

# 2018



Winter 2018, Vol. 11

# IME

# Quarterly

Iran Mercantile Exchange Quarterly Newsletter





In the Name of God

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## Iran Mercantile Exchange Quarterly Newsletter Winter 2018, Vol. 11

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## Editorial Column

Amin Najari

The New Year is upon us, casting hopes on the future as we see the blossoms of spring and say farewell to the past year.

The hijri year 96 with its motto focusing on Resistive Economy is over, but our performance is right here before our eyes, waiting for review, scrutiny and contemplation. We need to make a roadmap out of what we have learned from it and lead our country toward increasing success.

Within the past year IME celebrated its 10th anniversary which coincided with the 50th anniversary of Iran's capital market. It seems that IME has come of age after 10 years of persistence and perseverance with unprecedented records in trading value of both its derivatives and spot markets, standing in total at 1,150 thousand billion rials. IME also hit new records in both volume and value of trades for petrochemicals and agro-products. Launching premium trades as well as running trades of certificates of deposit on new underlying assets like saffron, pistachios, and new grades of petrochemical products were among the new developments on IME. Furthermore, IME experienced underwriting of commodity funds and their trades in the secondary market which is considered as another important development for the exchange. Just like the previous year, IME's trading value in securities stood above trading value of its physical market which, regarding IME's mission is a merit.

There have been also a few turning points as to IME's agricultural trading floor including





offering of saffron on IME's export ring, offering of the wheat produced in four provinces of the country within the framework of a method titled as article 33, reaching of IME's trading volume for wheat to the unprecedented figure of 2 million tonnes, increasing number of listed IME's warehouses to 94, offering of day old chicks, launching trades of pistachios and issuing parallel salam securities to finance the poultry production industry of the country for the first time.

It's beyond doubt that IME was not alone in reaching the above-mentioned goal and without the help of all market participants we would not attain our targets. However, for IME this is only a beginning; IME is determined to continue going forward on the not well-trodden path of bringing about more transparency and fairness to Iran's commodity market. To this end, IME is about to launch barter trades, debt securities, reverse auction, multi-stage settlement forwards, royalty auctions, and embedded options based on certificates of deposit. In addition to that, IME has the plans to extend underlying assets for the currently traded instruments on its market and establish settlement methods based on foreign currencies in its export ring.

In the end, I would like to once again mention that IME is about to do everything within its power to make improvements to Iran's economy and would welcome any comments from all its beneficiaries to make necessary changes in line with that high goal. Let's keep our fingers crossed for a glittering and prosperous future.





## CEO Post

New Iranian year, named by Iran's supreme leader- Ayatollah Khamenei- as the year of "Support for Iranian Goods" could open up new vistas for domestic production in the country.

Supporting domestic production has always been on the top of priority for economic decision makers in Iran, yet, due to blurred and inconsistent policies, did not end up with desirable results in some areas. But, the Supreme Leader's message could turn over a new leaf in the history of our economy this year. In fact, his sayings in this regard as to the combined effort of people and officials in supporting domestic production by buying Iranian goods is the very same roadmap we need to follow to

give the necessary momentum to the country's economy. This year's motto is rooted in the keen perception that supporting Iranian goods and promoting domestic production goes hand in hand with cessation to unemployment and will be the unique remedy to economic recession; a way that, if correctly paved, will prepare the groundwork for sustainable development of export.

In view of that, both officials and people from all walks of life need to show great determination to carry this burden on their shoulders. Iran Mercantile Exchange is no exception. As a 10 year old market for trading Iranian commodities, IME's initiatives in line with realization of the year's motto is to carry a lot of weight. Parallel to policies of last year's motto, "resistance economy; production and employment", IME saw its most flourishing year within the last decade with the unprecedented total trading volume of more than 1,170 thousand billion Rials, accounting for a considerable amount of the total trading value of Iran's capital market. IME also hit new records last year in both spot and derivatives markets as well as in value and volume of trades for petrochemicals and agro-products, attesting to its potentials for making its share of contribution to realization of this year's motto.

To motivate producers to make high quality goods, which naturally results in more demand, IME can offer numerous incentives the most basic of which is fair price discovery based



on the fundamentals of supply and demand. There will be other measure on the agenda for IME in the coming year which prepares the groundwork for continuous participation of both consumers and producers in this market via providing easy access to raw materials. To that end, IME is about to launch barter trades, debt securities, reverse auction, multi-stage settlement forwards, royalty auctions, and embedded options based on certificates of deposit. In addition to that, IME has the plans to extend underlying assets for the currently traded instruments on its market and establish settlement methods based on foreign currencies in its export ring.

It is worth noting that IME could play a pivotal role in attracting domestic investors to Iran's capital market. A transparent and competitive trading atmosphere along with the opportunity to manage risks is the preliminary step to reaching that goal. Futures trades, with their intrinsic function for mitigating risk of trades, in addition to long term contracts like premium trades, which are currently up and running in IME together with IME's future initiatives including reverse auction trading board, which is to promote competitiveness, and futures contracts on foreign currencies will pave the way for capitals to enter the country with no concerns about unpredictable risks and get circulated in the process of domestic production.

Last but not least in the supreme leader's sayings as to economy is the undeniable need to expand export of Iranian products to neighbouring countries. IME has also taken important steps in this regard. Till now, IME has sent delegations to Iraq in order to initiate negotiations with economic decision makers there and to investigate the commodity market of that country with scrutiny. Continuous supply of needed commodities, guarantee of purchased product quality, delivery guarantee and settlement of trades are among the items called for by Iraqi merchants. No need to say that IME is, by nature, the very same place that all their needs could be met easily. That's why IME has got serious plans for accelerating its measures and play a big role in increasing Iran's quota in exports to neighboring countries.

In the end, I would like to express my hopes for a prosperous year for my fellow countrymen; a year in which Iranian goods will be their first choice so that we will be witnessing a booming economy and a promising future for all industries.





IME's General News



## IME Broke its Historical Record in Total Trade Value

On Sunday, February 25, 2018, the press conference of CEO of Iran Mercantile Exchange, covering the IME's performance in 1396 Hijri (22 March, 2017-21 March, 2018) and presenting the New Year's development plans, was held on this exchange attended by the media.

According to the report by the IME's International Affairs and PR, at the beginning of the press conference, Hamed Soltaninejad pointed to the market's indexes and said: on the first ten months of this year, IME contributed to the 48% of the total trade value in the capital market of Iran and has occupied the first rank among the other Iranian exchanges with the total trade value of 879,000 billion Rials.

He referred to IME's trade statistics over the last eleven months and said: over this period, IME's total trade value increased by 39% compared to the same period last year and amounted to more than one million and 35,000 billion Rials, which is the highest historical record of its total trade value.

He added: during this period, 24 million and 131 thousand tonnes of commodities worth 446,353 billion Rials were traded on the spot market of IME, showing 4% and 33% growth in trade volume and value, respectively.

Soltaninejad said: moreover, the total trade volume in derivatives market experienced a 27% and 61% growth in trade volume and value, respectively, as compared to the same period last year, so that more than 3,817,000 contracts worth 579,143 Billion Rials were traded on this market.

He said that the trade value of metal and mineral products was about 183,000 billion Rials equivalent to 41 percent, the largest share of the value of spot market transactions. The petrochemical products with a trade value of 139 thousand billion Rials equivalent to 31 percent won the second place in the trade value of spot market. The value of oil products worth 90 trillion Rials, 20 percent, agricultural products worth 31 trillion Rials, 7 percent, and the sub-market with worth 4 trillion Rials and one percent share of the next rank. The oil products with a trade value of 90 thousand billion Rials equivalent to 20 percent, the agricultural products with a trade value of 31 thousand billion Rials equivalent to 7 percent and the side market of IME with a trade value of 4 thousand billion Rials equivalent to 1 percent occupied the next places.

CEO of IME pointed to the share of different



types of contracts of spot market trade value over the last eleven months and said: the trade value of cash contracts was about 273,000 billion Rials equivalent to 61 percent, the largest share of different types of contracts. While the SALAM transactions accounted for 39% of the total value of spot market equivalent to 173,000 billion Rials.

### **Financing 136 thousands and 733 billion Rials through SALAM and Credit Transactions**

Furthermore, Soltaninejad referred to the financing through SALAM and credit transactions on the spot market of IME and stated: the metal and mineral products financing 136,733 billion Rials equivalent to 79 percent won the largest share. The petrochemical products with financing 34,465 billion Rials equivalent to 20 percent won the second place.

CEO of IME referred to the volume of certificates of deposit issued during the last eleven months of this year and added that 4,121 billion Rials of certificates of deposit for maize was traded which is equivalent to 86% of this instrument's market value. At the same time, the certificate of deposit for feed barley worth 282 billion Rials accounted for 6% of this instrument's market value and certificate of deposit for gold coins, pistachios and saffron also accounted for 8% of the market's trade value.

CEO of IME referred to the trading trend of agricultural commodities in 1396 Hijri and said: in the last eleven months of the current year, 2 million and 791 thousand tonnes of agricultural products worth 31,229 billion Rials were traded on IME which is the highest trading volume on this market since 1386 Hijri. Moreover, during this period, 3

million and 673 thousand tonnes of products worth 138 thousand and 685 billion Rials were traded on the petrochemical market, which is the highest trading volume on this market since 1386 Hijri, too.

Soltaninejad added that the trade statistics shows that 3,776,000 gold coin future contracts worth 579,000 billion Rials were traded over the last eleven months.

### **IME's 48% Contribution to Total Trade Value of Capital Market**

During the press conference, CEO of IME pointed to the most important measures of IME in 1396 Hijri and emphasized that the 48% contribution to total trade value of capital market in the first 10 months of the year, a 39% growth in the total trade value in the last 11 months of the year, compared to the same period last year, a 44% growth in the trade value of commodity-based securities transactions over this period and reaching the market value of 589,000 billion Rials compared to the same period last year are the most important measurements of the IME in 1396 Hijri.

He also said that a 33% growth in the trade value of spot market over this period



and reaching the market value of 446,000 billion Rials compared to the same period last year, a 45% growth in trade value of certificates of deposit and a 61% growth in trade value of derivatives market over the last eleven months, compared to the same period last year, along with listing 94 warehouses with an active symbol in various commodity areas are among the other important activities of IME over this year.



### The Most Important Measures of IME in 1396 Hijri



Soltaninejad outlined the most important actions taken in the agricultural sector and said: implementation of Article 33 of the Law on increasing the productivity of agriculture and natural resources for feed barley, maize and wheat is one of the most important actions in this market. In this regard, the most important actions are as following:

- \*Listing 18 warehouses for feed barley in 5 provinces and 69 warehouses for maize in 5 provinces subject to the implementation of the supportive price plan through certificate of deposit,
- \*Collecting and checking 251,000 farmers active in the feed barley and maize through the "Farmers' Registration System",
- \*Verifying 111,000 account numbers belonging to farmers through the "Farmers' Registration System",
- \*Issuing trading code for about 22,600 farmers for the provinces subject to the implementation of the supportive price plan through certificate of deposit.
- \*Listing day old chicks and launching its transactions to complete the value chain of poultry,
- \*Launching certificates of deposit for pistachio in IME by listing 3 warehouses in Zarand, Sirjan and Damghan, as well as
- \*Implementation of supportive purchase price for saffron and trading over 686 kg of the commodity.

He mentioned the most important measures in



the oil and petrochemical area and said: an 11 percent growth in the trade volume and 33 percent of growth in the trade value in petrochemicals market in the 11 months of this year compared to the same period last year, hitting a new record in trade volume and value in trading petrochemical products, an 9 and 48 percent growth in the trade volume and value in oil products market in the 11 months of this year compared to the same period last year, providing the possibility of conducting long-term contracts as a result of co-operation and agreement with the upstream and downstream petrochemical industries through the premium discovery system, interaction with the relevant institutions and providing the possibility of participation of real buyers on the oil and petrochemical trading floor has been the most important measure in this area.



During the press conference, CEO of IME pointed to the metal and mineral area and said that the share of 41 percent of the spot market value traded in the metal and mineral area in the 11 months of this year compared to the same period last year, the share of 75 percent of SALAM transactions traded in the metal and mineral area during the same period, completion of the steel chain products by listing of Pelletizing and iron ore concentrates on the domestic trading floor, consultation and decision-making on the approval of the Competition Council to oblige all steel producers to supply HRS on IME and initiating trade of iron ore on the domestic trading floor are among the most important measures in this area.

According to the CEO of IME, a 27% and 61% growth in trade value and volume of gold coin futures contracts respectively in the 11 months of this year compared to the same period last year, breaking a new record in trade volume and value of futures contracts, the issuance of standard parallel SALAM contract to finance the poultry industry (frozen chicken), listing and

trading 3 ETCs, obtaining the approval of Securities and Exchange Organization (SEO) to launch ETC for Saffron, and providing the possibility of delivery on the basis of the certificate of deposit in the derivatives market are the most important measures in the field of securities and derivatives market.

He added: furthermore, during this period, in the area of financing through standard parallel SALAM contracts, significant amount of financing were provided for the following products:

- \*CERATO made cars by SAIPA Automaker Company,
- \*Hot-rolled coil by Mobarakheh Steel Company,
- \*I-beam #14 by Isfahan Steel Company,
- \*Bitumen by Pasargad Oil Company,
- \*Heavy polyethylene 700F by Ilam Petrochemical Company, and
- Cement by Khuzestan Cement Company.

He stated: In the Information Technology sector, significant measures have been taken such as receiving electronic financial information of brokers on a monthly basis, upgrading Farmers' Information System, as well as development and improvement of the online trading system for futures and options contracts.

Soltaninejad emphasized: In addition to the development of the derivative virtual trading system, launching the system to list commodities, development of a banking interconnection system and the collaboration of Hekmat Iranian Bank, Ansar Bank, Ayandeh Bank and Parsian Bank with IME and the development of the Premium Discovery Trading System are the most important measures in this area.

He referred to approval of the new guidelines in the current year and said: premium discovery transactions, auction in physical market transactions, criteria for determining the

purchase and sale price of commodity-based securities in ETCs and the terms of transactions, settlement as well as the rules for delisting ETCs are the other important measures of this sector.

Soltaninejad stated: launching the English and Arabic website of IME focusing on international marketing, signing MOU with Allameh Tabataba'i University, signing MOU with National Commodity and Derivatives Exchange of India (NCDEX), signing MOU with banks in order to provide funding for agricultural sector, signing MOU with Headquarters for Combating Smuggling of Goods and Currency, and holding more than 14,000 people per hour workshops for the IME's stakeholders are the other measures taken in 1396.

He stated: publishing a new volume of the IME's Rules and Regulations, translating a book on African Commodity and Derivatives Exchange, publishing a book on the Comprehensive Manual of IME's Trading Instruments, designing the IME's marketing model, establishing a customer ranking procedure and implementation of an integrated risk management system are the other measures of IME in 1396.

### **The Most Significant Future Plans of IME**

CEO of IME focused on the exchanges future plans and said: "Providing the mechanism of barter market, launching debt securities, launching forfaiting securities, launching reverse auction board, providing the mechanism for multi-stage settlement, launching specified futures contracts, and launching premium contracts are among the most important plans of IME for the upcoming year (1397Hijri).

## Since Beginning of Current Hijri Year, IME's Trade Value Exceeded 1000 Trillion Rials

Since the beginning of the current Hijri year (March 23, 2017- February 16, 2018), the trade value of Iran Mercantile Exchanges exceeded 1000 trillion Rials for the first time in the history of the Exchange.

The IME's total trade value including the spot and financial markets, from the beginning of this year to the end of the last week amounted to more than 1,013 trillion, showing a 37 percent growth as compared to the same period last year.

Over last 11 months, in the spot market of IME 28 million and 848 thousand tonnes of commodities worth more than 439,560 billion Rials were traded, of which the largest shares of the total trade value are dedicated to the metal and mineral trading floor and the oil and petrochemical trading floor, respectively.

According to the report, volume and value of trades on IME's physical market since the beginning of the current Hijri year witnessed an increase of 3 and 31 percent respectively comparing to the same period last year.

Among the whole commodities traded on IME's physical market, in the metal and mineral commodities over 7 million and 838 thousand tonnes of products worth more than 181,979 billion Rials were traded, showing 27 percent growth in trade value as compared to the same period last year.

In the agricultural trading floor, as to the same period in the previous hijri year, over 2 million and 746 thousand tonnes of commodities worth more than 30,816 billion Rials were traded, which showed a 19 and 18 percent growth in trade volume and value, respectively.

During the last 11 months, IME traded 3 million and 622 thousand tonnes of petrochemicals valued at 136,488 billion Rials, showing a 10 percent growth in trade volume in comparison to the same period last year.

Furthermore, there were 9 million and 483 thousand tonnes of oil products traded on IME in total, which showed a 9 percent growth as compared to the same period of the previous hijri. The trade value on this trading floor increased to 88,266 billion Rials, showing 47 percent growth in comparison to the same period last year.

It is worth noting that, the side market of IME experienced 57 percent growth in trade volume amounted at 158,546 tonnes of various commodities and the trade value increased to 3,341 billion Rials , showing a 150 percent growth.

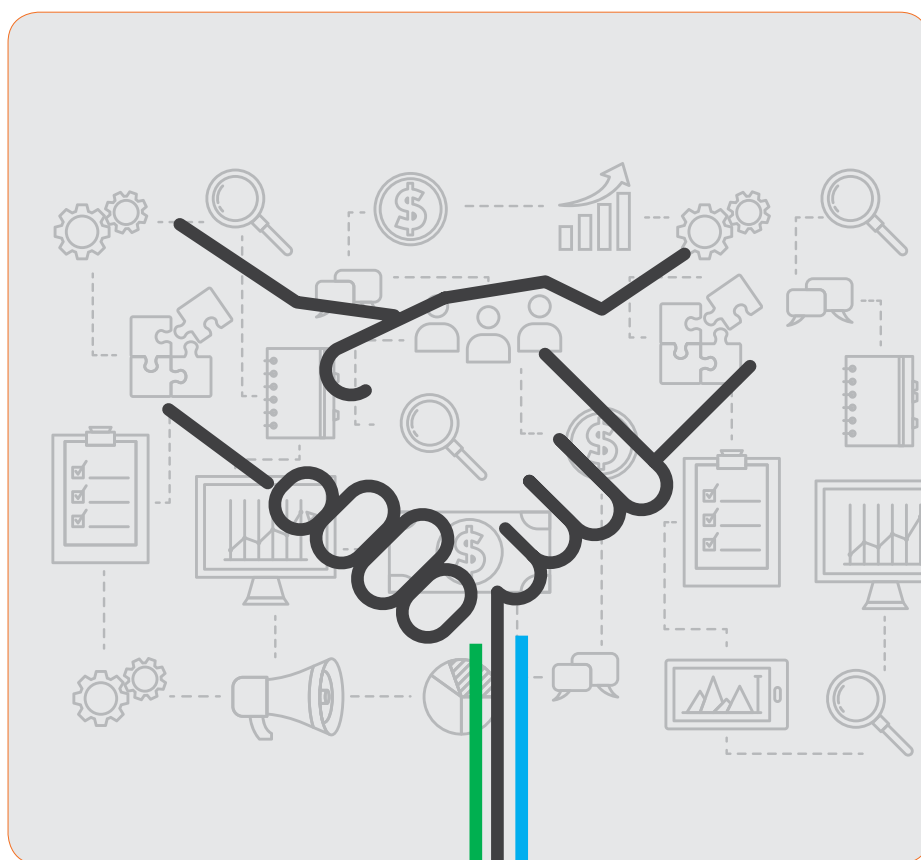
### Financial Market's Share in IME's Total Trade Volume and Value

The IME's financial markets including the futures and options contracts, standard parallel SALAM contracts, certificates of deposit and ETCs, experienced a significant growth in comparison to the same period of the previous year, as the financial market value during this period reached more than 573,460 billion Rials.

According to the IME's report, the derivatives contracts such as futures and options contracts are at the forefront of this market. As in the derivative contracts market, during this period, totally more than three million and 723 thousand futures and options worth over 563,000 billion Rials were traded.

As a result, on the gold coin futures market, more than 563,292 billion Rials were traded on IME, so the trade volume and value in this segment of the financial market increased by 25 and 58%, respectively, as compared to the same period last year. The trade volume and value of options contracts increased by 19 and 27%, respectively, as compared to the same period last year.

Also, during the first 11 months of this year, the trade value of standard parallel SALAM contracts reached 3,946 billion Rials, and the trade value in the certificate of deposit contracts increased to 4,873 billion Rials. The ETCs active on IME also recorded trading value of more than 844 billion Rials.



## Role of Government in Regulating Commodity Market and Guaranteed Purchase Policy Should be Assigned to IME



Masoud Karbasian, the Minister of Economic Affairs and Finance, said: "The role of the government in regulating commodity market, as well as the guaranteed purchase policy, which now imposes high costs on the government, must be assigned to the IME. Realizing this goal, we will witness the highlighting of the role of IME in the economy and the closer connection between producer and consumer.

Pointing to the IME's role in the national economy, Masood Karbasian, the Minister of Economic Affairs and Finance, stated that

The government pays special attention to IME in regulating the market of base commodities, so that over the past years the IME has played a major role in the national economy through market regulation, transparency and fair price discovery.

Karbassian said that before establishment of IME, major commodities were priced and traded in a traditional way, with full influence of the government, but in the past few years, efforts have been made to transfer the process of trading commodities to IME and the discovery of prices is also based on the supply and demand mechanism.

Stressing that by strengthening the role of IME in the economy, fraud and corruption can be prevented, the Minister of Economic Affairs and Finance stated: "With the development of SALAM and pre-sale of goods on IME, the seller and buyer are assured in selling their products and providing the required products in future.

Karbassian added: "With the formation and development of investment funds in the field of goods, it should be possible to guarantee productions, and in this regard, it is necessary to connect the insurance system to IME; in general, considering the function and financial instruments that IME offers, the exchange has become an indispensable backbone for the industry.

## A 50 Year History Speaks of Stability in Iran's Capital Market



The Securities and Exchange Organization interacts with all foreign investors who intend to operate in the capital market of Iran, including the establishment of a financial institution, buying securities or offering advice. Bahador Bijani, the deputy chairman of the SEO in International Affairs, on the eve of the capital market's age of 50, described the last activities of SEO in the international arena, and said: The SEO is stepping forward towards more operational activities on the path to enter the international capital market. Emphasizing that the membership of the SEO in IOSCO is being pursued very seriously, he added that the next meeting of the organization will be held in London in March this year, to change Iran's membership from the Affiliate member into Full member, and it is one of the most important projects in the international field. Referring to the 50th anniversary of the capital market, he said, the Securities and Exchange Organization in the international arena has several programs, one of which is the introduction of the 50-year-old market of Iran to foreign investors. The capital market of Iran, with 50 years of history, is considered to be the oldest market in the region. According to him, the Securities and Exchange organization has always reminded foreign investors that Iran's capital market is a well-recognized market. Also, 50 years of experience has led to well-established structures in the country's capital market, which is an important point for foreign investors. Vice-Chairman of Securities and Exchange Organization (SEO) of Iran in International & Foreign Investment Affairs considered originality, long-time experience as important differences between Iran's capital markets and neighboring markets and declared that the Securities and Exchange Organization has always been in constant contact and interaction with foreign investors to encourage them to enter Iran's capital market. Bijani, pointing out that from the time of the agreement to date, the volume of foreign investment in the capital market of the country has almost tripled, said, of course, investors by nature enter and exit the market, which is why there are slight changes in the statistics. But in general, the entry of foreign investors into the capital market has increased significantly. Emphasizing that the Securities and Exchange organization welcomes all foreign investors who intend to operate in the Iranian capital market, he said that these activities could include investing, consulting, cooperation, or establishing a financial institution.





## IME's Contribution to Realization of Resistive Economy Policies

Chief Executive Officer of Iran Mercantile Exchange said the IME has helped to approach the resistive economy policies, including the fact that upstream industries with the help of IME have managed to save part of their income and invest in development projects, and downstream industries also expanded and we saw an increase in their statistics and capacities. Hamed Soltaninejad, in an interview with "Eghtesad Online" with the emphasis on various events in both the spot market and derivatives market of IME, said: "In the spot market, the value of transactions has grown significantly; in the petrochemicals trading floor, we saw significant a increase in terms of volume and the value of trades. He added: "Most of the trading records of IME were broken in the year 96, and this year, we are experiencing the largest trading volume for petrochemicals; in other words, this year we see the highest total trading value for IME. CEO of Iran Mercantile Exchange emphasized that as to the derivative market, we saw the highest trading value for futures contracts on gold coins, and also clarified that this indicates that Iran Mercantile Exchange has found its own position as an integrated market for trade of various commodities.

Soltaninejad, pointing out that the Iran Mercantile Exchange is a rent seeking remover, and provides the conditions for the seller to sell his goods directly to the buyer, stated that the metals exchange philosophy was similar in the year 82. When the unnecessary middlemen are removed, there will be no rent for some who just seek benefits. He reminded that the opposition and resistances made against IME are mostly due to the loss of rent seeking that this company has destroyed. This official said that IME would make the prices more reasonable and also reduce the price difference between the consumer and the producer, and if the product is sold at a higher price, this price will to the benefit of the producers. CEO of IME pointed out in the end: "The Iran Mercantile Exchange has contributed in favor of resistive economy, including the fact that the Upstream industries with the help of IME managed to save part of their income and invest in development projects, and they form the cycle of income-savings-investing with the help of IME, and also downstream industries, have been growing and we are witnessing an increase in their figures and capacities.



## 10th Anniversary of IME's Establishment

The 10th anniversary of IME's establishment was held at the Parsian Enghelab Hotel with the presence of the staff and managers of Iran Mercantile Exchange.

During this ceremony, Hamed Soltaninejad, CEO of IME, pointed to the IME's progress over the past year and said: "The IME has made good progress since last year, as the total value of transactions over the past 10 months of this year has increased in comparison to the whole last year.

Saying that the IME's stakeholders are changing over time, Soltaninejad stated that in the past, IME was dealing with about 40 to 50 thousand trading codes, both real and legal, but today only about 100 thousand farmers are active in IME and supply their products on the exchange.

Soltaninejad said: "Farmers and agricultural products suppliers are only part of the community who use the IME's trading platform for their transactions and can get their money on time by supplying their products on this market. Commendation and acknowledgment of farmers' satisfaction with IME are worth more than any accreditation for us, and we hope we will soon be able to resolve the major problems of farmers with the cooperation of other institutions.

### Becoming a Price Reference, a Great Goal

Regarding becoming a price reference for base commodities not only in Iran but also in the region, CEO of IME expressed: "This is a major goal of IME and it worth noting that the exchanges who are price references in the world have more than 100 years of experience. We are also struggling to achieve this goal for goods that we have competitive advantage in their production. In addition, we are pursuing two major missions of introducing new instruments and market making to create a modern commodity trade structure on the IME.

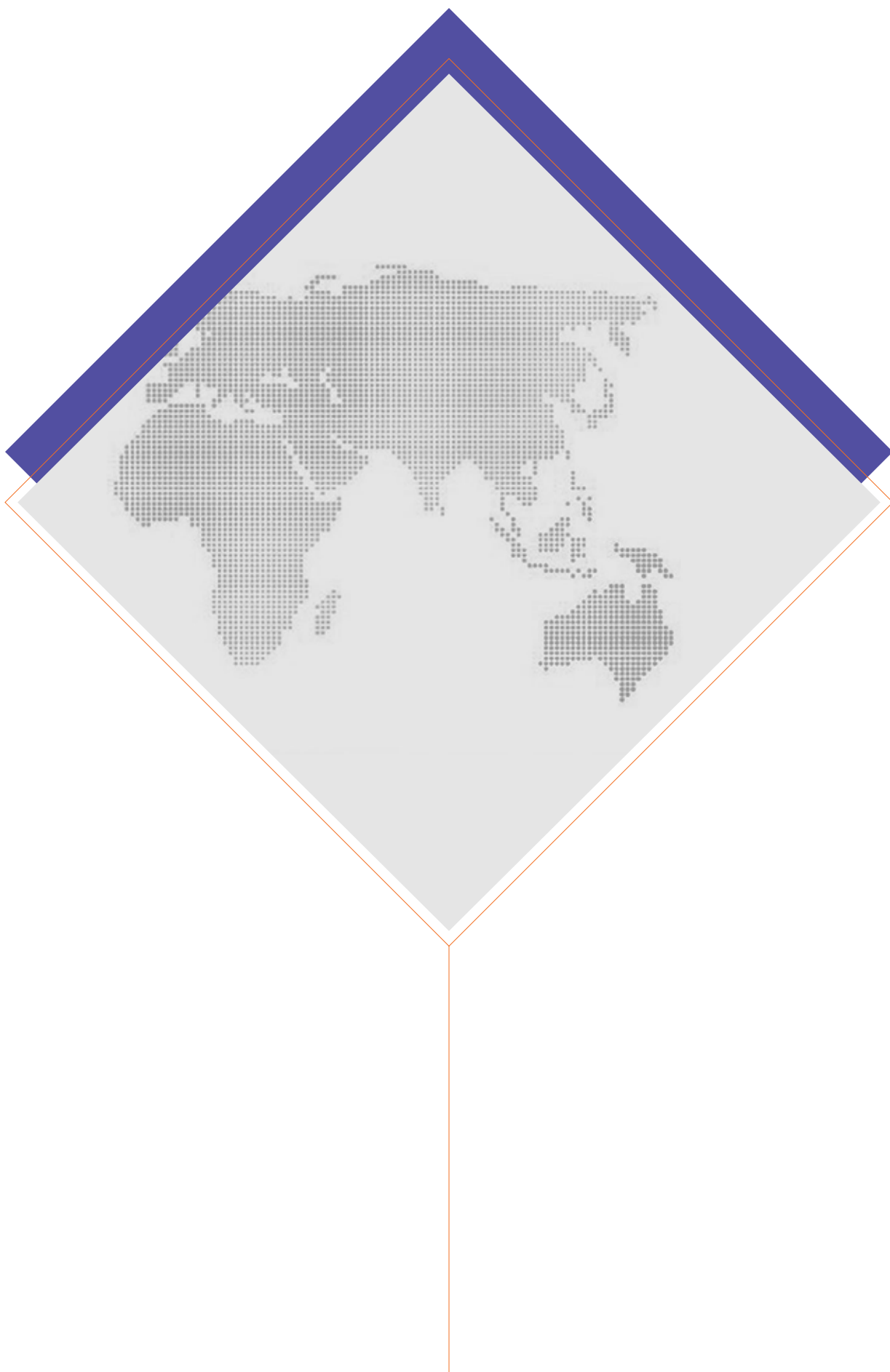
### IME's Continuous Contribution to GDP

He emphasized the need to increase the IME's contribution to the Goss Domestic Product (GDP) and said: the share of IME's transaction from GDP should move on in the same upward trend.





IME's International Events



## President Rouhani's Visit to India: Initiation of Energy Exchange between Two Sides



According to the CEO of Iran Mercantile Exchange, India is one of the largest markets for Iranian petrochemicals and petroleum products, including bitumen, and based on the agreements for the export of bitumen through commodity exchanges of the two countries the quality and price of this oil product can be managed. Iranian-Indian cooperation in the energy sector with the visit of the President of the Islamic Republic of Iran to Delhi will enter a new chapter that can strengthen the position of our country in the Indian subcontinent energy market. The oil,

petrochemical and petrochemical industries make up a significant part of the economic interactions between Iran and India, with an average of 450 to 500 thousand barrels of oil per day from Iran. India is also one of the most important buyers of the oil and petrochemical products in Iran, through which an important part of the country's foreign exchange earnings is provided. Hassan Rouhani's visit to India is a new step in the energy interactions between the two countries, which can further enhance the level of these interactions.



### India, the second largest Iranian oil buyer



India was in the post-China period as the second-largest oil purchaser, importing roughly 400,000 barrels of oil per day from Iran. After the removal of sanctions in the eleventh government, the level of interactions between the two countries in the energy sector, there has been a growing trend, as it now

reaches an average of 450,000 bpd, and remains the second-largest buyer of Iranian oil. Of course, in June 2017 (June-July 1396), refineries bought an average of 500,000 barrels of oil per day from Iran, which was a new record. An important point about India is its growing market, given the trend towards increasing energy consumption in India; oil exporting countries are paying particular attention to the market. According to reports, seven Indian refineries are now buying oil from Iran, one of the most important of which is Assar and Reliance. Previously, there were problems with the transfer of money from oil exports from India, which now has been fixed.

In response to the blockade of Iranian money in some countries, such as India, Bijan Zanganeh said: "We demanded from India 2.4 billion euros, of which 900 million was paid, and another one million will be paid in April (Farvardin- Ordibehesht) or March (Isfand-Dey), and 500 million in the future.

### Indian program to develop Iran's oil and gas fields

Indian companies, in light of their experience in the upstream sector of the oil industry (exploration and production) in recent years, have called for participation in the development of hydrocarbon fields in Iran, one of the most important of which is the Farzad B field.

Farzad B's gas field was discovered by a consortium headed by Indian company (O.N.G.C. Widesh), in 2008, at the Farsi (Binalood) offshore block in the Persian Gulf. Indian companies, after exploration, developed it but after intensifying the sanctions, they stopped their activities in Iran.

With the lifting of the sanctions, the Indians once again called for the development of Farzad B's gas field. The Indian Oil Ministry hopes to persuade Iran to give the opportunity of developing Farzad B's gas field to Indian

gas company "O.N.G.C. Widesh".

Although negotiations on this field have made good progress, it has been halted for a while due to the lack of determination of the production of gas. Indians are demanding gas from this field and gas sales to Iran, but Iranian officials say that due to the sufficient amount of gas in our country, we do not need gas. According to the Oil Ministry, Bijan Zanganeh said: "There are several ways to develop Farzad's gas field which need to be taken into consideration. Which conclusions will be drawn? Officials are in consultation with Indian officials. The oil minister emphasized: "Our discussion with the Indians is that we say that India should export this gas to Iran or export it out of Iran."

## Gas export

The plan to export Iranian gas to India started at the same time as the peace pipeline contract was signed; India was supposed to send Iran's gas through the pipeline first to Pakistan and then to India, but due to the historical and political competition between India and Pakistan, the plan came to no specific results. Indian officials did not want passing Gas through the pipelines inside of Pakistani territory and to be linked to Islamabad.

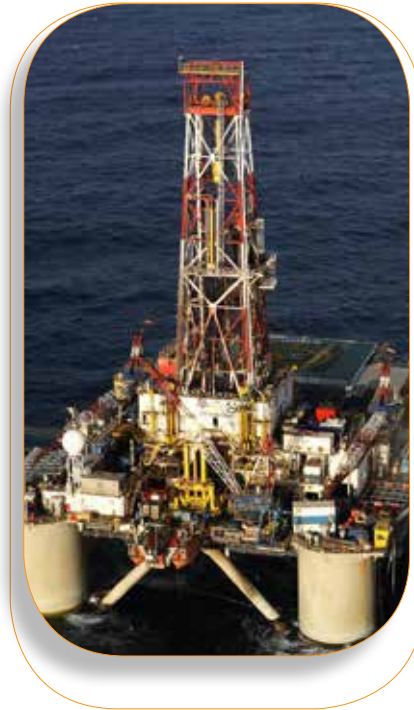
Subsequently, several other plans were submitted to Iran for the transfer of gas to India, the most important of which was the construction of a maritime pipeline. If the plan is executed, the pipeline will become the world's largest sea pipeline. According to preliminary estimates, the pipeline is about 1,400 kilometers long and at some depths it reaches 3,500 meters, which has not been piped to this depth until now anywhere in the world due to the complexity of the construction. This pipeline and its high cost, so far, have not progressed and are still under assessment.

Another way is to export Iranian gas to India through LNG (Liquefied Natural Gas), which, if realized, could strengthen the interactions of the two countries in the energy sector.



### Export of petrochemicals and petroleum products

India is one of the largest markets for petrochemical products and Iranian petroleum products, including bitumen; India purchases half of Iran's bitumen. Previously, Hamed Soltaninejad, the CEO of Iran mercantile exchange, in an interview with IRNA's economic reporter, announced an agreement with India on exports of bitumen via IME, saying that this commodity is supplied through IME, and its price will be managed. According to him, now Iran's exported bitumen has neither a good price nor the desired quality, and its quality is very low in some cases. According to the plan, Iran's bitumen will be sold through a protocol that will be finalized between the two exchanges. So, someone who wants to purchase bitumen can see the IME's trading board directly on the Indian Exchange and apply to buy from there.



### IME's Export Market Expansion Strategies for Iraq



The co-thinking meeting of the merchants and discussion of the activities of the commodity exchange in the Arvand Free Zone was held at 11:30 AM in the last day in the hall of the meetings of Arvand free zone on the border region of Shalamchah. In this meeting, which was attended by Javad Fallah, Economic Studies and Risk Assessment Manager, and Mojtaba Goudarzi, client listing committee secretary of Iran Mercantile Exchange, a number

of regional officials including Mahmoud Turkzadeh, Investment Deputy of Arvand Free trading Zone, Asadollah Kord Zanganeh, the member of management committee of Abadan Chamber of Commerce, Bijan Badaghi, Head of Khorramshahr Industry, Mining and Commerce Department, Seyed Mostafa Mousavi, vice- chairman of Khorramshahr Chamber of Commerce, and a group of senior executives of companies and industrial factories and exporters.

Investment and business development deputy of Arvand free trading zone in this meeting said that exports should be continuous and durable; this may be difficult at first, but certainly guarantees a successful export path. By referring to the cooperation and understanding between the Organization of Arvand Free Trading Zone and Iran Mercantile Exchange, Mahmoud Turkzadeh expressed that: "The customs of the country helps to ensure that the export path is properly carried out and the IME provides a better path for export. Therefore, the understanding between the Organization of Arvand Free Trading Zone and the IME is a positive step and merchants should help to make this path faster. In the course of the meeting, economic studies manager of Iran Mercantile Exchange said: "The issue of the development of export is our main plan, with 80 brokerages in the country which take care of the client listing job. By emphasizing on the main position of Arvand free trading zone in the economic prosperity, Javad Fallah stated that: It is in the interest of individuals to proceed the registration of orders from the channel of the brokerages of Arvand Free Zone, although we cannot be obliged to do so, while the exchange guarantees transactions between two parties through bank guarantees or receiving collaterals. According to the report, during this meeting, the benefits of conducting export transactions through the commodity exchange, how to list clients and to obtain trading code for Iraqi purchasers and commodity exchange programs to expand exports to Iraq was described. Furthermore, the necessity of facilitating customs procedures through the one of the issues proposed in the meeting. In addition, With respect to the issue of launching trading boards of the commodity exchange in the free trading zone in Iraq and quoting the price of commodities traded on the board for Iraqi market activists, the officials of Arvand free trading zone declared their readiness to install IME's trading board in Shalamchah and also in Basra. It was also stipulated that the Deputy of Arvand Free Trading Zone send a letter to request for installing trading boards and prices for commodities in Basra. This free trading zone has a large commercial, storage and operational potential in the city of Basra. Among other issues discussed in this meeting, was the necessity of training the merchants and activists of the industrial units of Arvand Free Trading Zone and their familiarity with the trading processes and commodities traded on IME and the export port, which was demanded by the participants and it was determined that the studies and training management provide educational calendar for this issue and proceed it based on the schedule. Meanwhile, during the meeting, it was pointed out to create a common market for Iranian commodities in Qatar and it was determined that a Qatari agent be introduced to follow up the creation of an export port to the IME. Another suggestion from the Arvand free trading zone officials and the audience was the import of commodities from China through IME's trading board. It is worth noting that Arvand Free Trading Zone has the appropriate infrastructure in Iran and Iraq that can be exploited in order to develop export trades to Iraq.





## Possibility of Trading Iran-Russia Joint Products on IME

Shapour Mohammadi believes that common goods produced in both countries could be traded on IME and financial tools for oil and gas products can be defined; there is an opportunity for both countries to properly value their national wealth. The Chairman of the Securities and Exchange Organization described the Islamic financial tools as an opportunity to control the risks, and said in an interview that such tools can promote transparency in the capital market and attract foreign investment. Shapour Mohammadi said: "The Iranian capital market is a great opportunity for all domestic and foreign investors, a great opportunity to enjoy a variety of new financial tools. He added that Islamic financial tools could help to better manage risk for all domestic and foreign investors. In Islamic financial tools, resources must be invested in coordination with predetermined goals, and as a result, investors know exactly where their resources go, leading to lower risks. The Secretary of the High Council of the Exchange, pointing out that the Securities and Exchange Organization is ready to cooperate with foreign investors, referred to the importance of Iran's membership in IOSCO as an indication that we can protect the rights of foreign investors. He added that gas and oil are the main sources of wealth for Iran and Russia, and this could be the groundwork for effective cooperation between the two countries in the field of energy exchanges. In the end, Mohammadi described the steps taken to further link the capital market of Iran and Russia: "With the aim of strengthening relations, negotiations with the regulatory body of the Russian capital market have been made, and we hope to see progress in this regard."

## Iran Mercantile Exchange Prevents Monopoly and Rent Seeking

The member of Parliament's Committee on Industry and Mines said: The Mining Committee, will set up a meeting with the presence of Jafar Sargheini, Deputy of Mines and Mining industries affairs of the Ministry of Industry, Mining and Trade, in the near future with a view to further reviewing Article 37 of the Law of removal of barriers to production. Abdullah Razian in an interview with the Tasnim news agency referring to the last week meeting of the Industries and Mines Commission of Parliament on the Article 37 of the Law of removal of barriers to production said : Article 37 of the Law of Removal of Barriers to



Production was questioned by the Ismaili, the head of the Mining Committee of the Committee on Industry and Mines of the Parliament from Deputy Minister of Mining and Mining Affairs of the Ministry of Industry, Mining and Trade and after the discussion, a meeting was scheduled in the coming weeks at the Mine Committee of the parliament with the presence of all members of the committee and the Deputy Minister of Industry, Mining and Trade to discuss this matter more precisely and sensitively. He added: "In the mining case, the government should not sell crude, and the parliament's view is to get rid of selling raw materials. But what should be done with the surplus product on the needs of country that is manufactured inside? Here, the view of some people in the mining sector, especially Sargheini, the deputy minister of industry, is that some of the minerals in the country have a high level of reserves, including iron ore, which if we export some of it, there will be no problem because we have a surplus on the needs of the country.



### Preventing from Monopoly and Rent seeking

Representative of the people of Qaemshahr in the Islamic Consultative Assembly, saying that the determination of the internal demand for such products is of particular importance, if the iron ore is to be supplied on the IME in accordance with Article 37 of the Law of Removal barriers to production, and after three times the supply will not be sold, the non-sale of iron ore in the domestic trading ring of the IME will mean that there is no need for this product inside the country, thus it can obtain an export license. A member of the Parliament's Committee on Industry and Mines, emphasizing that there is no necessary infrastructure for the processing of certain minerals in the country, said: "We need to create appropriate conditions for this sector of the industry to prevent Rent seeking and selling raw materials, and the IME is the best place to set this up". "The advantage of the IME is that it can create a competitive market in the market, manage government revenues and prevent monopoly and rent seeking," said Razian. Representatives of the Qaemshahr people in the parliament added that the offering of mineral products on IME, in particular iron ore, can, along with the creation of a competitive atmosphere, do the pricing of commodity based on its true value and according to international standards in the market.





Mohammad Shariatmadari:

## Iran Mercantile Exchange is a Fundamental Principle in National Economy

Minister of Industry, Mine and Trade on the 8th Iranian Steel Market Conference which was held by the presence of a group of industrialists and activists in the steel and mine industry at the IRIB International Conference Center, announced the attempt to enter and supply the steel chain, including iron ore on the IME. During his speech at the conference, Mohammad Shariatmadari stated: "I am honored to attend the Tehran Metal Exchange in 2003, which became the Iran Mercantile Exchange in 2007; we conducted the first symbolic trading with presence of Mr. Is-haq Jahangiri the First Vice President of Hassan Rouhani's government as buyer and seller's representative. Arguing that the IME is a fundamental principle in the national economy, and if there are any weaknesses, it can be resolved by holding seminars between the industries, he added that currently some meetings have been held for the entry and supply of iron ore on IME and we are trying to offer this product on the exchange as soon as possible, because this is necessity and must be executed.

Minister of Industry, Mine and Trade found the discovery of commodity prices as one of the best possible ways to solve the pricing problems and said: "We must also enforce the discipline rules of the world commodity exchanges on IME and monitor their implementation to discover a transparent price for all products, including steel chain products. Hence, I agree with the supply of iron ore and other steel-related steel products in the exchange". Shariatmadari emphasized the necessity of supplying and pricing the steel chain at the IME and pointed to the problems of pricing a product based on the price announced by an special complex and said that to solve the problems in the pricing area, we are discussing the proposal to supply sponge iron on IME and are trying to implement this proposal sooner. At present, the price of this product is based on the formula of the price of steel bullion produced by Khuzestan Steel Company, but by offering this product on IME, the price of the commodity can be discovered through this market's mechanism.

## IME's 5 New Solutions to Trade Steel Products on a Modern Market



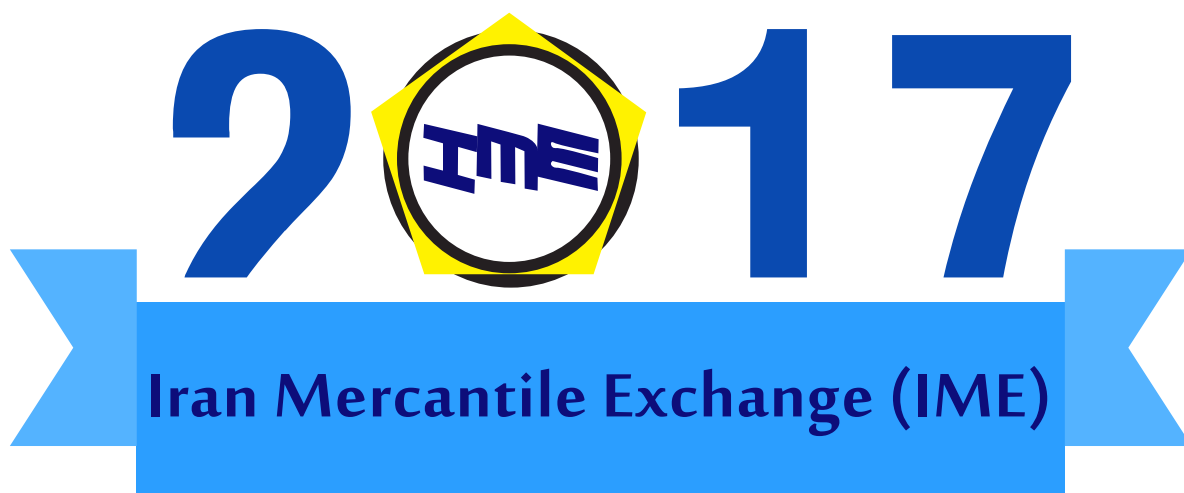
CEO of Iran Mercantile Exchange stated that development of a modern market to trade steel products is applicable through IME's financial instruments including "commodity funds (ETCs)", "long-term contracts", "debt securities", "reverse auction (RA) board" and "barter market". Hamed Soltaninejad on the 8th Iranian Steel Market Conference referred to the development of steel market on the IME and stated that functionalities of IME in national economy include trade facilitation, hedging, financing, lowering trade costs, increasing transparency, market regulation, fair price discovery and increasing liquidity. On his lecture he pointed to IME's financial instruments and said the most important tools applied on IME include: cash, credit and forward contract, standard parallel SALAM contracts, futures and options contracts, CDRs, debt securities, commodity funds, long-term contracts, reverse auction (RA) board and barter market.

### A Glance at Iron Ore and Steel in World Commodity Exchanges

CEO of IME pointed to the status of iron ore and steel in world commodity exchanges and added that iron ore futures of Dalian Commodity Exchange with a trade volume of 600 million contracts (100 tons per lot) and steel futures of Shanghai Futures Exchange with a trade volume of 700 million contracts (10 tons per lot) accounted for largest traded metal contracts among the Asian and world commodity futures markets last year. However, the limited access of the international community to these exchanges has made it impossible for foreign participants to properly benefit from the risk hedging services of these markets. Although the steel futures trading at LME in 2017 was about 6-fold compared to last year, a total of about 400,000 contracts (10 tons per lot) were traded on scrap and rebar futures, which is very small compared to China's exchange. LME suspended steel billet futures in 2017 and has not yet reached a sustainable level and status in ferrous metals. Steel futures contracts of NYMEX with a trade volume of about 63,000 contracts (20 tons per lot) and iron ore futures of CME with a trade volume of about 90,000 contracts (500 tons per lot) in 2017 did not have much success. (CME iron ore trade volume has almost halved since last year.)

## Iran Mercantile Exchange in 2017

On this conference, Soltaninejad referred to the IME's trade statistics on 2017 and said that the value of IME's financial market in 2017 was about 17.9 billion USD comprising 57% of IME's total transactions. The value of IME's spot market in 2017 was about 13.5 billion USD comprising 43% of IME's total transactions. Soltaninejad added that \$7,003 million, equivalent to 52 percent of the IME's total trade value is related to petrochemical products, and \$5,489 million, or 41 percent to industrial and mineral products, \$875 million equivalent to 6 percent to agricultural products, and \$86 million, equivalent to one percent to the side market of IME. He stated that the trade statistics of metal and mineral products on IME in 2017 shows that steel with a value of \$4,214 million, equivalent to 77%, occupies the highest transaction value, and the following commodities come next in order: copper with value of \$892 million equivalent to 16%, aluminum with \$238 million equivalent to 4 percent, iron ore with \$48 million equivalent to one percent. The value of other commodities traded on this group includes: concentrates with value of \$28 million, gold with \$12 million, zinc and coke each \$3 million, and sponge iron with \$1 million.



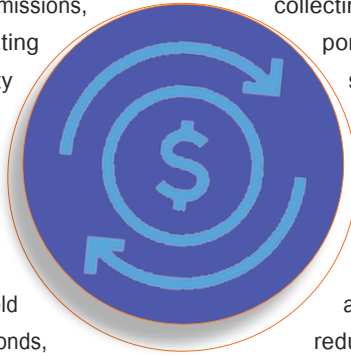
## IME's Solutions to Balance Steel Production Chain

CEO of IME highlighted new solutions to balance the steel production chain and said that improper pricing, contract restructuring and price volatilities have led to imbalance in steel production chain and in order to balance this process we should move towards integrated, transparent and

modern markets so that development of a modern market to trade steel products is applicable through IME's financial instruments including "commodity funds (ETCs)", "long-term contracts", "debt securities", "reverse auction (RA) board" and "barter market".

## Exchange-Traded Commodity Funds (ETC)

CEO of IME pointed to the Exchange-Traded Commodity Funds (ETC) and their function, saying that Exchange-Traded Commodity Funds provide the opportunity to establishment by the founder after getting permissions, collecting capitals through selling the investment units, creating portfolio and direct investment on commodity or commodity securities, change in the investment value of portfolio in close correlation with the price of the underlying asset and shared benefits for investors without having to do future trading or taking physical delivery of the underlying commodity . He outlined the reasons to invest in ETCs as they diversifies investment portfolio, are shield against inflation, lower historical correlations with stock and bonds, reduces volatilities of investment portfolio and commodity prices get influenced by different risk factors. Soltaninejad expressed the benefits of investment in ETCs as Lower costs, increased security, transparent secondary market, strong underlying commodity, transparency, purchase and sales flexibility as well as attracting retail investment and high liquidity due to having a market maker.



## Long-term Contracts

CEO of IME stated that the long-term contracts in IME include Multi-phase Settlement, Premium and Forward contracts, saying that forward contracts are actually trading of a certain commodity with certain specifications at a certain price, at a certain maturity in future. It's a risk hedging tool to mitigate the concerns of sellers and buyers about the sales of their commodity or regarding the ability to supply their products in future. Collaterals are given to the exchange to avoid default on obligations. Settlement of contract value and delivery of commodity are effected through Clearing House. According to Soltaninejad, the benefits of forward contracts are price volatility risk management, certainty of sales or purchase of a commodity in future, provides an estimate of the future supply and demand in the market, default risk mitigation through clearing house mechanism and long-term planning for production. He added that premium contract is a contract by which price difference for a certain commodity is discovered in the physical market of IME and the parties to the contract shall oblige to trade it at a final price at a certain maturity. Premium is an amount or percentage that is added to or subtracted from the base price for calculation of the final price. The base price is a price which shall be announced at the time specified in the Offer Notice. The committed transaction at the determined maturity stated in the premium contract based on final price. By adding the premium and the base price, the final price is calculated based on which the final transaction shall be settled. Soltaninejad expressed the benefits of premium contracts as possibility to enter long-term contracts based on the world reference prices, transparency in internal-external price difference discovery in an organized market, default risk hedging, getting ensured of payment and delivery of commodity in future and ensured quality enjoying a long-term contract. According to CEO of IME, in multi-phase settlement contracts settlement of payment and delivery of commodities are done in several phases.

## Reverse Auction (Tender) Board

CEO of IME pointed to the Reverse Auction (Tender) Board as another solution to improve the balance of steel chain and said: in the Auction system trade terms are decided by the sellers and it was not possible for buyers to declare the need to a particular commodity. By introducing the Reverse Auction (Tender) Board buyers can provide their required commodity by offering it to the exchange and purchase their commodity from multiple sellers. Increased bargaining power for buyers on terms of trade compared with Auction, possibility of listing multi-seller/single-buyer commodities, offering without submission of collaterals by the seller in case of approval by the exchange, and exemption of IME's buyers from tender bureaucracy, as per Law of Development of Financial Instruments are among the most important advantages of the Reverse Auction (Tender) Board.

## Debt Securities and Barter Market

Soltaninejad stated that debt securities are other financial instruments that can be used to finance loans or credit contracts for large, medium and small side companies. One of the other IME's new solutions in order to help companies in selling and marketing is the barter market, in which the seller sells his goods and receives cash or required goods. Finally he emphasized that entering whole steel chain products into IME has the benefits as development of modern steel trade market, enhanced transparency, fair price discovery, launching trading tools and risk management solutions, ensured trade obligations and market integrity and price referencing, which will result in efficient allocation of resources, enhancing productivity, enhancing added value and improvement of balance in steel chain.



## Export Duties Problem to Be Solved on Iran Mercantile Exchange



The former head of the Board of Directors of Iran Iron ore association said that: "If the commodity offered on IME is not sold, its surplus of the product can be exported, with no export duties.

Qadir Ghiafeh by noting that in the law of removal of barriers to production, the mechanism of export of minerals has been predicted explained that imposing the export duties on iron ore products only leads to the withdrawal of investors from this field. He also by pointing to the plan of step by step increase of export duties of iron ore by 15 percent until 2019 at the High Council of Mines said: In this regard, even there were some rumors supposedly by the Mining Deputy Chancellor of the Ministry of Industry, Mining and Trade that the export duties would soon be imposed on the concentrate of iron ore, which of course, in a conversation that I had with Mr. Sarkhini, Deputy Minister of Mining,

he denied this saying. He added: "Such sayings, and of course, such decisions are negative marks which are given to investors in the mining sector and will lead to their departure from this field."

A member of the Mining and Mineral Commission of Iran Chamber by explaining that an investor should be able to decide for his own capital: "When the investor does not observe the lack of support from domestic banks in providing affordable and inexpensive facilities to producers, and the cost of production also increases each year, the only way to finance itself is to export its product and needs to purchase its equipment and machinery to establish its own processing unit by exporting grained iron ore to the export markets and by using the foreign exchange earnings.

In regard to the tightening of the domestic market for the consumption of minerals, especially iron ore, Ghiafeh said that: by



examining the annual statistics on the export of fine iron ore, a tangible decrease in the export of this product is evident. It can be said that the combination of export of Iranian iron ore today includes iron ore concentrate and a small fraction of ironstone and this shows that small and medium-sized iron ore producers go to the domestic market to supply the product.

He added: "When small and medium-sized iron ore producers without any pressure move toward supplying product within the country, there is no reason for export duties. The member of the Board of Directors of the Iranian Ironstone Community, by referring to the supply of ironstone products on the Commodity Exchange, said that all these discussions are purposed while under Article 37 of the law of removal of barriers to production, the list of proposed products for imposing duties of Article 3 Committee has been raised, at the same meetings of the committee, some friends disagreed with the export duties of fine iron ore, but with the pressure from the mineral deputy, at the end of the meeting, the imposition of 5% and 10% duties on the export of iron ore was approved by a number of audience, that of course, myself, as the representative of Iran Chamber, explained my arguments orally in opposition of imposing duties, and hereunder the related minutes, I declared my objection in writing.

He continued that but in the law, some alternatives have been predicted that the issue of exports can be made decisional in a transparent manner". As it is termed in one of the clauses of the article 37 that for the purpose of identifying the need for iron ore, this product must be offered in the internal ring of IME, which its price is also determined based on a fraction of the global price of the base price calculation and

will be offered and sold depending on the conditions during three stages on the IME. Considering the transparent mechanisms of the exchange in payment, the value of a transaction is one of the best methods of selling minerals, especially iron ore.

Ghiafeh added : "But if no customer was found for the product during the process of supply on the commodity exchange, the surplus of the product offered on the commodity exchange would be specified as a product that can be exported, which should be exported without any duties.

By declaring that we should not set now rules and regulations despite the current rules, he expressed that: "All of these are the issues that the legislator has emphasized and set the work assignment. Now we should not ourselves reintroduce duties by creating additional processes and making decisions outside of the law, and impress the shock to the owners of iron ore business and market. Member of the Board of Directors of Ironstone Community of Iran in regard to the condition of duties proposed for ironstone exports said: Of course, these duties have not still been set out. At the end of the commission period of Mr. Nematzadeh, this issue was proposed and approved in the committee of Article 3 with the insistence of Deputy Minister of Mineral Affairs and Mineral Industries ,and through a letter from the head of the Management and Planning Organization which was signed by Mr. Nematzadeh at the last days of his presence in the community, the request of drafting issue was presented at the scene of the Economic Council, that has not yet come through and no directive has been derived yet.

## IME Helps Steel and Iron Ore Producers

Secretary of the Iranian Iron Ore Association said that the domestic iron ore market has witnessed the emergence of new demands due to the activation of a number of concentrate and pellet projects, and although no specified pricing mechanism has been formed yet, but we are observing the continuous activity of the IME in the iron ore field.

Alireza Siasirad stated that: "In the first eight months of this year, the intensity of the price fluctuation of ironstone was reduced, and we witnessed a relative stability in this area, so with the exception of a few small fluctuations, there was no strong momentum in this field.

He added: Since the mines, companies and factories have been active in this governmental field, and for a short time the privatization procedure has been accelerated, thus no specific requirement was formed in this area. Therefore, the proposal of the association is to use the IME to make prices transparent and we can utilize potentials of this exchange to strengthen steel and iron ore producers.

He added: "After the price drop crisis in 1994, a natural general tendency was made by iron ore activists, and they moved towards investing in higher stages such as concentrate and pellet; as a result, we were faced with difficulty in supplying iron ore. He expressed that: "Our forecast was that if the government conducted effective investment in the iron ore sector, the ironstone supply problem would be solved in the next few years, which did not happen, and now members of the iron ore association hope that a better approach to the ironstone be applied.

The secretary of the ironstone community of Iran noted that since the midst of 2001, investment in ironstone sector has been increased, because it had a good profit margin for the private sector, but now due to the high risk and redraft of the duties, a major proportion of the investors of the concentrate, pellet and even steel avoid from investing in ironstone.



### Determination of the 15% tariff for ironstone exports

By referring to a 15 percent tariff for extraction of iron stone in the budget of 20018, he pointed out: the procedure of export of iron stone has been descending over the last four years, such that from 24 million tons in 2013, it reached to 7 million tons in 2017, and this has been because of the increase in the domestic consumption and global price reductions.

Siasirad added that: "If the government does not set 15 percent tariff for ironstone, the reduction in its exports will be automatically take place over the next few years, because so long as there is domestic customer, no incentive will be made for exports".

This activist of the field of production of the ironstone industry of the country believes that if the government does not interfere in the process of sales market and export of ironstone, the price of ironstone will be naturally determined by the market and export will be close to zero in the near future. By imparting that the increase in ironstone tariffs would reduce the power of bargaining of the producers of this product in deal with steel-manufacturers, he said that as a result, the tariffs intervention of government influences on the price of the domestic market and reduces from the value of ironstone inside the country.

Siasirad explained that receiving the tariff from ironstone export is the request of a number of the private companies producing steel which have low-cost productivity and they can reduce the price of ironstone through it.

The secretary of the ironstone community of Iran added: Low productivity and high debt of some steel plants are due to problems that mismanagement caused for them and ironstone producers should not indemnity

these problems.

"Now the conditions for entry of capital into the iron ore field have improved, but since the issue of the 15 percent tariff was raised, some companies were thinking of withdrawing their capital from the ironstone production circuit," he continued.

Siasirad by emphasizing that more serious work should be done in the field of exploration of ironstone, because substantially the depth of explorations in Iran is not high and even deeper exploration can be made in the current small mines, he added: According to the horizon of 2025, which has targeted a capacity of 55 million for steel requires to produce 160 million tons of ironstone, from which 60 million tons is produced within the country now.

"The secretary of Ironstone community of Iran said that this issue indicates the importance of exploring and purchasing new machines, and Imidro has done good activities in this field in past years, but the power of this organization is not so much that it can alone solve all the problems, and certainly, allocation of some encouragements for involvement of the private sector in this area is facilitator of solving problems. According to his saying, despite the current conditions in the field of ironstone production and the increase of steel-manufacturing of the country, in the next few years, perhaps we will have to import ironstone from the foreign countries.

He concluded: Given the fact that Iran is amongst the 10 first countries in the world to produce ironstone, the attention of the authorities to this area will be promising a bright future in the steel production industry.

## IME's Role in Increasing Production Chain Capacity for Steel Industry

Managing director of National Steel Company of Iran said: "The offering of metals on the IME has raised the incentive to invest and increased the capacity of the steel industry, which saw more than two times the growth of installed capacity in the steel industry. Mansour Yazdizadeh reported on the role of the Iran Mercantile Exchange in increasing the steel production chain capacity and said: Before the establishment of the Metals Exchange, the pricing of steel products was in the government's supportive basket and was proportional to the price fluctuation of other commodities in the basket, and it was priced regardless of the ups and downs of world prices and the costs of the production, and because at that time, unlike in the present time, there was no competition between producers and suppliers, and the monitoring of prices by the relevant institutions was difficult work

and sometimes impossible, consequently, the difference between prices announced from the Organization of Protecting the Rights of Producer and the Consumer and the real market prices was 100 percent in some circumstances. He suggested lack of incentives to invest and develop or create new capacities in the steel industry upstream and downstream as the biggest weak point in these circumstances, and continued: Obviously, with the launch of the metals market and the subsequent formation of the IME, this difference in the rate between IME prices and the market fell to its lowest level and only to the extent of retail profits. Thus, we saw a 100 percent growth in installed capacities in the steel industry of the country after establishment of IME. Managing director of the National Steel Company of Iran, in another part of his speech, considered issuing Salam contracts





as one of the major achievements of the IME during his time and in the development of financial tools, and stated that this opportunity was provided to commodity suppliers on the IME. In this way, they can work on financing in the shortest time and with the least amount of bureaucracy. In addition to providing a kind of incentive for suppliers to supply their product in this market, for the sake of clarity and realization of prices, this led to a kind of support for the manufacturing sector.

The range of users of this tool has been expanded to include steel, automotive, agricultural, petroleum and petrochemical sectors," he said. The message of this is nothing but trust in this pillar of the capital market.

Yazdizadeh said that same is true for certificates of deposit and we are witnessing a growing trend. Anyhow this financial tool requires a change of traditional approach toward modern among suppliers, and obviously it is going to take more time.





IME's Agricultural  
Trading Floor





## Supportive Price Policy of Wheat Will Be Implemented on IME Since Next Year.



The budget bill for 2018 of the whole country has been submitted by the government to the Islamic Consultative Assembly, when the proposed amount for the credit considered for the subsidy of the wheat and bread sector is indicative of the seriousness of the government's decision to full-scale implementation of the supportive price policy for agricultural products on the IME. It seems that the government counts on the IME with this bill in order to amend the guaranteed purchase policy and to replace it with a supportive price policy, and regarding to the implementation of the supportive price plan and offering of wheat on IME, it has sought to support farmers in a more targeted way.

In this regard, a member of the Agriculture Committee of the Islamic Consultative Assembly on the government's proposed bill in terms of the guaranteed purchase subsidies of wheat said that the conditions should be modified so that be in the interest

of production and the farmer, and the basic point is that, first and last, the supportive price policy should be applicable and this is the national plan and law and should be executed.

Seyed Razi Nouri stated that: "the important point is to pay attention to the required infrastructures to provide the conditions for offering whole wheat on the IME." so in this regard, some steps must be taken to ensure that farmers have sufficient knowledge about the mechanism of the IME. It is also necessary to sufficiently expand capacities in the warehousing field. This parliamentary representative pointed to the government decision to create trading transparency in the field of agricultural products according to the presented budget bill: "Supply on the IME should eventually be applicable for the entire wheat crop; therefore, we will be also witnessing the improvement of the quality of agricultural products." But we have to plan and support the farmers so that we will observe the growth of the under-cultivation area of wheat and harvesting crop in the coming years; because wheat is a strategic product and is considered as one of the main agricultural commodities.

Noori by reemphasizing on providing the educational infrastructure required for farmers stated that the government by implementing supportive price policy in the form of Article 33 of increasing productivity of agricultural products, instead of paying for the total price of wheat would only pay the difference between the determined base price and the price traded on the IME, which will have significant impacts

on reducing government costs. Therefore, we need to consider the plan in order to fully implement the supportive price policy for wheat on IME.

At the end of his speech, he said that planning for the offering of whole wheat on the IME should bring about farmers' satisfaction. He added that the implementation of supportive price policy on IME will lead to more transparencies, improve the quality and reduce the financial burden of the government.

### Standardization of Wheat Quality by Implementing Supportive Price Policy

Chief Executive Officer of Iran Mercantile Exchange pointed out that in the current situation the implementation of guaranteed purchase policy for wheat is impossible for the government due to a very heavy financial burden and said: We have to go ahead with the implementation of supportive price policy for wheat on IME.

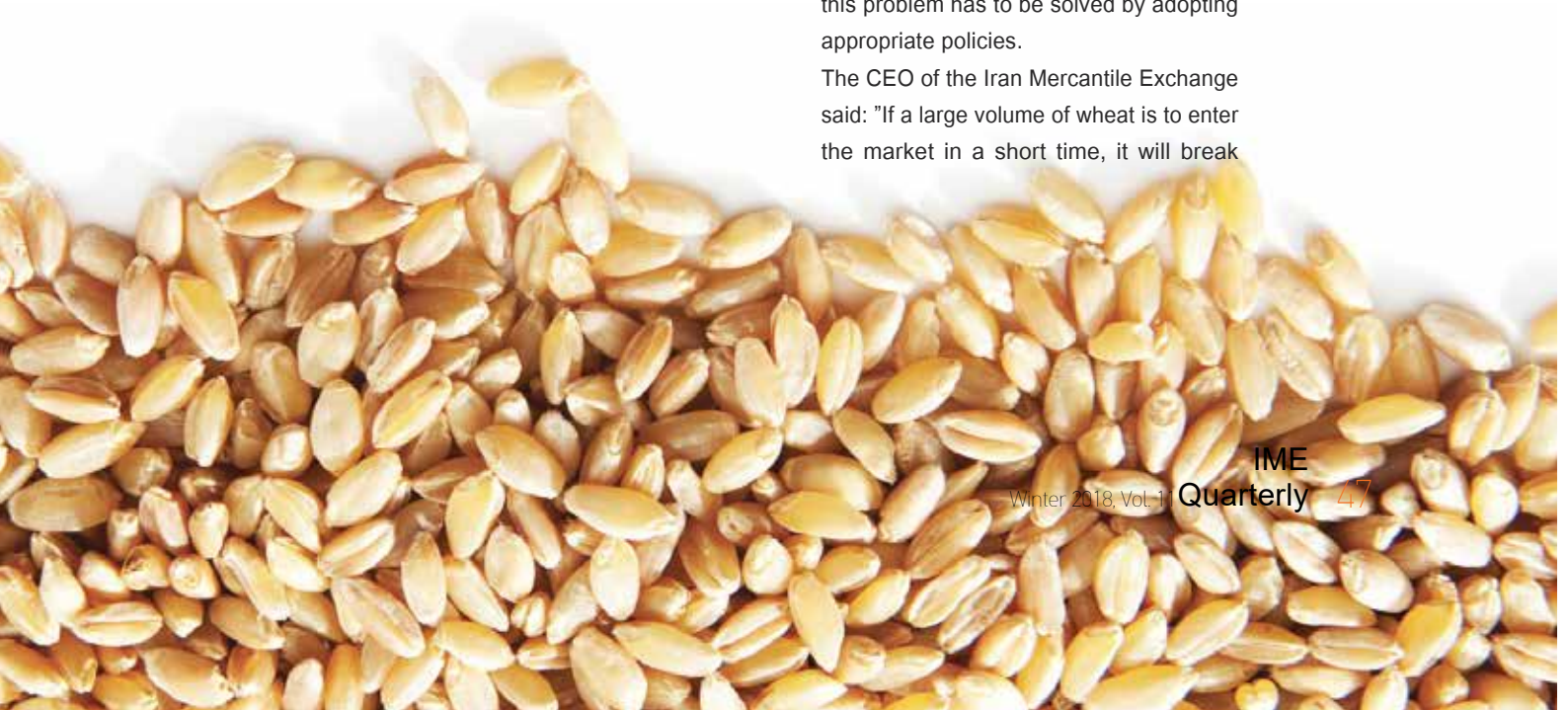
Hamed Soltaninejad added: "one of the conditions for wheat to be admitted to the capital market is having minimal standards. CEO of Iran Mercantile Exchange added

that according to Article 33 of the Law of Increasing Productivity of Agricultural Products, the products that are to be listed on the IME and their form are to be changed from guaranteed purchase policy into the supportive price policy, should be determined each year and, for the following year, we need to make a decision about them. He acknowledged that in the current situation, the implementation of guaranteed purchase policy for wheat is not possible for the government, as it imposes a very heavy financial burden on the state. So, we are moving forward to enforce the wheat supportive price policy on IME.

Soltaninejad added, the farmers will offer their produce on the IME, and the difference in selling prices on the exchange and the support rate set for wheat will be paid to the producers by the government. According to the officials, on the other hand, the wheat crop is not just a matter of shopping, but we are seeing support from the government in its transportation of goods to warehouses, storage in warehouses and warehousing and even sales in bakeries.

Meanwhile, it is observed that wheat harvesting continues from spring to autumn, and finally, the total production of the whole crop should be determined within 6 months. So, of course, there is no such volume of demand for such a short time for wheat, and this problem has to be solved by adopting appropriate policies.

The CEO of the Iran Mercantile Exchange said: "If a large volume of wheat is to enter the market in a short time, it will break





prices; accordingly, a market maker and one who holds strategic reserves are necessary.”  
“Meanwhile, negotiations with the Government Trading Corporation of Iran have been initiated to have market makers in the system, since we cannot separate a government-affiliated system within a year,” he said.

Therefore, at least the support provided by the purchase should continue, and the transport and warehousing sector should be left to the private sector, or that the government is also present in this mechanism, but should have a private-sector approach. Soltaninejad noted that so far, good efforts have been made to standardize the quality of wheat, but the quality of wheat in all provinces was not equal.

Accordingly, the discussion of non-mixing of wheat has been studied and monitored. He also argued that we should move towards transparency in the wheat field. However, there are resistances against this approach, in the end, we must once again clarify in our economy whether we want to move towards transparency or not.

The CEO of the Iran Mercantile Exchange continued: There are ambiguities about whether the government determines the wheat supportive price and this is contradictory to the competitive price of the IME or not, and that is why, it should be acknowledged that according to the budget bill of the year 1397, The government allows the product to enter the exchange at the price set there, and then deposit the difference to the producer account. As a result, there will be no worry for farmers and activists in this area.

“On the other hand, there are two types of free wheat and wheat with subsidized price, which in the subsidized wheat sector, the only target for the offering of this type of wheat on IME is only transparency, but for the other, in addition to transparency, increased product quality is considered, it means that, if wheat quality is higher, so its price will be higher.



## Trading 197 kg of Saffron in Framework of Purchase Agreement through IME

Since the beginning of purchase agreement policy on saffron on IME over 197.55 kg of this commodity were traded on Iran Mercantile Exchange.

CEO of IME stated that trading of various types of saffron including Filaments Grade 2 (Regular Poushal), Filaments Grade 1 (Excellent Poushal), Cut Filaments (Negin) and Cut Filaments (Sargol) has been valued at over 9 billion and 844 million and 574 thousand Rials.

Hamed Soltaninejad referred to the pricing of saffron in the framework of purchase agreement policy and said: according to this policy, the price of Cut Filaments (Negin) equals to 54 million Rials per kg, Cut Filaments (Sargol); 51 million Rials per kg, Filaments Grade 1 (Excellent Poushal); 48 million Rials per kg, and Filaments Grade 1 (Excellent Poushal); 43 million Rials per kg. Emphasizing that in the implementation of the purchase agreement policy for saffron, the quality of the product purchased is in accordance with the national standard of Iran, he said the transactions are based on the mechanism of certificate of deposit system are implemented in Khorasan Razavi and South Khorasan provinces. In addition, the saffron traded through this policy is produced this year, and all the producers have been approved by the Ministry of Agricultural Jihad.



## Offering Saffron on IME Will Be a Step Forward Towards Development of Export Markets

A member of National Saffron Council said that: offering saffron on global and exchanges and its strong presence in five continents of the world is an effective measure in the development of export markets and price controlling policies for this product. Ali Hosseini, in response to the question that the offering of saffron on the IME is the key to the development of export markets, said that entering to international exchanges and a strong presence in five continents is an important measure in the development of export markets and price control. By explaining that the development of export markets for saffron requires national determination and will, he announced the stability of the rate for saffron within the previous month and stated that currently the minimum rate per kilogram of red gold is 37,000,000 Rials and the maximum rate of it is 47,000,000 Rials. He added: with respect to the beginning of the New Year and the closure of world markets and



the conditions of supply and demand inside the country, there is no possibility of forecasting the price of saffron in the coming days. Hosseini by referring to the slow procedure of saffron export stated that: although more than 90 percent of the world's saffron is produced in Iran, but the number of target export countries is under 50, which is not acceptable. The member of the National Saffron Council by criticizing the cessation of the development of export markets for saffron expressed that: "We have not been that successful in developing new export markets in the past 10 years, which is considered as a weakness for a country that is continuously increasing its production."

## Dates to Be Offered on Iran Mercantile Exchange



Masoud Karbasian said: "If dates are like the other products on IME, then there's no need to guaranteed purchase policy at all." The Minister of Economic Affairs and Finance, who spoke to Bam and Narmashir during his visit to the administrative council of the said cities, in response to one of the concerns expressed during the meeting regarding the guaranteed purchase of the date, stating that the guaranteed purchase of the date will continue from the farmers of the eastern province of Kerman, said that the issue that comes to mind in this regard is that if the dates like the other products on IME, the product will be shipped, otherwise there may not be a guarantee to purchase it at all. Masoud Karbasian called on the officials of the Securities and Exchange Organization to urgently submit the preparations for the offering of dates on IME. Karbasian stated that the head of the Planning and Budget Organization at a meeting with the President at the presence of the governor of Kerman read a report on the achievements of Mr. Rouhani's visit to the province, which indicated that 80% of the previous travel commitments had been made so far and the rest is in progress, while new work is under way that had not been undertaken before.



## Trade Value of Day old Chicks on IME Hit 95 billion Rials

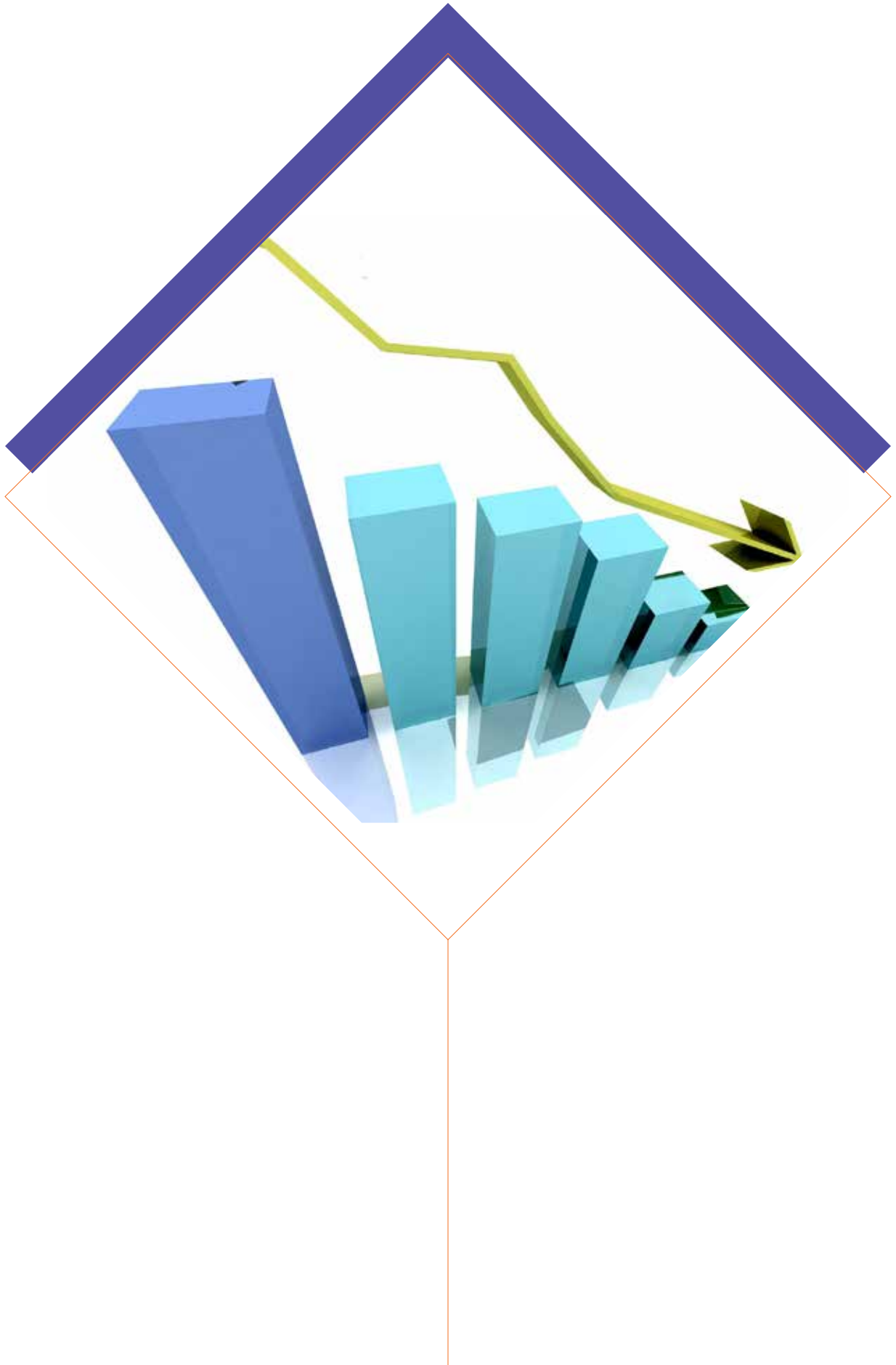


The CEO of IME announced that up to the end of December 2017, over 5 million and 334 thousand and 700 day old chicks worth 95 billion and 424 million Rials were traded on the agricultural trading floor. By announcing the statistics, Hamed Soltaninejad said that up to the end of December 2017, about 17 million and 363 thousand and 650 day old chicks were offered on IME, of which 5 million and 334 thousand and 700 day old chicks were traded. He added: "Since initiation of offering day old chicks on IME, January 15, 2017 to the end of December 21, 2017, about 99 day old chick producers were listed in IME. Moreover, 15 new producers are also submitting the required documents to be listed in the exchange. CEO of IME pointed to the importance of the commodity and said the product has a direct effect on people's livelihood because chicken and egg production essentially relies on the day old chick, and their last price is heavily affected by day old chick price along with livestock inputs. In line with that, and in order to complete the chain of this product on IME, we entered the market for day old chick. Soltaninejad described the advantages of offering day old chicks on IME, saying: "The IME provides a settlement mechanism whereby the money is initially deposited

into the seller's account and then the commodity are delivered to the buyer, as well as if each party violates the obligations, the IIME will collect the violator's fine and damages through its own mechanisms. He illustrated that, in fact, before chick products, the buyer should be identified; the company should enter into a contract and, accordingly, begin to offer chicks before its production. The supplier will receive the money three days after the trade and deliver the commodity to the buyer, so the supplier is relieved to receive money. However, in the over-the-counter (OTC) market, the producer enters into a contract with the buyer, in which each party can violate the contract and the producer is the first one who may encounter huge loss. The IME can resolve these problems with its secured mechanism. Soltaninejad saying that providing a collateral and guarantee for the fulfillment of obligations by both sides of the contract are of requirements for trading on IME and stated: "When a producer expects to receive his money at the time stipulated, he should expect the buyer to deliver the commodity on time. In other words, should the buyer be comfortable for the delivery of goods and this is guaranteed by obtaining bank guarantees, promissory notes and securities documents.



Commodity Based  
Securities on IME



## Launching Premium Trading by End of Year:

CEO of Iran Mercantile Exchange, by referring to the possibility of conducting transactions of premium trading in the near future said that probably by the end of 2017, premium trading transactions will enter the capital market. Hamed Soltaninejad in terms of the possibility of conducting premium trading transactions in the IME said: premium trading transactions are formed on the basis of long-term contracts and are the latest services that will enter the capital market soon. He continued: "In the premium transactions, a certain amount of difference excess will be agreed by the parties, and the parties undertake to trade the commodity at the specific time in the future on the basis of the marginal price, which includes the base price plus the agreed difference excess. The CEO of Iran Mercantile Exchange added: "the problem in most transactions is that downstream producers claim that they should buy the necessary items in cash, and producers also say that it cannot be predicted that their products will be sold in the spot market. By expressing that the volatilities in the market price are in some cases in favor of

the purchaser and also sometimes are in favor of the producer, and this turbulence of the market and the lack of anticipation of prices prevents selling in Salam contracts, Soltaninejad stated :on the other hand, the Iran's market is affected by global markets; thus we decided to promote a kind of transactions that create the possibility of long-term transactions, and also activists would not be concerned about price fluctuations. By referring to the advantage of Premium

Trading Transactions, he said that in this method, in addition to the base price, a premium price is traded and at the maturity of the contract, the base price and the premium price will be considered. We are waiting the directive to offer this new service in the market, and probably by the end of March 2018, premium trading transactions will enter the capital market.



## Premium Trading Deals Will Be Launched Soon

The Director of Economic Studies of the Iran Mercantile Exchange has announced the launch of a Premium Trading Contract within 2 weeks, saying: "To help market players with their financing needs, the possibility of dealing in debt securities is under scrutiny in a lawmaking committee in SEO. Javad Fallah, director of economic studies in Iran Mercantile Exchange, in a conversation with the Fars News Agency, announced the launch of premium trading contracts within at least two weeks, saying: premium trading contracts are formed on the basis of long-term contracts and based on the price of the day of the goods, the buyer can trade with the seller within a specific price range based on the agreed price formula in the future. He added: "In the premium trading, a certain amount of price difference is agreed to the parties of the transaction, and the parties undertake to trade the goods at a specific time based on the final price that is agreed through the formula of the base price plus the excess. The official said that in this method, in addition to the base price, a premium price is discovered and at maturity the base price and the premium price are included, he added: the parties at the beginning of the agreement should put up a part of margin value of the transaction as collateral to the Clearing House. Fallah also spoke on the launch of multi-stage clearing contracts for trading commodities in the near future, adding that, based on these types of contracts, the buyer can, for example, agree on the price of the deal with the seller for the monthly purchase of 100 tons of polyethylene over the next six months. He stated that the launch of such contracts was subject to a directive by High Council of Exchange, saying that in such contracts reverse auction buyer agrees to receive a certain amount of the goods from the

supplier of that commodity at a specific time and the supplier in return for the delivery a certain amount of goods will receive part of the amount agreed. Economic studies director of Iran Mercantile Exchange noted the studies on the possibility of special futures contracts or forwards (futures) at the lawmaking committee of SEO, and added that these types of contracts are similar in structure with the premium trading, with the difference that the declared price will be agreed upon and the possibility of planning for the economic managers and producer to deliver certain goods at a certain time in the future will be provided, so that the producer and the buyer will not be worried about the sale and delivery of the goods in future. Fallah continued that another instrument, called debt securities, is currently under consideration at the same committee, according to which the debt arising from the sale of items sold over a specific period of time can be transferred and liquidated at a lower price in the market. According to this official in this regard, commodity investment funds can collect these debts on the market, while also helping to fund downstream firms and fairer price discovery with the presence of new rivals on IME's trading boards. He stressed: these securities will only be available to the customers who can pay such debts at maturity. Accordingly, the buyer must purchase the required commodity on IME by providing a bank guarantee to the clearing house and opening an LC in the amount required for purchase. Then, the bank will pay the value of purchased goods to the clearing house at the maturity date and it will eventually be deposited into the account of the owners of the money.



## Removing Housing Concerns Using IME's Potentials

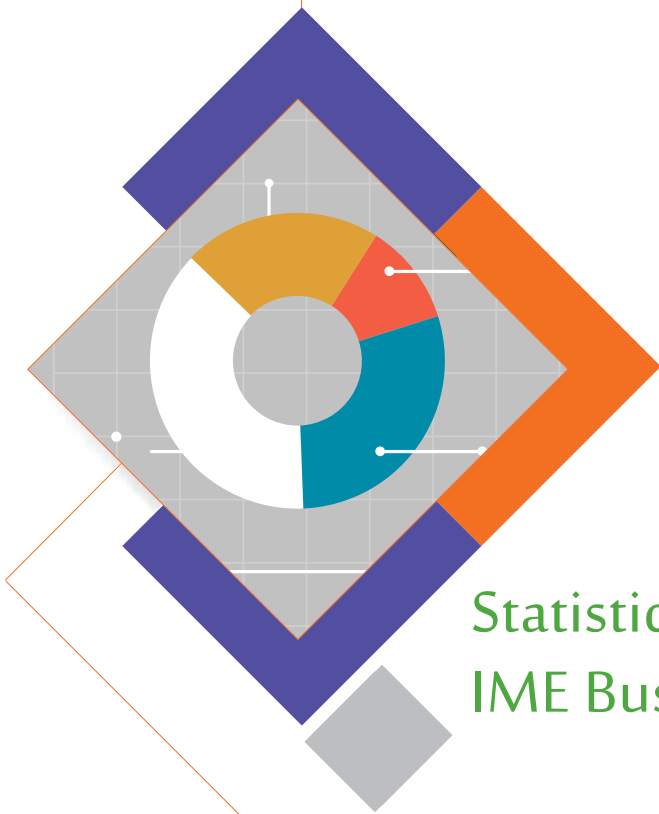
As one of the pillars of the capital market, Iran Mercantile Exchange has been struggling to design and develop financial tools in line with economic needs over the past few years, with housing trades being one of the suggestions. Based on the proposal provided by the IME, a person can buy a certain area of housing and at the time of delivery, he will pay for the difference in quality, including floor and light. In this regard, the head of the Union of Real Estate Advisors of Tehran for the housing market assessed this plan as positive in removing concerns of people to provide housing for their children and prevent price bubble formation in this market. Mustafa Gholi Khosravi, chairman of the Real Estate Advisors Association of Tehran, said: "The housing sales plan has been a long overdue proposition that its continued implementation could help to stabilize the market." Housing will be effective. Implementation of this plan has been repeated several times, but at each stage, with the challenges, the authorities were keen on implementing it. This is while selling a housing meter is a great plan that, if it is to come to a conclusion, can solve the problems in the housing market. He stated that the housing sales plan could be implemented in meters for any type of construction project, including apartments and residential buildings, and said that in the sale of any project, housing can be defined to the purchasers and the person based on the amount of capital and intended place can purchase in the form of a property meter. The head of the Real Estate Advisors Association of Tehran states that the implementation of this project will be in the form of Salam contracts and pre-paid cash at a specific price, adding that for the offering of meter housing on IME, all necessary infrastructures should be provided and coordinated with the Real Estates and Office of the Union. It is necessary to make the identification of the projects to be registered in the offices and, as soon as possible, be clearly identified. Khosravi emphasized that registration of these transactions could be effective in scams of the housing market for the sale of one unit to several buyers, said: with the full possession of the documents of the owner and examination of the identity card of a building, fraud and abuse possible foreclosures to multiple buyers are prohibited. Because local property offices do not play a role in these fraudsters, this problem is also fixed by the accurate recording of these deals. He evaluated the implementation of this plan continuously in addressing the concerns of providing people with housing, and said that if the implementation of this plan is not continuous, people's trust will be lost; but by building the necessary infrastructure for it, while providing housing for people, there is also a sound investment.



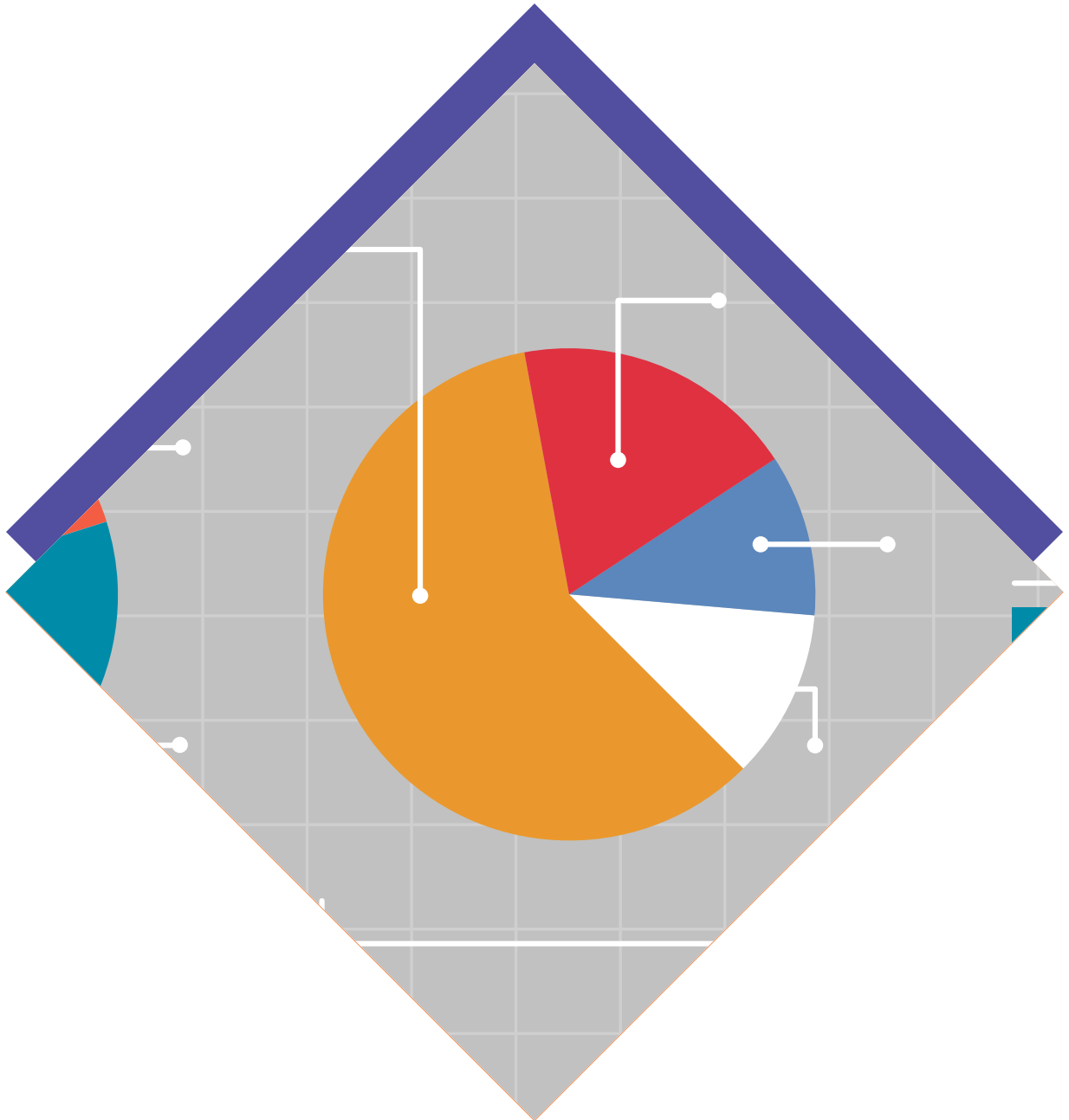


## Necessity of Issuing Salam Contracts for Construction and Completion of Petrochemical Projects

A member of the Chamber of Commerce of Tehran stated: "Using available capacities in the capital market to finance petrochemical projects can accelerate the construction of these projects". Ahmad Kimiaee Asadi, with regards to financing the developmental projects of the petrochemical industry stated that banks and exchanges are the most important sources for financing the industrial and manufacturing sectors of the country, but the private sector activists believe that banks do not have sufficient funds in providing resources and, of course, it should be said that investing in these sectors also requires lots of financial resources, and it demands heavy collaterals which are also beyond the power of the private sector. A member of the Chamber of Commerce of Tehran stated that: "The petrochemical industry is justifiable, if it gets operation phase, it will easily return facilities to banks, and it seems that by eliminating some strict regulations, financing the projects by the private sector will be possible. He stressed that discussing over the problems of the downstream sector of the petrochemical industry are included on the agenda of Industry Commission of the Chamber of Commerce , and the downstream sector of petrochemicals could play a significant role in creating new jobs by employing 200,000 persons. Kimiaei noted making the foreign exchange rate for the industries that supply raw materials from the domestic market would get the highest profit, but industries or productions that depend on the import of raw materials will be struggling with higher production costs.

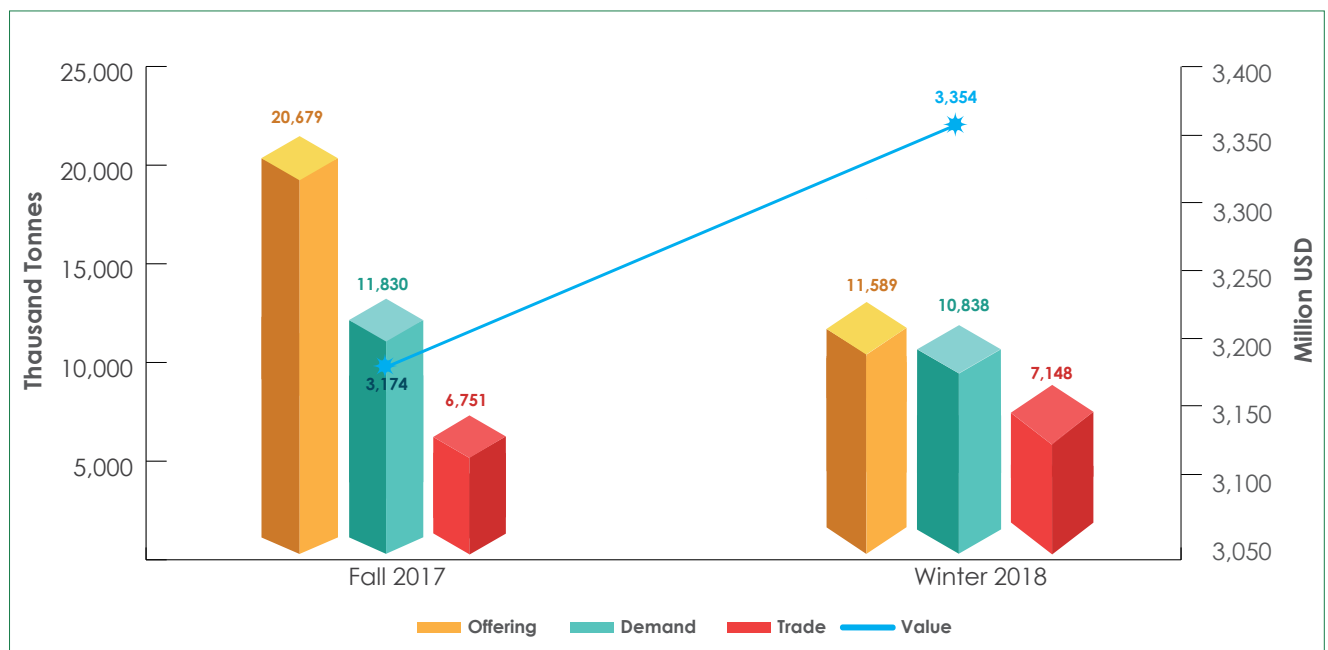


Statistics of  
IME Business



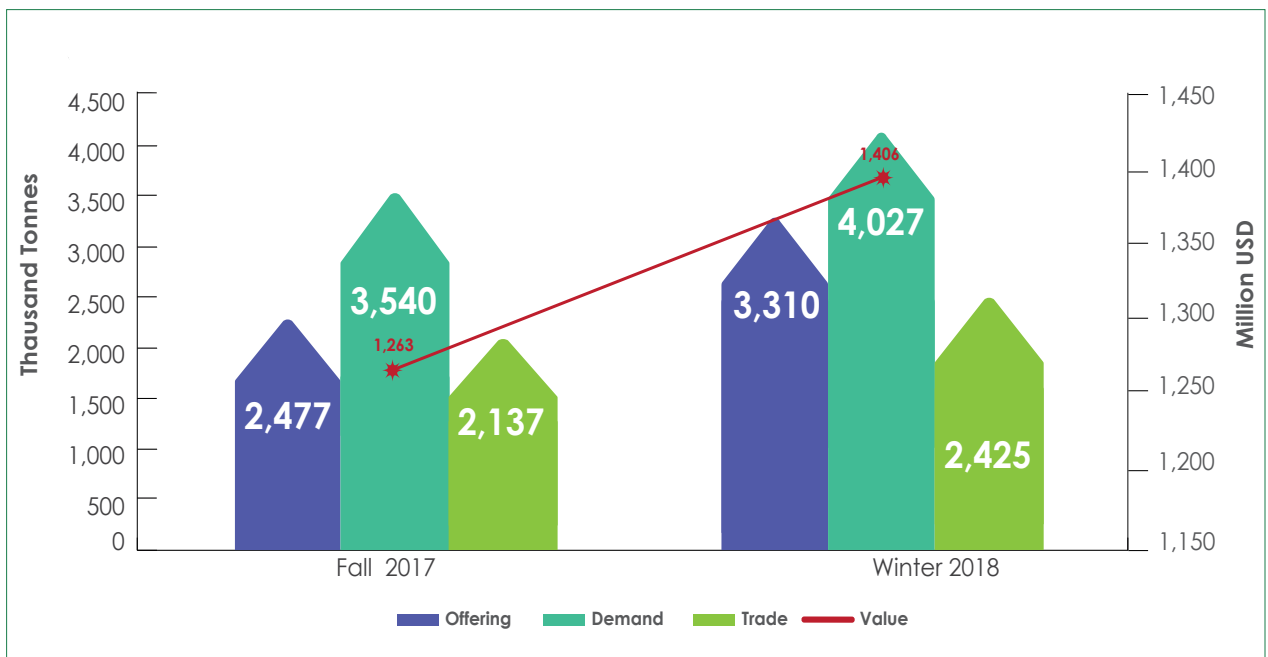
### An Overview of IME's Physical Market

Within the fourth quarter of 1396 hijri year (22 December, 2017– 20 March, 2018), IME saw trade of a total 7.1 million tonnes of commodities on its physical market, the value of which stood at 3,354 million USD. The figures show an upward trend as compared to the third quarter of the year with 6 percent growth in both trading volume and value.



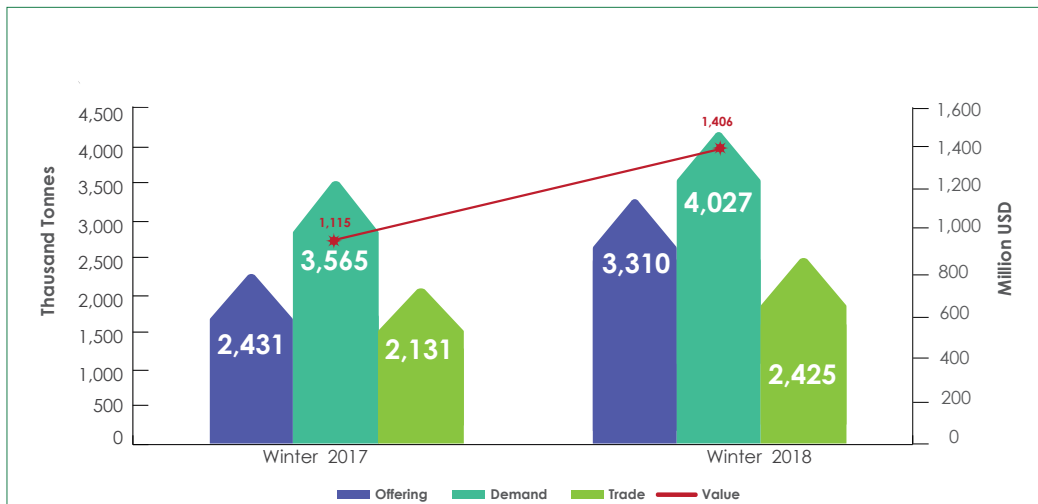
## Industrial Products

Among the whole commodities traded on IME's physical market, industrial products occupy the highest place with a trading volume of 2.4 million tonnes valued at 1,405 million USD in the fourth quarter of 1396 hijri year (22 December, 2017– 20 March, 2018), showing 13 and 11 percent growth in volume and value, respectively, as compared to a 3-month period before that.



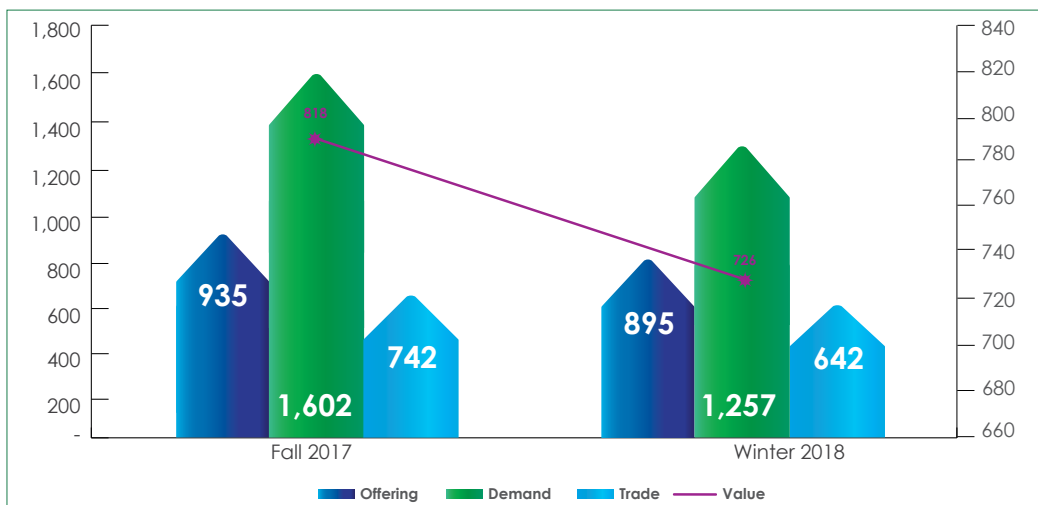


Moreover, comparing volume and value of trades between the 4th quarter of 1396 hijri year (22 December, 2017– 20 March, 2018) and the same period in the previous year reveals that IME saw 14 and 26 percent growth in volume and value, respectively.



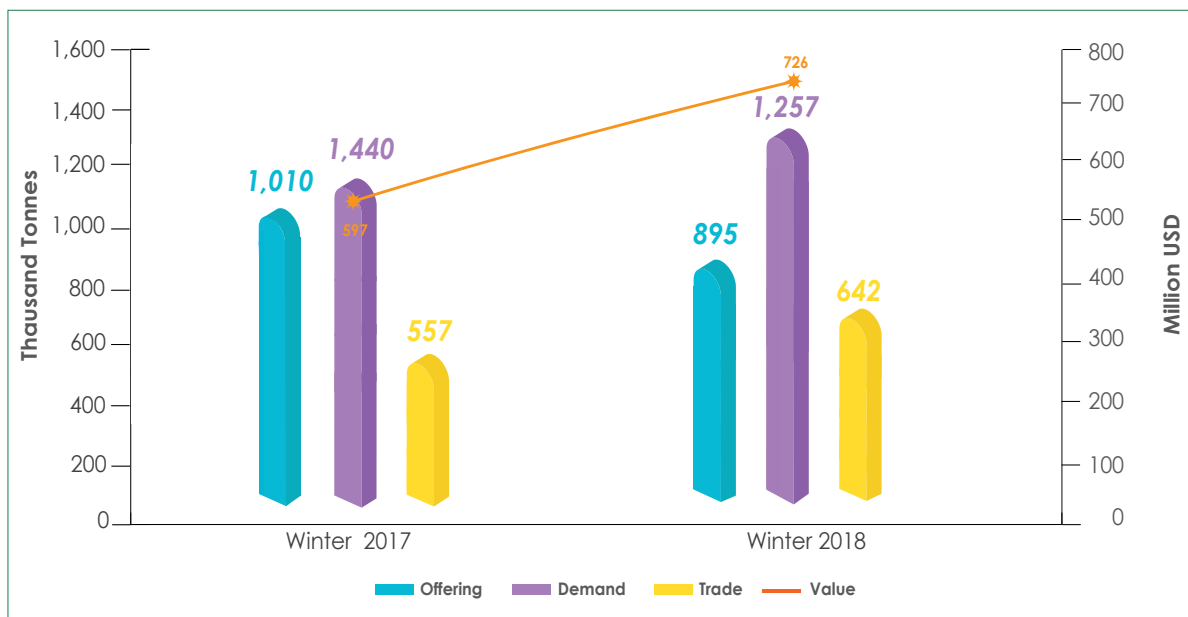
### Polymeric Products

In the 4th quarter of 1396 hijri year (22 December, 2017– 20 March, 2018), volume and value of trades on IME’s physical market for polymeric products stood at 642 thousand tonnes and 726 million USD respectively, witnessing decrease of 13 and 11 percent, respectively, comparing to the 3rd quarter of the year.

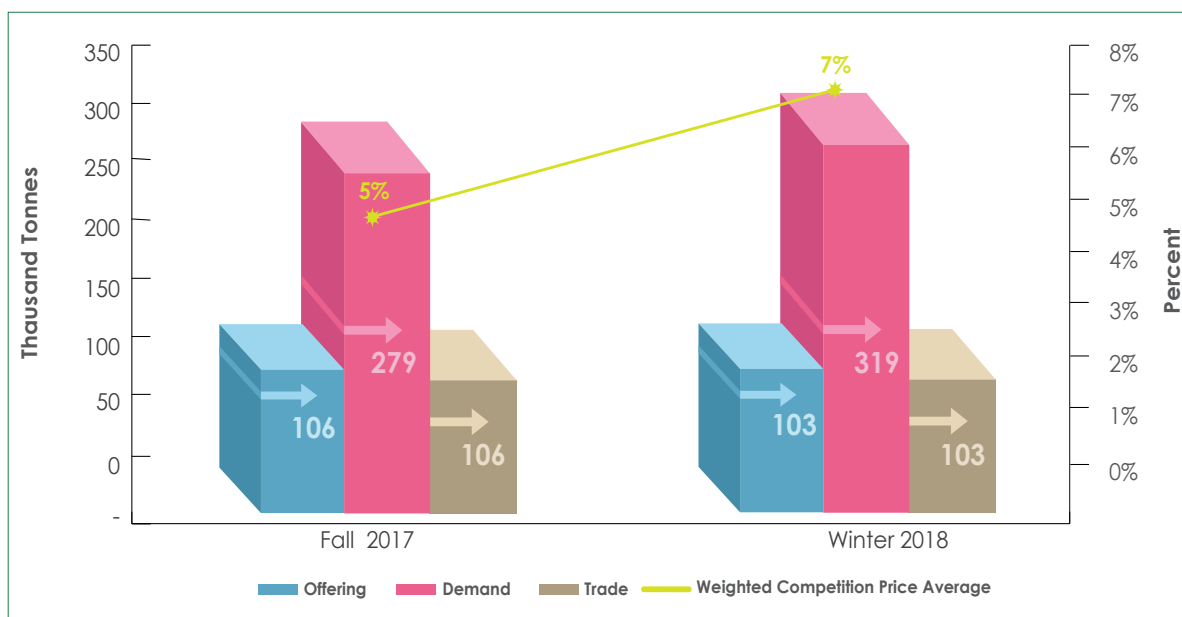


## Polymeric Products

Moreover, comparing volume and value of trades between the 4th quarter of 1396 hijri year (22 December, 2017– 20 March, 2018) and the same period in the previous year reveals that IME saw 15 and 22 percent growth in volume and value, respectively.

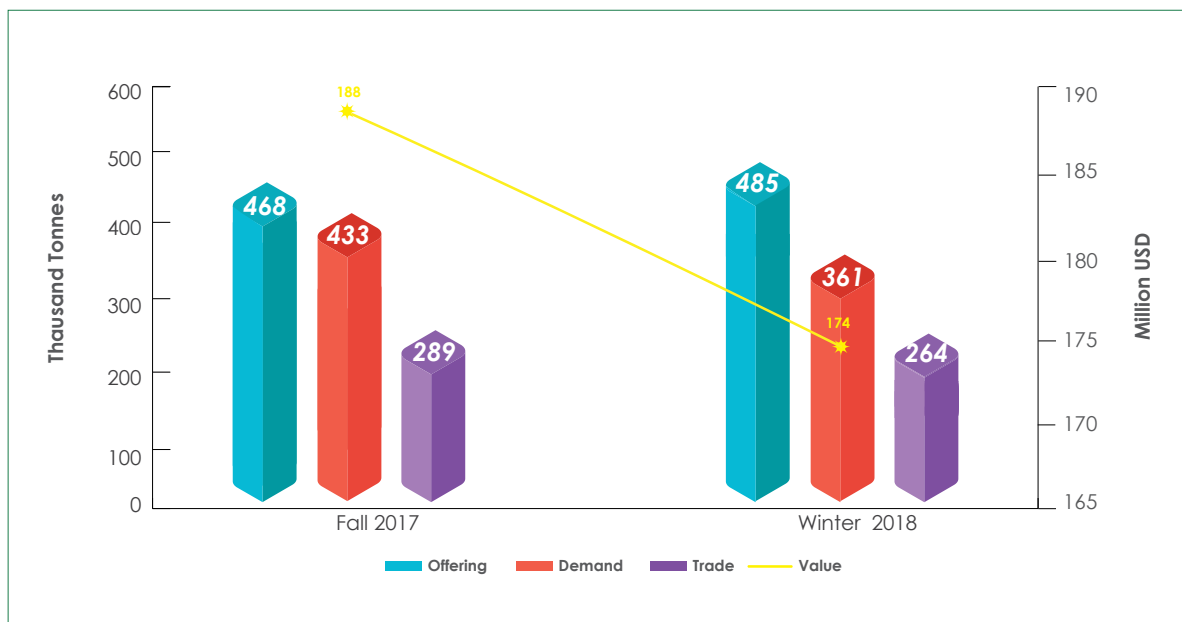


Among the polymeric products traded on IME, Textile Polypropylene is the product with the highest demand. The chart below demonstrates trades of this product during winter (22 December, 2017– 20 March, 2018) and fall (23 September – 22 December, 2017) of the current hijri year (1396). Demand for this product has been increased 15 percent. This product in the 4th quarter of 1396 hijri year has been traded in weighted competition price average of 7 percent.



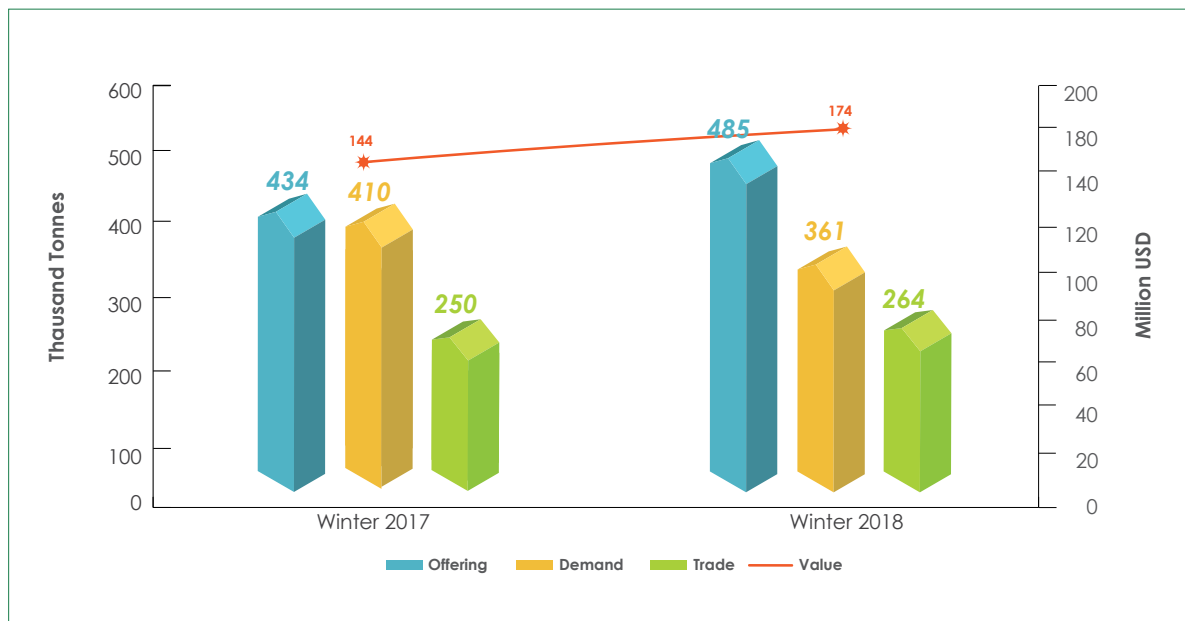
## Chemical Products

Within the 4th quarter of the current hijri year, IME traded 263 thousand tonnes of chemicals valued at 174 million USD, showing 9 percent decrease in trade volume and 7 percent of decrease in trade value in comparison to the third quarter of the current hijri year (23 September – 22 December, 2017).



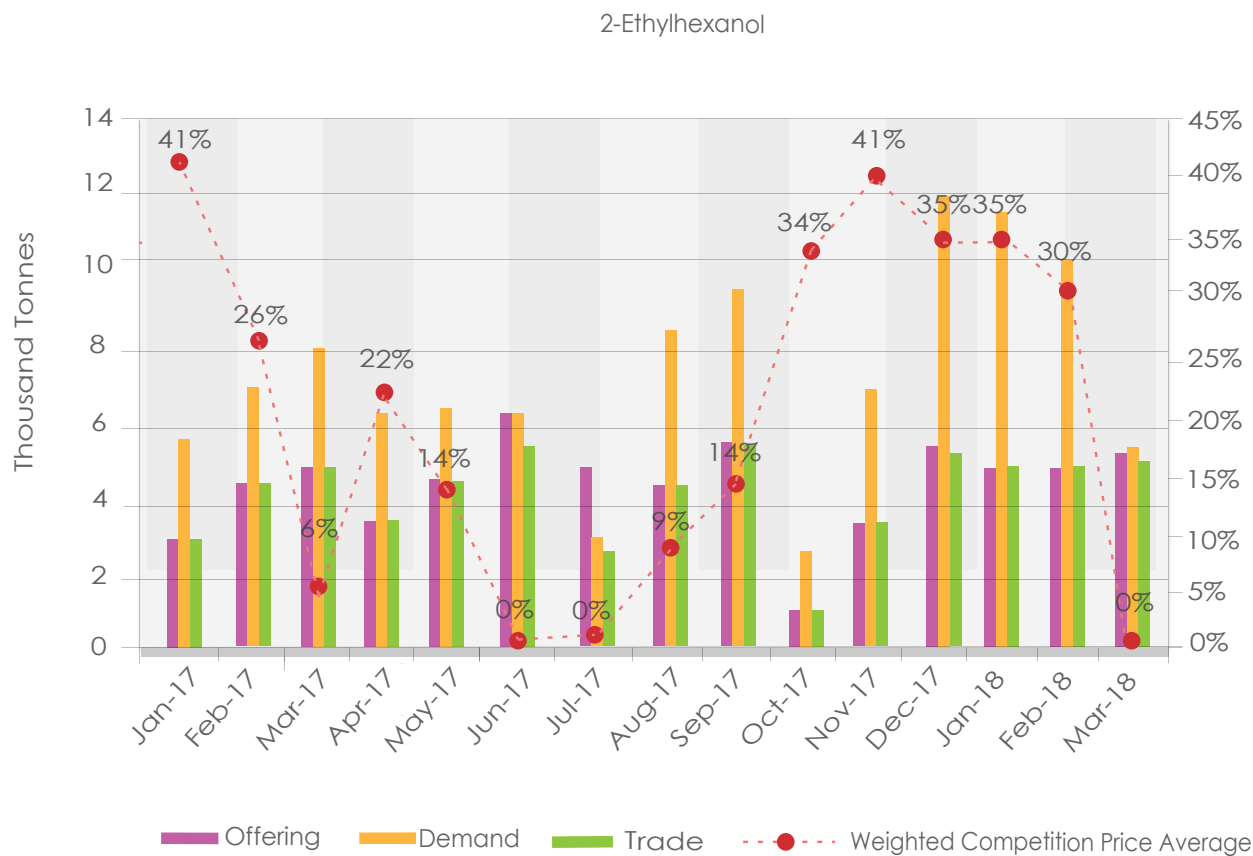
## Chemical Products

As to the same period in the previous hijri year (22 December, 2017– 20 March, 2018), volume and value of trades of chemical products shows 5 and 21 percent of growth respectively.



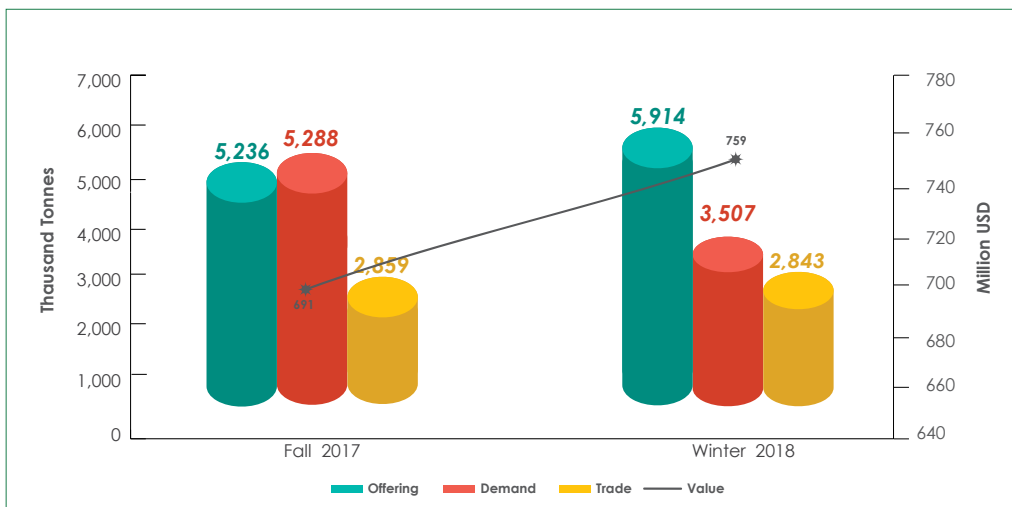


Currently, 2-Ethylhexanol stands out as a product with a high rate of demand between chemical products in IME. As the following chart shows, 2-Ethylhexanol is currently in high demand which returned to the equilibrium with continued increase in supply of the product in the market.

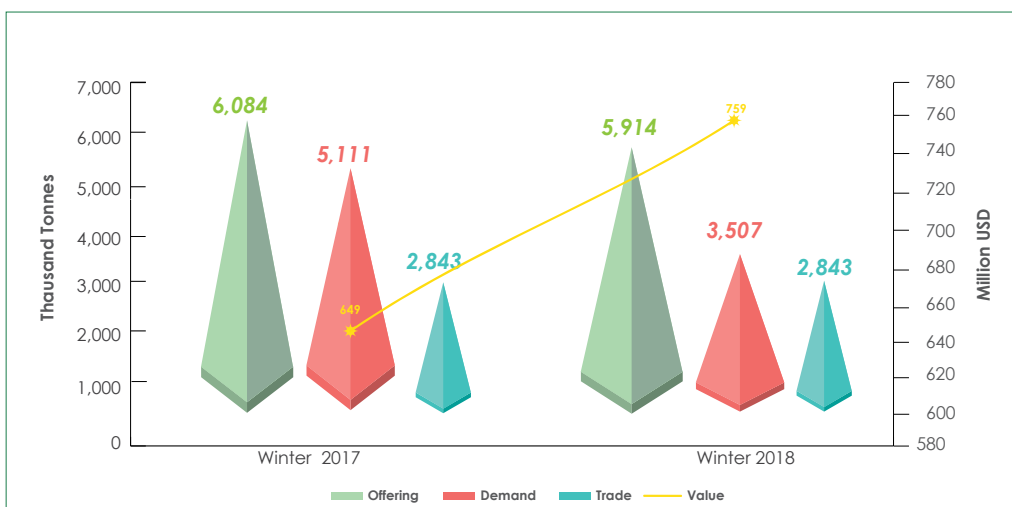


## Oil Products

Within the 4th quarter of the current hijri year (22 December, 2017– 20 March, 2018), there were 2.8 million tonnes of oil products traded on IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 759 million USD, which showed a 1 percent decrease in volume and a 10 percent increase in value as compared to the previous quarter of the same hijri year (23 September – 22 December, 2017).

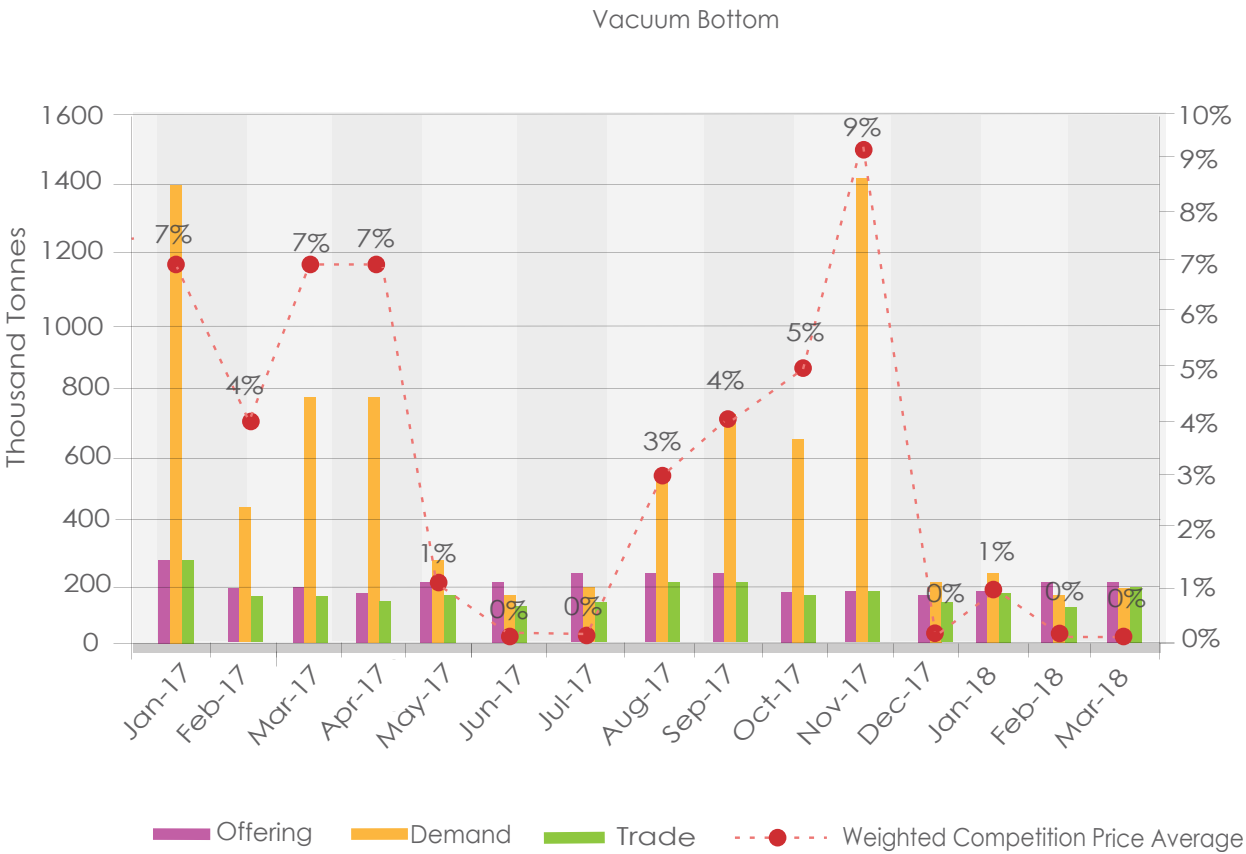


The figures for the same period in the previous hijri year are less than 0.1 percent decrease in trade volume and 17 percent of growth in trade value. The growth in crude oil prices in the world and, consequently, the growth of the prices of oil products were the main reason for the growth in value of transactions during this period.



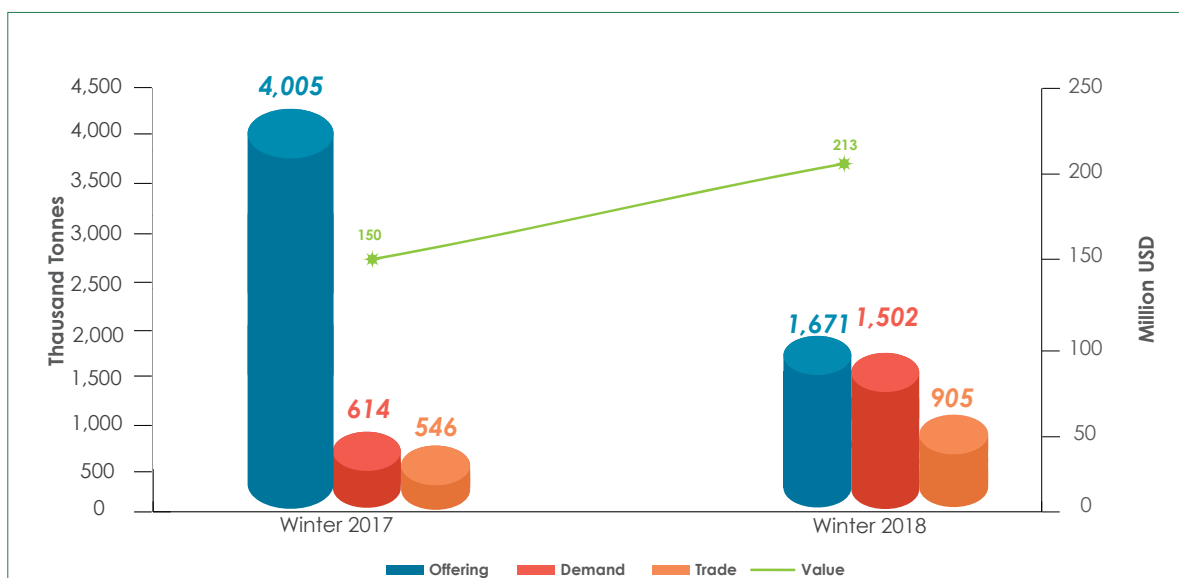
Offering, Demand and Trade Value & Weighted Competition Price Average of Vacuum Bottom

Due to determining the price of vacuum bottom based on the free exchange rate for dollar from December 2017, there is no competition to buy this product on IME.

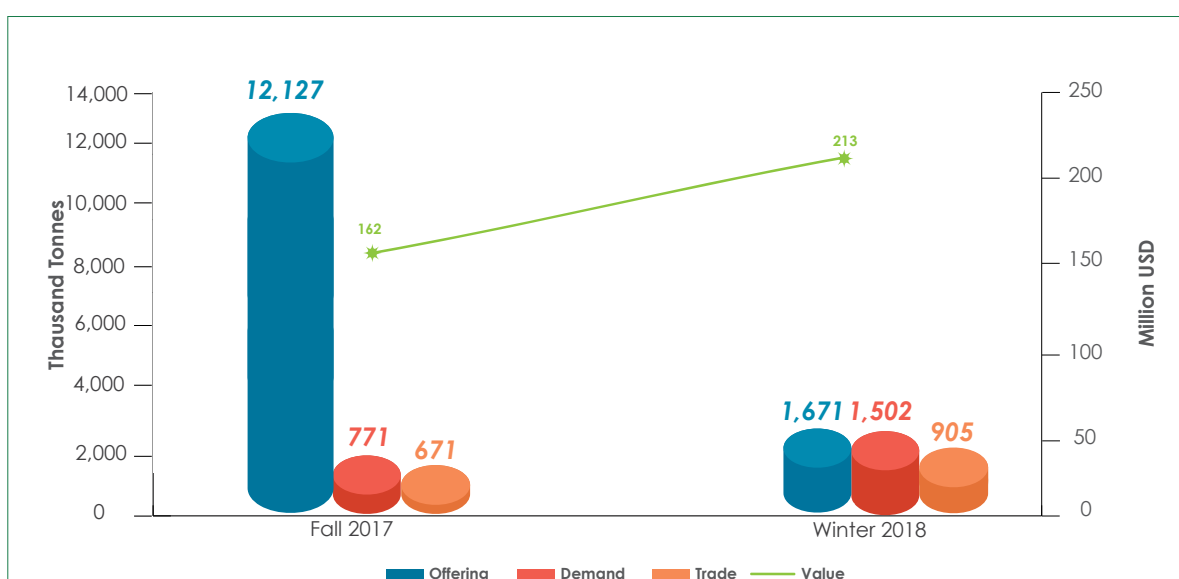


## Agro-products

In the 4th quarter of the current hijri year (22 December, 2017– 20 March, 2018), IME witnessed in total trade of 905 thousand tonnes of agricultural products valued at 213 million USD; a 66 percent growth in volume and a 42 percent growth in value compared to the same quarter of the previous hijri year (22 December, 2016– 20 March, 2017). The main reason of the growth in volume and value is 388 thousand tonnes increase in trade of wheat, which is doubled in comparison with the same period last year. The growing trend of entering the flour mills into the exchange to buy wheat has led to an increase in the trade volume of this product. Also during the 4th quarter of 1396 hijri year, over 3 million and 121 thousand day old chicks were traded on IME, which is trading since the year 1396 hijri year on the exchange.



As to the previous period in the same hijri year (22 December, 2017– 20 March, 2018), volume and value of trades shows 35 and 31 percent of growth, respectively. According to the harvest season for maize, the trade value of the commodity has increased in winter, which is 158 thousand more than last season of the same hijri year. This is the most important factor in the growth of trade volume during the winter season. Growth in trade value of wheat and crude vegetable oil after the maize is the other factors affecting the increase in the trade volume during the winter season compared to the fall season.



### Commodities Traded on IME's Export Ring

On its export ring, IME offered 3 million tonnes of commodities of which 1.58 million tonnes were traded. Oil and petrochemical products as well as industrial products account for 1,197 thousand tonnes and 385 thousand tonnes of trading volume of the ring, respectively. The following chart illustrates figure of the ring by commodity group.

Commodity Group	Offering (MT)	Trade ( MT )
Oil and Petrochemicals	1,985,317	1,197,144
Metals	885,500	385,500

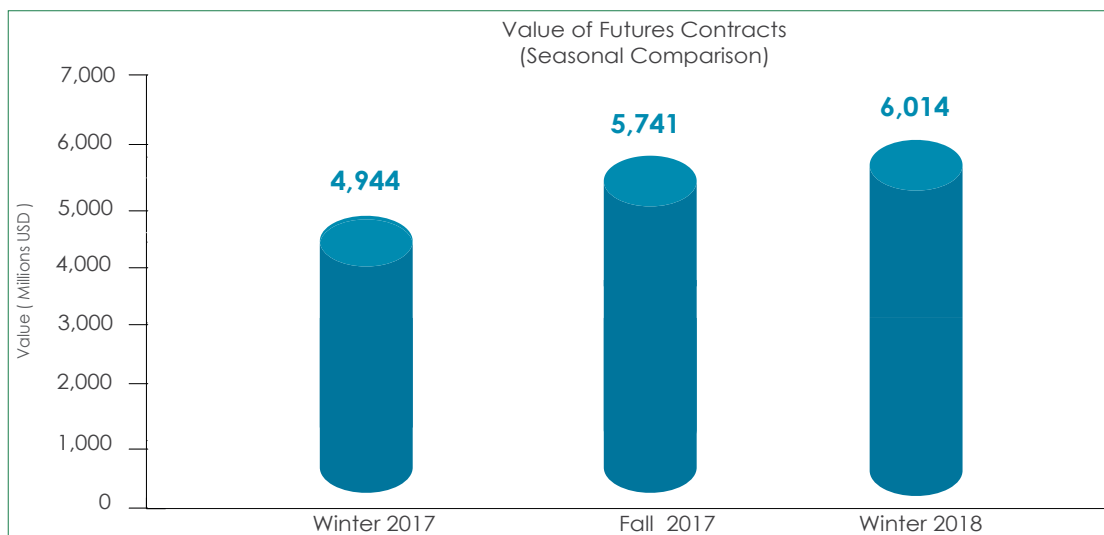
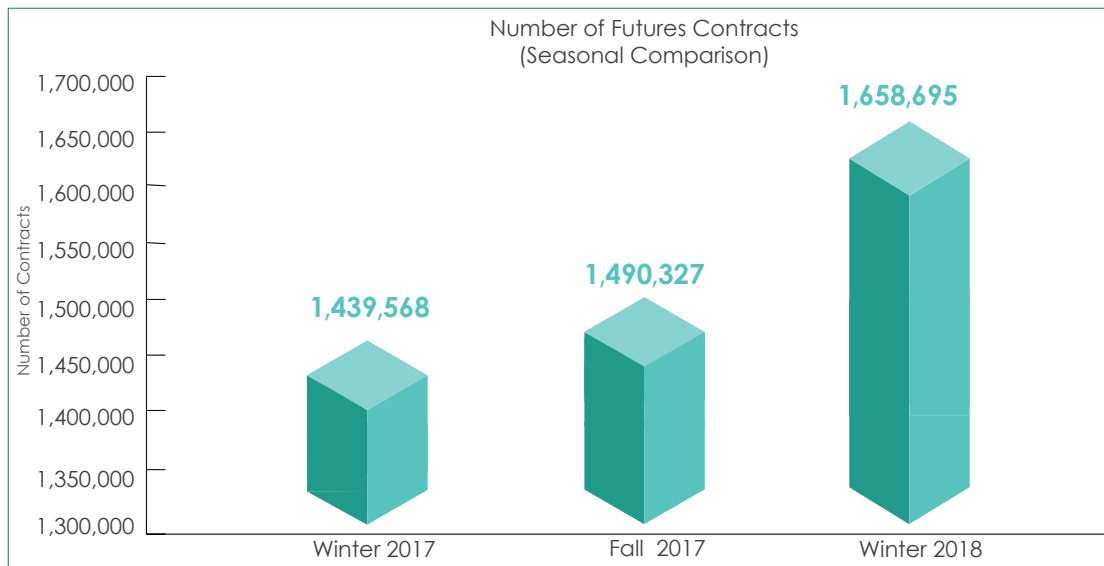


Within the scope of commodities traded on IME's export ring, bitumen accounts for highest trading volume and value with more than 1.1 million tonnes. Iron ore with 385 thousand tonnes is the only commodity in the industrial group. The following chart illustrates IME's exported commodities in order of volume in the 4th quarter of the current hijri year (1396) (22 December, 2017– 20 March, 2018).

Commodity	Offering (MT)	Trade ( MT )	Average Base Price (\$)	Average Trade Price (\$)
Bitumen 6070	1,479,450	946,603	294	292
Granulated Iron Ore	885,000	385,000	26	26
Bitumen 85100	196,135	75,835	306	315
Bitumen 4050	73,070	69,470	300	293
Granulated Sulfur	84,000	35,000	95	89
Sulfur	52,000	26,000	96	86
Insulation BOF	11,470	10,270	341	338
Bitumen MC250	13,100	10,100	381	302
Sulfur Lumps	40,000	6,500	104	90
Bitumen 80100	5,760	5,760	330	330
Bitumen VG30	8,500	5,000	312	301
Insulation BPP	3,600	3,300	408	429
Bitumen MC30	1,800	1,800	441	441
Moisture Insulation BOF	1,000	1,000	360	360
Mixed Rebar Basket	500	500	500	500
Emulsion Bitumen CRS1	250	220	379	379
Bitumen 11515	130	130	287	287
Powdered Milk	100	100	1,820	1,820
Polymeric Bitumen 6070	100	60	318	318
Bitumen 9015	52	52	350	350
Sulfur Powder	300	44	171	170
Bitumen VG40	3,600	-	316	
Lube Cut Oil	11,000	-	349	
Rice	137,632	-	501	

## Derivatives Market

Within the 4th quarter of the current hijri year (22 December, 2017– 20 March, 2018), IME traded 1,658,695 gold coin futures contracts valued at 6,014 million USD, showing 11 and 5 percent of growth in volume and value respectively in comparison to the third quarter of the current hijri year (23 September – 22 December, 2017).



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