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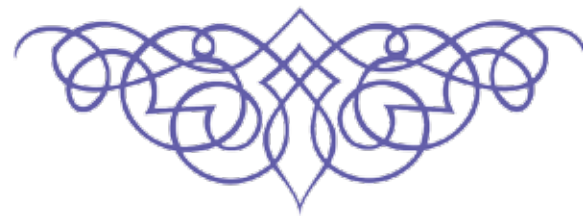
IME

Quarterly

Iron Mercantile Exchange Quarterly Newsletter



In the Name of God



IME Quarterly Newsletter

Winter 2019, Vol. 15

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Editorial Column

Amin Najari

Government Seeks New Ways to Promote Market Transparency

Given that commodity exchanges are known as the fastest, the most secure and the most transparent way for provision of raw materials all over the world, it's a pity that even now that the Iran Mercantile Exchange has been up and running for more than 10 years, our industries are struggling with shortcomings of supply as to such markets.

Market participants in downstream industries are of the opinion that official markets bear a good number of merits as compared to unofficial ones, including lower prices, transparency of procedures during exchange of goods, identified buyers and sellers, clarified and precise statistics showing facts and figures of demands for each product, financial instruments which are in work in such markets and last but not least, financing facilities for manufacturing companies.

But, the question is whether IME is capable of controlling trades and transactions in crises.

It seems that we have nearly overcome the challenge of prescriptive price settings previously done by the government. Our bottleneck now is that we are suffering lack of a secure mechanism to identify real customers and consumers of raw materials traded on IME; that is to say the issues we are struggling with do not have their roots in modes of trade running on IME, but one need to step back and look for them in the Ministry of Industry, Mine and Trade when they fail in identifying real customers.

In fact, IME did everything in its power to create the synergy needed for preventing such problems. In other words, IME is not to blame for the defects we are witnessing in the mechanism of distributing commodities. A measure has been taken recently which links the IME trading platforms to the working license of the purchasing company and the amount of the commodity that company is legally permitted to buy from IME.



It was in line with the policy of promoting transparency in Iran's economy, however, there are numerous manufacturing units with no working license, which have been active for a long time and what they have been buying on IME is not their fair share of the base commodities which are supposed to be used by real manufacturers with valid working licenses. Hence, there is no other way but to identify such manufacturers with no working license and prevent them from purchasing such base commodities from IME.

There is one more point for which IME needs to come up with a solution. There are some companies believing in the advantages of IME but are against the policy of disseminating all the data and information pertinent to them in the name of transparency. They hold that this way their rivals in the markets outside of IME will have the upper hand and the downstream industries will purchase the product they need from their rivals instead of them on IME.

It's also worth mentioning that there are companies which are against transparency that IME is after, as they do not believe in paying tax to the government and do whatever they can to escape it. That's why they do not enter IME's market in the first place.

All that said means that IME has got quite a heavy burden on its shoulders to keep the balance between its intrinsic mission which is paving the path for a more transparent economy on one hand, and on the other make its policies such that they won't harm the interests of those companies that are willing to trade on IME, but are afraid of losing the game to their rivals due to what they call too much transparency.



CEO POST



Iran Mercantile Exchange Accounts for 41% of Total Trading Value of Iran's Capital Market

Within the first 10 months of the current hijri year IME's share of the total trading value of Iran's capital market was 41 percent, 1,524 thousand billion rials, winning IME the highest rank among the 4 markets running under the supervision of Securities and Exchange Organization of Iran.

IME broke a record within the first 11 months of the current hijri year with a total trading value of 1,657 thousand billion rials, an unprecedented figure since IME was established. Trades on IME come under two main categories: physical market with a trading value of 773 thousand billion rials and the commodity based securities market valued at 884 thousand billion rials.

As the statistics show, IME experienced an upward trend in all its markets, with its physical market and securities markets trading values increasing by 73 and 41 percent respectively. As to the number of contracts in IME's derivatives market, IME saw a 283 percent increase, selling 14,607,000 options and futures contracts.

Another function of IME is financing with the help of which IME can provide farmers or producers with the money they need to run their business. In the last hijri year, IME provided various industries with 296 thousand billion rials within salam contracts.

As to the trades of certificates of deposit, IME traded 361 thousand of gold coins (16 -fold increase), 64 tonnes of maize and nearly 26 tonnes of saffron (38-fold increase) with the total trading value of 17,251 billion rials (3-fold increase).

Generally speaking, IME saw a booming financial market in the last hijri year. IME's financial market is comprised of standard parallel salam contracts, certificates of deposit and investment funds, with a total trading value of 70,339 billion rials (626% increase). We can also speak of another record in both value and volume of trade for two other categories of commodities sold on IME. In the first 11 months of the last hijri year IME traded more than 4,232,000 tonnes of petrochemicals valued at 266,582 billion rials (92% increase) as well as 193,882 billion rials (116% increase) worth of oil products which is a new record for IME.

All in all, IME has experienced an upward trend in all of its markets in the last hijri year with a 60% increase in its total trading value as compared to the same period in the hijri year before that.

IME took numerous measures to develop its market within the last financial hijri year (21 March 2018 to 20 March 2019) like regulating the market for oil and petrochemical products, establishing the infrastructure for putting up certificates of deposit traded on IME as collaterals with banks, extending its financial instruments to new underlying assets, launching new instruments, improving IT and electronic infrastructures to ease access to IME and the services it provides, and negotiations with various organization and entities to get linked to IME via such electronic facilities so that our economy can enjoy the benefits accordingly.

In the coming year IME has got the plan of extending its commodity based securities to more underlying assets via launching commodity funds on agro-products like the saffron fund. At the same time, there will be futures and options running on these funds. To expand the function of commodity based securities IME is about to launch new instruments like debt securities and license auctions.

To develop trading and settlement methods in its physical market IME has decided to start demand-based (reverse auction) trades and multi-phase settlements.

Another milestone in IME's plans for the next year will be enhancement in collaborations with monetary and financial institutions. Hence, IME will be able to create new capacities for certificates of deposit with the help of commercial banks and also increase market depth for commodity based securities using the market making potential of investment banks. All these will be attempts to better the quality of services IME gives to its beneficiaries.

Last but not least will be IME's policies in order to improve and integrate systems and procedures, to update data management systems, to promote and strengthen the company's branding and to develop and expand its international ties.



IME's General News



Iran's capital Market Performance within 30 Months and its Plans for the Future

IME held a meeting on January the 20th in which attended members of the economic committee of Iran's parliament and also the high ranking officials of various sections of Iran's capital market. In this meeting, Shapour Mohammadi, chairman of securities and exchange organization of Iran, elaborated on the activities of Iran's capital market during the last 30 months and said that the indices for Tehran Stock Exchange and Iran Farabourse have increased 119% and 148% respectively. The indices for industry and 50 active companies have been 136% and 137%.

He added that regarding the fact that price weighted index has also shown a 109% increase explains that the capital market has been growing homogeneously. Both index and price weighted index has been going upward which means the overall growth

could not be attributed to a few specific companies. He insisted that during the time, one of the reasons prices went up in capital market was the growth in exchange rates. There have been also various industries entering the capital market. However the increase in the market of foreign currencies and gold has been much higher and this has been mostly speculative.

He continued that the stock market and Farabourse market have been growing shoulder to shoulder. The stock market value experienced a 96 percent growth while the Sokuk market value increased by 338 percent. In total, the whole capital market value increased by 107 percent.

10 industries account for 80% of the market

Chainman of SEO explained that chemicals have 25.47 % of TSE and IFB market. Next come base metals with 16.24%. He added that within the previous two and a half years the number of companies listed on TSE and IFB increased by 7.3 %.



Foreign investment in Iran's capital market

Shapour Mohammadi referred to the statistic of foreign investment and explained that it reached from 12.3 thousand billion Rials to 13.7 thousand billion Rials within the last two and a half years. He added that within the last 30 months there has been a 65 percent increase in value of our securities market and our commodities market value has reached to 3,454 thousand billion Rials which shows a 167 % increase. In total, the value of all markets has by 108%.

Capital market's share in financing

He also talked about another important issue and said the total amount of funds provided through issuing securities in the last 30 months has been 1,775,598 billion rails; a 97 % increase while this figure for other financial institutions has been minus 18 %. He continued that the number of investment fund in the same period witness 33.75 % of growth with their value reaching 1,478 thousand billion Rials. The number of customers buying investment units from such funds also saw a good increase of 102%.

High speed of data dissemination

Mohammadi added that the average number of latency in days of dissemination of data from 2014 to the very beginning of 2019 reached from 39 to 1. In the same period data dissemination increase from 44% to 86% and the percentage of refraining from releasing data and information deceased from 32 to 6. He mentioned also that the security for our cyber infrastructure has increased.

Main initiatives taken in capital market in 30 months

He elaborated on the measures taken in

Iran's capital market which included lower commission rates for trades, decrease in number of days for taking care of complaints from 46 days in 2015 to 10 days in current year, revising 7 bylaws pertinent to closing and reopening a trading symbols, launching derivatives instruments and Islamic funding instruments, becoming a full member to IOSCO, implementing the "credit limit policy" for brokers in order to cut down on default risks, listing new commodities to be traded in commodity exchanges of Iran's capital market, releasing financial information for 360 companies subject to article 6 of the law of implementing principle 44 of Iran's constitution and so on.

Moreover, there have been initiatives in line with transparency and also protection of investor's rights and at the same time policies to fight against wrongdoings and lots of efforts in order to expand and develop infrastructures for supervision in the capital market.

Future plans

Secretary of Exchange High Council said that with regards to Iran's capital market as a highly transparent atmosphere for trade, there are some plans for its future including launching new instruments like short-selling, open policies and moving towards having international interactions, launching electronic general assemblies, implementing integrated procedures in companies, implementing systematic mechanisms for preventing wrongdoings in the market, revising listing procedures for securities, devising new formulas for calculating transparency rate of underwriters, devising bylaws on corporate governance for internal supervision on financial institutes and launching a comprehensive system for supervising financial transactions and the activities of brokerage firms.

Mohammadi in the end hoped that with the help of Iran's parliament we will have laws on improving the country's capital market, passing laws for controlling governmental debts and applying limitations on interest rates and thinking about incentives to absorb capital of real and legal persons for investment in the capital market.

Offering Proposal for Strengthening Country's Four Exchanges to Iranian Parliament Economic Commission



The head of the Iranian Parliament Committee on Economic at the meeting with the chairman of the Securities and Exchange Organization (SEO) and the managers of the capital market of Iran said: "if the proposal of the capital's chief executives for regulatory reforms or making new laws in order to strengthen the four exchanges be presented within a month to the Committee on Economic, we will follow up the subjects to promote the capital market system of the country." Mohammad Reza Pour Ebrahimi, regarding the details of the meeting of the members of the commission with Shapour Mohammadi, chairman of the Securities and Exchange Organization and senior managers of the

country's capital market, on Saturday, stated: "during this meeting, the managers of the capital market pillars reported on the performance of the exchanges of the country and the financial institutions, and discussed the limitations, problems and demands of the capital market with the members of the Iranian Parliament Committee on Economic."

According to him, despite the positive steps taken, the Economic Committee of the Parliament seeks to promote transparency in the capital market.

Pour Ebrahimi, pointing out that solving the problems of the capital market through Parliament was one of the topics of the

meeting, and the MPs also raised some issues, said: "In this meeting, it was decided that the Parliament, the capital market and the government interactively respond to the concerns of capital market managers and address the market's problems."

He added: "The first agreement was that the proposal of the capital's chief executives for regulatory reforms or making new laws in order to strengthen the four exchanges be presented within a month to the Committee on Economic and we follow up the subjects to promote the capital market system of the country."

The head of the Iranian Parliament Committee on Economic noted other issues discussed during the meeting and said: "The launch of currency exchange by the Central Bank and hedging its derivatives with the help of the capital market was another topic discussed in the meeting."

He added that using existing structures and capital market capacity to launch SPVs as well as the "Justice Shares" was also raised during this meeting, which we hope with the cooperation of the parliament and the government, decision making regarding when and how to release "Justice Shares" to be accelerated.

The head of the Iranian Parliament Committee on Economic stated: "Issues such as audit reports, the establishment of specialized educational centers aimed at raising the financial literacy of the child and adolescent group, stressing the continued supply of crude oil on the Iran Energy Exchange, strengthening the IME and reforming the rules for publishing financial statements were among the most important issues discussed in the meeting."

Pour Ebrahimi pointed to the capital market trends until the end of the year and said: "The stock exchange has been exposed to

external risks during the past months. The most important issues affecting the market were sanctions and forex fluctuations, but now the capital market has gone through these, and as a result, the market will continue its natural trend by the end of the year."

Nine Proposals to Economic Commission of the Parliament to Strengthen IME

The sincere meeting of the members of the Economic Affairs Committee of the Islamic Consultative Assembly with the head of the Securities and Exchange Organization and the managers of the capital market elements was held at the IME yesterday, during which the CEO of the IME presented the requests and proposals to strengthen transparency and facilitate trends in the field of the commodity transactions to the members of the Economic Commission of Islamic Consultative Assembly.

Hamid Soltaninejad talked about the necessity of adoption of appropriate legal incentives for commodity transactions on the IME and stated: "Given the transparency that comes with the supply and trading of goods on the IME, the existence of Legal incentives for trading different products in this transparent trading platform seems necessary.

"Trading goods outside the IME is unclear, and in addition to the absence of specific rules and regulations, also no strict rigor is applied to the quality of tradable goods," he said in a statement of other proposals of IME to the committee. However, on IME, although trades are conducted in compliance with specific standards for each commodity, there are also harsh regulations on transactions



that are necessary in order to maximize transparency, facilitate the trading of goods on IME with legal supports.

The director of IME, explaining that some industries and product groups still do not offer their products on the IME, suggested a regular schedule for supplying products on IME in order to see more and more market equilibrium.

Soltaninejad mentioned in another proposal to develop the trades of certificate of deposit of gold coins in the presence of the central bank and said that trades of certificate of deposit of gold coins which are pursued on the IME would have helped that the coin has a physical presence in the IME so that the paper-based transactions of this commodity be done by credit of gold coin and with clarity.

The advantage of these transactions is that if gold coin transactions are transparent, actual data on its transactions will be available and that these transactions on IME will prevent the abnormalities such

as the possibility of coinage or from its smuggling that may occur.

Soltaninejad continues: "besides the development of certificates of gold deposit coins, we have the proposal of solving the VAT tax problems in the tax affairs organization regarding deposit certificates transactions.

Additionally, it seems necessary to increase the existing tax incentives to encourage suppliers and buyers to conduct transactions in the transparent space of IME.

He also by presenting two proposals based on using market mechanisms in the decision, asked for linking tax systems, shipping, comprehensive trade, warehouses, etc. to the IME for tracking of post-trading transactions.

CEO of IME has also proposed the development of commodity funds to the members of the Economic Committee of the Parliament and said: "Commodity funds help to raise funds for the commodity field and increase the speed of liquidity in this field; therefore,

there is more development capability for this trading tool.

The advantage of commodity-based investment funds is that these funds are of ETF type and their units are tradable.

Daily transparency of the country commodity exchanges:

According to IME during this meeting, Soltaninejad presented a report on the performance of this complex and by explaining the history of the company's launch in the capital market said: the company was set up by the merger of Tehran Metal Exchange and the Agricultural Exchange in 2007 And various commodities from agricultural, industrial and mineral fields, as well as petrochemicals and petroleum products are also available.

Hamed Soltaninejad added: "In the financial market of the IME, we have provided various tools for financing producers and buyers, which along with financing for the industry, brings transparency to their exchanges."

He emphasized: In this regard, transactions on IME are transparent, which there is the possibility of exchange of information instantaneously, up-to-date, and daily, between IME and regulatory agencies and executive agencies such as the national tax administration, anti-contra band and currency smuggling headquarters, Customs, State Inspection Organization and other systems and IME provides this information to the related organizations; in other words, due to commodity trading on IME, the country's commodity traders report would be transparent daily and available to the relevant institutions.

By explaining that since the beginning of the current year, more than 670 billion Rials have been exchanged in the form of 20 million tonnes of goods on the IME, he said: According to accepted statistics, since 2007, more than 250 million Tonnes of goods have been exchanged in IME that shows the extent of the presence of industries.

Soltaninejad added that the market for agricultural products is well placed to implement the supportive price policy of this year for the production of corn on IMEs, which would bring satisfaction to the activists of this sector, because by implementing this policy on IME, farmers will receive their debts faster.

CEO of IME pointed to the launch of trading of saffron in IME in the form of future trades and certificates of commodity deposit and said: in the derivatives market, over 1000 billion Rials of saffron is daily traded in the form of future contracts, and since the launch of these transactions, More than 800 Tonnes of saffron, which is about the equivalent of two-years production of the country, has been traded in the form of these contracts. Saffron commodity deposit certificate also provides farmers to sell their products in the market for the day price by delivering their product to the warehouses accepted by IME and receiving the warehouse receipt or certificate of commodity deposit of their product and receive their money as soon as possible.

As it can be said, by these deals, IME has become the reference price for saffron in the country.

Meanwhile, the main benefit from selling the product, which dealers speculate in their pocket before the launch of the saffron exchange, now gets into the saffron-planting farmers by IME.

The Need for Maximum Offering of Commodities on IME

Spokeswoman for Iranian Parliament Commission on Economy, saying that transparency in IME transactions could prevent many negative happenings, such as false price increases, stated: "The basic and intermediate commodities' market requires precise monitoring. Part of these transactions which is made on IME's market is transparent, but there are no accurate statistics from other trades outside the IME's market."

Zahra Saeedi, referring to the importance of IME in regulating different markets, said: "Given the current conditions in different markets, and unreasonably increasing prices in some commodities, the expansion of the range of offering commodities on IME can have a significant impact on the organization and control of the market."

The spokeswoman for Iranian Parliament Commission on Economy added: "Unfortunately,

we are currently facing sticky prices, which continues to rise in commodity market, despite the foreign exchange rate's downward trend, which is alarming."

She added: "Still, sellers do not trust the stability of the exchange rate in the market, so relevant measures should be taken in this area."

Saeedi saying that the real price adjustments in the market require strong and continuous monitoring expressed: "When products are offered on the IME, transactions are conducted in a transparent manner, without any interference, preventing occurrence of many negative happenings."

Spokeswoman for Iranian Parliament Commission on Economy said: "IME has a great potential for market regulation and can help regulate market turmoil.

Through real and fair price discovery, IME provides buyers and manufacturers with the opportunity to get their required commodities in a decent and economical manner."



Raw Materials will be Delivered to Real Producer through IME

Farshad Moghimi, Deputy Minister of Industry, Mine and Trade, said: "IME paved the path to transparency, so that the raw materials will be delivered to the real producers who need the raw materials via this economic structure."

Farshad Moghimi announced the connection of systems related to the purchase of goods from IME with the business licenses and required materials, and said that this is in line with transparency.

Moghimi said that if the implementation of some mechanisms, such as prevention of continued operation of unlicensed units, was not well-executed, we should not undermine the nature of institutions, including IME that support transparency. In these conditions, we must identify the weaknesses in the systems of monitoring unlicensed units that have been put on the agenda for the past few months.

The Deputy Minister of Industry, Mine and Trade added: "In fact, IME paved the path to transparency, so that the raw materials will be delivered to the real producers who really need the raw materials for their productions via this economic structure. Meanwhile, aimed at clarifying and easing the supply of raw materials by industries, the related systems have been linked together, and from now on the purchase of goods will be done through IME's mechanisms, requiring business licenses and the raw materials listed in the licenses."

He expressed: "currently, a significant number of units do not have business license, which are operating for many years. Although regulating these units has been on the agenda several times, and many

measurements have been taken, but these units are still working."

Moghimi said that measures have been taken to minimize the availability of raw materials to unlicensed units, helping the growth of production and the ease of supply of raw materials for the downstream industry. However, the establishment of IME is based on a legal obligation and, according to the law, allocation of base and intermediary commodities and raw materials will be assigned to IME. This is not just a domestic experience, but is a global experience in order to create order and transparency in trade.

Moghimi added: "The main goal of establishing IME in the economy is transparency, and with the same goal, the raw material is introduced to IME so that the manufacturing units meet their requirements via an official authority called IME."



About 80 to 100 Percent of Banks' Properties Transferred through TSE and IME

The Minister of Economic affairs and assets pointed to the clarification of the excess property of the country's banks and said that the supplementary property of banks is estimated from 70,000 to 100,000 billion USD, of course these figures are related to November of this year, which is more contingent with an update of about 100,000 billion USD. For selling and transferring these assets, the potential of security exchange and commodity exchanges is taken as a block deal, and we hope that through this supply, 80 to 100 percent of the assets of the banks will be transferred.

Although the situation of the country economy was turbulent in the first half of this year, but it succeeded in removing disturbing interventions with proper measures and controls of the government, and was able to control economic indicators, and reduced the monthly inflation rate of the country from 8.6% to 8.1%. September and October of this year, the rate was about 7 percent, but now it has reached to 2 percent.

He added that some declared the economic growth as worrisome, but according to statistics from the beginning of this year, the economic situation of the country is not worrying anymore, meanwhile unemployment data decreased according to the documentations of the statistics center in the first nine months of this year.

He said that the country's trade balance was positive in the first 10 months of this year, and its reason was not only a decrease in imports, but also our exports have had a positive growth with all the problems, but this is not an ideal situation.

He added: "We have to manage inflation by conducting capitals.

As for the trade balance, if our non-oil

exports increase, we can hope that we will see better conditions for the country's economy.

The increase of the exchange rate is harmless for imports and is very beneficial for exports.

The Minister of economies and finance said: "We have to make a vision, we must use the maximum opportunities and avoid from the waste of resources. With this procedure, we can hope for a good prospect."

Dezhpasand along with the transparency of surplus properties of banks of the country said: banks have inevitably possession of some of their property, because the principle is on improving conditions and transferring properties; for this reason, they are the principle of improving the conditions and the transfer of property."

For this reason, in the first phase of our actions, we set a meeting on the transfer of bank assets to the heads of state-owned banks in the country and took time from them.

He added that the supplementary property of banks is estimated from 70,000 to 100,000 billion USD, of course these figures are related to November of this year, which is more contingent with an update of about 100,000 billion USD. For selling and transferring these assets, the potential of security exchange and commodity exchanges is taken as a block deal, and we hope that through this supply, 80 to 100 percent of the assets of the banks will be transferred.

The Minister of Economics said about the standard number of bank branches throughout the country: with codification of the new banking system, we seek to reduce the amount of references to banks, so the number of branches should also be reduced, and this decrease is in the interest

of the banking system, because the costs will be decreased and economic activists will operate in the electronic environment. Dezhpasand added: "Currently, the standard number of bank branches in the country is about 12,000 branches, which in practice we are encountered with about 23,000 branches. Sometimes the increase of the branches have an economic justification; It is worthwhile to say that some banks are not cooperating to reduce branches," he said. There are also reviews on this issue and any bank that has more activities and partnerships to reduce the branch will receive more points.

"We are looking for the development of the electronic space of the capital market", the Minister of Economy and Finance said on the country's capital market. As for the

fluctuations of the mercantile exchange index after the October, also has to be said that the manner is natural for the whole world, while the use of consolidation funds can provide a lot of help to shareholders. Regarding the status of the Stabilization Fund, he said: "A significant amount has to be injected into the fund in two installments; the National Development Fund had the worthy support in this regard."

IME is considered as one of the country's funding bases," Dezhpasand clarified.

Minister of Economics and Finance said that there was no possibility of assignment before the talks were handed over to the red and blue teams of the capital, but in recent months we are waiting for new transfer procedures, and we expect this to happen by the end of this year.



IME's Advantages not Comparable to Unorganized Markets

The three groups resist against activity of IME. This is the conclusion of the viewpoint of chairman of the Securities and Exchange Organization regarding the critics of IME.

According to Shapour Mohammadi, the first group of critics is one who is reviewer of trading on IME because of the habit of escaping from change, as Iran mercantile market has made fundamental and structural reforms in the market. He sees the resilience group as the transparency and competition of trades of IME has restricted their interests, and they prefer to operate outside the existing rules. Mohammadi regards the third group as individuals who criticizes it due to the lack of knowledge about the advantages and mechanism of IME and resists about its developmental activities.

The chairman of the Securities and Exchange Organization emphasizes that the efficiency of IME is definitely higher than the unorganized monetary markets and, accordingly, the transparency and efficiency of IME and energy are undoubtedly more than other markets and, in general, possible drawbacks in IME Compared to

the competitive markets are rather less. It has always been stressed that IME is the key to solve the economic problems of the country, but sometimes there are some resistances throughout development of the IME and the Energy Exchange, and even some times these resistances have reached to the level of authorities.

Which factors are the root causes of these resistances?

Naturally, many commodities are traded in the traditional markets, and when a modern commodity market is formed from IME, a kind of dichotomy would be made. On the one hand, some are accustomed to the traditional market, and on the other hand, the modern market, such as IME or the Energy Exchange, creates major structural and substantial reforms and changes so that the presence of these resistances is natural.

Furthermore, some officials may care about the demands of a group of traditional market players and support the continued work of the traditional market.

Do you consider the commodity exchanges free of drawback?

We do not say that IME has no problems, there may be some drawbacks, but it is certainly more transparent and healthier than the rest of the markets, and it has also fewer problems than the other markets compared to the performance of other markets. Under these circumstances, it is natural for some to magnify the small drawbacks to make the transparent and modern market seems inefficient compared to the traditional market. It is here that fair judgment should be every one's criteria. This point should not be overlooked that



probable drawbacks of IME exist in other markets more broadly, and it has been widely reported that IMEs are being welcomed to resolve any problems.

What groups of people do you believe are against the development of IME?

The most optimistic perception of the critics is that they hardly reflect the changes of trades of IME due to many years of habit to the particular methods of trading. But some people's interests may also be involved. In the other part, this fact cannot be denied that one part of these resistances is due to the lack of familiarity with the mechanism and the advantages of IME. So, all three groups are effective in the formation of resistance to IME; some who variation is difficult for them, some who non-competitive and non-supervisory activities outside of IME are beneficial to them; and thirdly, people who are little acquainted with the benefits and achievements of IME.

Beside these three groups, we may need to emphasize on the necessity of strengthening the capital market as a fourth point. We have a duty to strengthen our informing so that experts analyze all aspects of the problem. Some persons sometimes say reality in their analysis, but they explain an aspect of the reality, and others refer to the other and different parts, and thus, the controversy forms. If all aspects of the subject matter are informed, then the scope of differences and gaps may be reduced. A while ago, oil minister said that: "In the previous supply of oil on the Energy Exchange, we announced to our buyers that they would purchase crude-oil from the energy exchange, but from hereafter we say that do not buy from this market". We have 50 years history of Iran mercantile. Some of the world's commodity exchanges

have more than 200 years of history, and so the mercantile and energy exchange to fit and prove their full potential in the economy require time. Of course, some express why IME does not find customer? About the idea of finding customer service, it should be noted that IMEs are generally market developers and their mission is not to find a customer. If they are looking for a customer, they will be diverted from their main mission, i.e., acting as an impartial, fair judge. In fact, customer finding service is not consistent with the professional principles and the nature of IME, and the supervisor is not allowed to find the customer. The task of IME is to provide the instruments for conducting free, competitive and transparent transactions, as well as developing financial institutions. In the meantime, finding a customer is not only among Iran mercantile duties, but it is also a factor of deviation from the main missions.

I must emphasize, transparency is definitely on Iran mercantile and energy exchange is more than other markets. The efficiency of IME is definitely more than unorganized markets.

I am very optimistic about IME and the energy exchange, but we should have patience so that in the future we will see the growth of the share of these IMEs in the economy of the country. But regarding the issue of supplying oil on the energy exchange, this volition is felt in the oil ministry, as both the oil minister and the parliament have contributed a lot in this field.



IME's International Events



Establishment of "International Exchange" in the Final Stages



The general secretary to the high council of free trade zones (industrial and economic sectors) said: "The regulation on the establishment of the "International Exchange" are offered to the Iranian government's economic commission, and then goes to the Cabinet of Iran for final approval."

Morteza Bank described the process taken to establish the "International Exchange" and said the regulation on the establishment of Exchange were first codified in co-ordination with the Securities and Exchange Organization of Iran (SEO) and approved by the High Council of Exchange; after that, some reforms were made by the Central Bank and with approval of the central bank was submitted to the government.

He added that the regulations on the establishment of the "International Exchange" were completed by some amendments in the subcommittee of the government's economic commission and then presented to the Iranian government's economic commission.

The general secretary to the high council of free trade zones referred to the "International Exchange" as a new capacity to attract foreign currencies to capital market, and said: "International Exchange" will provide financing for many projects and economic activities through offering stocks.

He added: "Investing in this exchange could be both domestic and foreign investment, and is based on English language; trading settlements will be through a credible international bank, and its inspection body is also an international institution, which have been determined in the regulation on the establishment of the "International Exchange".

Morteza Bank added: The "International Exchange" will be one of the fifth large exchanges in the country, beside Tehran Stock Exchange, Iran Farabourse, Iran Energy Exchange and IME, and its headquarter will be located on the Kish island.

IME Proposes Export Expansion Model in Face of Price Volatilities

Chief executive officer of IME said in a conference titled as "legal-based expansion of exports free of rent seeking" that premium trades will be the solution to covering the risk of price volatility for raw materials.

On a conference by the union of exporters of gas, oil and petrochemical products titled as "legal-based expansion of exports free of rent seeking", CEO of IME, Hamed Soltaninejad, attended and elaborated on the role of IME as one of the main pillars of Iran's capital market.

He explained that IME has got two markets which are physical and financial. The former is comprised of the domestic and export rings on which industrial, mineral, petrochemical, agricultural and oil products are traded.

Advantages of the export ring

He pointed out to the benefits of trading on IME's export ring and mentioned the following as the merits of this ring: guaranteeing the commitments of both sides of the trade, issuing offering notices and prices of trades, direct access of foreign customers to the market, marketing through brokerages network, controlling source of commodities, fair price discovery and provision of a competitive atmosphere for trades and finally applying international standards of trade.

He also added that IME traded 1,941,000 tonnes of various commodities in the first half of the current hijri years as compared to 2,645,000 tonnes in the same period in the previous year.

How to deal with price volatilities

Soltaninejad continued that IME trades on its export ring based on four models: spot,



credit SALAM and premium (floating price).

He added that recent studies reveal that the highest rate of price volatilities belong to oil and petrochemical products and the way we can cover the risk of them is premium trades in which the price of commodities will be calculated based on a formula in a final contract at maturity. This way we can have stability in prices of raw materials as compared to international prices.

As to international experiences on premium trades he referred to LME and said that currently such trades are used for delivering commodity to specific geographical zones in which the commodity is demanded most. His way, we can provide long and short positions of futures trades with floating prices in our domestic market through creating target oriented strategies and using new financial instruments.

He insisted on the potential of premium trades through long term contracts on IME's export ring and said that this way the exporters determine the target export market and enters international contracts for provision of commodities as they need a guarantee in this regard to plan their

market. On the other hand, the producers who have got the necessary infrastructure for production are in need of the guarantees pertinent to that. Eventually, the premium contract will be entered to by both exporter and producer based on a specific formula (based on the reference price) and the premium discovered in the market.

Premium trades mechanism

Soltaninejad elaborated on how premium contracts works and said that premium contracts are traded in the physical market in which both sides are obliged to trade a commodity at maturity based on final price (base price plus the agreed-upon difference). The buyer pays part of the price at the agreement time and the remaining part will be settled later based on the term of the agreement while making the contracts. In such contracts, premium is the amount added to or deducted from the base price to calculate the final price and the base price is the price which will be notified at a time stated in the offering notice by a reference approved by IME.

Flexibility of premium trades

He stated that one of the merits of such trades is that they can be tailored according to the needs of the customers as short term and long term contracts. Also the price setting formula can be adjusted depending on how to apply the variable in it. Moreover, the upfront fee (pre-paid amount) could vary from zero to one hundred percent and that premiums could be in the form of spot, SALAM and credit.

IME's suggestions to promote exports

In the end, Soltaninejad mentioned that, IME's proposal could be put in a nutshell with

three suggestions. First and foremost, IME and the union need to hold brainstorming sessions to come up with new models of trade to improve the economic development chain (production, distribution, trade and consumption) in order to fill in the gaps between the needs of consumers, producers and the merchants and eliminate the shortcomings of the business atmosphere. Secondly, IME suggest that the union play a regulatory role and supervise the performance of all participant on IME in the markets pertinent to the union. Last but not least was IME's suggestion as to long term contracts of raw material provision and export through premium trades for commodities such as vacuum bottom and bitumen.



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IME's Metals and Minerals
Trading Floor



IME's Mechanism Provides Financing to Manufacturing Firms

Managing Director of Mobarakeh Steel Company said: "Since its establishment, the mechanism of Iran Mercantile Exchange, in addition to removal of intermediaries, has provided financing to manufacturers in order to increase and expand production lines."

Regarding the effects of removal of the competition price ceiling from steel transactions on the steel products market, Hamid Reza Azimian expressed that the elimination of the competition price ceiling has

reduced the variation between prices of final consumer and the producer.

Managing Director of Mobarakeh Steel Company noted that the elimination of the price ceiling from IME's trading would benefit the producer and will enable producers to invest more in production.

The IME's mechanism since its establishment, in addition to removing intermediaries; is to provide more funds for producers to develop their product lines.

Managing Director of Mobarakeh Steel Company, arguing that IME's transparent system is more suitable for price discovery, said: "We are negotiating to achieve agreement with the Ministry of Industry, Mine and Trade to make mechanisms easier for producers and consumers."

According to this new mechanism, the licensed companies and manufacturers

will be given priority. Based on this, the IME's mechanism will be used for price transparency and the quotas will be allocated by the Ministry of Industry, Mine and Trade. Mobarakeh Steel Company will Shift to New Export Markets during Sanctions Azimian on the impact of sanctions on Mobarakeh Steel exports said: "Due to the sanctions, Mobarakeh Steel exports have faced a bit of problems, but we are trying to prevent these issues in

Mobarakeh Steel exports.

For this year, Mobarakeh Steel will allocate between 15% and 20% of its products to export, which we hope will achieve these numbers despite sanctions.

In other words, Mobarakeh Steel hopes to export 1.5 to 2 million tonnes of its products by the end of the year."

He emphasized: following sanctions, Mobarakeh Steel has shifted on the export target markets and has replaced European markets with other destinations.



Offer Cement on IME, Transparency will be the Fruit

The head of Tehran Building Materials Union says that: presence of mercantile exchange is necessary in any country, if officials seek transparency in the price of some commodities such as cement, they should proceed on the supply of cement on IME. The head of the Building Materials Union of Tehran Province, in a conversation with IRNA, considers the use of foreign goods as one of the major problems in the market of building materials and explains that the government should prevent the imports of goods that construction activists in the country have been faced with the problem.

Ismaeel Kazemi said that: the presence of restriction in this regard, in addition to creating a boom in the domestic market, will



provide the field of encouraging domestic producers to compete with foreign markets, change in production technologies and also the recruitment of unemployed force in the country.

He believes that Iran has a lot to say with its rivals because of the promotion of construction materials, so preventing imports of foreign goods will improve the market situation in the country.

Kazemi asserted the annual inflation rate of commodities, changes in wages paid to the worker, the rate of transportation and the prime cost in some cases such as packaging, as factors influencing the changes created in the rate of construction materials in the first half of this year. The head of Tehran Building Materials Union claimed that the manner of management of some manufacturing units, such as cement plants caused that a rise in prices be in a common limit and precede a reasonable trend for trades.

In response to some reports about a significant increase in the price of cement compared to other building materials, Kazemi replied: Over-supply of cement to the market has made to the losses of industrialists that have considered special attention for the product over the past few years; the abolition of the existing discounts has led some people to suspect that the price of cement would be raised. The head of the building materials union of Tehran province by explaining that the amount of discounts granted by the cement producers was not constant, continued: each factory, according to the conditions of the day and the amount of demand, considered some discounts to the purchasers, which now these discounts are somewhat faded. Also, the cost of packaging caused to the 15% increase of the price of cement in the market, but

bulk cement which does not require to packaging, has not been accompanied with more increase in price during two recent months.

By explaining that production of cement in the country is currently dominant over demand and this made concerns for the producers of this commodity, the head of Tehran Building Materials Union said that it would be better to discuss the supply of cement to IME through expert actions.

He introduced the method of treating the recession in the sale and purchase of housing as making decisions which the government has to consider paying the loan, as well as its repayment, proportional to the income of the housing applicants.

Kazemi said: reducing constructions in the country was in order to avoid mass-construction and congestion over the extent that Tehran municipality has taken into account in its policies during first six months of the year.

According to IRNA, the number of trade departments of selling construction materials in Tehran has been announced more than 2500; according to the trustees, about 600 unlicensed units are operating.

No New Derivatives on Steel Price Changes Released Recently

CEO of IME, referring to the quiet space of the metals ring of IME said that the basis for discovering the price of steel products has not still changed in IME, and is the same as the previous one, which is set in accordance with the final action of the market regulation headquarters.

Hamed Soltaninejad, the CEO of IME, in a conversation with Fars, told about new changes in the iron and steel market, according to a new announcement by the Ministry of Industry, Mine and Trade: regarding to the removal of restrictions in the ceiling of prices and at the base rate, the market is now proportionally balanced in the materials ring of IME, but at the same time, it must be met by suppliers in accordance with the minimum supply margin for steel and metal products.

Soltaninejad said: Large steel suppliers generally comply with their minimum supply requirements, but in order to provide the market with full stability, they should meet issues which are determined for the supply floor provided by the Ministry of Industry and the instructions of the market regulation headquarters. It should always be observed so that there is no concern for the supply side.

He said that, we should not necessarily look at any price change with a negative view, he noted: when the prices in IME are continuously constant and remain unchanged, the term "mercantile exchange" can no longer be referred to that market. The rise and fall of prices are part of the market, and if we do not see the fluctuation of prices on this market, we will have problems such as the huge price difference with out of IME and it will make the possibility of anomalies.

CEO of IME on a directive circulated by the Ministry of Industry to determine the iron and steel rate by basing the latest rate of CIS in the domestic market and the abuse of this directive in terms of sanctions, as well as the formation of a price-bubble of 10,000 Rials between the rate of rebar on IME with open market said that CIS is a global marketplace



with momentous changes, but the basis for discovering the price of steel products has not still changed on IME, and is the same as the previous one, which was set up in accordance with the final regulation of the market adjustment headquarter. That is, the base price is extracted by the Ministry of Industry on the basis of indicators and is announced to the supplier and then is competed on the basis of the supply and demand mechanism. According to him, there is a possibility that prices in the free market are not credible, and prices may be based on several trades.

Soltaninejad by emphasizing that the volume of transactions of steel and rebar is transparent, although the supply of steel products on IME is as wholesale, but there is a certain limit of difference between the major and the retail sales of products. The CEO of IME reminded: The volume of supply of steel products traded on IME is all sent to the organization of support from consumers and producers. Thus, the supervision on the wholesale price on IME and estimate of the retail price of steel products in the open market are identified and pursue if there is expensive-sales in this regard.

He argued that the claim of strong fluctuation in the price of steel products in the open market may not be based on the credible prices or taken on different future expectations. But good peace would be governed at level of whole-sale and retail-sale in IME, and if all suppliers tend to supply, in accordance with floor of the products supply, it will be a perfect market.



IME's Agricultural Trading
Floor



Gradual Offering of the Whole Wheat Produced in Iran on IME

The implementation of the supportive price policy of corn and barley on IME has been beneficial both to the producer and to the owners of the livestock and poultry industry and, generally, to the consumer groups; hence, we are agree with total supply of wheat on IME, which, of course, with respect to its high volume in the temporal period of 2-3 years, will benefit to farmers, production and government.”

Deputy minister of agriculture by explaining this issue in conversation with Tasnim news-agency stated that the important point is that the beginning of any work is not feasible easily; but the implementation of the supportive price policy on IME has been one of the successful plans of agricultural sector during several recent years; So that the government has no concerns about the implementation of a guaranteed purchase policy and entering to the corn market. After corn, we were witnessing the implementation of this plan for barley and its success; hence, mass supply was also initiated at IME, so that the industrial guilds provide

their required wheat through IME.

Abbas Keshavarz by stating that in the coming years we will see the development of agricultural deals on IME and there is also no concern about the supply of wheat in IME, but said that there is no concern for the supply of wheat to the stock market, but naturally all 11 million tonnes of wheat of the country cannot be taken on IME board. Thus, the program is that at least those who are active in industrial and trade guilds, such as Pasta manufacturing factories and confectionery makers, biscuits and other producers which require wheat and flour for their domestic production and import, proceed to buy wheat.

He added that while it is supposed that wheat be supplied on IME on the basis of the demand of these groups and with the specifications that these production units want, because it requires any kind of goods and special requirements.

Keshavarz stressed: "I believe that if the whole wheat of the country be supplied to the IME over the next two to three years and the government also agrees with the implementation of this policy and for the total supply of wheat on IME, high financial



pressure from the government interference on purchase of wheat will be reduced.

He further argued that the Ministry of Agriculture is fully agreed with gradual supply of the total of the produced wheat in favor of supplying the entire wheat in IME, and said: But the issue here is that a guaranteed purchase policy for the wheat required for consumptions of bread is inevitable, but if we implement the supply plan within two or three years, then the government might buy its wheat from IME in the future.

He emphasized on the necessity of introducing the farmers to the mechanism of IME trades, and said: "In this regard, farmers should be introduced to this trading system so that we can quickly move toward the supply of agricultural products on the IME.

By referring to the quick payment of farmers' demands for the supply of products of this field on IME in the form of a guaranteed price policy, Keshavarz stated that the

implementation of this policy on the IME led that the government, instead of paying the full amount of the product, paid the difference in the exchange rate on IME at a guaranteed price. In other words, the financial burden imposed on the state budget reduced a lot with the help of IME. Meanwhile, farmers are also pleased to receive money from the sale of their products at the earliest possible time. The Minister of Agricultural Jihad stated at the end: "In my opinion, the implementation of a guaranteed price policy in IME for various products will flourish very soon; there is even a proposal to supply potatoes on the IME, as the difference between the price of the consumer and the supplier of this product is too much. While this IME offers win-win conditions that can both help the consumer and also benefit the consumer.





IME's Oil and Petrochemical Trading Floor



Increasing Interaction of Upstream and Downstream Industries on the Agenda in IME

Deputy of the Ministry of Intelligence said: "Increasing the interaction of upstream and downstream industries is on the agenda of the Ministry of Industry, Mining and Commerce. Also, we are currently witnessing the proper supply of petrochemical products in the IME and the supply of raw materials for the downstream industries, especially the polymer industry.

Farshad Moghimi, at a joint meeting with the petrochemical industries, said: "Effective interaction of upstream and downstream petrochemical industries has been effective in boosting downstream production, and will provide the field of increasing exports with more value added.

Deputy Minister of Industry, Mining and Trade Ministry, by pointing to the increased cooperation of the ministry with specialized associations and organizations, noted that private organizations as advisory arms have a determinative role in identifying and monitoring the state of the industries. Moghimi emphasized on increasing the interaction between downstream and upstream industries and said: downstream industries have potential for absorbing petrochemicals to increase production capacity. Therefore, it is better to use part of the export of petrochemical products in the downstream industry and these products be exported to foreign countries with more value-added. By emphasizing on the proper supply of petrochemicals in IME and the supply of raw materials for downstream industries, in particular the country's polymer industry, he stated: The unions, in cooperation with the Industrial, Mine and Provincial Industry

Organization can extremely help to identify and monitor active industrial units.

According to the Deputy Minister of Industry, Mine and Trade, by monitoring the industrial units and identifying the amount of production and raw materials needed for this industry, measures could be taken to supply the raw materials needed by each industrial unit based on amount of actual consumption.

Moghimi announced the production of polymeric materials for petrochemicals last year as 6.7 million Tonnes, saying that from which, 3.5 million Tonnes were consumed inside the country and the rest was exported.

The deputy minister of industry also announced the production of polymeric petrochemical products in the 9 months of this year as 5 million tonnes.

In another part of his speech about the regulatory system in the petrochemical industry, he noted: "In the current situation, eliminating the concerns of this sector, in particular supply of raw materials will be pursued, but in order to improve the situation of this industry on a permanent basis, the need to create the regulatory system in this section is felt that executive solutions should be considered by the industrial organizations expertly and examined in cooperation with the chamber of commerce.

At the end of the meeting, Moghimi emphasized on the formation of regular meetings with the organizations and said that in addition to benefiting from the experiences and abilities of specialized associations, industry concerns are identified and this issue would be reflected in policy-makings and decision-makings, which will help to improve the situation of the industry.

It is worth mentioning that at this specialist meeting that was held with the presence of downstream petrochemical, steel and

electrical industries, and so on, some topics such as petrochemical prices, import taxes on downstream materials, supply of petrochemicals on IMEs, export development, etc., and some decisions were taken to improve the status of the polymer industry.



IME's Crucial Role in Development of Petrochemical Industry and Bypassing Sanctions

The CEO of the Export Development (Tosee-Saderat) Bank and the first director of the Securities and Exchange Organization believes that if development projects were formed in the petrochemical industry in the past years, the volume of exports has increased and today, under the conditions of sanctions, this industry is one of the main actors in our economy, due to the adoption of products of petrochemicals on the IME and the realization of prices in 2007.

Ali Saleh Abadi, in an interview with IRNA, said: "Due to the problems of the banking

system and their inability to finance plans and projects, the role of the capital market and its various pillars in financing the projects is gradually rising.

The CEO of the Export Development Bank (Tosee Sadaerat Bank) on the supply of goods in the IME, added: "Producers can use" standard parallel SALAM contracts for both short-term and long-term periods."

"IME was formed in accordance with development laws in the country to create transparency in commodity exchanges and to discover affordable prices, and liberalize the price of industrial products and create competition in these industries," he continued. The first chairman of the Securities and Exchange Organization said that the first mercantile exchange of Tehran materials and



then agricultural exchanges was launched, adding that in 2007, with the announcement of the securities market law, IME initiated its activities with the merger of metals and agriculture.

Managing director of the Export Development Bank (Tosee Saderat Bank), arguing that IME is a lawful place in which the two parties of the trade reach to their interests, continued: on the one hand, it is easy for the supplier to pay his money in a timely manner; the consumer also is assured to get his/her required item with a certain amount and high quality.

He added: "If there is a discrepancy in the exchange between a purchaser and a seller, they can refer to the IME arbitration committee, which is the definitive and binding decision of the board; therefore, the rights of the consumer and the producer on the IME are guaranteed; and this trend is one

of the benefits of the IME.

The real effects of prices on the growth of the petrochemical industry

The managing director of the Export Development Bank (Tosee Saderat Bank) said: "After appearing the real effects of the price of metals on the production sector of the country, a clause was set in the budget of 2007 based on the release of petrochemical products prices, as before, the pricing of these products was also government-owned; and Therefore, the liberalization of prices for petrochemical products occurred through IMEs.

According to Saleh Abadi, in February 2007, the first petrochemical products were accepted on the IME, and in the year 2008, many petrochemical products were accepted on IME, and the transparency of the price of petrochemical products also occurred on the IME, and the competition

and liberation of prices of these commodities took place.

The managing director of the Export Development Bank (Saderat Tosee Bank) stated that the implementation of development projects in the petrochemical industry, the increase in the volume of exports and the transformation of petrochemicals into one of the main actors of the economy in the context of sanctions, is due to the adoption of petrochemical products in IME and the realization of prices in 2007.

According to him, in fact, with the realization of the price of the petrochemical products, many development plans in the industry were formed, the private sector had activity in the petrochemical industry, and active companies entered to Iran mercantile market, and the size of the Iran capital market became large.

Saleh Abadi said that with the development of the industry, we observe significant exports in this sector, which, in a boycott, producers of this industry will provide a significant part of the country's currency.

According to the report, according to IME, between 2007 and the end of December of this year, more than 250 million Tonnes of commodities were traded on the IME.

According to this report, according to the IME statistics, from 2007 to the end of December of this year, more than 250 million Tonnes of commodities were traded on IME.

From the beginning of this year to the end of December, more than 670,000 billion Rials have been exchanged in the form of 20 million Tonnes of commodities on the IME. Trading on IME provides the possibility of the exchange of information between IMEs and regulatory agencies and executive agencies such as the Tax Administration, the anti-contraband and currency smuggling Headquarters.



IME's Derivatives and Financial Markets



Saffron Market Participants in 30 Provinces Eager to Trade on IME

Deputy Minister of Agricultural ministry (Keshavarzi Jihad) said: "looking for encouraging all rural cooperatives and provincial production, at least 30 provinces to participate in the futures contract market in order to cooperate with the executive branch of the exchange to promote this type of transaction in the farmers' community. Hossein Shirzad, on the sidelines of the "Meeting of Specialized Cooperative Products of Agricultural Value Chains, by focusing on Saffron," stated: The central rural cooperative organization of the country, by beginning of the harvest season of saffron in current year, and the observation of the market, found that the price of the flower had a good ascending trend, but unfortunately in the same time, with the entry of intermediaries and profitable agents and their collusion in the market, the price of saffron in a short

time with a declining slope and in the same way, with the entry of the network of rural cooperatives of Khorasan Razavi Province and the National Union of orchardists to the saffron market and purchasing more than 800 Tonnes of saffron flowers (equivalent to 8 Tonnes of dry saffron) with 17 active shopping centers in the harvest season.

And the purchase and sale of more than 4.5 Tonnes of saffron which was conducted by the Cooperative Union of Production, a relative balance was created in the market with a relatively reasonable range, so that we largely prevented from the decline in the price of saffron in the market.

On the other hand, he continued, following the actions carried out by the rural cooperative unions and the rural cooperatives of the province, the capacity of 3 Tonnes was approved, and the final executive phases of the warehouse of the cooperative union of the province were also being monitored by capacity of 3 Tonnes, which in case of completion and verification of



these warehouses, the total capacity of warehouses of the mercantile exchange of the province, taking into account the capacity of Mashregh Zamin Zarin Saffron Company, will become over 13 Tonnes, this is while the approval and commissioning of future contracts of crocus (Negin Saffron) and Poushal saffron and specifications of their related contacts by IME was a great success for the saffron market.

Shirzad emphasized: following the encouragement of all rural cooperatives and provincial production, at least 30 provinces are ready to participate in this market to work as an executive arm of the exchange to promote these types of transactions in the farmers' community, although several workshops have been held so far regarding the bargaining power and its role in reducing risk and training lessons for farmers of the network and director managers of trade union and production cooperatives within the organization and in the provinces.

He noted: To open the symbol of the certificates of deposit for commodity, the Rural Cooperative Association of the province has so far issued a security guarantee of 44 billion Rials from the amount of 74 billion Rials requested by the IME; as of today, it has provided a bank guarantee of 220 billion Rials as a guarantee for IME. By tracks and pursuits carried out by the Cooperative Organization of the province in the last two or three months, the symbol of the Certificate of deposit for commodities which has been active in the year 2017 with a capacity of 1100 kg, have been reopened since 02.01.2019 with a capacity of 3 Tonnes, and farmers of the province refer to this warehouse for delivery of their saffron.

Managing director of the Central Organization of Rural Cooperatives of the country

added: With respect to resolve the existing problems for obtaining a bank guarantee and facilitating the process of obtaining the required guarantees by IME and increasing the capacity of IMEs from 3 to 10 Tonnes, the rural cooperative network in Khorasan Razavi province can meet the necessary exceptions from the network in regulation of the market of saffron with effective interference, while balancing and preventing unusual changes in the market on the one hand, and familiarizing farmers with new markets created in saffron, such as deposit of commodities and on the other hand, future trades by selling saffron to the highest price by the farmer himself and utilizing the real interest of Saffron, without the need for direct involvement of the government in Saffron market.

He added: "IME should try to mitigate the amount of defaults on agricultural warehousing.

At the moment, equipping the financial resources required for the wider entry into the market of saffron through the network of rural cooperatives of the country is in the final phase.

Shirzad noted: In South Khorasan province, with about 38,000 saffron-breeder, saffron production has been reported to exceed 55 Tonnes, which the level of rainfall, land repackaging, coldness and salinity of water has been effective in the loss of saffron harvest, but in order to a negotiated purchase of this product, a negotiated purchase center was launched in Qa'anat County by the Union of Rural Cooperatives of this county and necessary informing was provided to the farmers of the province.

Despite the reluctance of the farmers of the province to sell saffron in the form of crocus and selling more than 80% of the saffron yield in the province as a category that

was not foreseen in the Saffron purchase order, the amount of more than 200 kg of saffron by the Cooperative Union Shopping Center of Qa'enat was purchased.

The deputy minister of agricultural Jihad said: Currently, the average purchase price of saffron in the two provinces is the price of the super Negin from about 10 million to 11 million and 5 million Rials per kilogram, the price of the Negin from 9 million to 95 Rials per kilograms and the price of the crocus is traded about 86 million Rials, a good price for every kilo of 80 million Rials, the price of desirable coupé is 80 million Rials for per kilogram and of ordinary coupé is from 78 million Rials, and the price of bunch is traded as 65 million Rials on the market, that we are looking for more fair and suitable prices of the saffron yield by targeted interferences of the central rural cooperative organization.

Shopping centers and laboratories have been identified in the past month and we will soon enter to the field with more power and resources by using the experience of the past year.

Shirzad said that the central rural cooperative organization of the country has put in place an agreement on the sale of saffron and tries to enter to the saffron market slowly and without any stress.

But in my opinion, this phenomenon is temporary and periodic, and the exchange rate in the future will certainly boost the foreign market of saffron. He added that the negotiated purchase of saffron is also a way of complying with the law on supply and demand in the free market and the forecasts made in the comprehensive plan for the management of agricultural products (type, value of each kilogram and the amount of determined weight) on the basis of contracts concluded among

parties, the purchase and sale of various types of saffron is made, meanwhile the saffron product type has its own standards and it's observance is imperative for each product. "I think that now is time for the establishment of a saffron commodity fund with the help of IME and a number of private banks, however all the systems should try to remove the limitations of currency obligations of saffron in order to export convenience and the smuggle of saffron should be controlled in its parallel. We should not let that neighboring countries enter to the pseudo- space of competition with our country in this field.

I am confident that as an opportunity, the exchange rate fluctuations will be figured out in the interest of the future market for saffron.

Launching Saffron Options Contracts by the End of the Year

CEO of IME announced that saffron options contracts will be launched by the end of the year.

Hamed Soltaninejad stated that given the widespread welcoming by market participants for launching futures and certificates of deposit for saffron, and its positive impact on transparency of the price of saffron and the elimination of intermediaries, the IME had started to launch saffron options contracts by the end of this year.

He added that IME, aimed at hedging the price of saffron, and, consequently, creating the possibility of long-term planning and management of supply and demand for farmers and activists in this field, as well as the development of derivatives as one of the main pillars of the development of the Iran capital market, launched Saffron futures for the first time in Iran at the beginning of



the year, being welcomed highly.

According to Soltaninejad, since the launch of these contracts, more than 11 million futures contracts have been traded on IME. IME's managing director, saying that the introduction of new financial instruments would reduce transaction costs, increase transparency and increase the level of transactions, stated: "the launch of saffron futures contracts in this year led to the development of traditional market structures to modern structures and the development of domestic markets for saffron. Therefore, due to the widespread appreciation of the market participants for saffron futures and certificates of deposits, saffron options contracts will be launched by the end of this year.

Soltaninejad expressed the advantages of using this financial instrument, saying that the options contracts would allow farmers to secure sales at certain prices. In addition, due to the low transaction costs

and price transparency on the IME, the entry of farmers into this market will lead to the elimination of intermediaries and the price management for saffron.

Managing director of IME added: "The establishment and further development of commodity-based derivatives will ensure the farmer's confidence in future prices and the cultivating and selling decision in the future."

Soltaninejad saying that the options contracts for saffron market activists act as a complementary tool and investors can manage their capital by hedging price fluctuations, stated: "Due to the process of delivery of these contracts by certificates of deposit and warehouses approved by the IME, the activists of this market can ensure the quality of saffron according to the specified standards, and receive their commodities at the expiration of these contracts from the warehouse.

IME to Launch Futures on Commodity Funds

CEO of IME announced the initiation of future securities trades based on fund units of the commodity investment in the upcoming future.

Hamed Soltaninejad stated: " at the same time with development of Saffron future market and the plan for running trades for the sale contract of saffron by the end of this year, the creation of future securities market based on units of commodity investment funds are also set up in the IME agenda which will be operated, if is approved by the Securities and Exchange Organization of Iran.

CEO of IME in the description of details of issuing future contracts based on the investment units of commodity funds stated: "In accordance with the plan which is implementing, it has been set that we provide the possibility of supply and issuing future contracts based on the investment

units of commodity funds".

By doing so, the market for commodity investment funds is somewhat bilateral, which its attractiveness will be increased for investors.

Soltaninejad added: "Investment commodity funds are funds that spend a part of their reserves on the purchase of a specific type of commodity and other types of securities, and according to the new plan, it is determined that investors can also trade units of these types of funds in the form of future contracts.

CEO of IME stressed that this market provides conditions for indirect investment in the commodity market and makes that liquidity be directed towards financial assets. On the other hand, investors on the Units of commodity funds can reduce their risk by purchasing future securities from these units. By explaining that the issuing of these securities can mitigate some concerns about the decrease of value of assets against the trend of inflation, said that issuing these



securities through reducing general willingness to convert Rial to foreign currencies, leads to the increase of the value of the national currency; because as it is said, these kinds of securities and investment funds could preserve the value of assets against the inflation rate, because, as it was said, these types of investment funds and securities can maintain the value of assets against inflation.

This way, based on the mechanisms designed and in accordance with the rules of the capital market, amount of assets of these funds will be clearly disclosed to regulatory authorities. Also, the issuing of these securities could be an introduction to the establishment and operation of national funds within the framework of the Iran economy, these types of national investment funds will lead to increase of the assets of investors. In the end, Soltaninejad stated: "At the same time with the declared plans of IME for the development of financial instruments such as commodity investment funds, IME has taken a major step in reforming the market structure of this product since the beginning of this year, with the establishment of the future market for saffron. Because the future market provides the producers with proper tools, and gives the power of production to farmers and leads to increase of their profits. Meanwhile, in the past, intermediaries, before harvesting, bought saffron crops at a very low price from farmers, and then sold at higher prices, but now the main beneficiaries are farmers.

Saffron Price Guaranteed by Options on IME

Deputy Head of Market Development and Economic Studies at the IME said that: Saffron producers by learning the market rules of option contracts in IME training courses can insure the price of their product because the contract has a mechanism similar to the insurance policy.

Alireza Naserpour, on the eve of the launching options contracts on Saffron in a conversation with "IME", said: Launching an option contract for saffron over the past few months has been on the agenda of the IME, which this contract will eventually be soon operated by completing the technical infrastructure for the online option of saffron.

The director of the development of the derivatives market for IME added: "the history of call option trades or what is called option in Iran goes back to 1395 (2016) and to the start of gold coins option contracts in IMEs. At that time, in spite of the desirable trend of transactions, the need to conduct trading on the online platform was very much felt that, fortunately, now there are the necessary infrastructures for online purchase and sale, and from the beginning of the launch of saffron option trades, it will also provide online transactions.

Completion of Saffron Financial Tools Chain

By explaining that the option deals and the Saffron Fund, are complements of the financial tools chain of this product on the IME, he said: "Currently, saffron on the IME, in addition to spot trading, will be traded in the future contracts market and certificates of deposit for commodities is traded " and we will soon see the completion of the financial tools for this product with the option contract and in the Saffron Investment Fund: An attractive tool for risk-averse investors":

The market includes two-way trading, and investors in both call and put mode can take the position of buying or selling," he stated.



The call option contract in the option trading market offers the investor a relatively lower risk, and investors who are more risk-averse and who are cautious about the risk of concluding future contracts for presence in this market can enter it by learning the options market rules, and accepting a specific and minimal risk.

Naserpour said that individuals in the option deals can insure their desirable price by paying a low cost, which is a big advantage for investors; hence, it is expected that more risk-averse individuals enter these trades.

Option mechanism, similar to insurance policy

Naserpour said that farmers can also be sure of selling the product in the future by buying a put option contract (sale options) while insuring their product prices.

The director of the development of the derivative market of IME explained that: if a farmer purchases a "buying option" contract in an option contract for saffron,

he can actually, on the contract maturity, for example, two or three months later, sell the amount of the product based on the volume of the contract at an expense price. Here, if at the maturity day, the price of saffron in the market is higher than the price of the option contract, the contract holder does not use his option position and so does not apply it, but if the cash price of saffron is lower than the option price, the holder of position applies his contract and sells his product.

The head of the deputy for market development and economic studies of IME pointed to another example: "Let's suppose that the Saffron Option Contract is active on IME, and a farmer can buy a sales option contract for one gram of saffron at a price of 12,000 Rials. If at the maturity date of contract, the price of saffron in the cash market surpasses 12000 Rials, the farmer sells his product at a higher price in the cash market, and if, at the maturity date, the price

is lower than 120,000 Rials, the farmer will have the option to sell his product on IME. In other words, by this tool, the farmer has insured himself by paying a minimum amount for the sale of the product at a price of at least 120,000 Rials and above; with these interpretations, it can be said that the mechanism of options deals is similar to the mechanism of insurance.

By stating that the options trading tool has some complexities, he declared that: "Understanding how to operate and negotiate an option contract requires time and training both inside and outside the capital market, and hence, IME has a detailed program for training this contract.

In description of the training program of Iran Mercantile, Naserpour said: during the last week and also this week, training courses for brokers have been held in the capital market and courses for the acquaintance of brokerage clients at IME and also brokerage firms themselves are considered. In addition, some public courses are also held online on Saturdays in the capital market and on Mondays and Wednesdays in person at the IME.

In regard to holding training courses of the recent option trade contract for familiarity of the participants outside the capital market, Naserpour also announced that IME has proceeded to hold training courses in Khorasan Razavi and also Southern-Khorasan. They also organized training courses for familiarizing farmers and saffron workers with these types of contracts; as these courses will be held from this Monday for four days (on morning and afternoon) in Khorasan Razavi province and in Torbat Heydariyeh, Rashtkhar, Zaveh and Mahvelat counties in the form of 8 courses.

According to him, training courses of familiarity with this financial tool will be held at the

accepted warehouses of IME in Torbat, Mashhad, and Jihad-Agricultural centers of the counties and universities of Saffron-breeding provinces, in order to provide all the necessary means for the acquaintance of brokers, activists of capital market and farmers and saffron workers.

In this regard, other educational methods including brochures, clips and educational animations will also be used.

Increasing the depth of financial tools

By pointed to the increase in the depth of future trades and the certificate of commodity deposit for Saffron by launching the option contract, Naserpour said that individuals with option contracts can apply trading strategies between markets and various tools available on IMEs, such as future contracts and certificate of deposit for commodity; and in this regard, new and long-term maturity dates of saffron in the market for future contracts will be launched soon.

He argued, "Options contracts have not more attractiveness without the presence of future market as the future market, as well as certificate of deposit for commodity. As a result of the running the future contracts for saffron, we witnessed a boom in certificates of deposit for saffron. Hence, we expect to see the synergy and development of future contracts and certificate of deposit for commodity with initiation of saffron option contracts. The head of market development and economic studies of IME continued: In the world, there is less country to use option contracts without launching the future market.

We are also looking for launching option contracts in the IME along with deepening future contracts so that investors in these markets can take deeper and more precise

strategies.

At the end, in explaining the vision of the future market trades and saffron option on the IME, Naserpour said: "Regarding the excitements of futures market, we hope that the option market be flourished with good prospects." Of course, it should not be forgotten that this market has its own complexities, and it may be difficult to communicate with this tool at first. Hence, at the commencement of transactions with this financial tool, formal and informal market makers from inside and outside the capital market, including saffron market participants and financial institutions, will help to liquidate transactions.

Options Contracts Guarantees Future Fluctuations in Saffron Prices

world. By providing ground work for supply of saffron, IME is aimed that farmers receive the gains of the hard-working production of this product.

Amiri said: "In recent years, we have witnessed major benefits from saffron production is gained by intermediaries, but this year, with the boom in saffron transactions on IME in various types of contracts including cash, certificates of deposit and future contracts, the conditions of farmers and saffron market have been improved."

He pointed to the optimum volume of saffron transactions on IME and said: "Trading of 66 tonnes of saffron in the physical market and 27 tonnes of saffron through certificates of deposit indicate that the saffron transactions on IME are welcomed by agricultural sector activists. This trading process is solving part of the concern of farmers in selling their



Hassan Amiri, Deputy of Supervision of Publishers and Members of the Securities and Exchange Organization (SEO) at launching ceremony for Saffron Options Contract in IME, said: "Saffron is different from other agricultural products in the country because Iran is the main producer of saffron in the

products to intermediaries in low prices.

Amiri saying that the introduction and launching of various financial tools and familiarity of in the capital market participants with functions and benefits of these markets requires media efforts, stated: "Today, by launching saffron options in IME, we

are progressing towards completion of saffron financial instruments to provide new opportunities for market players in the field of saffron price guarantee in the future.

He pointed to the nature of options contracts and said that options have lower risk than future contracts, and lower working capital requirements, and most importantly, the contract would be the basis for future saffron price guarantee, which would be a great advantage for farmers.

Amiri said that IME with help of the Securities and Exchange Organization (SEO) has demonstrated a very good performance in the field of providing financial instruments for the agricultural sector, including ETCs for agricultural commodities which will be introduced in near future.

Trading License Auctions Leads to Transparency and Competitiveness of Government Revenues

The Director of Economic Studies and Risk Assessment of IME said at the 7th Iranian Financial Engineering Conference that the launch of license contract is set on IME agenda which covers items such as rights of utilization from mines, import licenses and other government licenses; some benefits of these deals include transparency in the licensing process, transparency of statistics and information as well as transparency and competitiveness of the government's revenue through the assignment of privileges. Director of Economic Studies and Risk Assessment of IME at the 7th Iranian Financial Engineering Conference, which was held with the topic of financial engineering and business development at Management Faculty of Tehran University, described

the capacities of IME in the capital market development by emphasizing on the financial instrumentation.

At the beginning of his speech, Javad Fallah said: "IME is a transparent and systematic framework for conducting commodity trades and securities based on the commodity and the IME has placed the introduction and implementation of new trading tools on its agenda.

Fallah added: Discovery of fair prices, guaranteeing the fulfillment of obligations, disseminating market information, marketing through the brokers' network, regulating and developing the market, facilitating spot trades, attracting wandering funds, facilitating financing and managing risk of fluctuating prices from the most important functions of the IME in the national economy.

By stating that the Farabourse, Tehran Stock Exchange, Iran Mercantile Exchange and Iran Energy Exchange, are four active exchanges in the capital market of the country, he clarified: IME in September 2007 was established by merging of the Tehran Metal Exchange and the Agricultural Exchange according to the Law of the Securities Market and in the same month, the trade of oil and petrochemical products was initiated on this exchange.

Spot Market of IME

By explaining that the IME has four markets including side market, spot market, derivatives market and financial market, pointed out to the trading tools in the spot market. He said that trades are being conducted in various ways, including cash, SALAM, credit, premium contracts, long-term contracts, and barter trades and the principles of trading on this market are based on delivery with no re-trade of the commodity (except for barter trades).

He explains that in "spot trades, facilitating



the marketing and instant and secure exchange of commodities are conducted, in the SALAM contracts, the producer's financing, and in the credit contracts, purchaser's financing is considered.

He pointed to the global experience in premium contracts and said: "On the London Metal Exchange, premium trading contracts are used to deliver commodities at special geographic locations where more applicants are requested.

In this order, by using the new financial tools and creating a targeted strategy, we can create the future buying or selling position with floating prices in the domestic market as well. According to him, in international commercial contracts, traders will also enter into floating prices (prices based on the reference price) for futures contracts, while covering price fluctuations.

Fallah also noted the benefits of long-term contracts (multi-stage settlement) and said that: long-term contracts have the potential for long-term planning for upstream and downstream industries, while this type of contract has caused to concerns from manufacturing companies about the possibility of selling their product in the future, as well as eliminating the downstream industry's concerns about the possibility of supplying the necessary materials in the future. Therefore, it can be said that these contracts will reduce the risk of supply and sale, price risk management, and product design planning.

Fallah continued to explain about barter trades on the spot market of the IME and said: solving the problem of liquidity bottlenecks, facilitating trade relations in the commodity chain, facilitating international trade without currency transfer, establishing direct links between purchasers and vendors in a network market and reducing costs and Increasing exchanges is one of the benefits of a barter trades market.

Derivative and financial markets

Director of Economic Studies and Risk Assessment of IME, referred to the derivative market of trading tools of IME, and said: trading tools of IME include futures and options contracts that cause to cover risk and discovery of prices.

Fallah also referred to the trading tools in the financial market and said: Standardized parallel SALAM contracts, certificate of deposit for commodity, commodity fund, debt securities and royalties are among these tools in the financial market.

He pointed out the reasons for launching a standard parallel SALAM contracts, which is a smooth path to corporate financing, and said: Constraints of SALAM contracts such as the absence of a secondary market to transfer the position of purchasers and the impossibility of liquidity, and as a result, reducing the attractiveness of being present in the financing process, as well as non-use of wandered-liquidity of the community to finance the market participants, led to the design of standardized SALAM securities.

Benefits of commodity funds

Fallah referred to the benefits of commodity funds and said: Investing in commodity-based securities, the ability to follow the returns of price changes of one or more specified commodities, taking advantage of the volatility of commodity markets, and also getting rid of the responsibility for keeping commodities in the meantime of ownership of commodities is one of the benefits of these funds. He pointed to the launch of futures contracts on the commodity units and with respect to the reasons for choosing the fund as the basis for futures contracts, he said: the existence of a strong cash market on the IME, following the fund's return on commodities, the high transparency of the fund's performance, the completion of

the chain of financial tools for investors, as well as making diversification in the underlying assets of future contracts are some of the reasons.

Debt securities and royalty

Fallah referred to the process of debt securities and said: Limitation of trust transactions and the need to finance the upstream industry and their reluctance to sell as credit and trust would result in securities for the credit contracts in the form of debt securities.

According to him, debt securities will eliminate liquidity bottlenecks in the entire cycle and provide optimal financing for upstream industries and will lead the public investment toward the domestic industry. In addition, the profit is guaranteed to the investor in these securities, and there is a possibility of secondary and market-maker transactions to secure the liquidity of the securities.

He also said about the patent securities: Defining a transparent market for commodity-based rights in the IME, possibility of the discovery of a transparent rate of commodity-based rights and the creation of a transparent platform for auctioning and bid of commodity-based rights are some functions of patent securities.

By stating that the covered items include mining, the right of utilization from mines, import licenses and other government permits he said: clarification in the process of licensing, and the issuance of statistics and information from issuance to exploitation from the franchise, as well as the transparency and competitiveness of state revenue through the assignment of privileges, includes the benefits of setting up license auctions in the IME.

In the final part of his speech, he termed IME tools based on functions such as facilitating

the transaction, vendor financing, ease of distribution, physical and spot delivery, product quality assurance, attractiveness for speculation, consumer and distributor, cash settlement, liquidity of the tool and helping to discover the price.

Fallah introduced facilitating domestic and international trade, facilitating risk coverage, establishing internal and regional pricing, completing the commodity trade chain, financing domestic industries by relying on existing capacities and promoting investment culture as the goals of IME on the path to development.

He also noted that recognizing the barriers of culture-making, education and promotion, selecting the basic assets appropriate to a variety of instruments, identifying weaknesses in tools and methods of trading, recognizing legal barriers, interacting with the government and the parliament, and other institutions, as well as understanding the realities of the day economy for compliance with the trade needs is one of the challenges of IME on the path to development.

Blockchain and Digital Currencies Pave the Path for Facilitated Modes of Trade

Chief Executive of the IME stressed on the necessity of creating startups in support of Iranian commodities, and the improvement and facilitation of trade processes in the Blockchain and the development of digital currency models in order to play intermediary role on international trade settlements with a foreign currency in the closing ceremony of an event titled as "brainstorming on how to support Iranian goods (Kandoo)"

The closing ceremony of the event with the theme of supporting Iranian goods, "Kandoo", in pursuit of the realization of

the year slogan and with the support of the scientific deputy of vice presidential headquarters, IME and Ofogh (Horizon) network, was held yesterday at Imam Sadeq University (AS) by giving awards to the selected and qualified teams. This ceremony was attended by Alireza Daliri, deputy director for development and management of the investment attraction of the Science and Technology of the Presidency, Hamed Soltaninejad, CEO of IME, Hojat-al-Islam Hossein Ali Saadi, Head of Imam Sadiq University, Ali Gholam Reza Goodarzi, Deputy of Education and Supplemental education and Seyyed Mojtaba Emami, Deputy Director of Research and Technology of Imam Sadegh University, and with the presence of selected teams and finalists as well as a group of students of this university.

Establishing startups to support the consumption of Iranian goods

During the ceremony, the Chief Executive of the IME emphasized on the necessity of creating startups in support of consumption of Iranian goods, and described the improvement and facilitation of business processes in the Blockchain and the development of digital currency models playing a role in international currency settlements.

Hamed Soltaninejad declared: The amount of nationalism in consumption index in the countries of the world shows that the index in South Korea is more than 80, which has attained the highest figure among countries. Also, while the two countries of China and Indonesia rank second and third in terms of the highest levels of nationalism in consumption, the average of countries in this index is about 70. In this comparison, the average of this index for Iran was less than 60.

Soltaninejad added that the moral obligation to use Iranian goods, the fanaticism of domestic consumption, supporting domestic employment, supporting national production and economy, and opposition to foreign products have been the variables considered for calculating this index.

With regards to supporting development of domestic trades, he emphasized on the necessity of creating startups for supporting the consumption of Iranian goods, and said: "for establishing startups, we need to consider advertising, marketing, sales, feedback and information gathering, post-service improvements, and the distribution of marketing models, including B2B, B2C, and C2C should be designed.

Successful global startups

CEO of IME said: "at present, there are the leading startup companies in the world which operate by offering B2B, B2C, C2C sales through web portals, as well as electronic payment services, shopping search engine and processing business data.

Several companies have also succeeded in the marketing and sales by focusing on B2C services, producing their own branded products, selling other brands of products, and selling second-hand products.

Soltaninejad commented on the characteristics and causes of the success of these companies: the availability of a search engine with the ability to compare products, prices, discounts and coupons in various online stores, the use of messenger to interact between customers and online vendors, provide online payment services and ultimately data processing to provide e-commerce data collection and processing services and their customization have been the most important features of this startup.

Iranian startups

Soltaninejad continued to mention successful Iranian marketing startups and said: "There are also successful examples in Iran which are active based on different models of B2B, B2C, C2C in are active in the field of selling and marketing their products,



distributing goods, making supply infrastructure, warehousing, transportation, distribution and major transactions and have focused on selling products of other manufacturers and merchants.

These startups also benefit from the production and provision of technical content for users with the highest standards, the provision of business information in relation to various industries, the provision of marketing services and the profit from the sale of their products or the percentage of sales of products by other manufacturers and merchants.

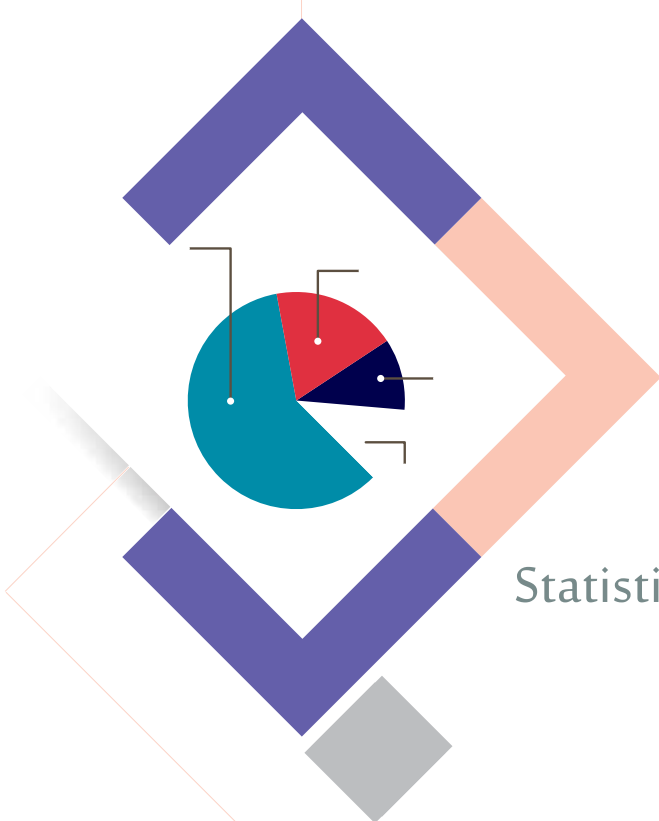
Soltaninejad also talked about the overall structure of the markets of IME, and said: "this exchange has provided the trading infrastructure by having four markets, including spot, derivative, financial market as well as the side market. In the spot market, transactions are conducted in various ways including cash, SALAM, credit, premium contracts, long-term, and barter contracts, and the principles of trading on this market are based on spot delivery and with no re-trading of commodities (with the exception of barter contracts), and transparent, fast and secure exchange, seller and buyer financing, confidence in the exchange at market price and risk coverage, long-term planning and solving liquidity problems are considered as the benefits of this market. He also pointed to the trading tools of the IME on the derivative market, and said: In the derivative market, two trading instruments of futures contract and options contracts are used to cover risk and price discovery. In the financial market, some tools such as standardized SALAM contracts, certificates of deposit for commodity and commodity funds were launched and there is also the possibility trading debt securities and license auctions

The business idealization and startup in the field of commerce

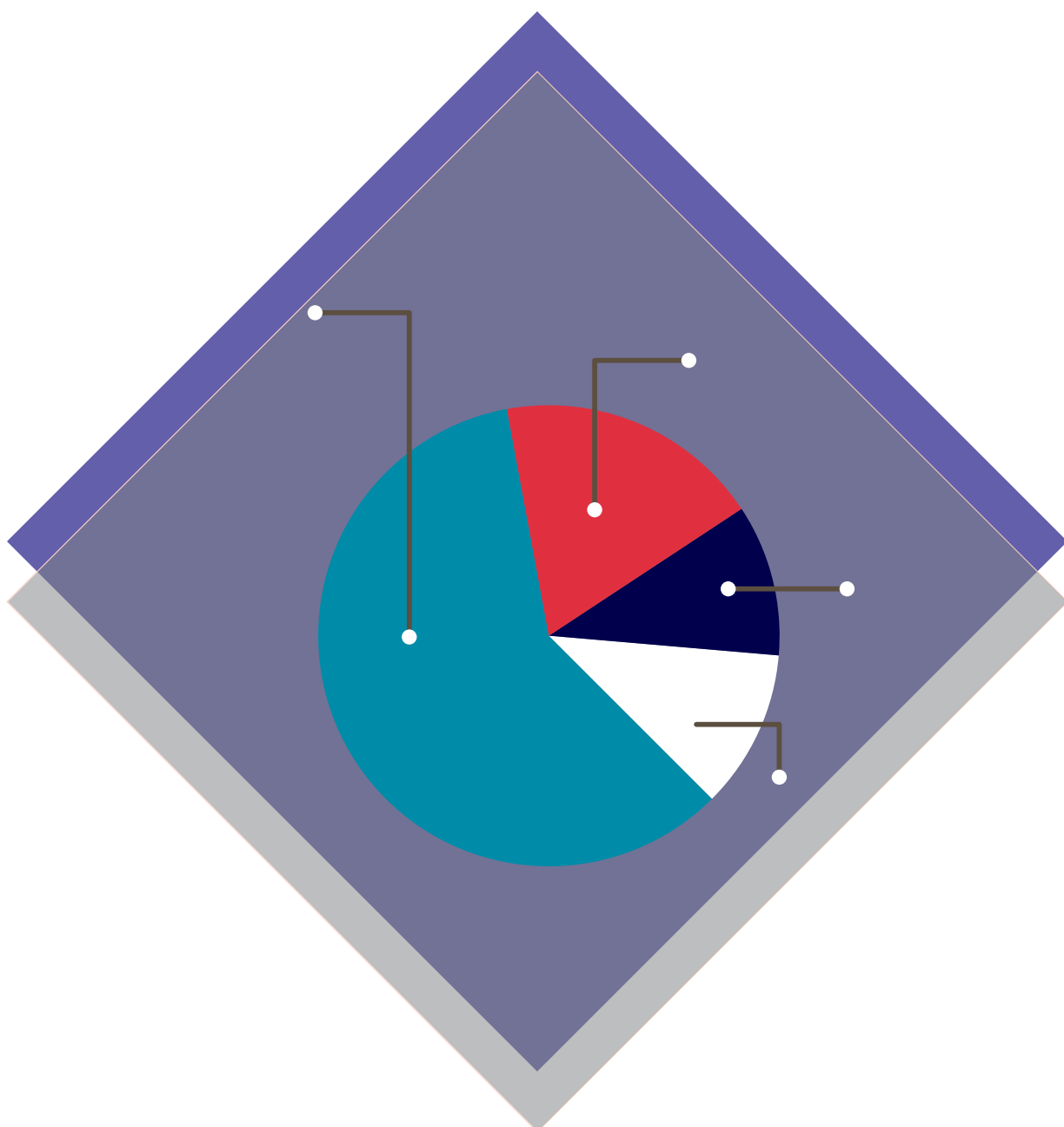
Soltaninejad commented on the idea of establishing and setting up a business in the field of commerce in Iran and said: Improving the coverage of trade risk in the commodities in the Iranian economy by creating businesses in the field of expanding derivative trades outside of IME or on an international level, creating businesses for assessing risks of other businesses and provision of tools such as options as well as insurance services are possible in IME. Furthermore, increasing transparency and efficiency and reducing trading costs for commodities can be achieved through the development of B2B and B2C businesses. According to the CEO of IME, development of warehousing and certificates of deposit for commodities via establishing collateral for promoting financing in Iran and merging of retail producers increase the bargaining power of small producers could be achieved on IME.

He mentioned the role of intermediaries in optimal market-based models in the application of government supportive policies for agricultural production through the development of new supportive models through public-private partnerships (PPP), and said: "In line with the idea of setting up a business in the field of commodity trading in Iran, playing a complementary role in market-oriented models for regulating the market of commodities in Iran by developing information systems in the field of production and distribution of products in the agricultural sector, industry and etc. is feasible.





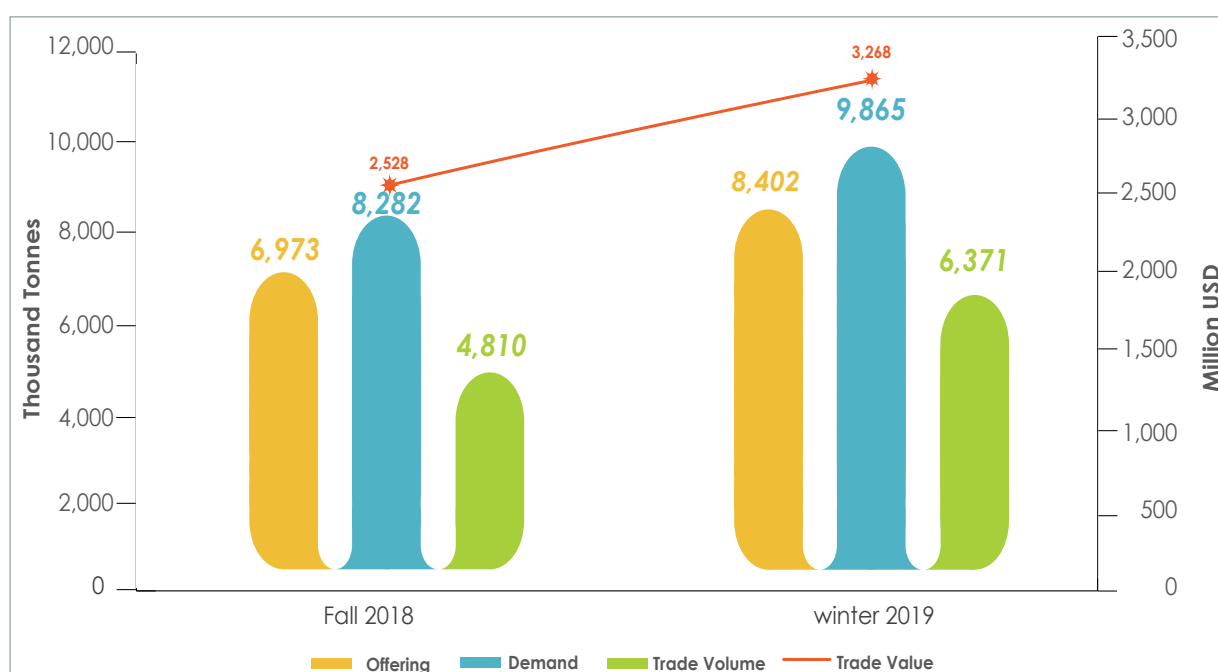
Statistics of IME Business



An Overview of IME's Physical Market

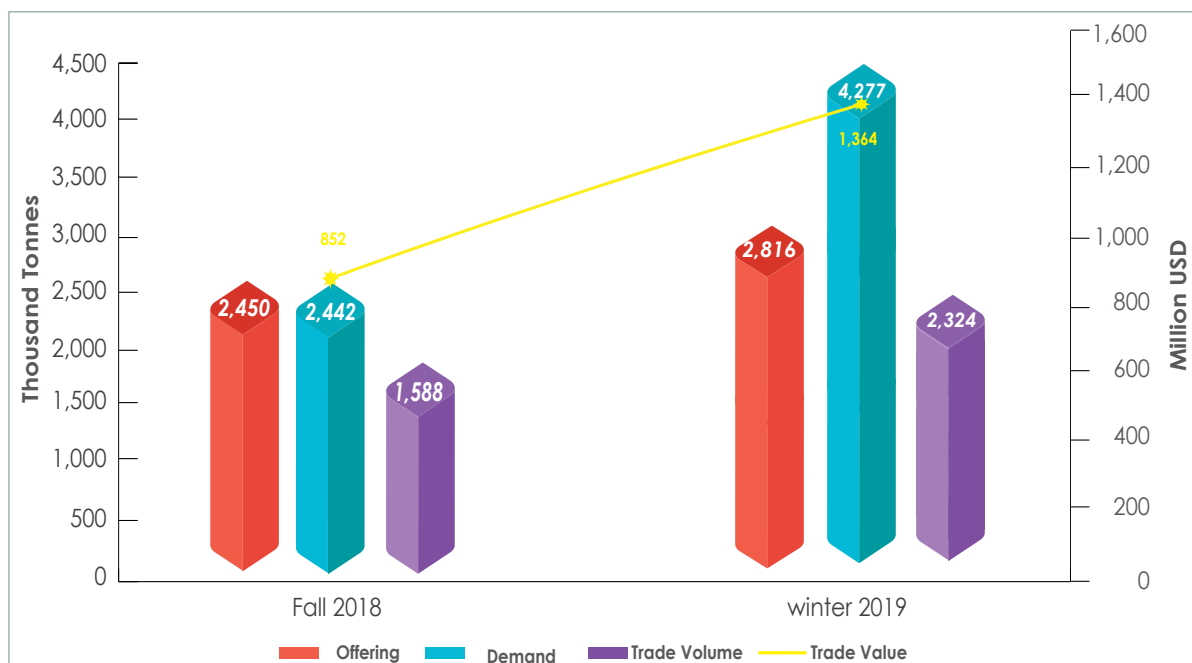
Within the fourth quarter of 1397 Hijri year (22 December, 2018– 19 March, 2019), IME saw trade of a total 6.3 million tonnes of commodities on its physical market, the value of which stood at 3,268 million USD. The figures show an upward trend as compared to the third quarter of the year with 32 percent increase in trading volume and 29 percent growth in trading value.

It is worth noting that increase in currency exchange rate (Rials/USD) relative to 1396 Hijri has led to a rise in prices and trading value in Iran Mercantile Exchange during 1397 Hijri.

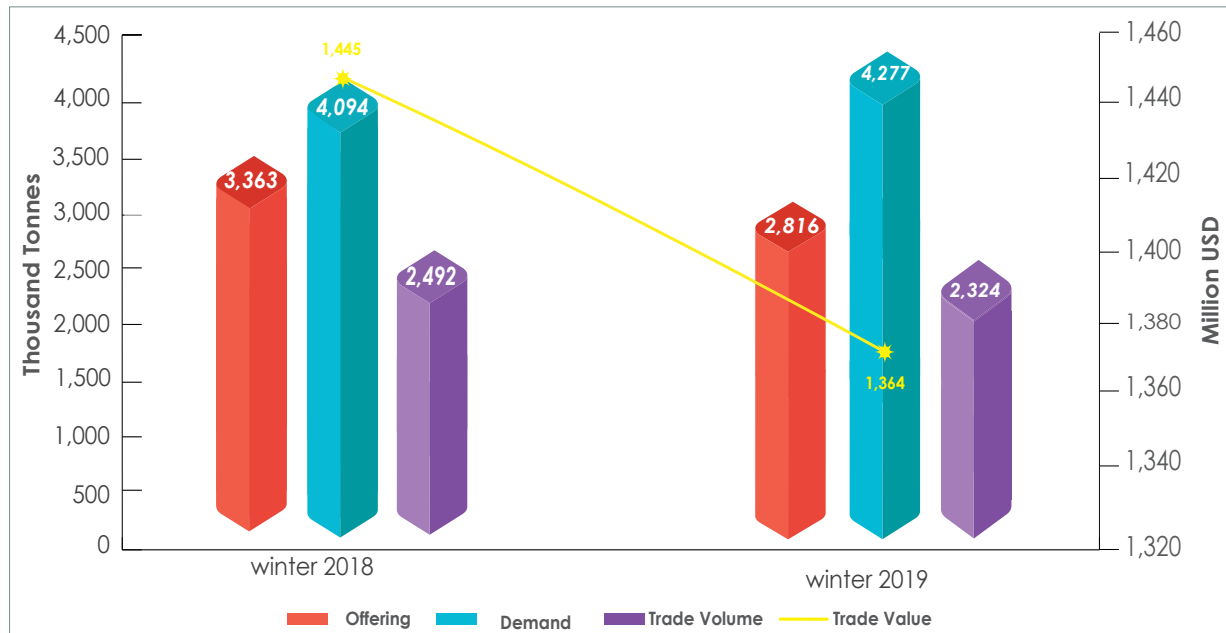


Industrial Products

The industrial trading floor of Iran Mercantile Exchange witnessed a trading volume of 2.3 million tonnes valued at 1,364 million USD in the fourth quarter of 1397 Hijri year (22 December, 2018– 19 March, 2019), showing 46 and 60 percent growth in volume and value, respectively, as compared to a 3-month period before that.

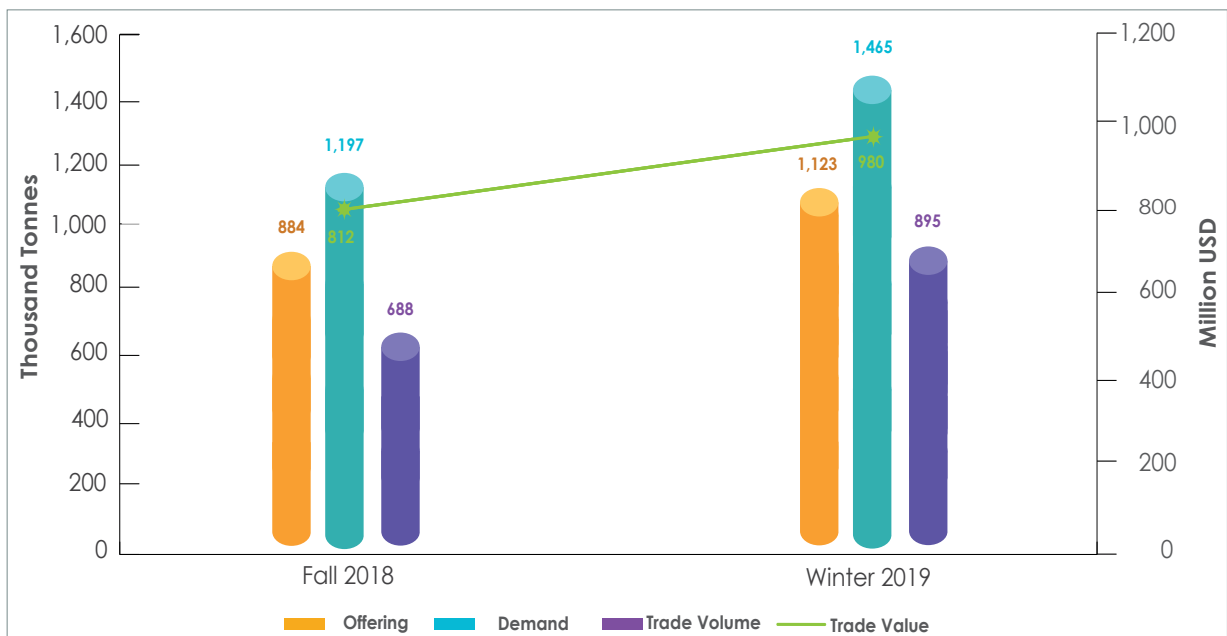


Moreover, comparing volume and value of trades between the fourth quarter of 1397 Hijri year (22 December, 2018– 19 March, 2019) and the same period in the previous year reveals that IME saw 7 and 6 percent decline in trading volume and value, respectively.

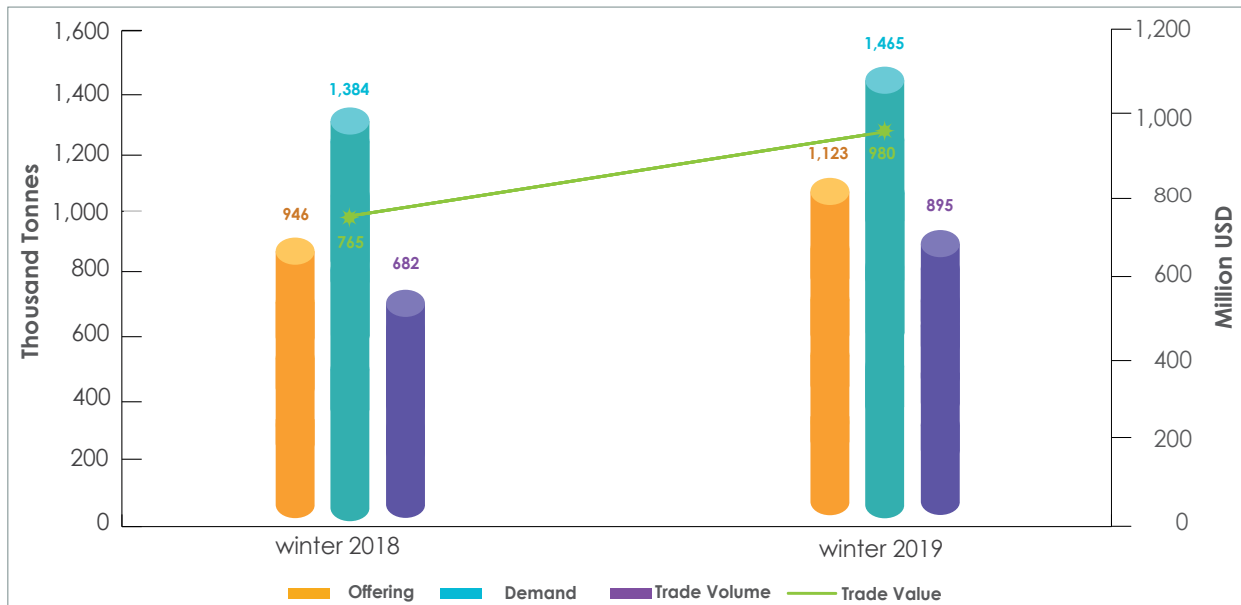


Polymeric Products

In the 4th quarter of 1397 Hijri year (22 December, 2018– 19 March, 2019), volume and value of trades on IME's physical market for polymeric products stood at 895 thousand tonnes and 980 million USD respectively, witnessing a growth of 30 and 21 percent in trading volume a value, respectively, comparing to the third quarter of the year.

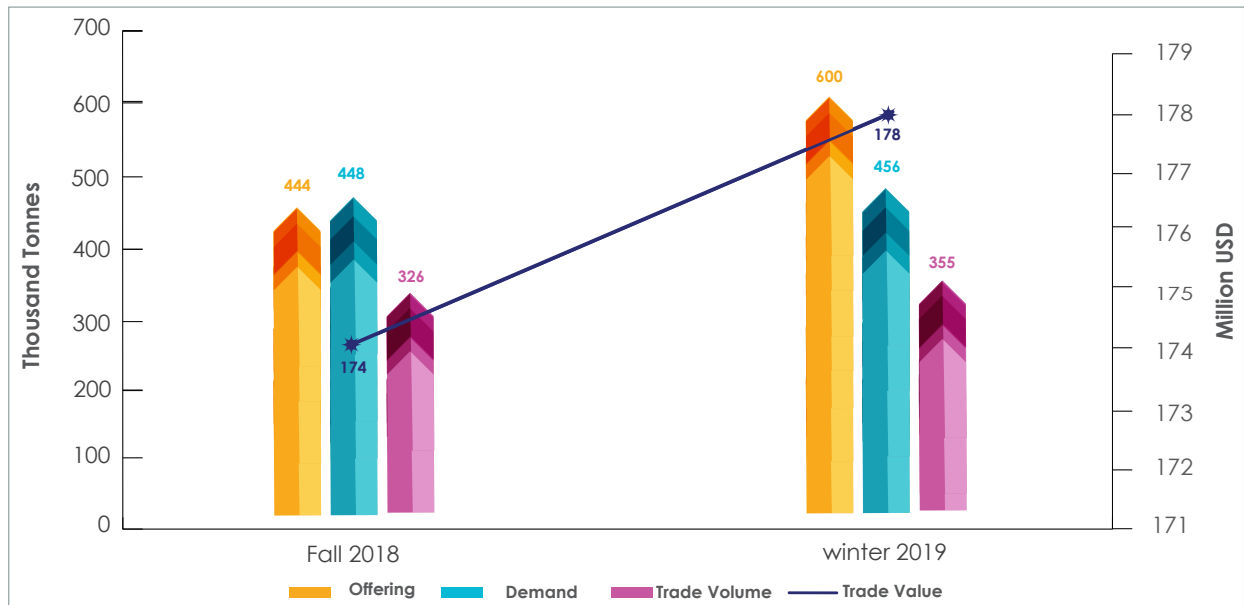


Moreover, comparing volume and value of trades between the 4th quarter of 1397 Hijri year (22 December, 2018– 19 March, 2019) and the same period in the previous year reveals that IME saw 31 and 28 percent growth in trading volume and value, respectively.

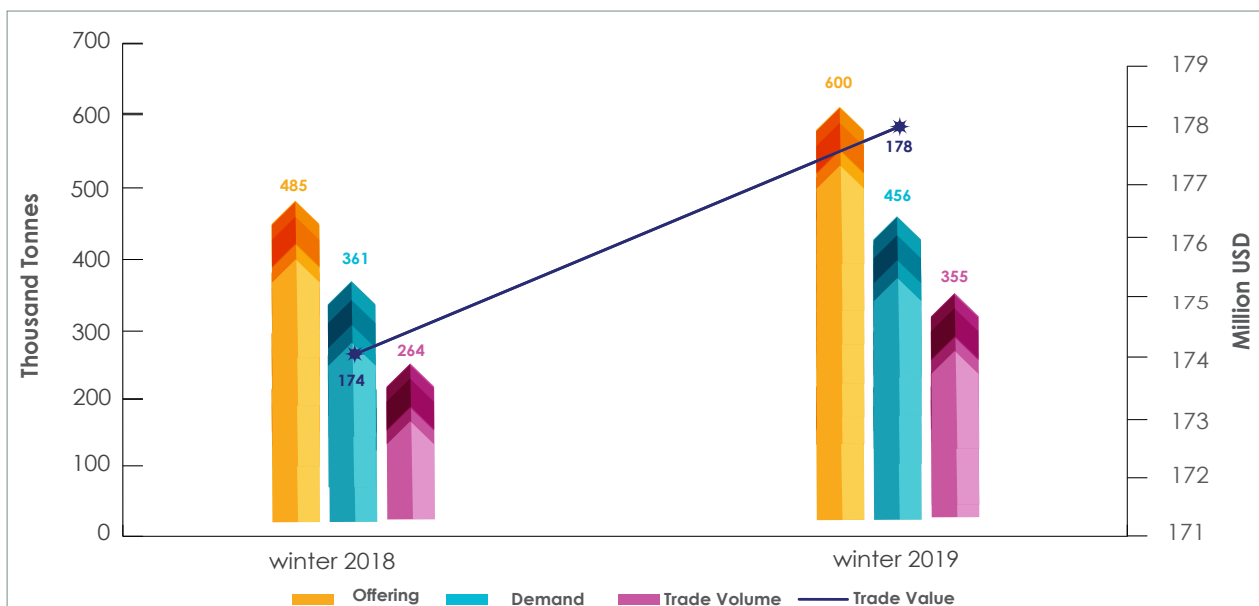


Chemical Products

Within the 4th quarter of the current Hijri year (22 December, 2018– 19 March, 2019), IME traded 355 thousand tonnes of chemicals valued at 178 million USD, showing 9 and 3 percent growth in trading volume and value, respectively, in comparison to the third quarter of the current Hijri year (23 September, 2018– 21 December, 2018).



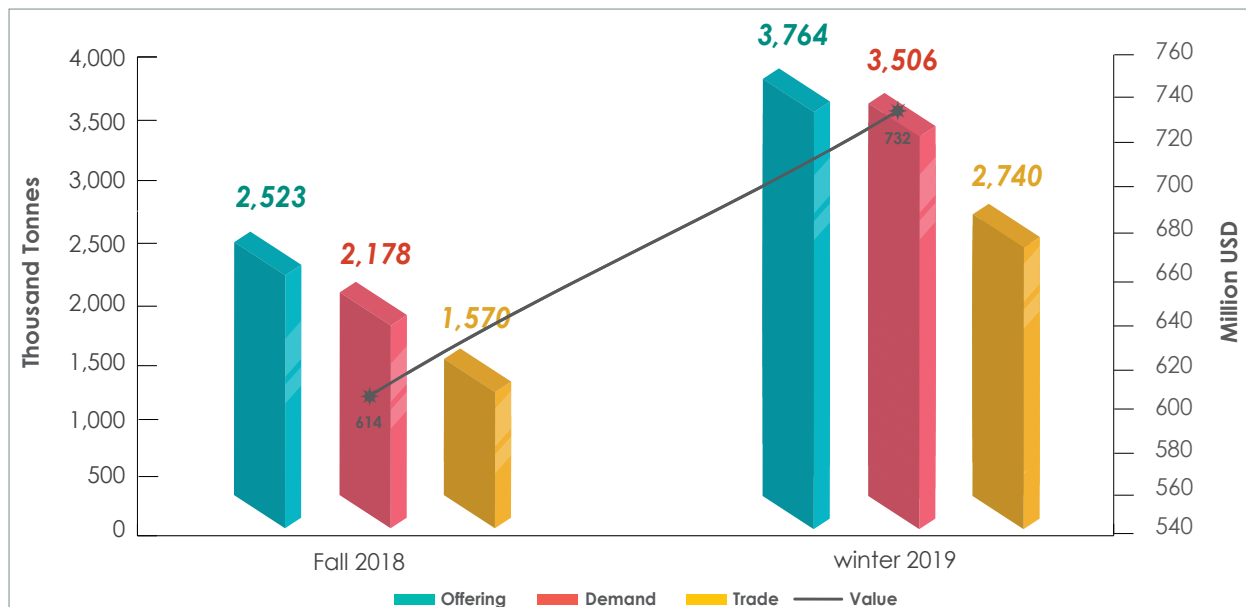
As to the same period in the previous Hijri year (22 December, 2017– 19 March, 2018), volume and value of trades of chemical products shows 35 and 2 percent of growth, respectively.



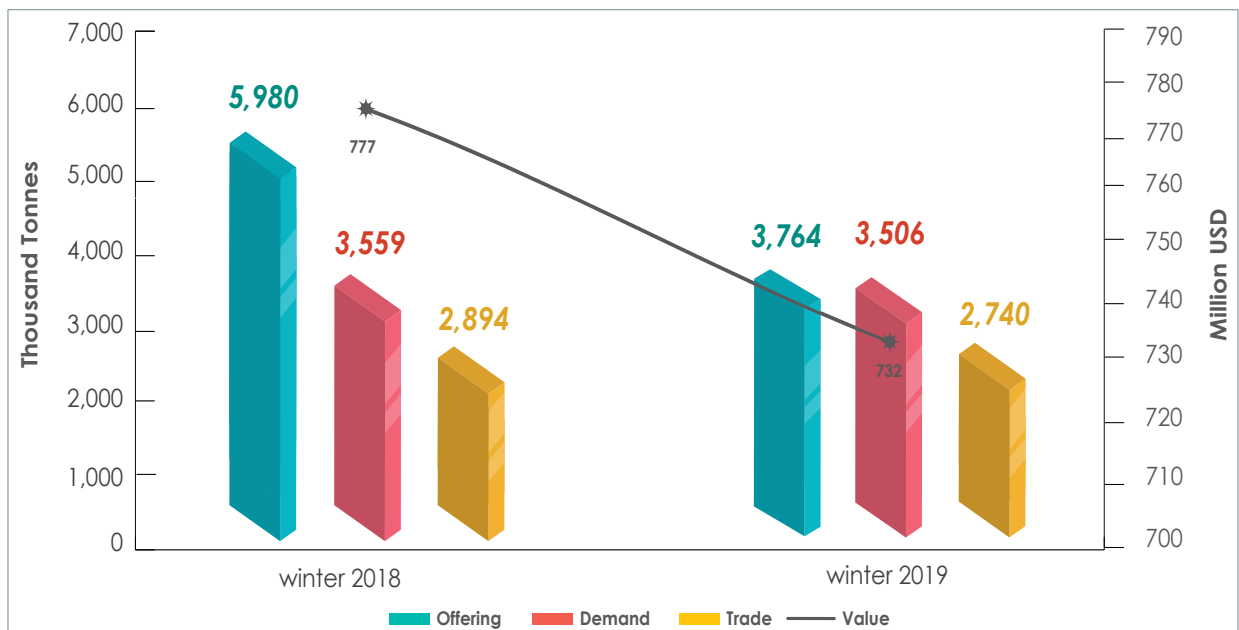
Oil Products

Within the 4th quarter of the current Hijri year (22 December, 2018– 19 March, 2019), there were 2.7 million tonnes of oil products traded on IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 732 million USD, which showed a 75 and 19 percent growth in trading volume and value, respectively, as compared to the previous quarter of the same Hijri year (23 September, 2018– 21 December, 2018).

It is worth noting, in the oil products sector, the growth of 75% in trading volume was mainly due to the increased volumes of bitumen and VB feed stock. The main reason for the growth of bitumen trading is seasonal demand from foreign customers.



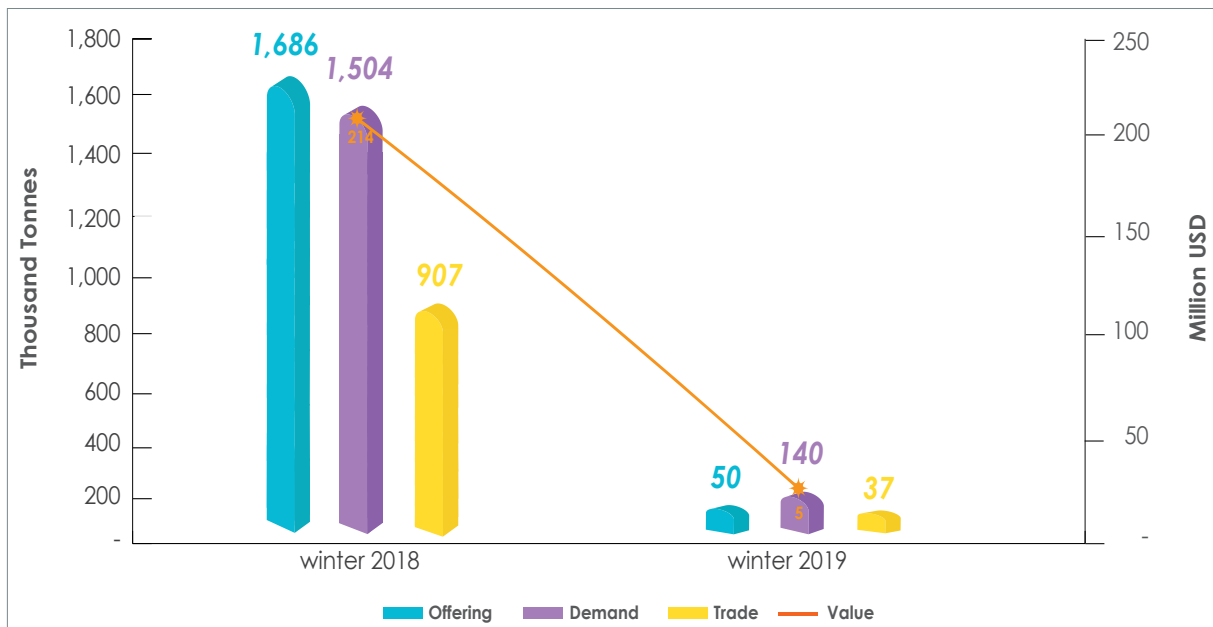
The figures for the same period in the previous Hijri year are 5.33 and 6 percent decrease in trade volume and value, respectively.



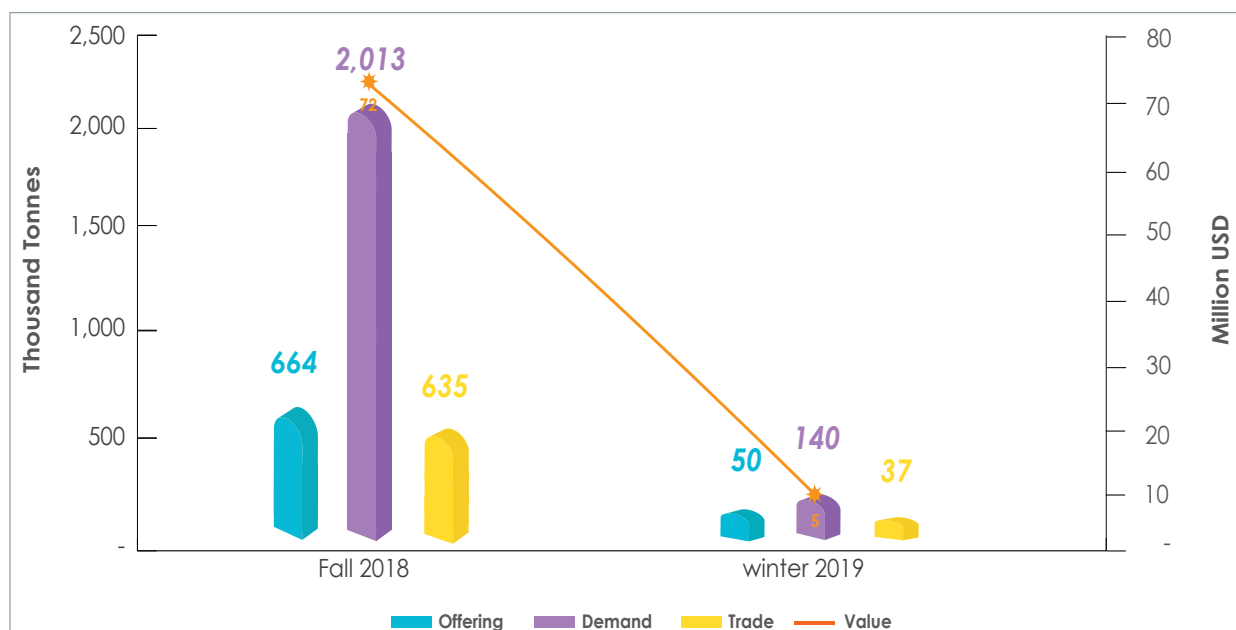
Agro-products

In the 4th quarter of the current Hijri year (22 December, 2018– 19 March, 2019), IME witnessed, in total, trade of 37 thousand tonnes of agricultural products valued at 5 million USD; a 96 and 98 percent decline in trading volume value, respectively, compared to the same quarter of the previous Hijri year (22 December, 2017– 19 March, 2018).

During the fourth quarter of 1397 Hijri, the trading volume of agricultural products has fallen sharply. The main reason for this is the prevention of offering products such as sugar and wheat, for which we are still witnessing price controls determined by government. The price control is beyond supply and demand mechanism and will disrupt the market.

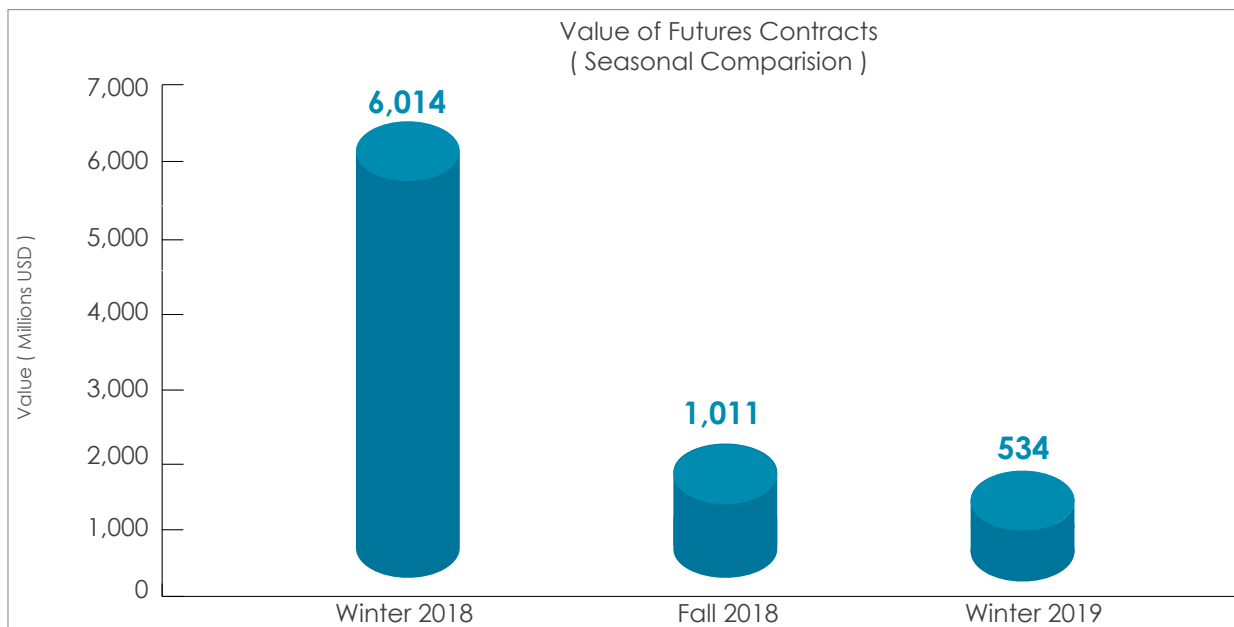
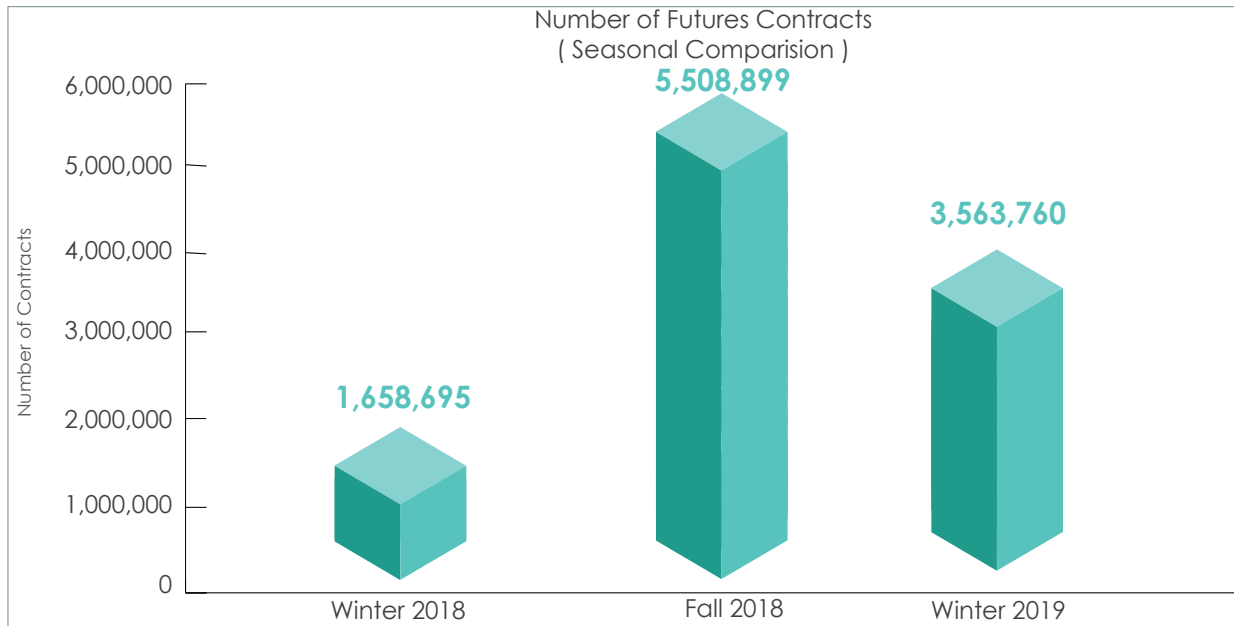


As to the previous period in the same Hijri year (23 September, 2018– 21 December, 2018), volume and value of trading shows 94 and 93 percent of decline, respectively.



Derivatives Market

Within the 4th quarter of the current Hijri year (22 December, 2018– 19 March, 2019), IME traded 3,563,760 saffron futures contracts valued at 534 million USD, showing 45 and 47 percent decline in trading volume and value, respectively, in comparison to the third quarter of the current Hijri year (23 September, 2018– 21 December, 2018).



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