, be served against the interests of other parties or be served in his own interest or in favor of the persons from whom he is represented under any designation or causes such information to be disclosed or released in the circumstances not permissible;
2. any person who trades in securities by using the inside information;
3. any person whose actions will typically result in a deceptive appearance of the Rules and Regulations of The Iranian Capital Market 21 securities transactions trend or will create false prices or lure persons into securities trading;
4. any person who, without observing the provisions of the present law, publishes a notice or a prospectus aimed at public offering securities.

Note1: The following persons shall be regarded as insiders in a company:

- a) directors/executives of the company including members of the board of directors, executive board, managing directors and their deputies;
- b) inspectors, advisors/consultants, accountants, auditors and lawyers/ attorneys of the company;
- c) the shareholders who, individually and/or jointly with their dependants hold more than ten (10%) percent of the company shares or such shares are in possession of their representatives;

- d) the managing director and the board members and the directors concerned or the representatives of the parent (holding) companies who own at least ten (10%) percent of shares or fills at least one seat in the board of directors of the investee company;
- e) other persons who have access to the inside information with a view to their functions, powers and/or their positions (ex-officio).

Note2: The persons under Note 1 of this article shall, within 15 days after the conduct of transactions, have to report that portion of their securities trading which is not based on the inside information to the Organization and to the Exchange.

**Article 47 :** The persons who present false information or forged documents to the Organization or to the Exchange or certify such information and documents and/or use false information and forged documents and records in compiling the reports required under the present law shall be sentenced, as the case may be, to the punishments prescribed in the Islamic Punishment Act ratified on May 27, 1996.

**Article 48 :** The broker, broker/dealer, market-maker, investment advisor who, without permission, disclose the secret/confidential information of the persons whereby they ex-officio become aware of or is made available to them, shall be sentenced to the punishments prescribed in the Islamic Punishment Act ratified on May 27, 1996.

**Article 49 :** The following persons shall be sentenced to (discretionary) imprisonment from one to six months or to cash penalty being equal to one or three times of the profit gained or nonincurred loss or to both punishments:

1. any person who, without applying the provisions of this law and under any designation whatsoever, is engaged in the activities such as brokerage, broker/dealership and market-making which shall require obtaining a license and/or introduces himself/itself under any of such designations;
2. any person who is obligated under this law to submit all or parts of the information, records and/or material documents to the Organization and/or to the appropriate exchange and refrains from doing so;
3. any person who is responsible to compile and gather documents, records, information, registration statement or prospectus and the like for submission to the Organization and accordingly any person who is responsible to examine and comment on or prepare the financial, technical or economic reports or is responsible to certify in any manner such documents and information and violates the provisions of this law in the performance of the assigned duties,
4. any person who intentionally and purposefully misuses any information, documents, records or false reports relating to securities in any manner whatsoever.

**Article 50 :** The broker, broker/dealer or market-maker that misuses the securities and the funds deposited with him/it, as required to be kept in a separate account for carrying out transactions, in his/its own interest or in favor of other parties in contravention of the rules shall be sentenced to the punishments prescribed in article 674 of the Islamic Punishment Act ratified on May 27, 1996.

**Article 51 :** In the case of committing the violations stipulated in this law by legal entities, the punishments so prescribed shall be inflicted, as the case may be, on those



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natural persons who have been entrusted with the decision-making responsibilities on behalf of the said legal entities.

**Article 52 :** The Organization shall have to collect the evidence and records relating to the violations stipulated in this law and submit them to the competent judicial authorities and shall, as the case may be, follow up the matter as plaintiff/complainant. If any loss and damage has been incurred by other parties/persons owing to the foregoing violations, the aggrieved party may submit the statement of claim with the judicial authorities for compensation of the loss and damage so sustained in accordance with the rules in force.

### Chapter Seven

#### Miscellaneous Provisions

**Article 53 :** The brokers, broker/dealers, market-makers and other participants in securities market shall, within six months as of the establishment of the Organization, have to take action to establish their Association following the approval of their statute.

**Article 54 :** Not any shareholder, whether natural or legal, shall be allowed to hold directly or indirectly, more than two percent and half (2.5%) of the shares in the Exchange.

**Article 55 :** Not any shareholder, whether natural or legal, shall be allowed to hold, directly or indirectly, more than five percent (%5) of the shares of the Central Securities Depository and Settlement Company.

**Article 56** Upon the establishment of the Organization, all records and documents of the Stock Exchange Council subject of the Establishment Act of the Tehran Stock Exchange passed in 1966 shall be transferred to this Organization.

**Article 57 :** The properties and assets of the Brokers' Organization of the existing exchanges including movable and immovable, cash, bank deposits, securities, rights, obligations and other assets shall, after deduction of liabilities and the deposits reserved for the Exchange development, be computed by a committee composed of the Organization president, elected representative of the respective exchange brokers and representative of the Council and shall, when necessary and appropriate, be apportioned between the joint stock company of the relevant Exchange and the Organization as capital and financial resources at hand respectively. The decisions taken by this committee shall be enforceable upon approval by the Minister of Economic Affairs and Finance.

Note: The employees' service records and benefits of the Brokers' Organization of each Exchange shall be redeemed with severance pay in accordance with the Labor Law legislation.

**Article 58 :** The government shall take necessary measures to activate the commodity exchanges in conformity with the present law and to introduce legal guidelines and mechanisms for such purpose.





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**Article 59** : The present law shall fully enter into force four months after the date of its ratification and the Council of Ministers and other authorities referred to herein shall take action in a manner that the administrative and organizational rules and proper executive organs required under this law be established and approved within the said period.

**Article 60** : Upon the expiry of the periods specified in this law, the Establishment Act of the Stock Exchange approved on May 17, 1966 and all laws and regulations which are in conflict with the present law shall be repealed. The present law comprising 61 articles, 29 notes was ratified at the opening session of the Parliament (Islamic Consultative Assembly) on Thursday November 22, 2005 and received the assent of the Guardian Council on November 23, 2005.