

***The Regulations***  
***Governing***  
***Registration, Depository, Settlement and Clearing System***

In view of the functions defined for the "Central Securities Depository and Settlement Company (a public joint stock entity) hereinafter referred to as "Central Depository Company" and subject to paragraph 7 of article 1 and paragraph 2 of article 7 of the Securities Market Act ratified in November 2005 and for the purpose of codifying the regulations for registration, depository, settlement and clearing system in Tehran Stock Exchange and Iran Farabourse company, the existing regulations in 35 articles and 16 notes were approved by the Board of Directors of the Securities and Exchange Organization on Aug. 4, 2009, as proposed by the Central Depository Company.

***Chapter one – Definitions***

**Article 1:**

The definitions given for the terms and phrases used in article 1 of the Securities Market Act of the Islamic Republic of Iran, in the transactions By-Law for the Tehran Stock Exchange Company approved by the Securities and Exchange High Council and in the Constitution of the Central Depository Company shall apply for the purposes of the terms used herein. Other terms are defined as follows:

**A- Farabourse:** means Iran Farabourse Company (a public joint stock entity).

**B- Registration:** means entering full information pertaining to the issuers' securities and holders of such securities in the database.

**C- Depository:** means the operations during which all or parts of the securities entered in the database shall be accorded tradability on the Exchange or on the Farabourse.

**D- Settlement and Clearing:** means a stage in which the pure rights and obligations of the contracting parties shall be computed and the funds earned from the deal shall be transferred to the seller on the settlement day.

**E- Member:** means a broker, a broker/dealer and any other legal entity which has been admitted under this title with the Central Depository Company in accordance with the rules and regulations.

**F- Settlement Guarantee Fund (Guarantee Fund):** means a fund which is created at the Central Depository Company to provide a guarantee for settlement of the proceeds earned from transactions.

**G- Settlement Account:** means a bank account which is opened by the Central Depository Company and also by any member in its (their) own names for receipts, payments and expenses (fees) related to the traded securities.

**H- Settlement Day:** means a specific day on which the final settlement of funds and securities is made by the Central Depository Company.

**I- Ownership Code:** means the client's ID for trading in securities on the database.

**J- Database:** means a system which is managed by the Central Depository Company and contains the required information regarding the securities issuers, members, securities holders and any other information pertaining to the securities ownership.

**K- Fees:** mean the funds in return for the services provided by the Central Depository Company the limit of which has been confirmed by the SEO.

## ***Chapter two – Securities Registration and Depository***

### **Article 2:**

The Central Depository Company shall, within 10 business days upon receipt of the following documentation, act for registration of securities:

- 1- the issuer's written application;

- 2- the written certification of the Stock Exchange indicating the securities listing;
- 3- a copy of the SEO's license indicating securities registration or exemption from registration;
- 4- names of the issuer's securities holders on the entry date on the Stock Exchange official list endorsed by the authorized signatories along with the electronic format prescribed by the Central Depository Company;
- 5- type and number of securities.

**Note:** Only the securities for which the information has been completed can be registered. The issuer shall be responsible for the accuracy, precision and completeness of the information so produced and the Central Depository Company shall bear the responsibility for proper entry of the foregoing information.

### **Article 3:**

The issuer shall have to present the names of securities holders subject of paragraph 4 of article 2 containing at least the information below in accordance with the common practice in the Central Depository Company:

- a) the number of securities holders
- b) full names, identification/registrational data and, as the case may be, the national card numbers of all securities holders
- c) ten-digital postal codes and full addresses of securities holders
- d) citizenship of each of the securities holders
- e) ownership level of each of the securities holders
- f) any restriction imposed on the ownership and number of securities
- g) particulars of centralized bank account of securities holders

### **Article 4:**

If the securities holders do not have ownership code in the database, the Central Depository Company shall, upon receipt of the documents referred to in article 3, take action to create such code.

**Note:** In order to issue the ownership code for foreign persons (natural/legal), it is necessary to obtain the documentation subject to the prevalent rules and regulations in addition to the documents referred to in article 3.

### **Article 5:**

Only the securities deposited with the Central Depository Company shall qualify for trading (sale and purchase), collateralization and/or any type of ownership transfer, whether involuntary, lawful as well as other transfers effected outside the trading hours on the Exchange or on the Farabourse.

**Note 1:** The depositing of securities by the holder or by the issuers who are permitted on behalf of the holder shall be handled at their written request.

**Note 2:** The issuer shall, after the capital increase, have to take action to have all his/its shares deposited. After depositing of securities and issuance of certificates of deposit and execution of new transfers, the previous certificates shall become invalidated.

**Article 6:**

The securities registered and authorized for depository shall, after receiving all the information stated in the foregoing articles and upon presentation of the holder's or issuer's written request in particular forms, be deposited within a maximum period of 3 business days by the Central Depository Company.

**Note 1:** The securities delivered at the depositing stage shall be retained with the Central Depository Company and, in return, certificates of deposit and transfer shall be issued for them.

**Note 2:** The records and names of the holders of the securities deposited with the Central Depository Company shall, pursuant to that company's notification, be substituted for the records and names with the issuer.

**Article 7:**

The Central Depository Company shall, upon receipt of the documentation or obtaining the necessary authorizations, update the information on the ownership of the securities holders in the following instances:

- a) issuer's capital increase or decrease
- b) shares (stock) merger or split
- c) transfers arising from transactions on the Exchange or on the Farabourse
- d) involuntary and lawful transfers

**Article 8:**

In case that the securities holders lawfully take action to change the following items, they shall have to announce such changes to the Central Depository Company. Such company shall at their request and upon presenting lawfully valid documents, update the relevant information on the database as per the existing regulations. This information consists of the following items:

- 1- change in the particulars of birth certificate/registrational data
- 2- change in national card numbers
- 3- change of citizenship
- 4- change in the lawful status of legal entities
- 5- change of address

**Note:** If any of the foregoing changes is not announced, the responsibility for the damage and loss incurred shall be borne by the securities holder.

**Article 9:**

In order to obtain the ownership code, the investors shall have to submit their written application along with the following documents to the broker:

**A) Natural persons:**

- 1) the certified copies of birth certificates and national cards
- 2) ten-digital postal code, telephone number, fax number and email address if any

**B) Legal entities:**

- 1) the file number obtained from the Companies Registration Department
- 2) the State Gazette (official newspaper) announcing the foundation of company
- 3) the latest issue of State Gazette (official newspaper) publishing the notice of changes in the company
- 4) the company articles of association
- 5) the address, telephone number, fax number and email address if any

**Note 1:** As regards paragraph "B", the broker shall submit the documents to the Central Depository Company to obtain the ownership code.

**Note 2:** The broker shall be responsible to verify the identification of parties and certify the accuracy of the required information under articles 8 and 9 that it/he has entered in the database.

**Article 10:**

The Central Depository Company shall have to retain in the database the minimal information as hereunder:

- 1- the information on the security holder under articles 3 and 8 of the existing regulations
- 2- the number, type and specifications of securities (asset status) owned by each holder in the ownership code
- 3- the information relating to securities transfers
- 4- the restrictions associated with securities ownership

**Article 11:**

The broker shall have access to parts of the database for the following purposes:

- a) to create the ownership code for clients as per the prevailing standards
- b) to enter the information pertaining to the method of allocating traded securities in the collective transactions.
- c) to access the statement of customers' deposited securities under his/its control

**Article 12:**

The Central Depository Company shall deliver the list of the registered securities holders to the issuer in return for specific fees received in the form of paper or electronically whilst the issuer shall not be authorized to alter or amend it.

**Article 13:**

The Central Depository Company may deliver the following information in writing or electronically to the securities holders:

- 1- any information associated with his assets
- 2- the statement of his transactions turnover in securities

**Note:** The foregoing statement shall carry no transaction value.

### ***Chapter three – Settlement and Clearing of Securities***

**Article 14:**

The rights and obligations of the securities buyer and seller and other stakeholders connected with the transaction shall be established simultaneously with the execution of the deal.

**Article 15:**

The Central Depository Company shall undertake to handle the settlement and clearing operations of the funds earned from transactions and transfer of securities ownership.

**Article 16:**

The settlement day for shares trading shall be three days after execution of the transaction (T+3) and for trades in participation certificates one day after execution of the transaction (T+1).

**Note 1:** With respect to the requirements for securities delivery, the provisions of article 11 of the By-Law for transactions on the exchange shall apply in addition to the provisions of the existing regulations.

**Note 2:** Settlement and Clearing of bulk deals shall be made in accordance with the prevalent rules.

**Article 17:**

The buyer's broker shall be responsible for settlement of the securities purchased on the settlement day. In any case, the delivery of securities to the purchaser shall be subject to payment of funds and his settlement with the broker.

**Article 18:**

At the end of each day, the related Stock Exchange or Farabourse shall send the electronic message of execution or non-execution of the transactions containing the information relating to the trades executed on that day to the Central Depository Company through the trading system. Such file shall at least include the following items in each transaction:

- 1- the date and time of executing transaction
- 2- trading ticker symbol
- 3- the ownership code of securities seller and securities buyer
- 4- the code of the seller's broker and buyer's broker
- 5- the number of securities
- 6- the price of securities
- 7- total transaction value
- 8- transaction reference number

**Article 19:**

Transfer of deposited securities ownership shall, in view of the daily information received, be automatically entered in the ownership code of the seller and the buyer as prescribed by article 18 and, for the ownership transfer of securities, there shall be no need for reapproval of the seller or the buyer.

**Article 20:**

Based on the information received, the securities shall be transferred from the seller's ownership code to the buyer's ownership code and the responsibility of the information accuracy shall be borne by its sender.

**Article 21:**

The financial and non-financial rights on securities such as dividends, preemption rights arising from the capital increase, stock dividends and voting rights shall belong to the buyer upon finalization of transaction.

**Article 22:**

In order to make a full settlement of funds, each broker shall have to open the bank settlement account(s) as per the conditions set out by the Central Depository Company.

**Note:** The Central Depository Company shall have the entitlement to monitoring, receiving the report on transfers, and as a proxy on behalf of the broker, withdrawing money from the said account solely for the purpose of clearing the funds earned from transactions.

**Article 23:**

The Central Depository Company shall, until the end of each trading day, calculate the net amount for the settlement day which is to be paid to each broker or received from each broker and shall forward it to the respective broker via an automated system in the form of a notice. This amount shall be calculated by deducting the total value of securities purchased by the broker from the total value of securities sold by him/it. When the transaction value is calculated, the tax, fees and other deductions shall also be taken into account.

**Article 24:**

At the end of the trading day, two notices shall be sent to brokers in an automated manner:

1- A notice regarding the broker's daily clearing which shall include the following:

1. transaction day
2. broker's name and code



3. notice number
4. broker's debit and credit items
5. settlement date

2- A notice regarding the breakdown of the transactions which shall include the following:

1. date and hour of transaction
2. name and code of the broker's customer
3. transaction reference number
4. the debit and credit items of broker's customer
5. settlement date

**Article 25:**

With regard to the shares transactions and related preemption rights, the debtor broker shall, by 10 a.m. at the latest on the third day after executing the transaction (T+3), have to credit the amount referred to in article 23 in the settlement account with the Central Depository Company.

**Note:** Regarding the transactions in participation certificates, the debtor broker shall, by 10 a.m. at the latest on the day after executing the transaction (T+1), have to credit the amount referred to in article 23 into the settlement account with the Central Depository Company.

**Article 26:**

On the settlement day, the funds shall be withdrawn from the settlement account of the Central Depository account and credited in the brokers' special bank account. The amounts credited in the account of each creditor broker shall equal the net amounts as prescribed in article 23.

**Article 27:**

If the broker has a justifiable objection with respect to the notice which he/it receives as per the article 24, he/it shall have to submit his/its objection to the Central Depository Company by 15 p.m. at the latest following the day that the notice is communicated unless the broker receives a second notice amending the first one.

**Article 28:**

The method of supplying information by the Central Depository Company to the bank designated as the settlement bank shall be based on the agreement reached with that bank.

**Article 29:**

In the event of non-compliance with the provisions of the existing regulations and breach of obligations undertaken by the broker, the Central Depository Company shall, by reporting the violations to the SEO, take the following measures as the case may be:

- a) if a Settlement Guarantee Fund has been set up, transfer of the funds under article 23 from the sources deposited with the Settlement Guarantee Fund to the settlement account of the Central Depository Company.
- b) follow-up action for recovery of claims and losses sustained by the Central Depository Company from the broker, as the case may be, with the Arbitration Board or other competent authorities.
- c) interruption of a part of services due to be rendered to the broker in accordance with the pertinent regulations.
- d) seizure of the broker's collaterals in favor of the Settlement Guarantee Fund or the Central Depository Company.

**Article 30:**

Under special circumstances when the transactions have been conducted in accordance with the prevailing regulations and on the conditional basis but such circumstances have not been provided in the existing regulations, the settlement operations may be handled with some delay as per the relevant rules. In such a case, the Exchange or Farabourse shall have to report the delay to the Central Depository Company on the same trading day.

**Article 31:**

Involuntary, lawful and judicial transfers shall not be subject to payment of related fees. The conduct of such transfers shall be subject to the production of necessary evidence and documents in accordance with the rules of the Central Depository Company including the tax payment certification. No funds whatsoever shall be carried over through the settlement and clearing system for such transfers.

**Article 32:**

The out-of-the clearing settlement shall be possible on the same trading day upon completion of related forms by the broker and approval of the Exchange or Farabourse and informing the Central Depository Company of such settlement.

**Note 1:** The out-of-the clearing settlement shall be rendered after the tax and related fees have been deducted.

**Note 2:** The forms referred to in his article shall be prepared, as the case may be, by the Exchange or Farabourse.

**Article 33:**

The details relating to the Settlement Guarantee Fund, broker's obligations, the authorized trading range, membership requirements and settlement of credit transactions shall be specified as per the standards which shall be approved by the SEO as recommended by the board of directors of the Central Depository Company.

**Article 34:**

The existing regulations shall not apply to lending and borrowing deals and such circumstances shall, if approved by the SEO, be subject to separate regulations which shall be adopted by the SEO upon recommendation of the Central Depository Company.

**Article 35:**

The provisions of the existing regulations may be modified upon recommendation of the Central Depository Company's board of directors or the SEO's board of directors after approval by the SEO. The SEO shall be authorized to provide interpretations on the existing regulations.