***The By-Law***

***on***

***the Broker's Licensing and Operations***

***(as a Legal Entity)***

***(Approved by the Stock Exchange Council on Dec. 7, 2004)***

***Definitions***

**Article 1:** The terms used in the existing by-law are as follows:

**Organization:** means the Stock Exchange Organization.

**Broker:** means an entity (a company) which is licensed by the Organization and is engaged in the trading of listed securities and rendering other brokerage services, as the case may be, on behalf of persons and/or for its own account pursuant to the relevant rules and regulations.

**Applicant:** means the applicant of brokerage license.

**Market-Making:** means an activity which is conducted by the broker under the license issued by the Organization with the aim of reducing the securities price fluctuation range and providing the liquidity thereto.

**Stock Exchange Guarantee Account:** means a specific account which is opened to fulfill the obligations undertaken by "brokers" due to brokerage operations in support of investors.

**Branch:** means a unit of brokerage firm which from its location provides services to investors and is based in the city where the Organization has a trading floor. The broker's special floors are also deemed to be branches.

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**Agency:** means a unit of brokerage firm which from its location provides services to investors and is based in the city where the Organization does not have any trading floor. The broker's special floors on which transactions are not carried out and the orders received from that city are sent to the branch are also considered to be "agency".

**Membership Fee:** means an amount which is received for brokers' business activities in the Stock Exchange as the Organization members. The amount of membership fee shall be set in the beginning of each year by the Organization board of directors.

**Facilities and service charges:** means handling charges which are paid to the Organization by brokers in return for the facilities and services provided by the Organization for trading in securities.

***Brokerage Services***

**Article 2:** The broker shall be authorized to perform the following operations:

1. **Investment and brokerage services:**

* To trade in (to buy and sell) the listed securities on the Stock Exchange represented by persons/entities or for his own account;
* To subscribe the listed securities on the Stock Exchange;
* To manage the investments affairs represented by persons/entities;
* To make the market of securities.

1. **Financial services:**

* To provide counseling and guidance to companies regarding the method of offering their shares on the Stock Exchange for sale;
* To guide the companies concerning the methods of capital increase and the method of offering shares and other securities on the Stock Exchange for sale;
* To conduct financial, economic and investment surveys as well as providing advisory services to investors.

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1. **Fundraising:**

* To receive credit facilities from banks and individuals.

**Note 1**: To provide services under this article shall be specified in the separate by-laws and rules which shall be approved by the Council.

**Note 2**: To render each of the above-named services by the broker, in addition to the listed securities trading, shall be subject to obtaining a separate license from the Organization.

**Article 3:** The broker shall, upon the Organization's approval, be entitled to set up the "branch" and the "agency" so as to engage in the business activities specified in article 2. The broker shall be responsible for the activities conducted by the "branch" and the "agency". The pertinent regulations shall be approved by the Organization's board of directors.

***Reporting Requirements***

**Article 4:** The broker shall have to present the following information to the Organization:

* 1. The company's reports and audited annual financial statements three months after the end of the fiscal year at the latest;
  2. A summary of annual statement of the brokerage activities confirmed by the trusted auditor of the Stock Exchange two months after the end of the fiscal year at the latest;
  3. Any change in the conditions declared to the Organization to obtain the license;
  4. Other documents and information requested by the Organization as well as all the reports stated in the approved by-laws within the framework of the relevant rules and regulations.

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**Article 5:** The broker shall have to retain the books and documents related to his transactions in a presentable manner covering at least for 3 years after the transaction to be submitted to the Organization.

**Article 6:** The Organization shall, whenever it deems advisable, be authorized to directly and/or through the trusted auditors of the Stock Exchange examine the broker's documentation for compliance of its performance with rules and regulations and also retention of the minimum requirements for brokerage license. The broker shall have to deliver the documents and information requested by the Organization.

***Requirements for Licensing and Continuity of Broker's Operations***

**Article 7:** The applicant shall send his written application as per the specified forms along with the required documents prescribed by the Organization's board of directors, addressing to the secretary general of the Organization.

**Article 8:** The applicant shall have a board of directors comprising at least 5 members. The education level of the board members shall be bachelor's degree or higher. At least two board members shall have received their education in the fields of finance, accounting, economics, business administration and management. The applicant's board members shall have at least 5 years of work experience in public administration or 7 years of work experience in companies and financial, investment and credit institutions and/or in auditing and investment services institutes. The broker's board members shall have good reputation and professional ethics in their own experiential fields and shall not have any effective criminal records.

**Note**: The broker shall, in addition to the managing director, have at least an executive board member.

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**Article 9:** If none of the board members holds a certificate of "**market capital senior management**", it shall be essential that the managing director be appointed from outside the board members and from among the holders of such certificate.

**Note**: Until when the conditions are satisfied to enforce the provisions of this article and until the end of 1384 (March 21, 2006), the Organization's board of directors may, along with starting the business activities of the brokers whose introduced managing director does not hold the certificate, agree with the introduction of at least one representative to this Organization, being qualified in accordance with article 12 of the Stock Exchange Establishment Act.

**Article 10:** The minimum required capital for obtaining the brokerage license shall be amounting to 5 billion rials.

**Note**: The minimum required capital for the brokers that are not operating in the Province of Tehran shall be amounting to one billion rials.

**Article 11:** The applicant for brokerage activities in the Province of Tehran shall have to simultaneously open two branches in other provinces across the country.

**Article 12:** The transactions volume and the broker's entire obligation deriving from its transactions shall be proportional to the broker's paid-in capital pursuant to the relevant by-laws.

**Article 13:** The broker's entire obligation for settlement at any time shall not exceed the amount which has been provided through the "Stock Exchange Guarantee Account".

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**Article 14:** In order to make a compensation for the loss which might be rendered to the transacting parties on the ground of the broker's operations, it (the broker) shall have to deposit its share value in the "Stock Exchange Guarantee Account" in addition to furnishing the security prescribed in article 13 of the Stock Exchange Establishment Act with the Central Bank of the Islamic Republic of Iran.

**Note**: The Organization shall, within a maximum period of 3 months after the approval of the rules herein, have to put the "Stock Exchange Guarantee Fund" into operation upon drafting the enforcement regulations.

**Article 15:** The Stock Exchange board members' shall, upon examination, give hidden votes on the acceptance or rejection of the application and the resolutions taken by the board of directors shall be valid by attaining the majority votes of the two-thirds of the members who are present at the meeting.

**Article 16:** After the qualifications of the applicant, chairman of the board and/or the managing director have been endorsed by the Central Bank, the brokerage license shall be issued by the Stock Exchange board of directors and thereafter, the processing of the brokerage firm registration shall take place.

**Note**: The Central Bank's endorsement shall be announced within the period of one month at the latest by this Bank.

**Article 17:** The resolutions made by the Stock Exchange board of directors concerning the acceptance or rejection of the application for brokerage shall be notified to the applicant by the Organization's secretary general. If the application is rejected, the applicant may lodge his complaint with the Stock Exchange Council within a period of one month. The Stock Exchange Council shall investigate the matter and announce its verdict. The Council's verdict shall be final and absolute. The applicant shall not be entitled to submit a new application for brokerage before the lapse of one full year from the date of final rejection of his previous application.

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**Article 18:** Each applicant whose membership has been approved by the board of directors shall, within a period of 14 days as of the announcement date of acceptance, have to pay in full an amount as admission fee which is determined by the board of directors. The funds received as admission fees shall not be refundable.

**Article 19:** All the broker's employees who are working with the trading system to handle transactions shall hold at least certificates in "**Basic Principles of Brokerage**".

**Article 20:** The broker shall have to provide the proper office space as well as the required equipment and software at the discretion of the Organization.

**Article 21:** The broker shall have to annually pay the Organization certain amounts under the title of "Membership Fee" and "Service and Facilities Fee" which are set by the board of directors.

**Article 22:** Any natural person or legal entity who is a board member of one of the private joint stock companies, shall not be entitled to be a shareholder in any of the other public or private joint-stock brokerage firms.

**Article 23:** Any natural person or legal entity who holds over 10% shares in a public joint stock brokerage firm shall not be entitled to possess more than one percent of shares in other public joint-stock brokerage firms.

**Article 24:** The applicant shall, within a period of 4 months after obtaining his license, have to commence his operations. Failure to do this shall lead to cancellation of his license.

**Note 1**: Where the natural persons receiving certificates in "Basic Principles of Brokerage", ""Capital Market Analysis" and "Capital Market Senior Management" do not have records of full-time business activities, for one regular year and/or for two non-regular years with a brokerage firm, their certificates shall be revoked and downgraded to the level of the last previous certificates.

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**Note 2**: The broker shall be obligated to abide by all the relevant circulars, rules and regulations.

***License Suspension and Cancellation***

**Article 25:** In the event that, on the basis of the Organization's report, the broker forfeits any of the primary requirements for licensing, the Organization's board of directors shall set a deadline for one month at the latest for achieving the given requirements. Where the requirements are not achieved, the Organization's board of directors shall, on the basis of their legal powers, take any decision deemed advisable.

**Article 26:** The broker is not authorized to halt his operations without receiving the approval of the Organization. Failing this, the violator shall be treated in accordance with the relevant by-laws.

**Article 27:** In case of the broker's application for license cancellation, the Organization shall, within a period of 14 working days, examine such application and until when the Organization makes its decision, the broker's trading symbol shall stay halted. If the Organization approves of the license cancellation, the broker shall be required to settle its debts and fulfill its obligations as practically as possible.

**Note**: The Organization shall have to inform the case of license cancellation to the market in a manner deems proper and shall exercise the necessary control over settlement and performance of the broker's obligations towards its customers.

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***Other Rules***

**Article 28:** The brokers who, prior to the approval of the existing by-laws has received the brokerage license from the Organization, shall, within a period of 6 months after the approval of the existing by-laws, conform the conditions of his capital with the provisions of article 10 of these rules.

**Note**: Establishing the qualifications of broker's employees, subject of this article and assessing their credentials with new certificates shall be entrusted to the Organization.

**Article 29:** The enforcement rules of the existing by-laws shall be approved by the Organization's board of directors.

Articles marked with yellow highlighter have been nullified according to *The Regulations Governing the Establishment License and Operations of Brokerage Firms on the Exchange,* ratified by the board of directors of the Securities and Exchange Organization on 31st Shahrivar, 1386 (September 22nd, 2007)

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