

# ***HIGHLIGHTS***

***GET UPDATED ON THE LATEST LINES OF CSDI***

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## CEO Message



Summer 2016 was a great time for us here in CSDI. How not to be great when you are doing your best to achieve? How not to be great when you are boosting internationally and finding new allies here and there? How not to be great when you are working with people who have proved to be upright and professional and want the best for others and themselves? We feel great since we are hosting the ACG20 here in Tehran this fall in which we hold the ACG General Meeting and have enough time to get closer to our Asian trusted friends as well as companions from Greece, France, and Portugal. We might even have sometime to have a journey into the heart of the Persian Plateau and see the magnificent city of Isfahan. Led by our long-term vision to facilitate the inflow of foreign investment into Iran capital market, we worked on a model – the Blue Model – to address the concerns of the large foreign investors over the settlement risk. We had a fruitful workshop on Kish Island with our nice Korean colleagues of KSD to smooth the way for bilateral trades of bonds. We also signed a Memorandum of Understanding with our warm Greek friends of ATHEX Group to promote cross-border trading activities. We are also looking for some closer ties with our eastern counterparts especially those with proven methods of productivity and operability. Moreover, it is my honor to announce our recent membership in the Executive Board of the Federation of Euro-Asian Stock Exchanges (FEAS). This very newsletter says more about the details and events of the previous months and I kindly invite you to read through it.

*Mohseni*

Mohammad Reza Mohseni

## The Securities and Exchange High Council Appointed SEO New Chairman



- Compliance with the Islamic Sharia
- Development of New Financial Instruments and Institutions
- Enhancement of Market Liquidity and Transparency
- Mitigation of Operational Risks
- Increase in the Share of Capital Market in Financing of Private Sector
- Closer Cooperation with Majlis and Iran Central Bank

The Securities and Exchange High Council in a meeting, accepted Dr Fetanat's resignation and appointed Dr Shapour Mohammadi as the new Chairman of the Securities and Exchange Organization of Iran (SEO). Dr Shapour Mohammadi, in his previous position, was the Deputy Minister of Economic Affairs and Finance. The first CEO of the Iran Energy Exchange (IRENEX), second Secretary General of Iran Investment Institutions Associations, CEO and a board member of several listed and non-listed companies, a member of the SEO Arbitration Board, and a member of the SEO Index Committee were among Dr Mohammadi's previous positions. Among the priorities top on his agenda are:

## Mr Fahimi Appointed as the Chairman of CSDI



The Board of Directors of the CSDI in a meeting appointed Mr Hossein Fahimi as the new Board Member and Chairman of this company. He is the former SEO Board Member and the chief for the Center of Research, Development, and Islamic Studies. Mr Fahimi replaces Mr Mohammad Reza Sheikholmolooki, the former Board Member and Chairman of CSDI, who had resigned from this position before.

The recent members of the CSDI Board of Directors is as the following:

- Mr Hossein Fahimi, Representative from Securities and Exchange Organization
- Dr Mohammad Reza Mohseni, Representative from Information Dissemination and Services Company

- Mr Alireza Haji Norouzi, Representative from Technology Management Company

- Mr Vahid Bagheri Kheibadi, Representative from Iran Mercantile Exchange

- Dr Mohammad Hassan Ebrahimi Sarv Olia, Representative from Melli Bank of Iran

## International Business

# CSDI Signed Memorandum of Understanding with ATHEX Group of Greece



The ATHEX Group and the CSDI signed a Memorandum of Understanding in which they committed to facilitate the development of projects and channels of communication in the post-trading area to allow for the promotion of cross-border trading activities, listings and technical links and to foster a developing relationship. This MoU, signed by the CEO of the ATHEX Group, Mr Socrates Lazaridis, and the CEO of the CSDI, Mr Mohammad Reza Mohseni, at a ceremony during the FINEX2016 International Exhibition of Exchange, Bank and Insurance in Tehran on July 11, marks

the first formal engagement between the two CSDs. Athens Exchange Group (ATHEX Group), is a group of companies that provide support to the Greek Capital Market. ATHEX Group and its subsidiaries operate the organized equities and derivatives markets, perform clearing and settlement of trades, supply integrated software solutions and services to the Greek capital market community and promote the investment culture in Greece. ATHEX Group is a listed company in local market (symbol: HELEX). The Exchange, through its markets, offers solutions and financing tools to businesses, expands investor choice by providing a safe, stable and easy environment in full harmony with international practices and the European regulatory framework.

## International Business

# European Senior Experts in CSDI Headquarters



"There is a golden investment potential for foreign investors to enter Iranian financial markets", said the CEO of the CSDI in a meeting with some European top experts. In a meeting with some of the European technology, academic and economics experts, who were in Iran to attend the "industry 4.0" conference, Dr Mohammad

Reza Mohseni said: "the Iranian capital market as one of the emerging markets has made acceptable advances in legal, technical and electronic infrastructure and now is implementing international standards. Considering the dawn of new investment opportunities in Iran after the Joint Comprehensive Plan of Action, this is the

best period of time for the participation of foreign investors in different Iranian markets especially the capital market". In this meeting held in the headquarters of CSDI, there were top experts from different European countries including Germany, Italy, Switzerland and Portugal.

## International Business

# Holding the CSDI-KSD Forth Joint Meeting on Kish Island



The fourth professional joint meeting between CSDI and Korean Securities Depository (KSD) was held at Kish Island at September 27 and 28, aiming for developing a mutual cooperation. This joint meeting was held with the purpose of introducing and clarifying a model to create the investment opportunities for South Korean investors to purchase the Iranian Treasury Bills and for Iranian capital market to benefit from Korean Investors.

A seven-stage plan has been devised for the completion of the major project of connecting the Iranian and South Korean markets through the securities depositories and at the current stage both sides are in the phase of modeling for the linkage. The CEO of CSDI mentioned in this regard: "At the joint meeting, two models for connecting the markets were inspected with a focus on debt securities and considering the acceptable risk levels." Dr

Mohseni also said: "Based on our previous experiences we are trying to come up with a model to be easily operable in the shortest possible period of time. Therefore, we both can competently enjoy the benefits of this mutual connection." The MOU between CSDI and KSD was signed in September 2013 and since then, three joint workshops have been held to develop the joint interactions and cooperation.

## International Business

# CSDI in the Ninth International Exhibition of Exchange, Bank and Insurance



CSDI participated in the ninth International Exhibition of Exchange, Bank and Insurance and interacted with visitors and investors to exhibit its services and future plans. In this exhibition, held from 10 to 13 July at Tehran International Permanent Fairground, beside providing training sessions for visitors, CSDI offered services in its booth like Investors' portfolio system access,

by which investors can check their portfolio online. Many of the high ranked officials also visited CSDI's booth, including the then SEO Chairman, Dr Mohamad Fetanat, and the CEOs of the exchanges. Mr Mustafa Baltaci, the Secretary General of the Federation of Euro-Asian Stock Exchanges, also visited the CSDI's booth and negotiated the important issues relating to foreign

investment in the Iranian capital market, with the top managing team of CSDI. "Several European financial institutions from Britain, Germany, the Netherlands, and Austria have offered to improve relations with the Iranian capital Markets", said Dr Mohseni, the CEO of CSDI. He continued that FEAS is ready to consult European financial groups on Iranian financial markets. Pointing to the sixteenth MoU with the Greek counterpart, he said that a team is to be formed in the two companies to pursue the linkage of the markets and beyond. The International Exhibition of Exchange, Bank and Insurance is an annual event held with the presence of almost all active players in the Iranian and international capital markets, providing a great opportunity for them to interact and present their services to both domestic and global peers.

## The Iranian Capital Market Delegation in the Opening Bell Ceremony of Athex Group



On September 9, 2016, the Iranian delegation from the SEO and the CSDI attended the Opening Bell Ceremony of the Athens Stock Exchange. In this Ceremony, Dr Bahador Bijani, Vice chairman of SEO and Dr Mohammad Reza Mohseni, CEO of the CSDI announced the opening of the Athens Stock Exchange Market. The visit is the first joint action for implementation of the MoU between ATHEXCSD and CSDI. At this event, the CEO of the Athens Stock Exchange Group, Mr Socrates Lazaridis, said: "We are delighted for the opportunity to host the high level executive's delegation from Iranian Capital Market that rang the bell for today's opening of trading session of the Athens Stock Exchange. But mostly we are satisfied because our long term relationship is enabling us to explore and implement a win-win business cooperation. Furthermore, this is giving an opportunity to our market participants to evaluate the prospects for business development and partnerships. We will continue our efforts to develop an efficient and friendly environment that will allow the two markets to be attractive, liquid and globalized and all these to be implemented in a reasonable period of time." Dr Bahador Bijani said: "Our relationship with the Greek capital

market dates back to many years ago which culminated in an MoU between our two capital market regulators. We believe Greek capital market is well-established and well-structured with a promising future. Our two markets have much common ground and can facilitate the activities of the countries' investors in their host countries' capital markets." Dr Mohammad Reza Mohseni said: "This is a start to form a lasting relation between the two parties and our respective capital markets or even wider to the regional markets. I believe that this event is going to be the trigger for initiation of future plans and more cooperation. What we expect from it, is finding a basis to underpin our next steps in connecting the intended markets." After the Opening Bell Ceremony, the Iranian delegation presented the Capital Market of Iran to Athens Stock Exchange participants.

## Holding a Joint Workshop to Connect the Iranian and Greek Capital Markets



The CSDI's head of Department of International Relations declared a joint workshop for connecting the Iranian and Greek capital markets. Mr Mohammad Sajjad Siahkarzadeh stated: "The CSDI's second professional workshop with the ATHEX Group was held for devising an operating model to connect the Iranian and Greek capital markets. Moreover, at this workshop both parties tried to propose models for initiation of cooperation and their technical requirements."

He said: "In this workshop CSDI's CEO and other managers were present. They discussed the registering mechanism for foreign investors and different ways of interactions with the ATHEX Group. Furthermore, they talked about the technical requirements and data and information exchange pertaining to the connection to the ATHEX Group. They also talked over the settlement process, customer identification (KYC), money laundering and corporate actions such

as dividend distribution and the capital raise." Sajjad Siahkarzadeh continued: "Since CSDI is the back-office service provider for the Iranian capital market and also it has a strategic partnership with the ATHEX Group, it coordinated different meetings with the SEO's officials, brokerages, banking system and investment banks' officers. At these meetings along with the clarification of the joint project, the subject was reviewed from a number of perspectives such as the view of the supervisory institution, required permits, role of brokers and their requirements, connection of Iranian and Greek banking system in order to transfer the funds and providing the required monetary reports, covering the exchange rate and ETFs. At the end, the two parties agreed to discuss the current subjects more than before and to specify the implementation path from a technical standpoint."

## Mitigating the Settlement Risk for Foreign Investors



"CSDI is planning to deploy a model to alleviate the concern of international investors for the brokers' settlement risk which helps attracting foreign capital", said the Vice Chairman of International & Foreign Investment Affairs of SEO. Bijani continued: "One of the risks that major foreign investors were concerned about was the default risk. The new model, called Blue Model, has been devised to abolish the default risk for foreign investors who

have invested a certain level of capital. It means that the foreign investors with major capital in hand are able to use this option. Moreover, there is no mandate regarding the use of this option for them." Bahador Bijani also said: "This option is available for some of the investors and the process of qualification to recognize the viable investors will be performed by CSDI." He declared: "The foreign investors whose investment portfolios have reached a certain level, by the approval of CSDI will have this option to cover the broker's default risk." As Bijani said, this is a scheme designed and suggested by CSDI and approved by the board of directors of SEO. Later on, Bijani said that the role of brokerages will not be removed and continued: "Brokerages will continue their activities as before and will receive their fees. The point here is that the default risk of broker's settlement

commitments will be removed because there will be a new account opened in the bank under the name of the investor for the settlement process. "Since there is no major international custodian in Iran yet, there should be a predicted set of solutions in order to relieve the investors from the settlement risk." Bijani also declared that SEO has joined the IOSCO and continued: "IOSCO has three purposes and the second purpose is to support the investor and investment. Furthermore, our membership in this international organization will give the foreign investors the assurance that the IOSCO standards will be applied in Iranian capital market. Nevertheless, international standards had existed in Iran even before joining the IOSCO. Though, currently after joining officially to the IOSCO, the investors feel more ensured at least mentally."

## Blue Model: A New Portal in Order to Attract Foreign Investors



The CEO of CSDI said: "By operating the Blue Model, there would be a major revolution in the entrance of foreign investors into Iran's capital market." Dr Mohammad Reza Mohseni also announced the approval of the Blue Model by SEO Board of Directors to accelerate the pace of inflowing the foreign investments and added: "In other countries there are some considerations and standards in order to be a clearing member. Therefore, the members of the clearing houses are generally those with acceptable and reliable financial solvency. In Iran capital market, brokers are playing a key role. Brokers,

in addition to financial intermediation for trades, perform other services from financial advisory to asset management and clearing the trades in the clearing house." Dr Mohseni stated: "In order to respond to this request and to strengthen the members of the clearing house, CSDI has devised a plan to decrease the settlement risk and increase the settlement efficiency through the banking system and qualified commercial banks which are interested. Thus, the correspondent bank responsible for settling on behalf of its brokers will settle the commitments of trades. In this model the correspondent bank will play the role of the custodian bank."

CSDI's CEO added: "An independent custodian has not been operative in Iranian capital market yet and since in developed markets this sort of financial institutions, especially the international ones, support the retail investors, foreign investors are demanding this kind of institutions in Iranian capital market too. He mentioned: "To make this request satisfied, CSDI proposed a model to SEO Board of Directors which makes settling the trades feasible for qualified investors (CSDI is responsible for qualification) by the triangular cooperation of the CSDI, the broker, and the correspondent bank."

Dr. Mohseni said: "At one of the meetings of the Board of Directors, this model has been approved in the form of an amendment for the article 17 of The Law of Registry, Depository, Settlement and Clearing in order to provide a new opportunity for attracting the foreign investors in the Iranian capital market."

## Domestic Events

# Iran Sets New Record in Issuing Sukuk Over the Spring 2016



"Iran's capital market set a new record in issuing sukuk (Islamic bonds) over the spring 2016 compared to the same period last year", official said.

Mohammad Reza Mohseni, the CEO of the CSDI, said that facilitating funding sources for main economic enterprises tops the agenda of the capital market. Minister of Economic Affairs and Finance Ali Tayyebnia had commissioned Mohammad Fatanat, the then Chairman of SEO, to boost the role of capital market in funding the firms, and upon an order by Dr Fatanat, a special working group was set up to explore the removal of obstacles on the way of issuance of sukuk in the capital market. "Based on the latest statistics, issuance of sukuk has set a new record", Mohseni said.

He noted that the overall value of sukuk issued over the past year stood at 7,279 billion rials, while just in the first quarter of the current year, over 9,600 billion rials of bonds and Morabaha securities were issued in the capital market which was an unprecedented event.

## Domestic Events

# Inauguration of a New Software Program and a New Research Book in FINEX 2016



In the ninth International Exhibition of Exchange, Bank and Insurance (FINEX 2016), the new Investors' Gateway System (Dara) was inaugurated. This gateway is both a web and mobile application, offering the investors the following features:

- the ability to monitor their current position and yesterday's turn over based on their portfolio (IPS)
- the ability to provide services in dividends

distribution and capital increase

- the ability to confirm delivery of energy exchange commodities
- the ability to calculate the costs of pledging and receive related forms

This gateway is to offer other services in the near future like presenting the sum of dividends entitlement, general assembly of issuers in the portfolio and so on. Another event happened in the exhibition was the debut

of the CSDI new book with the name of "Researches from pre to post trade", authored by the employees of CSDI in different departments, and edited by the CEO, Dr Mohseni. This book provides different articles and researches about different aspects of CSDs activities, from pre-trade and registration to trade and risk management, and also post trade and clearing and settlement.



## Domestic Events

# ***Strategic Planning of CSDI in Interactive Meetings with Middle and Top Managers***



The Strategic Plan of the CSDI was updated in a series of interactive meetings with top and middle managers and a strategic planning expert from academia. In these meetings, with the method of Guided Brainstorming, the mission, vision and most important plans and strategies of CSDI for the next five years were revised.

This plan is written considering the most recent events in CSDI's environment and the whole financial markets and will help CSDI to get more directed towards its goals.

## Domestic Events

# ***In the Business Year Interview Iran Economy of Development Has Been Explained***

The CEO of the CSDI, in an interview with The Business Year magazine, explained the current state of the capital markets and its readiness for admitting more foreign investors. Dr Mohseni in response to the questions by the interviewers emphasized the potential in the economy of Iran in different sectors for foreign investment and the infrastructure needed in the capital markets. He said: "Although the legal, technical and technological infrastructure of Iran capital market is sound and reliable for foreigners to invest, we do our best to meet the international standard requirements as well". Pointing to the regulatory role of the SEO he added: "Iran capital market is so transparent that foreign investors can trust to fly their capital in to invest

in either of the exchanges which are active in these markets: Stock, Energy and Commodities. The markets are so diversified in terms of the industries and securities types that investors can form a managed portfolio of financial products. Sukuk as an Islamic financial instrument can play a key role in this process and CSDI as a significant pillar in providing infrastructure services in Iran capital market hopes to accelerate this flow. CSDI has also adopted many international standards and joined many international groups to facilitate the necessary platform for collaboration with different markets. It includes our membership in the ACG CSD Group, FEAS, OIC, IEU and ASFS and several MoUs with the foreign counterparts of CSDI."

For more information on CSDI's international cooperation please refer to the profile part of the website.

The Business Year (TBY) is a research firm and publisher of annual economic resources on national economies. Present in over 25 countries, TBY provides access to the people and ideas shaping business and policy throughout the world. Each country-specific edition contains a comprehensive range of interviews and analysis, offering an inside look at doing business in the world's most dynamic economies. TBY's interviewees, readers, and partners comprise an international network of thought-leaders who are helping to define the future of the global economy.

## Statistics

- TSE: Tehran Stock Exchange
- IFB: Iran Fara Bourse
- IEE: Iran Energy Exchange
- IME: Iran Mercantile Exchange
- CDR: Commodity Depository Receipt
- ETFs: Exchange Traded Funds

Table 1 shows settlement value for trades done in TSE and IFB for spring and summer 2016 and 2015.

Table 2 shows the number of active codes at the end of summer 2016 comparing the end of summer 2015.

Table 3 shows the amount of dividend distributed to investors during spring and summer 2016 comparing the same period of 2015.

(Table 1)

		Settlement Value (IRR)	
		2015	2016
TSE & IFB	TSE and IFB	153,496,963,235,070	163,353,356,227,177
IEE	Domestic Ring of Physical Market	4,927,676,907,065	4,203,820,698,704
	International Ring of Physical Market	3,367,262,979,430	3,273,773,900,255
	Parallel Standard Salam of Electricity	1,337,327,147,611	857,987,207,349
	Parallel Standard Salam of Energy	1,949,585,744,382	3,507,504,016,624
IME	Parallel Standard Salam of Commodities	695,743,459,034	18,470,986,210,996
	CDR	491,200,174	462,797,283,046

(Table 2)

	2015	2016
Number of Trading Accounts	8,202,206	9,001,237

(Table 3)

	2015	2016
Divided Distributed (IRR)	10,924,326,803,023	32,075,032,327,644





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