***Transactions Bylaw for the***

***Tehran Stock Exchange Company***

**Article 1-** Definitions as used in the existing bylaw are as follows:

1. **"Organization"** means the Securities and Exchange Organization. "Exchange" means Tehran Stock Exchange Company, which is a public-joint stock entity.
2. "**Transactions/Deals"** mean buying and selling securities that have been listed on the Exchange. Any transaction shall become finalized when it is approved by the "Exchange".
3. "**Exchange Board"** means a board used for introduction of classified information on securities such as the main board and secondary board, the state participation certificates (musharaka sukuk) board and corporate participation certificates (musharaka sukuk) board.
4. "**Offer"** means the readiness expressed by the seller's broker to sell securities.
5. "**Bid"** means the readiness expressed by the buyer's broker to buy securities.
6. "**Customer/Client"** means a person who applies to buy (or sell) securities. "The customer" may act as legal representative of the buyer or the seller.
7. "**Order"** means the request for buying and selling securities which is made by the customer to the broker to do so.
8. "**Offer Price"** means a rate for any unit of securities that is entered in the trading system by the broker.
9. "**Open Price**" means a rate which is to be determined by the broker on behalf of the "customer".
10. "**Limit Price**" means a rate the maximum and minimum of which is announced to the broker by the "client".
11. **"Fixed Price"** means a fixed rate announced by the "customer" to the broker to do the trading.
12. "**Common Trading Basis Point"** means the minimum size of securities in each transaction which is determined by the Exchange.
13. "**Uncommon Trading Basis Point**" means the size of securities being lower than "the common trading basis point".

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1. **"Opening Price"** means the price announced on the Exchange board for each security at the opening of the official trading session.
2. "**Closing Price"** means the price of each security calculated at the end of each official trading session and announced by the Exchange.
3. "**Base Volume**" means the number of securities of the same type which is to be traded daily so that the total percentage of spread during the day can serve as a base to determine the price for the following day.
4. "**Free Floating Share**" of a company means a portion of the company's shares whereby the holders are ready to offer for sale and do not intend to involve themselves in managing the company by retaining such portion of shares.
5. "**Price limit**" means the lowest to the highest price by which the price range may fluctuate during one or more official trading sessions in the Stock Exchange.
6. "**Closing the Symbol**" means a halt in trading securities of every description during a certain period as prescribed by the relevant rules.
7. "**Volume Limit**" means the maximum number of securities entered in each trading symbol in the course of any order. This number is a proper multiplier of "the Common Trading Basis Point".
8. "**Depository**" means the operations during which the securities entered in the trading system qualify for tradability.
9. "**Settlement and Clearing**" means the final stage of a transaction during which the securities ownership is transferred to the buyer and the funds so earned are paid to the seller.
10. "**Trading Symbol**" means an ID which has been exclusively defined for each security in the trading system. Such code may appear in the form of characters, numbers or a combination of both.
11. "**Trading Code**" means the customer's ID to transact in a security on the trading system. Such ID may appear in the form of characters, numbers or a combination of both.
12. "**Collective Trading Code**" means an ID which has been defined in the trading system for each brokerage house for entry of collective purchase or sale orders. Such ID may appear in the form of characters, numbers or a combination of both.
13. "**Trading System**" means a computer system through which the receipt of purchase and sale orders, matching of orders and finally conduct of transactions are achieved.

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1. "**Trading Post/Station**" means the broker's trading terminal which is associated with the Stock Exchange trading system. Each "Trading Post" is identified by a code called "Trading Post Code". Each broker's trading posts are defined under separate codes.
2. "**Block Deals**" mean the transactions in which the rules for volume limit and price limits do not apply.
3. "**Preferential Deal**" means the transfer of the shares in the state corporations to the employees of departments which are designed to enforce the privatization plans at a specified price.
4. **"Transactions by Foreign Persons**" mean the securities traded by foreign persons who engage in securities transactions, as the case may, upon obtaining the required licenses from the competent authorities.
5. **"Bilateral Transactions**" mean the transactions in which the broker simultaneously acts both for the buyer and the seller.
6. "**Cluster Deals**" mean the purchase and sale of a set of securities carried out as a package deal.
7. "**Rotational Deals**" mean the transactions in which, upon completion of a business cycle in a trading session, the ownership status of trading parties shall not change.
8. "**Conditional Deals**" mean the transactions for which conditions have been laid down in agreement with the Exchange rules for the conduct and/or settlement method of such transactions.
9. **Transactions with Relatives**" mean the securities traded with the spouse(s) and the first class relatives (Blood-relations of the first class as defined in the Civil Code).
10. "**Credit Deals**" mean the transactions for which a certain percentage of the deal price has been funded by a bank and/or a financial or credit institution.
11. "**Restructured Deals**" mean the transfer of securities by the parent company to subsidiaries/affiliates with the aim of restructuring.
12. "**Bulk Deals/Transactions**" mean the transactions in which the number of traded shares exceeds a certain percentage of the total shares of a company or the volume of trades during a fixed period and/or the total market transactions volume during a specified time-limit.
13. "**Collective purchase"** means the buying of securities with a specific code by the broker and allocating them to customers.
14. "**Collective Sale"** means the sale of aggregated securities of a number of customers with the broker's specific code.

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1. "**Involuntary Transfer**" means the transfer of securities which is effected upon the death of security holder to his legal inheritors.
2. "**Lawful Transfer"** means the transfer of securities to another party which is effected pursuant to special rules and/or by virtue of a competent court ruling.
3. "**Index"** means an indicator that demonstrates the price or return spreads in one security or in a set of securities during a specified period of time.
4. "**Dual Listing"** means the listing of securities on another exchange, in addition to having been listed on the Exchange.
5. "**Market Maker"** means a broker/dealer who trades in securities by obtaining the necessary permit under the obligation of increasing the liquidity and regulating the offer and bid for certain securities as well as limiting the price range movement.
6. "**Initial Offering"** means the first offer of a company's securities upon listing them on the Exchange.
7. "**Introducing Broker"** means a broker who, in the process of securities listing, acts as an advisor and expert for initial offering of such securities.
8. "**Underwriting Broker"** means a broker who has made coordination to provide funds to buy a portion of securities which has remained unsold in the course of the initial offering of securities.
9. "**Auction"** means a mechanism for securities trading on the basis of adjusting customers' sale and purchase orders according to the price and time priority.
10. "**Official Trading Session"** means certain continuous hours of a trading session during which securities are transacted. The Exchange is authorized to hold more than one official trading session during 24 hours.

**Note:** Other definitions and terms which may be required to be used in respect of computer website or implementation of new software as the business circumstances demand, shall be established and announced by the Exchange board of directors.

**Article 2**- The business days and hours for securities trading on the Exchange, excluding the official holidays, shall be determined and announced by the Exchange board of directors.

**Note:** Changes in trading days and hours shall be made public at least 15 days before they take effect.

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**Article 3**- Unless the present bylaw otherwise provides, the transactions on Exchange shall be conducted through the auction. The brokers shall enter their buying and selling offers in the trading system with respect to the orders placed by buyers and sellers, number of securities and their prices.

**Article 4**- The transactions on the Exchange shall be executed with respect to the priority given for the price and the time that orders were entered in the trading system. The details of the transactions shall be described in the regulations governing the transactions/executions.

**Article 5**- The scope and method of brokers' operations in securities trading shall be subject to the regulations governing the transactions.

**Article 6**- The Exchange board of directors shall, upon detection of uncommon fluctuations in the offering or trading prices of securities in each session, be authorized to prevent the execution of transaction. The pertinent procedures shall be provided in the "regulations governing the halt of transactions". The Exchange board of directors may delegate the powers under this article to the managing director.

**Note:** In the case that the buyer's or the seller's broker raises an objection against the decision taken under this article to preclude the execution of transaction, he/it shall be required to submit his/its objection, while stating the arguments and evidence, to the SEO for further inquiries. Such objection shall have to be decided on within 48 hours.

**Article 7**- The terms and method of initial offering of securities shall be subject to "the regulations on the initial offering of securities".

**Article 8**- The types of securities trading, terms of trade (buying and selling), the amount of information to be released at the time of trading, processing of purchase and sale orders and other conditions so required shall be provided in the "regulations governing the transactions execution". The funds settlement and securities clearing and the conditions for out-of-the clearing house settlement shall be fulfilled as per the "regulations on the depository, settlement and clearing system".

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**Article 9**- The transactions on the Exchange shall be conducted via auction and under competitive conditions. Where it is impossible to transact in a security through the auction, such transactions may take place outside the official trading session as per the Exchange's approval.

**Article 10**- In the cases that a broker acts as "introducing broker" or "underwriting broker" for particular securities, a certain priority will be given to him/its as per the "regulations on the initial offering of securities".

**Article 11**- The proceeds earned from the stocks traded on the Exchange along with the power of attorney for sale of shares and the originals of shares shall have to be exchanged within 72 hours at the latest from the date of transaction between the buyer's and the seller's brokers. The seller's broker shall have to perform the formalities relating to the transfer of traded shares within 72 hours (three trading sessions) from the date of transaction and deliver such shares to the buyer. If there are some reasons or there is another agreement as to the delivery of shares at the expiry of the given deadlines, the case shall be reported to the Exchange managing director in writing by the end of the related official trading session at the latest. In any event, the deal so effected shall be regarded as final and absolute. The hours for settlement and/or the time-limit for shares transfer shall be established as per the "regulations on depository, settlement and clearing system".

**Article 11 (Bis 1)-** All bulk transactions for which the seller is prepared to conduct as conditional deals shall solely be effected with the approval of the managing director. The Exchange shall provide the necessary facilities by the brokers for shares transfer in compliance with the following circumstances:

1. The seller's broker shall have to receive the seller's conditions in conformity with the Exchange prevailing rules and subject to the transactions regulations and reflect them to the Exchange.
2. The seller's broker shall, after the competition winner has been known, have to deliver to the Exchange the document of the off-clearing settlement of non-cash portion which has been signed by both parties (buyer and seller) following the satisfaction of the conditions declared by the buyer for transaction. The transaction shall take effect when the buyer has paid the cash portion and delivered the off-clearing settlement document in accordance with the rules in force. The time-limit for delivery of the off-clearing settlement document and finality of transaction shall be nine business days at the latest after the competition winner has been known. If a company shares are offered for bulk deals by the Privatization Organization, the extension of the time-limit for settlement of cash portion and delivery of the off-clearing settlement document from 9 business days to 30 business days shall be possible upon the SEO's recommendation and approval of the Minister of Economic Affairs and Finance as the chairman of the Securities and Exchange High Council.

The time-limit shall expire the last business hour of day nine or day 30. The business hours shall run from 8 a.m. to 3 p.m. during the Ramadan (fasting month) and from 8 a.m. to 4 p.m. during other months of the year.

1. The buyer shall via his broker have to settle the cash portion of the transaction through the clearing house not later than the expiry of the time-limits specified in paragraph 2.
2. If the cash portion is not deposited by the buyer's broker into in the account of the Central Depository Company on the specified date subject to the conditions laid down in the offering advice, the transaction shall be deemed not to have been effected and the shares in question shall remain in the buyer's ownership. In such a case, the Central Depository Company shall deduct all handling fees due out of the three percent credited by the buyer and the remainder shall be credited to the account of the seller's broker as guarantee against the buyer's non-fulfillment of his obligations for payment to the seller.

**Note-** the funds surplus to the three percent deposited by the buyer shall be paid back to his broker.

1. As soon as the shares offering advice is entered, the shares in question shall be transferred to the special code reserved to carry out the bulk deals and the seller and the seller's broker shall not be allowed to retrain from offering shares without the Exchange's approval.
2. If the buyer wins the competition as per the rules and performs the conditions laid down in the offering advice to finalize the deal, the seller shall have to sign the off-clearing settlement document and deliver it to his broker. Failing to do so, the seller shall, in addition to the handling fees of the deal, have to pay the competition winner who has deposited funds or delivered the letter of guarantee pursuant to the relevant by-law, two percent of damages per month, being equivalent to the amount deposited or to the value of banking letter of guarantee for the period that the deposited funds have remained in the account of the Central Depository Company or a valid letter of guarantee has been in the possession of that company. The shares transfer from the special code to the seller's ownership code shall be subject to the payment of the damages specified in this paragraph.
3. The seller shall be entitled to receive up to five (5%) percent of the cash portion at most outside the time-limits specified in paragraph 2 of this article. In such a case, the said portion shall be considered non-cash and when the off-clearing settlement document is simultaneously delivered, that same portion shall also be deemed to have been settled off-clearing and the deal shall become finalized. If the buyer and the seller do not agree in the said manner, the cash portion shall be settled through the clearing house as provided in paragraph 3 of this article.
4. If the off-clearing settlement document has not been signed by the buyer or the seller or has not been delivered to the Exchange, the deal shall not be deemed to have been realized and the disputes between the parties hereto shall be resolved in accordance with the provision of article 36 of the Securities Market Act of I.R.I. The defaulting party shall have to reimburse the transaction handing fees to the beneficiary concerned in addition to payment of the damages caused to the counterparty. The calculation of the payable damages shall be based on the provisions of paragraph 4 or paragraph 6 of this article.
5. If for any reason whatsoever the transaction has not been realized, the cash portion deposited by the buyer (other than 3% of the base price for entry into competition) shall be refunded to the buyer's broker.

**Article 11 (Bis 2)-** The buyer's broker may, upon the approval of the Exchange managing director, use a maximum deadline of three-business days to make and present the final list of buyers in order to achieve a large-scale distribution of securities

**Article 12-** The funds earned from trades in participation certificates (musharaka sukuk) shall have to be paid within 24 hours at the latest from the date of transaction. If such funds are not paid within 24 hours, the seller's broker shall be entitled to make a request for cancellation of the deal or receipt of late payment for each day of delay. In any case, the buyer's broker shall not be entitled to make a request for cancellation of the trade and shall have to indemnify the seller's broker for the loss so sustained. The provisions of clearing and settlement of participation certificates shall be set forth in the "regulations on depository, settlement and clearing system".

**Article 13-** For the method of documentation relating to tradings and delivering them to the Exchange and the manner of account settlement, the "regulations governing the transactions execution" and "the regulations on depository, settlement and clearing system" shall apply.

**Article 14-** The orders placed for sale or purchase of the Central Bank or governmental participation certificates (musharaka sukuk) shall be tradable on the Exchange regardless of the restrictions imposed in the bylaws and directives issued by the Exchange.

**Article 15-** The transactions which involve or are involuntary, lawful, foreign persons, collective, cluster, conditional, relatives, credit, restructured and preferential shall be executed under the "regulations governing the transactions execution" and "the regulations on depository, settlement and clearing system".

**Article 16-** The brokers shall have to refrain from conducting rotational transactions. If, by a negligent omission, they transact such deals and thereafter realize the nature of their business, they shall have to report the case forthwith to the Exchange managing director. The provisions shall be specified in the "regulations governing the transactions execution".

**Article 17**- Under the circumstances that the purchase made by brokers or the finality of a deal raises some doubts or suspicion, the vote given by the Exchange managing director or his representative in this respect shall be final and binding.

**Article 18-** The bulk deals shall be executed as per the "regulations governing the bulk transactions".

**Article 19-** The procedures for depositing securities as collateral shall be specified in the "regulations governing the securities collateralization".

**Article 20-** "The Exchange" shall have to comply with the monetary and banking laws as well as the decrees of the CBI and the Money and Credit Council on the "credit transactions" and shall further have to notify the laws, decrees and the approvals of "the Council", "the SEO" and the Exchange board of directors to brokers.

**Article 21-** The acceptance of negligent omissions by brokers in regard to the transactions is permissible to the extent which has been prescribed in the "regulations governing the halt of transactions".

**Article 22-** The brokers shall, in execution of the customers' orders, have to use the forms designed by the "Exchange" for acceptance of the sale and purchase orders placed by customers.

The orders placed with the broker by telephone, fax and/or electronically shall be executed in the manner stipulated in the "regulations governing the transactions execution".

**Article 23-** The method of continuing the uncompleted securities transactions on the next trading session shall be specified in the "regulations governing the transactions execution".

**Article 24-** The opening and closing of the trading symbols and issuance of a license to halt the symbol shall be handled as per the "regulations on the symbols halting".

**Article 25-** "The Exchange" shall have to duly provide the market with required information including the opening price and closing price, index and size of free floating shares for market analysis and execution of fair transactions based on offers and bids.

**Article 26-** The method of transacting in various securities including shares and stocks, rights of issue, participation certificates (musharaka sukuk), shares portfolio and securities of every description listed on the Exchange shall be specified in the "regulations governing the transactions execution".

**Article 27-** The fees received by brokers from each trading party are calculated as follows:

in shares trading, each of the parties shall pay a fee of 0.4% of trade value to the broker that has executed the deal on behalf of them; in participation certificates trading, each of the parties shall pay a fee of 0.75 in thousand of the bonds price to the broker concerned.

**Note:** The minimum transaction fee comes up to Rls.15, 000. The maximum fee for brokers in a transaction is Rls.100, 000, 000. In the participation certificates trading, the minimum fee for brokers adds up to Rls.20, 000 and its maximum is Rls.30, 000, 000.

**Article 28-** In order to accomplish the projects for the Exchange network expansion, the SEO shall receive the amount of 0.3% of the value of traded shares out of which 0.15% is paid by the buyer and 0.15% by the seller, and shall deposit it directly in a bank account in the name of the Organization of Exchange Brokers. Such funds shall exclusively be spent on the Exchange expansion projects and plans with the Exchange High Council's approval. Any intervention in the cash balance in the said bank account by the Organization shall be prohibited without the Exchange High Council's approval. The percentage so stated shall not be received from the deals executed on the participation certificates. With respect to other instruments traded on the Exchange, the matter, in any area, shall be reflected in the relevant Securities Bylaw.

**Note:** The maximum fee under this article is Rls.500, 000, 000 in each trade which is received from each transacting party.

**Article 29**- The brokers shall have their in-coming orders books registered as provided in the pertinent regulations and according to the forms prescribed by the SEO. The brokers shall be responsible for protection of written and electronic order forms and shall ensure that orders have been appropriately executed.

**Article 30-** The brokers shall, at the end of each business day, have to deposit all the funds they receive from their clients in a special current account that they open with a bank under the name of "current account for brokerage transactions". Such funds must be recorded in a special form prepared by the SEO, stating that they are to be allotted for sale and purchase of a certain number of shares and participation certificates owned by the seller or the buyer (stating the name and particulars of the seller or the buyer). Under no circumstances shall the brokers be authorized to retain the customers' funds for a period outside the time-limit specified in the regulations and/or never shall use such funds to transact any business deal for the benefits of other customers and/or for their own brokerage firms. The provisions thereto shall be set forth in the "regulations governing the custody of the customers' funds".

**Article 31-** The brokers and their agents who are engaged in shares trading may purchase shares at the board price for themselves and their dependants up to the limits specified hereunder:

1. the natural persons and agents of legal entities who are acting as board members, managing directors and employees of brokerage firms, totaling up to the limit of Rls. 250 million (at purchase price);
2. the brokerage firms up to the limit of one hundred percent (100%) of the registered and paid-up capital and/or seventy percent (70%) of the special value of shareholders' equity of the brokerage firms, whichever is lower.

**Note:** The brokers constitute the managing directors and board members of brokerage firms and their agents constitute the holders of professional certificates being active in the Exchange.

**Article 32-** With respect to shares transfer to the directors and personnel of the related departments, the transfer shall be effected pursuant to the approval on the "transfer of shares to the personnel of the listed companies on the Exchange".

**Article 33-** The transactions settlement handled out-of-the-clearing house and the Exchange settlement system are only restricted to the items which shall be set forth in the "regulations on depository, settlement and clearing system".

**Article 34-** The brokers shall have to comply with and enforce the provisions of the existing by-laws and in case of non-compliance, they shall be liable to the rules related thereto.

**Article 35-** The executive regulations of this bylaw shall be valid and enforceable after they have been approved by the SEO's board of directors and duly communicated.

Remark: Articles 27 and 28 shall remain in force until the new fees are approved.

**Appendix** (Adopted on Sept. 21, 2004 by the Exchange High Council)

It is agreed to carry out certain transactions outside the normal working hours as follows:

1. The shares which, in accordance with the contracts made between the State Organs (like the Iranian National Industries Organization) and natural persons and legal entities are required to be transferred subject to an award on the back of the decree issued by the President or the Council of Ministers and upon the presidential assent, are to be traded at the agreed price.
2. The shares which, in accordance with the rules of law, are transferred to pay the Government debts to the Social Security Organization, Retirement Organization and the like, are to be traded at the stated price or at the price announced on the Stock Exchange Board.
3. The shares which are associated with the investments approved by the Foreign Investment Organization and the approval of which has permitted foreign investors to buy shares at the price stated in that Organization's approval.

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