



**Guide to Invest in
the Tehran Stock Exchange (TSE)
by Foreign Natural Persons and Legal Entities
(English translation)**

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This guide has been composed to serve the needs of prospective foreign investors who are willing to make an Indirect Investment (Foreign Portfolio Investment) in the Tehran Stock Exchange. To invest in the TSE listed securities and manage his/her own portfolio, foreign investor shall fully observe the Regulations on Paragraph C, Article 15 of the fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran (Annex.1) and also the following detailed steps.

Steps of Foreign Investment in the Tehran Stock Exchange (TSE)

- 1) Foreign Investor in First stage shall fill out the application form for investment under the Foreign Investment Promotion and Protection Act (form 100-5, for Foreign Portfolio Investment – Annex.2) along with the required documents and submit it to Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), at the address: No. 4, Davar Ave., Tehran, P. O. Box: 11365/9618, Iran
Tel/Fax: +9821 311 2917
OIETAI shall present the particular application in its Board of Foreign Investment and in case of being approved, the license for foreign investment by the applicant is signed by the Minister of Economic Affairs and Finance. Receiving the above mentioned license means that foreign investor is under protection of the *Foreign Investment Promotion and Protection Act (FIPPA) (annex.3)*. Any application for foreign investment received by the OIETAI shall be processed not later than 45 days after receiving the whole documents.
- 2) In case the foreign investor receives the license for investment in the TSE according to paragraph 1 above, he/she shall open a special foreign exchange bank account in a branch of Iranian

banks. Regulations of opening such foreign exchange bank account are stated in Annex.3 of this guide.

- 3) Following the opening of special bank account stated in paragraph 2 above, application for issuing a trading code for foreign investor (annex.4), shall be submitted to the TSE attached with such other required documents. The letter from the branch of the bank in which such foreign exchange bank account is opened, concerning the fact that such bank account is opened according to the letter of the Central Bank of the Islamic Republic of Iran, dated 31 Dec. 2005, only for foreign investment in the TSE shall be among these documents. The TSE address is: No. 228, Hafez Ave. Tehran, Iran.

Any application received by the TSE with all required documents shall be processed in the prescribed manner in due time, and a special trading code shall be issued for the foreign investor. The TSE shall notify the foreign investor of issuance of such trading code.

- 4) Trading of listed securities in the TSE shall be possible only through the registered brokers of the TSE. So, foreign investor shall choose his/her broker(s) who is willing to work with. A list of all registered brokers with addresses and telephone numbers is available in the TSE websites: www.irbourse.com and www.tse.ir. "How to trade in the TSE" is the subject of annex.5 of this guide.

- 5) Trading of listed securities in the TSE shall be possible only after the whole process is fully accomplished by the foreign investor.

Foreign investors are also requested to pay attention to the followings:

- With request of the foreign investor, broker shall deposit the earned fund (after deduction of commission and tax) in such foreign exchange bank account for foreign investment in the TSE, not later than 4 working days after execution of sell order. However, the foreign investor shall notify the selling broker of information of such bank account in written.

- Withdrawal of funds from such foreign exchange bank account shall be permitted only to deposit in a broker's bank account for purchasing the TSE listed securities. All funds earned by selling of securities shall be maintained in broker's bank account or transferred to such foreign exchange bank account stated in paragraph 2 above.
- Transfer of funds of foreign origin and funds earned by capital gains or dividends shall be accomplished according to *Regulations on Paragraph C, Article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran (annex.1)*, and *Foreign Investment Promotion and Protection Act*.
- All dividends shall be directly deposited in such foreign exchange bank account. According to article 2 of *Regulations on Paragraph C, Article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran*, transfer of annual profit abroad by foreign investors each year shall be permitted. According to current rules and regulations, the tax payable shall be deducted from dividend and a net amount shall be paid to foreign investor; so, no other taxes shall be paid for dividends.

Annex. 1

Regulations on paragraph C, Article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, concerning the investment of foreign entities in the Tehran Stock Exchange

In a meeting dated 1 Jun. 2005, according to a joint proposal of the Ministry of Economic Affairs and Finance, and the Central Bank of Islamic Republic of Iran, and by virtue of paragraph c, article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan, concerning the investment of foreign entities in the Tehran Stock Exchange, the Cabinet approved the regulations of paragraph c of the above mentioned article, as follows:

Article 1 – Definitions:

1) Organization

The Tehran Stock Exchange Brokers' Organization.

2) Board of Directors of the Organization

Board of Directors of the Tehran Stock Exchange Brokers' Organization.

3) Investment Organization

Organization for Investment, Economic and Technical Assistance of Iran.

4) Promotion Act

Foreign Investment Promotion and Protection Act.

5) Foreign Investor

Natural Person or legal entity of foreign origin who, under the Foreign Investment Promotion and Protection Act, and in compliance with the articles of the present regulations, buys and/or sells securities in the Stock Exchange.

6) Foreign Portfolio Investment

Transaction of the listed securities by a *Foreign Investor*, solely to get profit, not willing to access to the management of the

company. The term *Foreign Investment* in the present regulations solely means this kind of investment.

7) Direct Foreign Investment

The purchase of listed securities by the *Foreign Investor* in order to get profit and access to the management of the company.

8) Trusted Auditor

Auditing firm, member of Iran Registered Auditors Association, appointed by provisions of the trusted auditing firms and legal inspectors of the Tehran Stock Exchange, ratified by the Council of the Stock Exchange in 3 Khordad, 1378 (24 may, 1999).

9) Global Depository Receipt

A negotiable certificate issued by a foreign bank in two or more countries representing the ownership of a specific number of an Iranian listed company's deposited shares held by the issuer bank. This certificate is issued according to previous agreement between the Iranian issuer of the shares and the foreign bank by the approval of the Stock Exchange.

Article 2 – To practice as a *Foreign Investor* in the Stock Exchange, a person must hold a license which shall be issued by the *Investment Organization*.

Note: The Council of the Stock Exchange shall declare the legal maximum amount of foreign portfolio investment to the Investment Organization every three month, in compliance with general conditions of supply and demand in national capital market.

Article 3 – *Foreign investors* shall transfer the entire funds into the country and invest in the Stock Exchange, wholly or in part, at most, one year after receiving the license. If the entire funds not been transferred into the country or not been invested in the exchange during this period, investment of the remaining shall be subject to be newly licensed by the Investment Organization.

Article 4 – *Foreign Investor* shall be solely authorized to invest in the following financial assets:

- a) Shares of the listed companies,
- b) Other types of listed securities,
- c) Any kind of listed Certificate of Participation.

Article 5 – After the issuance of *Investment Organization* licence and before any transaction be performed and any trading code be appointed, the official translation of the following documents shall be submitted to the *Organization* by the applicant:

- a) Articles of Association of *Foreign Investor*,
- b) Identifications of all shareholders with more than five percent of the entire shares of the *Foreign Investor*,
- c) Identifications of senior managers of the *Foreign Investor*,
- d) Features of bank accounts allocated to (mentioned in article 7 of the present regulations) transactions of *Foreign Investor* in the Stock Exchange.

Note 1: If the funds of the *Foreign Investor* be managed by an independent legal entity, paragraphs (a), (b), and (c) of this article shall be applied thereto.

Note 2: Natural person investors shall solely observe paragraph (d) and note 1 of this article accordingly.

Article 6 – *Foreign Investor* shall present the following information to the *Organization* according to the *Organization's* current regulations of disclosure:

- a) Annual and quarterly reports and financial statements of practice in the Stock Exchange,
- b) A quarterly list of securities invested on and the value thereof,
- c) A copy of the entire statements of bank accounts according to article 7 of the present regulations, as to show detailed information and turnover of the accounts,
- d) Reports to disclose the effective changes in management structure of the investor (only for legal entities).

Article 7 – *Foreign investor* shall appoint one of the local banks for its practices.

Note 1: *Foreign Investor* shall present to the *organization* and *Investment Organization* the particular approval of the bank mentioned in this article, concerning any payment or selling of foreign exchanges, in compliance with regulations, of the Central Bank of the Islamic Republic Iran.

Note 2: All receipts and payments of the *Foreign Investor* shall be solely accomplished through the accounts opened in the bank mentioned in this article, and all funds collected out of selling of securities traded according to the present regulations and all profits of which shall be deposited to these accounts.

Note 3: *Foreign Investor* shall not be authorized to invest the specific financial sources of these accounts in other purposes, and to such extent other than those mentioned in the present regulations.

Article 8 – provisions of bringing, maintaining, and withdrawing of the principal and interests of the capital entered to the country with respect to the present regulations by the *Foreign Investor* shall be complied with the *Promotion Act* and particular regulations of which, and also regulations of foreign exchanges.

Article 9 – Maximum number of shares to be purchased in each listed company by all *Foreign Investors* through one of the following ways of investment, shall not exceed the amount of 10% of the total number of shares issued by that company:

- 1- Purchasing shares of the company, holding the license mentioned in the present regulations,
- 2- Purchasing *Global Depository Receipt* of the shares of a company,
- 3- Transaction of the shares of the Tehran Stock Exchange listed companies in a foreign Stock Exchange.

Article 10 – Maximum *Foreign Investment* in Certificates of Participation (mentioned in paragraph c, article 4 of the present

regulations) shall not exceed the amount of 10% of the total foreign investor's investable funds. *Foreign Investment* in other types of securities (mentioned in paragraph b, article 4 of the present regulations) shall comply with the same limits as of investment in shares of the companies (mentioned in article 9 of the present regulations).

Article 11 – If the *Foreign Investor's* turnover exceeds the ratios prescribed in the present regulations, *Foreign Investor* will be required to sell the excess securities within a period of one trading week. *Organization* shall publish to the market, at the end of each trading week, the percentage of foreign investment in each company.

Article 12 – *Foreign Investor* shall be allowed, after three years of practice in the Stock Exchange, to transfer abroad the principal investment and related capital gains, observing the articles of *Promotion Act* and national regulations of foreign exchanges. Dividends could be transferred abroad each year, according to current regulations.

Article 13 – If *Foreign Investor* be not able to reinvest its principal investment and accumulated capital gains, withdrawal of the excess uninvestable funds, in compliance with the following conditions, shall be allowed:

- 1- Application for withdrawal of the funds mentioned in this article shall be accepted only if a two third of the shares contributed and other securities allocated to *Foreign Investment* have already been completed.
- 2- Withdrawal of the funds mentioned in this article, after being stated by the *Board of Directors of the organization*, shall receive the approval of the *Investment Organization*.

Article 14 – Auditing of the *Foreign Investor's* practice in the Stock Exchange shall be accomplished by *Trusted Auditor* of the *Organization*.

Article 15 – In case of any form of violating the articles of the present regulations by the *Foreign Investor*, the trading code of which shall be halted, in the opinion of the *Organization*, and the *Investment Organization* shall be informed of that particular violation.

Article 16 – Limits mentioned in the present regulations shall not include foreign direct investment in purchasing shares of the listed companies.

Annex. 2

**Ministry of Economic Affairs and Finance
Organization for Investment, Economic and
Technical Assistance of Iran (OIETAI)**

**Application for Investment
under
the Foreign Investment Promotion and
Protection Act
(Form 100-5)**

**(Foreign Portfolio Investment)
(Draft)**

Islamic Republic of Iran
Ministry of Economic Affairs and Finance
Organization for Investment, Economic
and Technical Assistance of Iran
(O.I.E.T.A.I.)

Application for Investment under
the Foreign Investment Promotion
and Protection Act
(FIPPA)

A. Specifications of the applicant¹

A-1- Natural persons or legal entities:

A-1-1- Full name of the applicant/s:

I.....
II.....
III.....

A-1-2- Legal status of the applicant:

private state owned other (If other, give more information):

.....

A-1-3- Is the company listed in any Stock Exchange? (In case the applicant is a legal entity) Yes No If yes, where:

.....

A-1-4- Nationality and legal domicile of the applicant (*full address*):

I.....
Tel:.....Fax:.....E-mail:.....
II.....
Tel:.....Fax:.....E-mail:.....
III.....
Tel:.....Fax:.....E-mail:.....

¹ Natural persons and registered legal entities shall fill out section (A-1) and legal entities which are about to be established shall fill out section (A-2)

A-1-5- Information on authorized signatories (to be filled out by legal entities):

<u>Full Name</u>	<u>Position</u>	<u>Tel/Fax/E-mail</u>	<u>Signature</u>
.....
.....
.....
.....

A-1-6- Information on major shareholders (whose shares exceed 5%) of the applicant in case the applicant is a legal entity:

<u>Name</u>	<u>Nationality</u>	<u>Equity %</u>
.....
.....
.....
.....

A-1-7- Current activities of the applicant:

.....

.....

.....

A-1-8- Investments of the applicant in other countries:

a) In stock market:

.....

b) Outside stock market:

.....

A-1-9- References (*banks, industrial and business personalities*):

.....

.....

.....

A-2- Legal entities which are about to be established:

A-2-1- Information on founders:

<u>Full Name</u>	<u>Nationality</u>	<u>Address</u>	<u>Tel/Fax/E-mail</u>	<u>Signature</u>
.....
.....
.....

A-2-2- Particulars of legal entity (to be established):

Name:

Place of registration:

Head office location:.....

Probable registration date:.....

Field of activity:

Legal statues: private state owned other (Pleas explain):

B. Financing and Management

B-1-The amount of foreign capital to be imported by the applicant and the schedule¹:

Total amount: (Forex)

Period	1-3 months after issuance of foreign investment license	3-6 months after issuance of foreign investment license	6-9 months after issuance of foreign investment license	9-12 months after issuance of foreign investment license
Amount				

¹ The foreign capital must be imported into the country in accordance with the schedule proposed by the applicant and within maximum one year after issuance of the foreign investment license. If the approved capital is not fully imported within a particular period of time stipulated in the license or is not invested in stock market, the importation or investment of the remainder shall be subject to new licensing

B-2- Foreseeable source of financing¹:

Source	Foreign	Domestic
Applicant's own financial resources		
Loan from banks or financial institutions*		
Fund-raising through selling securities**		
Other (please explain)		
Total(Forex)	

* Name of the bank or financial institution:.....

Terms and conditions of the loan:

Loan periodInterest rate terms of repayment.....

** Elaborate on place and mechanism of selling the securities:

.....
.....

B-3- If the foreign and Iranian shareholders supply the funds jointly, please answer the following questions:

a) General information on local partners:

<u>Name</u>	<u>Equity %</u>	<u>Gov./non-gov.²</u>
.....
.....
.....

b) Local partners competence to support the realization of the objectives of foreign investors:

.....
.....
.....

B-4- Method of managing the imported capital:

- a) Directly by foreign investor
- b) Indirectly by a representative or an agent
- c) Through establishment of a new company in Iran

¹ The information provided in this section is considered as estimations and are not binding for foreign investors.

² "gov" stands for "government". "non-gov" refers to private, cooperatives and/or non-governmental public institutions.

The applicant is required to provide the following documents along with the filled in application form at the time of submission of the application to the OIETAI (please tick):

A covering letter by the Applicant/s addressed to the OIETAI, stating Applicant's request for approval under the FIPPA.

Short resume of applicant/s.

Copy of the Establishment License issued by the relevant ministry and/or government agency.

A detailed list of the machinery & equipment containing number, country and year of manufacture, and unit price, in case the capital is to be imported into the country in kind (non - cash).

The list of CKD parts containing quantity and price.

Copy of the Joint Venture Agreement (if available).

Copy of the Feasibility Report of the Project (if available).

Copy of the transfer of technology and service agreements, if applicable.

Any other document deemed to be helpful.

Having read the Foreign Investment Promotion and Protection Act (FIPPA) as well as its implementing regulations, Ithe authorized representative have completed on behalf of (The Applicant/s) the above application and hereby apply for approval

On behalf of the Foreign Investor/s

Signature.....

DateStamp

Confirmed by:
representing Iranian partners

Signature

Note: In case the space designated for each question of the application form is not sufficient to cover the answers, the applicant/s are kindly requested to attach additional pages as required.

Annex. 3

**Regulations on Opening Foreign Exchange Bank Account
for Foreign Investment in the
Tehran Stock Exchange**

Regulations on opening foreign exchange bank account for foreign investment in the Tehran Stock Exchange have been informed by the Central Bank of the Islamic Republic of Iran to all Iranian registered banks through the letter dated 31 Dec.2005 (5878/ل.س/10 – 84/10/8) as follows:

To:

Bank Melli Iran – Foreign Affairs Office
Bank Sepah – Foreign Exchange Operations & International Relations Office
Bank Tejarat – Network Affairs & Development of Foreign Exchange Activities Office
Bank Mellat – General Directorate of Foreign Exchange Operations
Bank Saderat Iran – General Directorate of Foreign Exchange
Bank Keshavarzi – International Affairs Office
Bank Refah Kargaran – International Affairs Office
Bank San'at Ma'dan – International Affairs Office
Bank Towse'e Saderat Iran – International Affairs Office
Bank Maskan – International Affairs Office
Bank Karafarin
Bank Saman
Bank Parsian
Bank Eqtesad Novin

Subject: Application for the Opening of Foreign Exchange Bank Account for Foreign Applicants (Natural Persons or Legal Entities) to Trade Securities in the Tehran Stock Exchange

Enclosed find the approval of the esteemed Cabinet, dated 16-03-1384 (June 6th, 2005) as the "Regulations on Paragraph C, Article 15 of the Law of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran".

In Execution of article 7 of the above mentioned regulations, and after receiving a copy of the license issued by the Organization of Investment , Economic and Technical Assistance of Iran (OIETAI) to the Tehran Stock Exchange (TSE) upon trading of securities prescribed in the above mentioned regulations, please open a foreign exchange bank account for foreign applicants as follows and as complied with the mentioned conditions:

1- Conditions of Opening a Foreign Exchange Bank Account

- a) If the applicant is present inside the country, the opening of the foreign exchange bank account shall be accomplished after receiving the required documents attached with a copy of the above mentioned license, in compliance with the particular regulations on money laundering prevention.
- b) If the applicant is not present inside the country, the whole process of receiving the required documents and opening a foreign exchange bank account shall be accomplished through a coordination between the branches of representatives of the bank and other Iranian banks or their representatives abroad, and in case of being no branch or representative in place of the applicant's domicile, the whole process shall be accomplished by the bank agents. The copy of the license issued by the OIETAI shall still be kept by the bank.

Note 1: Following any transfer of money to the foreign exchange bank account, bank shall notify the TSE and the OIETAI of the amount of money and full identifications of the depositor.

Note 2: In case of no money be deposited in this account or no deposited money be invested in securities after one year from the opening of the said account, new approval of the OIETAI shall be necessary to keep the account being in operation .

2- Resources and uses:

a) Resources

All deposits shall be accomplished through the current bank instruments such as: foreign exchange bill or bank cheque. The money earned from the selling of securities could be deposited in this account as a new resource

b) Uses

Purchase of foreign exchange at daily exchange rates and deposit the Rial equivalent in the TSE or the selected broker's bank account, following the approval of the TSE (account no., name and special code of the branch shall be stated).

Note 1: In order to facilitate the process of changing foreign exchange to Rials for buying securities and changing Rials proceeded from selling the securities (including principal investment and Dividends), in compliance with provisions of the said regulations banks are allowed to open a sub account in Rials for the applicant.

Note 2: Transfer of foreign exchange earned by selling of securities (including changing the principal investment, capital gains and dividends to foreign exchange at daily rates) shall only be possible in compliance with the articles 12 and 13 of the said regulations.

Note 3: The owner of the foreign exchange bank account is allowed to transfer abroad the whole or part of the amount of foreign exchange which has not been changed into Rials for buying the securities.

- 3-** With regard to limited fields of activities applied to these accounts (as stated in note 3 of article 7 of the above mentioned regulations), it shall be noticed as a precondition that no profit shall be accrued to these accounts.

You are kindly requested to inform all your branches and make an appropriate control over the compliance with these provisions.

Department of
Foreign Exchange Policies and Regulations
D. Agha'i **A. Yarandpour**

CC:

- Tehran Stock Exchange
- Organization for Investment, Economic and Technical Assistance of Iran

Annex. 4

**Application for Issuing Trading Code
for Foreign Investors**

1- Specifications of the Applicant

Natural Persons:

Full Name:..... Passport No.:..... Nationality:.....
Legal Domicile:
Tel:..... Fax:..... Email:.....

Legal Entities:

Full Name:..... Nationality:.....
Legal Domicile:
Tel:..... Fax:..... Email:.....

Information on Authorized Signatories:

No.	Full Name	Position	Tel/Fax/Email	Signature
1				
2				
3				
4				
5				

Explain How to sign Binding Documents:
.....
.....

2- Specifications of the OIETAI License(s):

License no.	Date of Issue	Licensed Amount (in cash)	Type of Foreign Exchange

3- Specifications of Directors Managing the Imported Capital

No.	Name	Passport / Registration No.	Nationality	Relationship	Tel/Fax/ Address
1					
2					
3					
4					
5					

Authority of Director (s)
.....
.....

**4- Specifications of the Bank Account, According to Article 7 of the
Implementing Regulations**

Name of Account Owner	Account No.	Type of Account	Name of Bank	Name of Branch of the Bank

Having read all conditions stated in the Tehran Stock Exchange implementing regulations and rules and regulations ratified in that Exchange, I (the applicant) undertake the responsibility of any likely false information in this application and also the fully observance of the above mentioned regulations; otherwise, the Tehran Stock Exchange may act according to relevant rules and regulations.

The following documents shall be submitted to the TSE along with this application:

- 1- A letter by the applicant to the TSE concerning the issuance of trading code;
- 2- A letter from the branch of the bank in which such foreign exchange bank account is opened, concerning the fact that such bank account is opened according to the letter of the Central Bank of the Islamic Republic of Iran, dated 31 Dec. 2005, only for foreign investment in the TSE;
- 3- Articles of association of the applicant and the English translation thereof (for legal entities);
- 4- Specifications of the applicant's senior officers (for legal entities);
- 5- Specifications of the owners of more than %5 of the applicant's equities (for legal entities);
- 6- A copy of the passport, certified by the embassy of the Islamic Republic of Iran to the applicant's relevant country (for natural persons);
- 7- A copy of applicant's registration documents, certified by the embassy of the Islamic Republic of Iran to the applicant's relevant country (for natural persons)

Annex. 5
How to Trade in the TSE

Buying Securities

- 1- For buying the TSE listed securities through a TSE registered broker, a buy order shall be properly filled and signed by the foreign investor and delivered to his/her broker.
- 2- A sum of foreign exchange equal to the price of the whole securities being purchased for the foreign investor, shall be changed to Rials and transferred from foreign investor's special bank account to the broker's bank account, prior to execution of buy order.
- 3- After buying the TSE listed securities, the following documents shall be delivered to foreign investor by the TSE registered broker:
 - Buy/sell statement, one day after trading day;
 - Certificate of stock transfer and deposit, one day after trading day.
- 4- Fees payable in buying securities are as follows:
 - 1.5 per thousand of trading value for the Exchange development plan;
 - 4 per thousand of trading value for broker's commission (not less than 15,000 Rials).

Selling Securities

- 1- For selling the TSE listed securities through a TSE registered broker, a sell order shall be properly filled and signed by the foreign investor and delivered to his/her broker.
- 2- For selling the TSE listed securities, the certificate of stock transfer and deposit shall be delivered along with the sell order to the broker.
- 3- After selling the TSE listed securities, the following documents shall be delivered to foreign investor by the TSE registered broker:
 - Buy/sell statement, one day after trading day;
 - Certificate of stock transfer and deposit, one day after trading day.
- 4- Fees payable in selling securities are as follows:
 - 1.5 per thousand of trading value for the Exchange development plan;
 - 4 per thousand of trading value for broker's commission (not less than 15,000 Rials).
 - 5 per thousand of trading value as tax.

Note: Except 5 per thousand of trading value mentioned above, no other tax shall be charged on capital gains.

FAQ

Q1- Under what circumstances a foreign investor may receive the license to establish a brokerage firm in Iran?

- There is no particular regulation in this regard, so far. Foreign investors may acquire up to 49 percent of each registered brokerage firms by the approval of the TSE.

Q2- Can a foreign investor invest in mutual funds and private or mutual portfolios?

- Regulations concerning the establishment of mutual funds would be finalized in near future. So, no mutual fund is established in the TSE yet. Instead, brokers may establish private or mutual portfolios for their clients. The TSE supervises operations of such portfolios while they are managed according to their own prospectuses. Private portfolio belongs to a specific investor, while a group of investors may participate in a mutual portfolio. Now, brokers may establish private portfolios for foreign investors by the approval of the TSE.

Q3- What are the major restrictions of foreign investment in the TSE?

- To answer this question first types of foreign investment in the TSE shall be explained:

- a) Foreign Direct Investment (FDI): FDI is the purchase of listed securities to gain profit and having access to managerial role in the company. Now, if a foreign investor does not like to have an active "trading code" in the TSE, it may, having coordinated with the TSE, buy listed securities without restrictions specified in the Regulations on Paragraph C, Article 15 of the Law of the Fourth Economic, Social & Cultural Development Plan of the Islamic Republic of Iran, as a Foreign Direct Investment (FDI). The "trading code" shall become inactive once a buy order is conducted, while selling shall be done upon coordination with the TSE. This type of foreign investment is also possible by granting a license by

the "Organization for Investment, Economic & Technical Assistance of Iran (OIETAI)", under the "Foreign Investment Promotion & Protection Act (FIPPA)".

b) Foreign Portfolio Investment (FPI): If the aim of a foreign investor is to gain profit only, regardless of having access to managerial role in the listed companies, it would be considered as a Foreign Portfolio Investment (FPI) and restrictions specified in the "Regulation on Paragraph C, of the Law of the Fourth Economic, Social & Cultural Development Plan of the Islamic Republic of Iran" would be applied to such investment. Major restrictions specified in the said regulations would be described as follows:

- Foreign investors shall invest not more than 10 percent of their own capital in "participation certificates";
- All foreign investors shall not own a maximum of 10 percent of the shares of each listed company at the same time;
- Foreign Investor shall be permitted, after three years of practice in the Stock Exchange, to transfer abroad the principal investment and related capital gains, in compliance with the articles of Foreign Investment Promotion & Protection Act (FIPPA);
- Dividends of each year could be transferred abroad, in compliance with the articles of Foreign Investment Promotion & Protection Act (FIPPA);

Q4- Does investment of Iranians residing abroad in the TSE bear such restrictions specified for foreign investment?

- No. Iranians residing abroad may invest in the TSE without any restrictions, because of their Iranian nationality. If the capital of these Iranian people is of a foreign origin, it may be protected under the Foreign Investment Promotion & Protection Act. They shall receive the OIETAI license and bear such restrictions specified for foreign investment.

Q5- Can foreign investors put their buy or sell orders to their selected brokers from outside Iran?

- Some brokerage firms provide buy or sell order services via internet. So, it is possible if the selected brokerage firm provides this service.

Q6- What is the main source of acquiring the TSE trading statistics and companies information?

- www.irbourse.com is the official website of the TSE, providing all information relating to listed companies in Persian language. A summary of such information in English language is available at: www.tse.ir. The TSE intends to set up a comprehensive English website in near future, dedicated to foreign investors.

Q7- Can any person other than the foreign investor, i.e. an Iranian person, manage the whole foreign investment?

- Yes. In this regard, specifications of the manager of foreign investment shall be stated in the form 100-5, or the foreign investor gives power of attorney to a third party. This power shall be registered in an Iranian notary public's office.

Q8- Which Iranian banks would be ready to open the special foreign exchange bank account for foreign investors?

- To open the special bank account dedicated to foreign investment in the TSE, the foreign investor may present the required license issued by the OIETAI to each of inland or offshore branches of Iranian banks which provides the foreign exchange services.

Q9- Is there any interest for the remaining funds of the special foreign exchange bank account?

- No. According to regulations of opening such special bank accounts, there would be no interest for such bank accounts.

Q10- Which brokers offer buy and sell services to foreign investors?

- All brokers who are the TSE members may provide these services. Foreign investor may have the authority to choose his/her broker(s).

Q11- Is there any interest for the foreign investors' funds remained in the broker's account?

- No. so It's better for foreign investors to always channel their funds to buy shares.

Q12- Who is responsible for the undertakings in securities transactions in the TSE?

- Brokers themselves are responsible for securities transactions. However, the "Central Securities Depository and Funds Settlement" which is going to be established independent from the TSE and brokerage firms, would take this responsibly in near future.

Q13- Which authority is responsible to settle the likely brokers' defaults ?

- The TSE is the first authority to settle the likely brokers' defaults and the Securities & Exchange Organization (SEO) would be at higher level in this regard.

Q14- Is it possible to start foreign investment process in the TSE from one of the Iranian Free Trade Zones (for example, Kish FTZ)?

- Yes, but regulations are the same. Foreign investors shall follow the whole regulations for foreign investment in the TSE.

Q15- What is the process to transfer abroad the principal investment, capital gains and dividends, and how long it takes?

- In case that transferring abroad of principal investment, capital gains and dividends is permitted in compliance with the Regulations on paragraph C, Article 15 of the Law of the Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran (Annex.1), the DIETAI shall submit the required license to the relevant bank, according to the foreign investor's request. The above mentioned license shall be issued in not more than one week after the foreign investor's request.