***The Regulations Governing the***

***Establishment and Operations***

***of***

***Financial Data ProcessingCompanies***

**Introduction:**

In applying the paragraph 6 of article 7 of the Securities Market Act of I.R.I ratified in November 2005, the present regulations were approved by the board of directors of the Securities and Exchange Organization for the purpose of providing the guidelines for issuance of license to establish the financial data processing companies considered to be financial institutions as per the paragraph 21 of article 1 of the said act and stipulating the conditions for engagement in the financial data processing activities as described herein.

**Definitions**

**Article 1-** The definitions provided for terms and phrases used in article 1 of the Securities Market Act ratified in November 2005 shall also apply for the purposes used in the present regulations. Other terms shall be defined herein:

1. **Securities Market Act** means the Securities Market Act of I.R.I ratified in November 2005 and its subsequent amendments.
2. **The Law on the Development of New Financial Instruments and Institutions** means the law for the development of new financial instruments and institutions passed in November 2009 which shall be applied to facilitate the implementation of the overall policies of article 44 of the Constitution.
3. **Financial Data Processing Company** is a legal entity which has been registered with the SEO bearing the name of the **“Financial Data Processing Company**”. This company falls under the category of financial institution as prescribed in paragraph 21 of article 1 of the Securities Market Act and performs the operations of financial data processing under the Organization supervision.
4. **Financial data processor** means a legal person who has obtainedpermission from the SEO to engage in financial data processing.
5. **Financial data processing** means the act of supplying information to other party/parties (by any means including through mass-media, signboards, electronic devices, letters, brochures and lectures) in return for a consideration:
6. the information on the security itself (including the security specifications, issuer’s particulars and particulars of the parties that have assumed any responsibility for the security issuance by indicating their functions as well as the particulars of securities holders by stating their ownership);
7. the information on the security trading (including the security price/value, particulars of traders, trading data and time and the number of securities traded);
8. the information on the orders for security sales or purchase (including the particulars of orders, type of order, quotation, date and time of placing orders);
9. the information on the security issuer (including the issuer’s financial and non-financial data).
10. **Client/customer** means a person who uses the services provided by the financial data processor in the form of a particular contract.
11. **Related party** means any natural or legal person as defined below:
12. the person related to any natural person includes the spouse and the first degree in-laws of the first category relatives of such person and any other legal entity in which at least twenty (20%) percent of its profit thereof is owned by such natural person or where such natural person is allowed to appoint at least one of the legal entity’s directors.
13. the person related to any legal entity includes a person related to the commercial entity as defined by the Iranian national accounting standards.
14. **Major partner** means a major partner in a legal entity that along with his related persons, holds at least ten (10%) percent of the voting rights for election of the legal entity’s directors or has partnership in at least ten (10%) percent of the legal entity’s profits.
15. **Major founder**means a major founder in an under-formation legal entity that along with his related parties holds at least ten percent of the voting rights for election of the legal entity's directors after establishment or has partnership in at least ten percent of that legal entity's profitsafter its establishment.
16. **Establishment or Conversion License** means a license which is issued and granted to the applicant by the SEO in applying the paragraph 6 of article 7 of the Securities Market Act and, while agreeing with the establishment of the financial data processing company or conversion of an existing firm into afinancial data processing company. The requirements for the establishment or conversion procedures shall also be stipulated in the license.
17. **Business License** means a license which is issued and granted to the applicant by the SEO in performance of paragraph 1 of article 49 of the Securities Market Act and shall indicate its consent to the financial data processing.
18. **Applicant** means a person who has submitted the application for establishment license, conversion license or business license and shall**,**as the case may be, include one of the following persons:
19. as regards the application for a license to establish the financial data processing, applicant means the founders' agent of the financial data processing company in the process of formation;
20. as regardsthe application for a license to convert an existing firm into the financial data processing company, the applicant means the given company;
21. as regardsthe applicant for a license in the area of financial data processing services, the applicant means the legal entity applying to obtain thebusiness licensefor such purpose.

**The Persons Required to Obtain Establishment or Business License(s)**

**Article 2-**The formation of any legal entity/person,by using for its name the phrases of**" financial data processing"** and **" financial data processor"** or similar words where the word "items of data" or their synonyms are used in place of the word"information"or by changing the name of an established legal entity to a name in which the said phrases are jointly or separately used, shall be subject to issuance of a license by the SEO and such legal entity shall, upon fulfillment of the conditions laid down in the present regulations, have to submit its application to the SEO to be filed as the financial data processing under paragraph 21 of article 1 of the Securities Market Act. Accordingly, engagement in the financial data processing activities (as defined in paragraph 5 of article 1 of the present regulations) shall be subject to obtaining a business license from the SEO under paragraph 1 of article 49 of the Securities Market Act. The SEO shall, as per the article 52 of the Securities Market Act, have to bring prosecution against the persons that engage in such activities without obtaining the required license.

**Article 3-** The following persons, in order to supply the information referred to in paragraph 5 of article 1 to other parties, shall not be required to obtain the license for financial data processing:

1. the licensed mass media for the public release of the given information;
2. the security issuer as regards the information about itself or on the security it has issued;
3. the persons that have assumed the responsibility of marketing, underwriting or the security sale in any manner as regards the information on the relevant security or its issuer;
4. exchanges, OTC markets and the licensed central securities depository and settlement companies as regards the information on the securities which can be traded through such entities and through the issuers of such securities within the scope of the prevalent rules;
5. the persons who publish or supply information for training purposes in books, journals, lectures and the like providing that they do not introduce themselves as the persons who release such information in return for receiving any consideration.

**Note-** Where according to other rules, the publication or supply of information by the persons stated in this article requires a separate license other than the license issued for the financial data processing, such persons shall, prior to supplying the information under paragraph 5 of article 1 to other parties, have to obtain the appropriate license. The supply of the given information, including the circumstances below, shall require a separate license:

1. release of the information referred to in paragraph 5 of article 1 in the securities public offering;
2. release or supply of the confidential information of which the persons stated in this article have exofficio been informed in the circumstances not prescribed.

With respect to paragraph 1 of this note, the release of the given information shall be allowed by obtaining a public offering license from the Organization and with respect to paragraph 2 of this note, the release of information shall be allowed by obtaining written permission from the person to whom the information is concerned.

**Prohibition on supplying or publishing information on the unauthorized securities**

**Article 4-** the supply or public release of the information referred to in paragraph 5 of this article on the following securities shall be forbidden by any persons including natural or legal, whether or not they are licensed to engage in the financial data processing and whether or not they are considered to be the persons stated in article 3 (persons exempted) and the violator shall be prosecuted for breach of law by the SEO:

1. the security which has been issued without application of the Securities Market Act and observance of the appropriate rules provided that the persons subject of this article have been well aware of this matter;
2. the securities which the SEO announces via its official website that they havebeen issued or are being issued without adherence to the relevant laws and regulations

**Requirements for issuing theestablishment license and the conversion license**

**Article 5-** in order to obtain a license to establish the financial data processing company or to convert an existing firm into a financial data processing company, the applicant shall, as the case maybe, have to submit the following documents and information to the Organization for due consideration:

1. **for obtaining a license to establish afinancial data processing company:**
2. the completed application form designed for issuance of a license to establish the financial data processing company (appendix No. 1 attached hereto);
3. the draft constitution with all pages signed by the applicant;
4. the business plan including the company's objectives, strategies and plans for three years after its formation as well as the balance sheet and statement of profit (loss) forecast for one full solar[[1]](#footnote-2)year after its formation with all pages signed by the applicant;
5. the completed questionnaire containing the particulars of the nominee for the managing director or membership in the board of directors of the financial data processing company pursuant to the regulations governing the certification of the professional qualifications of financial institutions' directors.
6. **for obtaining a license to convert the existing firm into the financial data processing company:**
7. the completed application form designed for conversion of an existing firm into the financial data processing company (appendix No. 2 attached hereto);
8. the constitution or memorandum of partnership of the applicant company;
9. the originals and copies of the documents proving that the applicant company has been incorporated with the Companies Registration Authority (including the establishment notice published in the StateGazette);
10. the original and copy of the notice published by the StateGazette relating to the last company's directors, authorized signatories and their scope of powers;
11. the audited financial statements for the recent two years of the applicant company containing the auditor's opinion;
12. the business plan along with the three-year plans of the applicant company after its conversion into the financial data processing company as per the forms prescribed by the SEO;
13. the completed questionnaire containing the particulars of the nominees for the company managerial positions after its conversion into the financial data processing company(pursuant to the regulations governing the certification of the professional qualifications of financial institutions' directors).

**Note-** With respect to the application for conversion license, the financial statements of the applicant company's last fiscal year should have been audited by one of the SEO's trusted auditing firms along with the auditor's opinion

**Article 6-** Within 30 business days after completion of the documents and information referred to in article 5, the application for establishment of financial data processing company or for conversion of the existing firm into the financial data processing company shall be examined and considered by the respective department in the Organization. In the case of the fulfillment of requirements, the establishment or conversion license shall be issued by the SEO and delivered to the applicant as the case may be.

1. **Requirements for agreement with the formation of financial data processing company:**
2. the draft constitution shall be presented as per the form approved by the Organization for financial data processing companies;
3. the capital which is planned to be paid up at the time of establishing the financial data processing company shall be equivalent to or above 3 billion rials;
4. the founders and their related parties shall not, severally or jointly, be regarded as a founder or a major partner in another legal entity engaged in financial data processing activities (unless by stating the reasons and with the consent of the SEO board of directors) and the composition of founders or major partners shall be framed in a manner that the company shall pursue the goals set for the financial data processing company;
5. subject to the precedents and records available with the SEO, the company founders should not have committed any effective criminal records or wrongdoing;
6. the candidates nominated for managing director or membership in the company board of directors shall be appropriately eligible for such positions under the prevailing rules;
7. if it has been decided that a portion of the company's capital be raised in the form of non-cash, the non-cash capital shall be used in line with the company objectives and accordingly shall be forecast in the company business plan and appraised at a reasonable and fair market value;
8. the business plan, objectives, projects and the forecast financial statements should have been reasonably prepared and have appropriately covered the areas of financial data processing;
9. the proposed name of the company shall indicate the proper designation for the **"information processor"** and shall not resemble any other registered names and should not have been chosen in a misleading manner.
10. **the requirements for agreement with conversion of the existing firm into the financial data processing company:**
11. the company's total shareholders' equity shall be equivalent to or more than three billion rials or shall, at the Organization's discretion, add up to more than three billion rials upon revaluation of the assets which are used in the financial data processing;
12. the company assets composition and its financial structure shall be suited to the financial data processing activities;
13. the opinion expressed by the SEO's trusted auditing firms on the financial statements of the company's last fiscal year should be **"clean"** or should not contain any items implying that the company activities in the area of financial data processing may probably confront a problem or difficulty after its conversion;
14. the nominees who have been suggested for managerial positions (managing director or member of the board of directors) upon the entity's conversion into the financial data processing company shall have required qualifications in accordance with the regulations governing the certification of qualifications of financial institution's directors;
15. the major partners of the applicant company shall not have any effective criminal record or wrongdoing as per the documents and information available with the Organization;
16. the major partners of the applicant company and their related parties shall not, severally or jointly, be regarded as a major partner or founder in another legal entity engaged in financial data processing activities(unless by stating the reasons and with the consent of the SEO's board of directors);
17. the composition of the applicant company's major partners shall be formed in a manner that it shall have the opportunity of pursuing the goals set for the financial data processingafter conversion into the financial data processing company;
18. the business plan, objectives, projects and financial statements of the company projected for the period after its conversion into the financial data processing companyshould have been reasonably prepared and have appropriately covered the areas of financial data processing;
19. the current company name or the proposed name of the company shall indicate the proper designation for the financial data processing and shall not resemble any other registered name and should not have been chosen in a misleading manner.

**Note 1-** If the consent is not given to establish the financial data processing companyor to convert the existing firm into the financial data processing company, the matter shall be notified by the respective department atthe SEOto the applicant by stating the reasons for rejection.

**Note 2-** The company name may be misleading in one of the following ways:

1. the use of words and phrases such as **"Iran"**, **"national"** and the like in the company name which are normally utilized by the persons and entities affiliated to the government whilst there is no such affiliation.
2. the use of words and phrases which commonly cross the addressee's mind the affiliation of a company to a particular person(s) (whether governmental or privately-run) whilst there is no such affiliation.

**Note 3-** If the applicant has not satisfied certain conditions mentioned in this article, the SEO's agreement in-principle with the issuance of establishment license for financial data processing company or conversion of the applicant firm into the financial data processing companymay be subjected to the satisfaction of the required conditions and observance of the present rules by the applicant. In such a case, the period for the fulfillment of conditions which is 6 months at the latest from the issuance date of the agreement in-principle, shall be specified in the SEO's agreement. Accordingly, the applicant shall have to present the schedule of its conditions fulfillment to the Organization.

**Article 7**- Upon communication of the license to establish the financial data processing companyor the license to convert the existing firm into a financial data processing company, the applicant shall, within a period of six months, have to set up the financial data processing companyin the form of a private joint stock entity or convert the existing firm into a private joint stock investment data processing companypursuant to the prevalent rules and requirements and then have the appropriate items incorporated with the Companies Registration Authority and submit the relevant documents to the Organization. Failure to comply with such rules shall subject the establishment license or conversion license so issued to be rendered invalid.

**Note-** Upon the request made by the applicant by stating the justifiable reasons, the SEO shall be allowed to extend the period set in this article for another three months at the latest.

**Article 8-** Within a maximum period of 20 business days afterformation of the financial data processing company and its incorporation with the Companies Registration Authority or after the required changes made in the existing firm to convert it into the financial data processing company and filing such changes with the Companies Registration Authority, the company shall have to deliver the following documents to the SEO so that it shall, where the conditions set down in the establishment license or conversion license have been fulfilled, register its name with the SEO as the financial data processing companyas per the paragraph 21 of article 1 of the Act which will allow this company to obtain the business license:

1. the company's constitution/articles of association;
2. the copy of the notice containing the particulars of directors and authorized signatories in the company and their scope of powers published in the State Gazette (Official Newspaper);
3. the registered name, date of registration, place of registration and registration number with the Companies Registration Authority;
4. the copy of the establishment notice or changes in the company as published in the State Gazette (Official Newspaper);
5. the amount of registered capital, the list of partners and the amount of paid-up capital and the subscribed capital for each (partner);
6. other documents in support of fulfilling the conditions laid down in the appropriate license.

**Requirements for issuing the Financial Data ProcessingLicense**

**Article 9-** The formation of a financial data processing companyor conversion of the existing firm into the financial data processing company as per the license granted by the Organization in conjunction with its registration with the Organization in accordance with articles 7 and 8 of the present rules, shall not be regarded as the business license designed for financial data processing. Thus it shall be required to obtain another separate license from the Organization (excluding the persons exempted under article 3) to allow for engagement in the financial data processing activities. The legal entities may, upon completion of the appropriate form (appendix No. 3), apply for issuance of the financial data processing license in satisfaction of the obligations set forth below:

1. the applicant has already obtained a license(s) from the SEO to establish the financial data processing company,investment advisory company, portfolio management company, rating agency, investment bank, brokerage house, brokerage/dealership firm or a license for conversion into one of such financial institutions and has been as an acceptable legal personality to incorporate with the Companies Registration Authority with the SEO's approval and does not engage in any other main activity outside its/their own areas;
2. the applicant has already required the manpower and has allocated the space, proper office equipment and computer softwares as described in appendix No. 4 hereto;
3. if the applicant intends to engage merely in the financial data processing activities, his registered and paid-up capital shall be equivalent to or above three billion rials or, at the Organization's discretion, the revaluation of the assets used in the financial data processing activities shall result in the appreciation of shareholders' equity for an amount exceeding three billion rials;
4. in the event that the applicant engages in another/other type(s) of activity(ies) and his total shareholders' equity, based on the financial statements of the latest fiscal period and the trial balance of his accounts at the time of applying for business license, is less than 50 billion rials, his capital shall at least equal the total capital under paragraph 3 and the given capital for the said activity(ies) or, at the Organization's discretion, the revaluation of the assets used in the financial data processing services shall result in the appreciation of the shareholders' equity for an amount exceeding three billion rials plus the minimum given capital for the said activity/activities;
5. the methods of collecting and processing data including the methods of receiving data, mechanisms of entering data into the data basis, review of the data so entered and matching the entered data with the data available in the main source as per the article 11 shall have to be reported to and approved by the SEO;
6. the criteria used to select the information sources should have to be reported to and approved by the SEO.
7. all the mathematical relations used in the financial data processing shall have to be reported to the SEO and shall not otherwise be contrary to the common and prevalent ratios, in the case of similarity;
8. the review of the data entered in the database by the SEO shall indicate the accuracy of such data at a reliability level of at least eighty five (85%) percent.

**Note 1-** Where due to the sustained losses, over one third of the capital or the shareholders' equity designated for financial data processing as per this article is forfeited, the financial data processor shall, within six months at the latest, have to recover the given capital or the shareholders' equity.

**Note 2-** If the conditions have been fulfilled, a two-year term business license for financial data processing shall be issued in the name of the applicant within 30 days after completion of the appropriate documentation. Where the establishment license or the financial data processing license has not been revoked as per the rules in force, the validity of such business license shall be extended for the subsequent two-year periods.

**Requirements for providing the financial data processing services**

**Article 10-** The financial data processing services shall be provided to each client subject to the conclusion of a separate contract. Such contract shall be required to include the items below:

1. the particulars and address of the financial data processor as one party and the particulars and address(es) of the client(s) as the counterparty along with the contract validity term, its number and date of conclusion;
2. the services which are provided by the financial data processor to the client and the manner of providing such services;
3. the responsibilities undertaken by the financial data processorversus the services provided to the client and the guarantees sanctioned for such services;
4. the fees and charges that the client shall have to pay for any type of financial data processing service and the schedule for payment;
5. the payment of fees and charges to the financial data processing shall solely be made on the basis of the invoice so issued and by paying into the bank account held by the financial data processing company stating the details of such bank account;
6. focus on this point that the client's information available with the financial data processing shall be treated as confidential and that the financial data processor shall not be allowed to disclose such information without prior written consent of the client or transmit it to another party unless when he is permitted or is obligated to transmit, disclose or publish such information within the framework of the present regulations;
7. inclusion of this point that where the contents of the contract are found to be in conflict with the approved laws and regulations to the time of the contract conclusion, the financial data processor shall not be allowed to implement the contract and should the client sustain any damage and loss due to the contract implementation, the financial data processor shall be liable for compensation of such damage and loss;
8. affirmation of this point that the financial data processor shall not be obligated to implement that part of the contract which conflicts with the laws and regulations that will be subsequently approved and, in this respect, he/it shall not have any liability to compensate the damage sustained by the client;
9. stipulation of the conditions under which the contract shall be cancelled (in conformity with article 11 of these rules) and the parties thereto shall be entitled to revoke the contract prior to the expiry of its term;
10. stipulation of this point that the authority in charge of investigating the disputes between the client and the financial data processor, where such dispute has not been resolved by the associations stated in article 36 of the Securities Market Act, shall act as the Arbitration Board as specified in article 37 of the said Act and until when the appropriate association is formed, such function shall be exercised by the SEO;
11. the procedure of networking between the financial data processor and the client to exchange various information and documents/evidence;
12. assertion of this point that the functions specified in the contract shall, by no means, limit the scope of the financial data processor's responsibilities as per the appropriate rules;
13. the number of copies of the contract and the manner of their distribution.

**Note 1-** The financial data processor shall send a sample of his contract with the client before its implementation to the SEO to receive its approval in pursuance of this article.

**Note 2-** Any modification in the contents of the contract shall be possible by adding a supplement to the contract provided that this article is not breached in the supplement. The supplements to the contract shall be signed by the parties thereto and shall at least include:

1. the number and date of contract as well as the supplement No;
2. the particulars of the contracting parties as specified in the contract;
3. the agreements reached in the contract supplement.

**Article 11-** The financial data processor shall have to draft a written methodology for collecting and processing information and shall have such method registered with the organization upon its approval. This methodology shall include the following:

1. the criteria that the financial data processor develops to select his information sources to the extent that the processor would consider the selected sources based on such criteria to be reliable;
2. the procedures that the financial data processor employs to ensure that the information used by the clients is merely collected from the information sources which have been indentified to be reliable based on the criteria in paragraph 1;
3. the procedures that the financial data processor uses to ensure the matching of the collected data fed into his/its databanks with the reliable sources presenting such data;
4. The mathematical formula and relations that are used in the financial data processing to process the collected data as well as the title and description of the processed data after the operation of each mathematical formula or relation in the appendix attached thereto.

**Note 1-** In selecting the sources, collecting data and their processing, the financial data processor shall have to abide by the methodology developed for such purposes as registered with the SEO under this article. Any modification in this methodology shall have to be approved by and registered with the SEO prior to its applicability.

**Note 2-** The formulae, mathematical relations and graphs that the financial data processor employs to process data shall, while documenting and prior to registration with the Organization, have to be analyzed and validated by the person who has at least obtained a certificate in securities analysis and has at least two years continuous work experience or three years non-continuous related work experience over the last six years at the SEO's discretion to ensure that:

1. the definitions given for each formula, mathematical relation or graph for the processed data are accurate;
2. the title used for the processed data through exercise of each formula, mathematical relation or graph denotes its proper definition and is not misleading;
3. where the title corresponds with one of the known titles in the financial literature, the mathematical relation or the graph so defined should also correspond with what is known in the financial literature to calculate it.

Validation of the accuracy of the formulae, mathematical relations and graphs used by the persons stated in this note shall not exclude the financial data processing company from its responsibility as to their accuracy.

**Article 12-** If the financial data processor creates as data bank in a manner to publish such data before or after processing or deliver such data to other parties including the clients or where he uses the computer softwares for data processing thus:

1. that portion of the information sources which is extracted in a non-mechanized manner and is stored in the databank shall be reviewed and matched with the publishing sources and validated by the person or other persons who hold the qualifications stipulated in note 1 of this article other than the person/persons who is/are responsible to extract or feed data into the bank;
2. the software used for extraction and mechanized feeding of the data into the databank of the financial data processor shall be documented and its design accuracy shall have to be validated by the person who holds the qualifications stated in note 2 of this article. Accordingly, the performance accuracy of such software as regards the correct data transmission shall be examined and validated by the person who holds the qualifications mentioned in note 1 of this article through five (5%) percent of the transmitted data which has been randomly and comprehensively (inclusive of all types of data so transmitted) selected for such purpose.
3. The accuracy of the software performance in calculating the mathematical operations for data processing shall be examined and validated by the person who holds the qualifications mentioned in note 2 of article 11.

**Note 1-** The person who undertakes the review task referred to in paragraph 1 of this article shall have to hold at least a certificate in the Basic Principles of Capital Market or bachelor's degree approved by the Ministry of Science, Research and Technology in the fields of accountancy, financial management, management (in various sub-majors) or economics.

**Note 2-** The person who undertakes the task of software design accuracy (subject of note 2 of this article) shall have to hold at least bachelor's degree approved by the Ministry of Science, Research and Technology in the field of software engineering.

**Note 3-** The financial data processor shall have to document and archive the details of the examinations carried out under this article including the selected samples, sampling methods as per the note 2 of this article, date of review and the validator's particulars. Furthermore, such examinations shall, upon any modifications in the databank design, data transmission software and data processing software, have to be reconducted and revalidated so as to be documented and archived as per this note.

**Note 4-** The financial data processor shall, prior to application of the software subject of this article, have to obtain the given certificates and have the software registered with the Organizaiton. Accordingly, the given software shall, prior to application, have to be registered with the Organization after each modification, conduct of examinations and receipt of the said certificates.

**Article 13-** In any report and information that the financial data processor publishes, presents or delivers to others including the clients, the sources of the data used shall be simply identifiable by the addressee. Otherwise, the financial data processor shall be held liable for the accuracy of the data so presented. As regards the information published or presented by the financial data processor for which the sources have been quoted, the processor's responsibility shall be limited to the correct choice of information sources as per his own procedure filed with the SEO and conformity of such information with what has been published in the quoted sources. The task undertaken by the financial data processor under this article shall not prevent the imposition of penalties stipulated in the present regulations.

**Article 14-** Under the following circumstances, the financial data processor shall have to notify the matter to the client which shall result in the automatic termination of the mutual contract (between the client and the financial data processor) and, in that case, the financial data processor shall have to make payments of the client's claims in full:

1. suspension of the financial data processor's business license in a manner that implementation of all or a part of the contract with the client shall not be possible above 15 days (unless upon the client's written consent within 7 business days after suspension);
2. cancellation of establishment license or business license of the financial data processor;
3. bankruptcy or dissolution of the financial data processor;
4. withdrawal from the financial data processing activities.

**Article 15-** If the financial data processor is also involved in the rating, investment advisory or brokerage activities,it/he shall have to allocate each of such activities to separate departments and staff and each department shall, directly or through separate directors, be supervised by the chief executive officer (managing director).

**Article 16-**The financial data processor shall be entitled to create a branch or agency upon receipt of a license from the Organization and it shall also be accountable for the activities carried out by this branch or agency. In establishing a branch or an agency, it shall be required to comply with the following provisions:

1. to appoint a manager for the branch or agency who has completed the required training courses;
2. to compile the written procedures for (a) client's guidance (b) conclusion of financial data processing contracts and (c) internal controls;
3. to allocate the required possibilities to the branch or agency including the office space, software and hardware equipment;
4. to fit the signboard at a proper position for the branch or agency which will include the name and designation of the financial data processor.

**Note-** In the case that the "financial data processor" has been registered with the SEO, it shall be allowed to include the phrase "regulated by the Securities and Exchange Organization" on the signboard of the financial data processor and on all papers, notices and notifications.

**Article 17-** The financial data processor shall, prior to the provision of services to its clients in the area of financial data processing, have to take action towards client identification and verification. It has to obtain the client's identification data address and telephone number and keep them in the client's records.

**Article 18-** If there is any conflict of interests between the financial data processor and its client, priority will be given to the client's interests.

**Article 19-** In addition to the prohibition on publishing or presenting the information or securities under article 4, the financial data processor shall not be allowed to conduct the following activities as well:

1. to present, publish or deliver to others the information extracted from the sources which have been announced invalid by the SEO without any change or after processing;
2. to present or publish its forecast about the future trend of securities bid and offer or to comment on the securities value or on the future status of securities issuer without obtaining permission for financial data processing activities from the Organization;
3. to present or publish the forecasts made by persons on the future trend of securities bid and offer or to comment on the securities value or on the future status of securities issuer with or without the name(s) of the persons who have not obtained the license for financial data processing activities;
4. to conclude the contracts or undertake the obligations which shall require the financial data processor not to perform all or a part of functions or curtail the scope of its responsibilities less than the scope which has been specified for the financial data processor in accordance with the present regulations.
5. to conclude the financial data processing contracts with clients in which the financial data processor's responsibilities specified in the present regulations or other appropriate rules have been more limited;
6. to receive fees for its services above the limit provided by the SEO.

**Entering and keeping records of accounts, documents and information**

**Article 20-**The financial data processor shall have to file its financial events and prepare its financial statements in accordance with the national accounting standards and the gidelines communicated by the Organization and shall keep a separate account in its financial books for each client and record all financial transactions between the client and itself in the client's account.

**Article 21**- The financial data processor shall have to keep the evidence and records relating to its activities for the period of five years including the following items:

1. the contracts concluded with clients;
2. the correspondence exchanged with clients;
3. the positive evidence of its own financial events especially his transactions with clients and related invoices;
4. a copy of the information that the financial data processor has posted on its official website or has transmitted it to its clients or has delivered it to them,in any manner, containing the date and hour of publication or transmission;
5. the evidence relating to the legal actions for or against the financial data processor;
6. other documents and reports which have been specified and notified by the Organization.

**Article 22-** The financial data processor and its staff shall have to treat the information and evidence relating to its counterparty's client confidential and shall not, excluding the following persons within the limit of their request, be allowed to transmit such information to another party without the client's consent. Failure to fulfill this requirement shall be subject to the provisions of the Securities Market Act:

1. the staff of the financial data processorwho need the evidence and information on the clients to provide processing services or perform their other duties within the limit of their needs;
2. any organization or authority designated by the SEO;
3. the attorney, legal inspector or auditor to the financial data processor;
4. competent judicial authorities;
5. the appropriate association within the context of the rules approved by the SEO;
6. other authorities to which presentation of such information and evidence is legallymandatory.

**Note -** Public release or presentation of information in aggregate form whereby it is impossible to trace and identify the information on each client shall not apply to the prohibition under this article.

**Information dissemination and reporting requirements**

**Article 23-** The financial data processor is bound to disclose the following information on its website:

1. name and type of legal personality, registrational data, amount of paid-up capital and particulars of major shareholders;
2. the particulars, professional records and education background of the board members, managing director, middle managers, specialists, experts and representatives of the financial data analyst;
3. the services planned to be provided by the financial data analyst, conditions, scope of responsibility and fees for each of such services and method of calculating fees,
4. the criteria and methods that the financial data processor employs to select the information sources, ensure the accuracy of extracting data from sources and feed them into its databanks and gain assurance of the accuracy of financial data processing to the extent that they will not result in the disclosure of the processor's commercial secrets;
5. the key sources of information upon which the financial data processor relies to obtain the required information;
6. the conflict of interests which might arise from provision of various processing services between the financial data processor or the related persons and his staff with clients as well as the mechanisms to control and resolve such conflicts;
7. the financial data processor's important trade relation of any type with other persons which is in conflict with data processing services and other services provided by the financial data processor;
8. any profit that provision of financial data processingservices produces for third parties excluding the staff of financial data processing company;
9. the address and telephone number(s) of the headquarters and of each branch or agency and particulars of the mangers of each branch or agency;
10. any further information required as per the SEO's approvals.

**Supervision and inspection**

**Article 24-** The SEO shall be authorized to examine and inspect, periodically or where necessary, any evidence and documents of the financial data processorand any premises owned, possessed or controlled by the financial data processorfor the following purposes or to request the information, documents and reports from the financial data processor:

1. to ensure that the evidence, documents and reports and financial books and reports have been prepared and retained subject to the appropriate laws and regulations;
2. to ensure that the financial data processor's performance is consistent with the financial data processor'scontracts and appropriate regulations;
3. to ensure that the requirements for establishment and activities of the financial data processor are fulfilled;
4. to handle the complaints and protests lodged by the client or other individuals;
5. to investigate the possible violations committed by the financial data processor;
6. to prepare reports, evidence and documents for competent authorities.

**Note-** The financial data processorshall, within the specified period, have to submit all the information, evidence, documents and reports requested to the SEO and shall respond to all of the questions raised by the SEO's representatives and allow the SEO's inspectors to examine and inspect the given books, documents and premises without any delay. The SEO's inspectors shall be introduced by the president of the Organization.

**Article 25-** The financial data processor shall choose its legal inspector and auditor from among the SEO's trusted auditing firms and draw up the contract in a manner that will allow the inspector or the auditor to examine the matter of compliance with the prevailing rules and regulations, the company's internal by-laws, contents of the financial data processor's contracts and correct entries in the client's accounts and further express his opinion thereon in the annual report. The financial data processor shall have to pay the costs and charges incurred for such services which shall be determined in the contract.

**Article 26-**In the case of the SEO's request for preparing a special audit report from the financial data processing company subject to article 29 of the Securities Market Act, financial data processor shall, in addition to supplying the information, evidence and documents for this purpose, have to pay the expenses incurred for completing such reports as fixed by the SEO.

**Sanctions**

**Article 27-**The financial data processor's violation of the financial data processing contract or of the provisions of these rules shall be investigated in accordance with the appropriate regulations. Upon proof of the violation, the investigation authority shall appropriately impose one or several of the following punishments:

1. written notice to the financial data processor without entering it inrecords;
2. written notice to the financial data processorby entering it inrecords;
3. suspending the operations of the branch or agency through which the violation has occurred up to a maximum of one year;
4. enforcing the branch or the agency through which the violation has occurred to cease operations (shut-down);
5. restrictions on the financial data processor's activities up to a maximum of one year;
6. prohibition from providing the financial data processing services up to a maximum of one year;
7. suspending the financial data processor's business license up to a maximum of one year;
8. suspending other activities of the financial data processorup to a maximum of one year;
9. cancelling the business license for financial data processing;
10. cancelling the establishment license of financial data processor;
11. cash penalty subject to the by-law of article 14 of the Law for Development of New Financial Investments and Institutions;

**Note 1-** If the violation is due to an act or omission of an act by the director(s) or other staff of the financial data processor, the investigation authority shall, in addition to the penalties provided in this article, sentence the director or any of the offending staff, as the case may be, to one of the following punishments:

1. written notice without entering it in records;
2. written caution by entering it inrecords;
3. prohibition from providing the financial data processingservices up to a maximum of two years;
4. disqualification from holding the managerial position in the relatedfinancial data processingcompany up to a maximum of two years;
5. prohibition from assuming positions in all or some of the exchanges, OTC markets, associations and financial institutions up to a maximum of two years;
6. prohibition from benefiting the privileges of the professional certificates issued by the SEO up to a maximum of two years;
7. cash penalty subject to the by-law of article 14 of Law for Development of New Financial Instruments and Institution.

**Note 2-** In order to prevent repetition or spread of violations and restore the previous situation or remove the implications of such violations, the investigation authority shall be allowed to compel the financial data processorto take the following steps:

1. to overhaul or consolidate the internal control system;
2. to amend the in-house by-laws and procedural matters;
3. to recruit, complete, and train the staff in particular departments and fields;
4. to prohibit the financial data processorfrom quantitative and/or geographical expansion of activities until when the specific conditions are met.

The investigation authority shall also be permitted to appoint a deadline to implement the provisions of this article and shall allow the removal of suspension from all or a part of activities or removal of restriction imposed on the financial data processor's activities to be subjected to the implementation of such issues within the appointed deadline. Failure to implement the issues stated in this note shall allow the investigation authority to impose the punishments prescribed in this article.

**Note 3-** Imposition of the punishments prescribed in this article shall not prevent inflicting the penalties provided in the legislation when and if an offense occurs, nor shall prevent compensation of the damages/losses sustained by the client or other parties due to the commission of offence.

**Article 28-** In the event that a financial institution provides the financial data processingservices without having a business license for this purpose, the investigation authority shall impose one or a set of the following sanctions in accordance with the appropriate regulations:

1. written notice without entering it in the financial records of the offender;
2. written caution by entering it in the financial records of the offender;
3. suspension of all or a portion of the activities of the financial institution up to a maximum of one year;
4. disqualification of the director(s) of the offending financial institution from taking over some posts in this institution up to a maximum of two years;
5. prevention of the director(s) of the offending financial institution from taking over posts in all or certain exchanges, OTC markets, associations and other financial institutions up to a maximum of two years;
6. prevention of the directors of the offending financial institution from using the professional certificates issued by the SEO up to a maximum of two years;
7. cancellation of the establishment license of the offending financial institution;
8. cash penalty subject to the by-law of article 14 of the Law for Development of New Financial Instruments and Institutions.

**Article 29-** The disputes arising between the financial data processorand the client shall be resolved in accordance with the provision of article 36 of the Securities Market Act.

**Other Provisions:**

**Article30-** Any transfer of shares or subscription of new issues in the financial data processing company effected in a manner to allow a person to become a major shareholder of this company shall be reported by the financial data processing companyto the SEO within seven business days.

**Article31**- The financial data processorshall be required to annually pay a sum of money as supervisory fee to the SEO. The amount shall be fixed by the Securities and Exchanges High Council.

**Article 32-** The present regulations comprising 32 articles, 22 notes and 4 appendices were approved on May 25, 2010 By the SEO's board of directors with effect from the same date.

1. Based on the Iranian calendar, a solar year runs from March 20 of a year and ends March 20 of the next year. [↑](#footnote-ref-2)