

2014 ANNUAL REPORT

CENTRAL SECURITIES
DEPOSITORY OF IRAN

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DEPOSITORY OF IRAN





In the Name of God, the Most Gracious, the Most Merciful

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MISSION

We provide thriving and secured financial investment infrastructures to contribute to the development of a fair and transparent capital market both nationwide and worldwide by guaranteeing security and efficiency in the capital market and safekeeping investors' financial properties.



TRUST

The key to all successes is trust. With no trust, nothing moves forward mutually and everything goes in different directions with no probable destination! We trust, you trust.



COMMUNICATION

Communication opens up very many promising opportunities hidden in the heart of issues. We communicate to enjoy those opportunities.



PIONEER

Repeating something over and over but successfully is something in the power of everybody, but doing something new but successfully is something in the power of not everybody. We pioneer the first and the best.



INTERNATIONALIZATION

The world is the destination. We plan to achieve the world.



SAFEKEEPING

Getting the most valuable things is important but maintaining it in a safe place is more important. We safeguard your precious things.



TEAM WORK

Two heads are better than one. We encourage a teamwork approach and invite all to work with us.



GOLDEN SOURCE OF DATA

Knowledge is power. With no knowledge, things get stuck in situations. We not only offer but also enjoy the best golden source of knowledge.



RESEARCH

To obtain the best, one needs to delve into the heart of the matter. We do and welcome research.

VISION

- Changing CSDI to the national treasury of securities in Iran (in the future 20 years)
- Achieving our own Smart Exchange Post-trade System fully
- Obtaining the possibility to change CSDI to Central Counterparty (CCP)
- Covering the whole post-trade operations in the entire stock exchanges in Iran
- Cooperation with CSDs of other countries



01

CENTRAL SECURITIES
DEPOSITORY OF IRAN





PROFILE

CSDI is the sole registrar, central custodian and clearing house for the Iranian financial market of four exchanges providing means for issuance, guarantees, settlement, and governance of various financial instruments from equity and ETF to Islamic securities (Sukuk) and energy products based contracts and electricity.

PROFILE

PROFILE

Founded in 2005 as a public joint stock company, Central Securities Depository of Iran (CSDI) is the sole registry entity and custodian in the Iranian capital market using the hybrid registry system with a fully dematerialized book entry system. Enjoying a history of 45 years, the Iranian capital market was demutualized in 2005 and as a result, CSDI was legally segregated from the rest of the capital market and commenced to work as an independent and separate entity. It is the central registrar and clearing house for all the exchanges in Iran including Tehran Stock Exchange (TSE), Iran Farabourse (IFB), Iran Mercantile Exchange (IME), and Iran Energy Exchange (IEE). It takes over the registry, clearing, and settlement issues related to equity, Islamic securities (Sukuk), derivatives, energy contracts, electricity, mercantile products by means of a full-fashioned registry system and multi-currency (USD, IRR, Euro) with a high netting efficiency of 85 percent. The prospects of CSDI are to prepare the infrastructures indispensable for the efficiency, continuity, and growth of the economy of the markets under its cover.

CSDI is the sole registrar, central custodian and clearing house for the Iranian financial market of four exchanges providing means for issuance, guarantees, settlement, and governance of various financial instruments from equity and ETF to Islamic securities (Sukuk) and energy products based contracts and

electricity.

CSDI is in fact the official data provider, the official counterparty to jurisdiction, and it serves as a gateway and platform provider for the international investors. Responsible for taking care of post-trade-related tasks, ranging from the deposit and registration of securities to the clearing and settlement of the transactions carried out in the financial market, it plays a significant role in managing systemic and systematic risks. To this purpose, CSDI has designed and launched the service of Settlement Guarantee Fund (SGF), along with other instruments, towards managing the risks related to the clearing house. Taking advantage of SGF service, the investors can to a large extent be assured of the fact that in case a party fails to meet the trade settlement obligations within the set time, the clearing house will be able to fulfill the obligations of the defaulting member within the settlement day. As an infrastructure provider for the Iranian capital market in terms of financial and technological services and efficiency for the market participants, CSDI plays a very salient role in the Iranian capital market. Also as a key institution for the capital market, CSDI acts based upon the rules and regulations passed by the Iranian Parliament, the High Council of the Iranian Capital Market, and the Securities and Exchange Organization of Iran (SEO) as the supervisory and regulatory body of the entire capital market of Iran.

The structure of the capital market in Iran and the status of CSDI, based on the present definitions in the Securities Market Act of the Islamic Republic of Iran, the Law for Development of New Financial Instruments and Institutions and the common norms in the capital market in Iran, are shown in figure 1.

The major companies of whose shares CSDI has the main shares include:

Samat Samaneh Company: CSDI has 99.98% of the share of this company which indeed provides professional IT services of CSDI.

Capital Market Central Asset Management Company: CSDI has 49% of the share of this company which provides diverse services to the intermediary institutions in charge of issuing Islamic financial instruments. This fact is presented in figure 2.

PROFILE—CONTINUED

Figure 1: Iran Capital Market

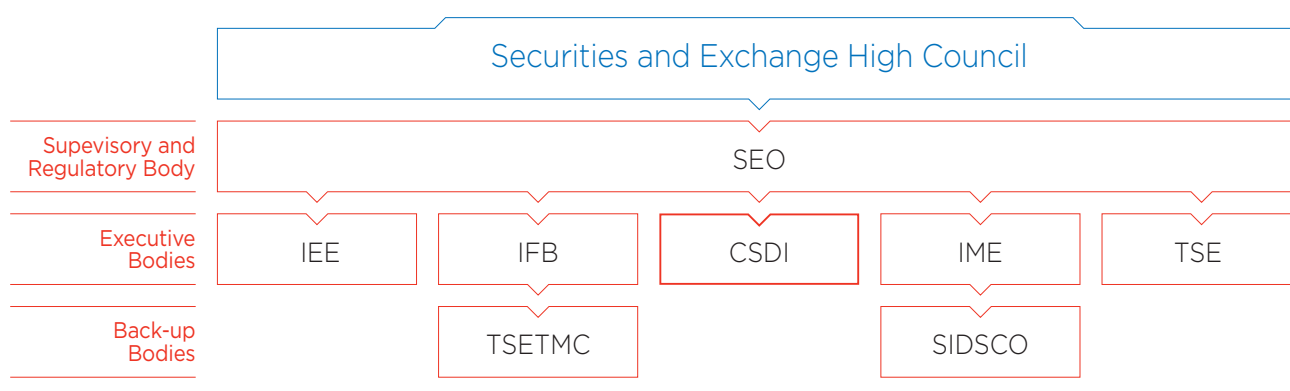
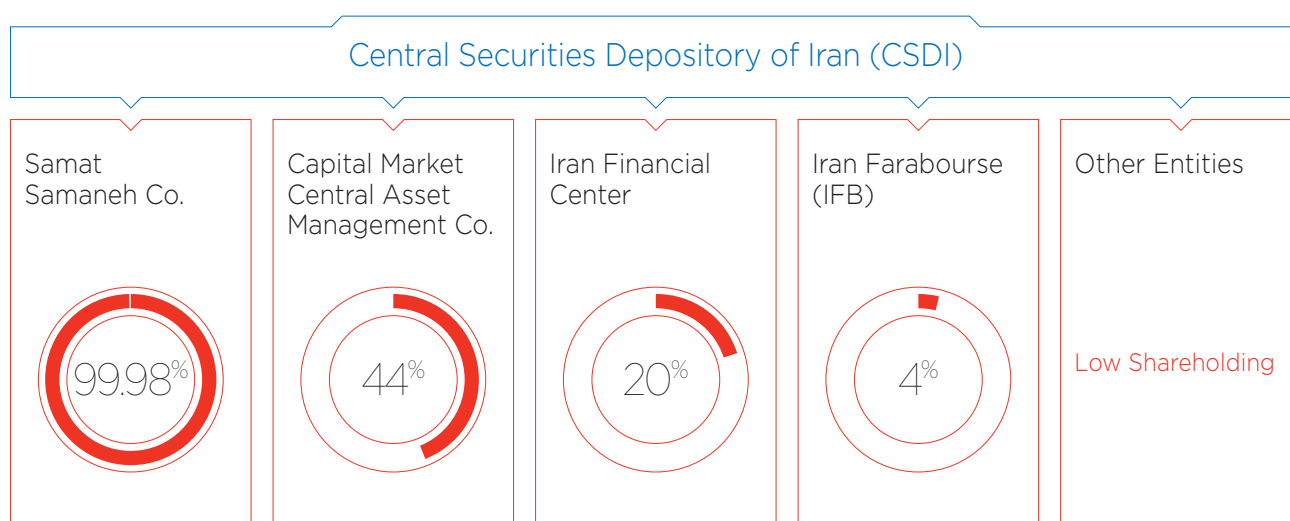


Figure 2: Major Companies of, Whose Shares, CDSI has the Main Shares



TIMELINE



2006
—1385

- Approval of CSDI status by Securities and Exchange High Council.
- Approval of the trades settlement fees by SEO

2007
—1386

- First experience on corporate actions services as a complete package to Iran khodro co. (automobile company)
- Conducting the first phase of design and implementation of post-trade system
- Launching CSDI website
- Designing, implementing and launching Investor Portfolio System (IPS)
- Designing, implementing and launching Information Gathering System (IGS)
- Examining and revising all the processes Business Process Reengineering (BPR)

2008
—1387

- Finalizing the entire phases of post-trade system
- Launching English version of CSDI website
- Starting dematerialization project for brokers (DIS)
- Opening the first branch of CSDI for customer relations and shareholder direct service providing

2009
—1388

- Launching second version of Investor Portfolio System (IPS)
- Finalizing brokers system project (DIS)
- Development of hardware and security of network
- Development of web-service providing
- Wireless connections between headquarter and branches
- Signing MOU with Central Registry Agency of Turkey (CRA)
- Signing MOU with Takasbank of Turkey

2010

—1389

- Designing, implementing and launching new clearing system (NETClear)
- Designing, implementing and launching a special system for data exchange (CSDIDATA)
- Connection between post-trade system and banking system via ACH
- Membership in OIC
- Membership in FEAS
- Taking pre and post-trade operations of single stock futures
- Establishment of central asset management company as a trustee in the process of Islamic securities (Sukuk) Issuance

2011

—1390

- Designing, implementing and launching Corporate Data Gateway (CDG) for Issuers
- Designing, implementing and launching Futures Post-Trade System (FPTS)
- Designing, and implementing a special system for managing the risk of margin trading
- Designing, implementing and launching CSDIServices for improving data transfer among systems
- Launching new version of NetClear and CSDIData

2012

—1391

- Taking pre and post-trade operations of energy exchange
- Designing, implementing and launching energy exchange registry system (Regex)
- Designing, implementing and launching multi-currency NetClear (MCNC)
- Establishment of settlement guarantee fund for TSE and IFB
- Designing, implementing and launching settlement guarantee fund system (SGF)
- Improvement of MCNC through rolling mechanism (cross-market clearing)
- Designing, implementing and launching registry system for mutual funds (MFR)
- Designing, implementing and launching registry system for Iranian Forex (IrCurex)
- Establishment of IT-provider subsidiary (Samat Samaneh)
- Establishment of CSDI call center
- Outsourcing some services investor-related to electronic offices
- Membership in ACG

2013

—1392

- Dematerialization in most processes via new internal portal system
- Fully-Electronic cash settlement (SEPAS)
- Participation of Iranian commercial banks in the settlement process as custodian banks
- Designing, implementing and launching securities certificate distribution system (CertDistro)
- Designing, implementing and launching Integrated Shareholders Services (ISS)
- Designing, implementing and launching Netclear new subsystems (CertReporter and BrokerReporter)
- Signing MOU with CDCPL
- Signing MOU with KSD
- Signing MOU with KSEI
- Signing MOU with KPEI



02

CENTRAL SECURITIES
DEPOSITORY OF IRAN





MESSAGES

I, as a member of CSDI, maintain that whatever CSDI has achieved over the last years is the product of the team spirit instilled in CSDI team and of course the byproduct of our cooperation with our foreign peers. CSDI will work even more assiduously to accomplish much higher status not only in Iran but also in the world.

MESSAGES

CHAIRMAN MESSAGE

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There have been considerable and unique developments in the working area of CSDI.

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As the new member and also the chairman of the board in CSDI, I thank all the people who have offered their sincere contribution to the betterment of CSDI's situation in the country and also in the world. CSDI is the central organization in charge of the entire matters related to post-trade sections of transactions and this adds more weight and significance to the role of CSDI in the Iranian capital market. Over the recent years, CSDI have been working quite hard to get not only itself but also Iran's capital market known to the world and this is something praiseworthy. There have been considerable and unique developments in the working area of CSDI and I should admit this is the byproduct of the veracious endeavor exerted by CSDI team.

In the end, I very much indeed hope that CSDI along with the other entities in Iran's capital market work hand in hand to develop Iran's capital market in the nation and also in the world.



MESSAGES—CONTINUED

PRESIDENT AND CEO MESSAGES

It is the first annual report in my presidency in Central Securities Depository of Iran (CSDI), so I would like to take this opportunity and thank you all for your kindly congratulation messages and calls. Also I want to express my appreciation of the unanimous support offered to us last year either within or without Iran. As the CEO and board member of CSDI, I maintain that whatever CSDI has achieved over the last years is the product of the team spirit instilled in CSDI team and of course the byproduct of our cooperation with our foreign peers. CSDI will work even more assiduously to accomplish much higher status not only in Iran but also in the world.

Introduction

One of the major concerns of the recent years in Iran has been the preparation of infrastructures required for economic growth and development. These days, the interwoven connection between “financial supply for economic business” and “economic growth and development” is something known to anyone. The capital market enjoys apt potential in term of financial supply, especially in the primary market. The transparency and efficiency of this market in price discovery attracts any markets looking for such transparency and efficiency. As the privatizing of economic affairs, punctuated by the authorities, will have a more fair and democratic streak.

Year 2014 (1393)

The previous year had its own ups and downs owing to its systemic and systematic risks. Regardless of the point that the market did not turn very bright last year. However,

these events pushed the economic decision-makers and capital market petitioners to find a solution and this valuable trend can play the role of a light-house for the following years ahead.

CSDI in 2014 (1393)

CSDI staff members managed to take some useful steps to enhance the level of services for benefactors in order to achieve the corporate slogan, i.e., “developing electronic services and conserving the environment”. Launching some system and developing electronic services for the company benefactors were among the basic services of CSDI in 2014 (1393). The most significant step taken in 2014 (1393) was the thorough preparation of the domestic and novel post-trade system, called Iran Post-trade System (IRPT), for unveiling and the required basic measures for launching it in the current year. In addition to launching IRPT, we have the plan of implementing other important projects such as transferring the post-trade issues of Iran Mercantile Exchange (IME) to CSDI according to the fifth development act of IRI and providing issuers, stockholders, and brokerage firms with express electronic services. Fortunately, IRPT will grant CSDI the infrastructures required for offering these services.

Conclusion

CSDI very optimistically and positively work on providing the Iranian capital market with the infrastructures required for getting internationalized.

Mohammadreza Mohseni

CEO & board member
Central securities depository of Iran





03





CORPORATE GOVERNANCE

CSDI plays one of the most paramount roles in the financial markets. In fact its principal responsibility is to implement the pre and post-trade issues between purchasers and sellers in the capital market. CSDI carries out these duties based upon the rules and regulations passed by the Securities and Exchange Organization of Iran (SEO) and other authorized entities as the supervisory and regulatory body and in the end hands in some periodical reports of its own performance to the SEO.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Ownership Structure of CSDI

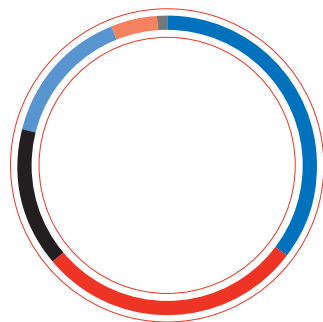
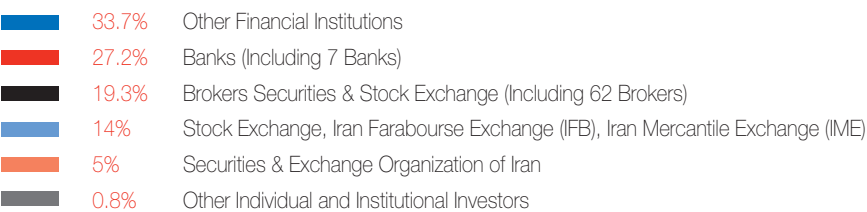
The capital of CSDI is made up of 500 million shares, each valuing 1000 Rials. The share of CSDI belongs to the Securities and Exchange Organization of Iran (SEO), Tehran Stock Exchange (TSE), Iran Mercantile Exchange and Iran Farabourse (IFB), the beneficiaries of CSDI service including brokers, banks, investment companies and etc. This fact is delineated in chart 1.

CSDI Governance Structure

CSDI plays one of the most paramount roles in the financial markets. In fact its principal responsibility is to implement the pre and post-trade issues between purchasers and sellers in the capital market. CSDI carries out these duties based upon the rules and regulations passed by the Securities and Exchange Organization of Iran (SEO) as the supervisory and regulatory body and other authorized entities and in the end hands in some periodical reports of its own performance to the SEO.

General assembly of the company stockholders in unanimity chooses an independent auditor, a legal inspector from the auditing companies reliable to the SEO, a main inspector/auditor and an alternate inspector/auditor to carry out the responsibilities and duties designated in the related regulations and statute of the company for a one-year tenure every year as well so that it can assess its selected members' efficiency in the board of directors. The board of directors forms their own professional and technical committees to meet their own strategic duties.

Chart 1: Combination of Stockholders of CSDI on March 20, 2015



CORPORATE GOVERNANCE—CONTINUED

CSDI Management Structure

The Board of Directors chosen in the stockholders the extraordinary general assembly and by the Securities and Exchange Organization of Iran is in charge of meeting the strategic needs of the company. In their very first working session, these members choose the chief executive officer of the company, who indeed is not the head of the board, as the highest-ranking executive figure of the company for a two-consecutive-year tenure. Through the CEO, the Board of Directors fulfills the efficiency and performance of the company.

Board of Directors Committees

The professional committees formed by the board of directors of CSDI basically try to make technical and professional contributions and facilitation to the services offered by the company to the clients. The board of directors of CSDI has already set up the internal audit committee, which is indeed the most important professional committee of the board of directors. The strategic planning and human resources committees are the ones assisting the board of directors to do their duties professionally based upon the steering document of CSDI and the following chart. The settlement guarantee fund committee is another subsidiary committee of the board of directors in CSDI.

The internal audit committee of CSDI is responsible to supervise the preparation process of financial statements and reports. It is also responsible to review the periodical and final financial statements, the efficiency of internal controlling of financial reports, assess independent auditors' performance, supervise based on the activities of commercial parts with legal requirements and identify the potential risks in the relevant programs of the management and also issuing some commands and rules for covering the weaknesses.

The strategic planning committee is responsible to verify

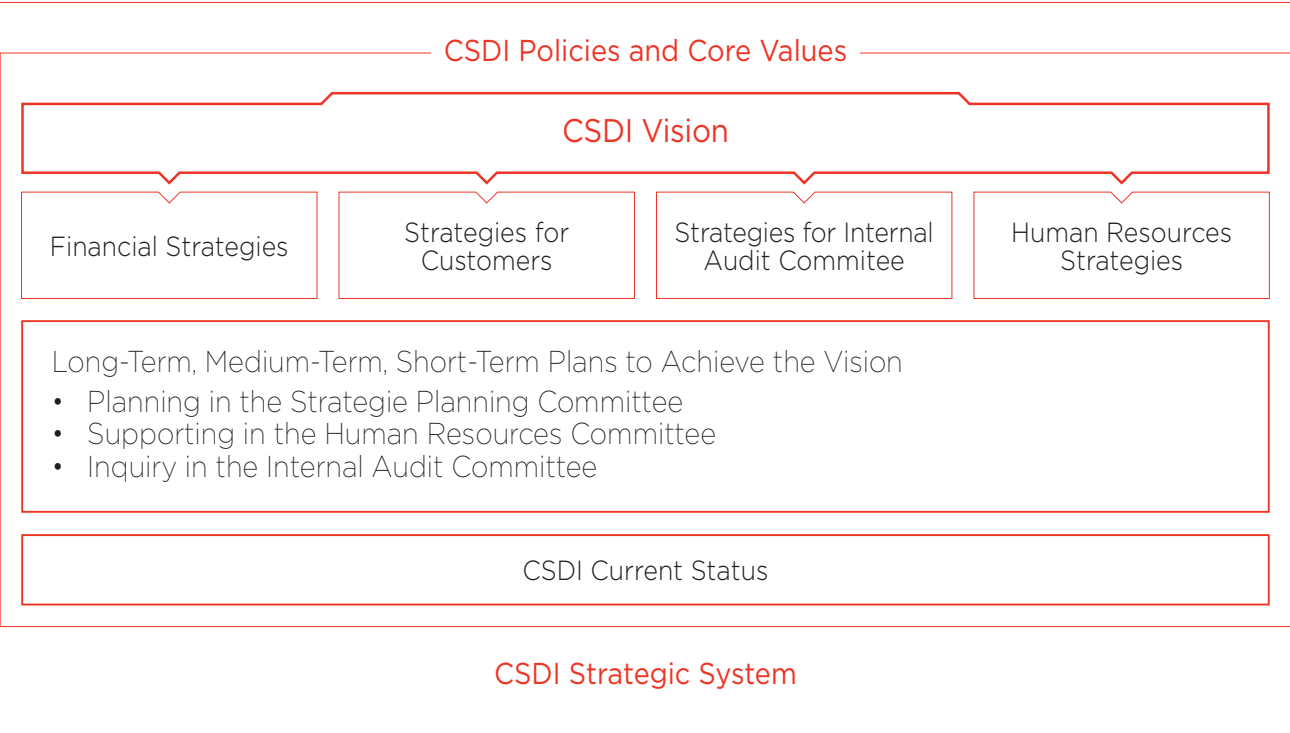
designing long-term and middle-term programs so that the visions of the company are achieved fully.

Human resources committee is responsible to make policies for the strategies related to the human resources of the company.

The settlement guarantee fund is the target of the second article of the instructions of the settlement guarantee fund of Tehran Stock Exchange and IFB. Based on this act, the CEO of CSDI (or his delegate) one member of the board of directors of CSDI and a person on behalf of the members of the settlement guarantee fund (brokers) as the settlement guarantee fund has strategic responsibilities and making important management decisions regarding the performance of the settlement guarantee fund. This committee holds a meeting every three months to reconsider the sources and cooperation shares of the members in the settlement guarantee fund.

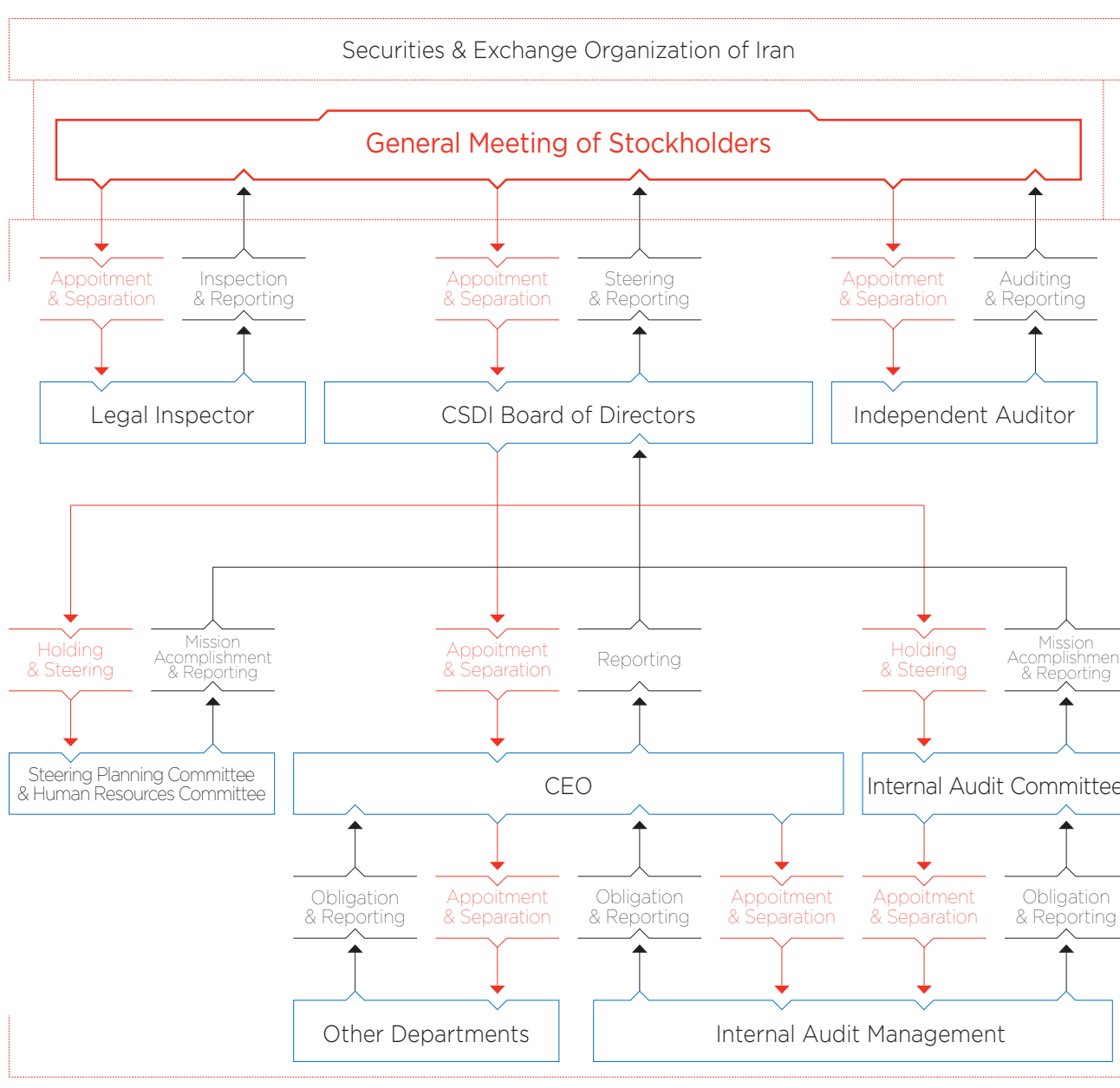
CORPORATE GOVERNANCE—CONTINUED

Figure 3: CSDI Beneficiaries



CORPORATE GOVERNANCE—CONTINUED

Figure 4: Governance and Management Structure of CSDI



04





SIGNIFICANT DEVELOPMENTAL STEPS IN 2014

- Iran's New Post-trade System (IRPT)
- CSDI in Charge of IME Post-trade Issues
- "Mergers and Acquisition: Basics, Approaches and Challenges" Conference in CSDI
- CSDI Business Process Review

SIGNIFICANT DEVELOPMENTAL STEPS IN 2014

SIGNIFICANT DEVELOPMENTAL STEPS IN 2014

Iran's New Post-trade System (IRPT)

CSDI has been working on the designing and development of the novel post-trade system recently. In 2014 (1393) with the collaboration of domestic experts and personnel of the company, the trial version of post-trade system was unveiled. Last year, various sections of this system were tested and the practical components were developed in its varying sections. The decision was made to have more value-added services designed and operated according to the technical capabilities.

CSDI in Charge of IME Post-trade Issues

According to the contents and provisions of the Fifth Plan of Development Bill and following the decree of the SEO former President, Dr. Ali Salehabadi, on August 10th, 2014, the task force of CSDI taking over of the IME post-trade process was formed.

This task force studied the major items and subjects relevant to this project in their meetings and after determining the project framework, its executive plan was ratified on December 1st, 2014 by the two company's CEOs. To sum it up, this taking over is to be finalized in the first quarter of 1394 (2015).

As the first step, on December 11th, 2014, two experts of CSDI were settled at the IME clearing department so as to get hold of the running executive process. And the related processes were extracted and documented by interviewing and asking IME clearing department's experts and the other pertinent departments. Furthermore, the

present relations between the active systems for executive processes were codified. One of the experts of CSDI is now present at the IME clearing department in order to follow executive affairs.

In order to take apt measures in CSDI and prepare the hardware and software infrastructures required for systems taking over and also communicating with agent banks, CSDI demanded an exposure of data on the above-mentioned items since according to the data received, essential actions are underway.

Regarding legal affairs including transferring guarantees and delegate accounts to CSDI as the beneficiary, solutions were reached out during mutual meetings with attendance of two companies' legal experts.

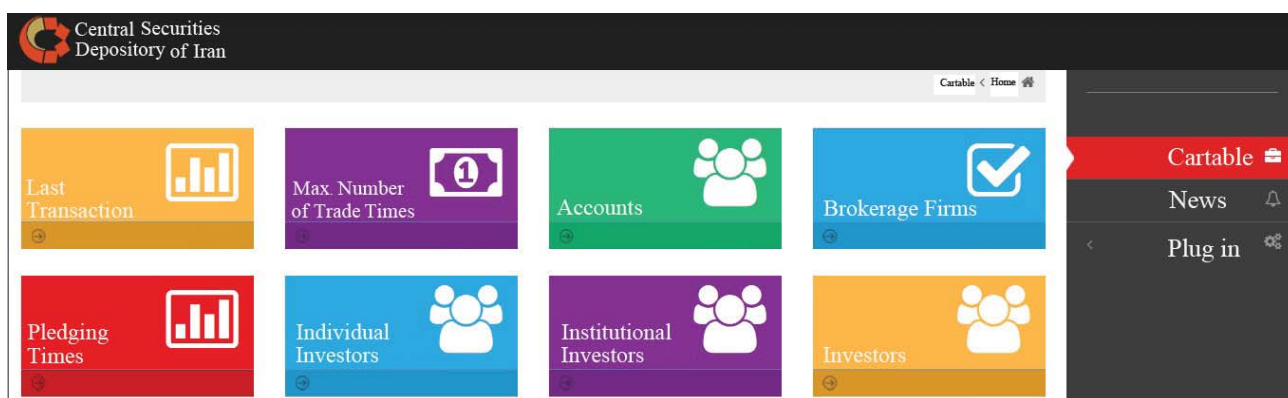
Considering the significance of banks' role in the process of post-trade, a meeting was held at the headquarters of CSDI on March 11, 2015. The delegates of settlement banks related to post-trade process of IME attended the meeting to remove probable hurdles and the bank representatives declared their readiness and willingness to collaborate with CSDI in this regard.

Following up the executive actions in the areas of the system and guarantee transference, legal affairs and collaboration with banks is to be continued till achieving the ideal result.

Developmental Measures in Other Exchanges

In the area of stock exchange in addition to the routine services to the beneficial owners of this market, facilitating

Iran's New Post-Trade Sysstem (IRPT)



SIGNIFICANT DEVELOPMENTAL STEPS IN 2014—CONTINUED

the process of issuing options (at the amount stipulated in the company's business section chart in the field of registration and depository) and entitlement enforcement resulting from it is also considered a developmental action. Also, at Iran Farabourse in addition to routine services, essential actions to issue treasury and intellectual property bonds were accomplished. In the field of Energy Exchange also in addition to essential facilitation and flexibility for guarantees in contract-oriented IPOs, necessary measures for offering electricity plan for large consumers was taken, too.

“Mergers and Acquisition: Basics, Approaches and Challenges” Conference in CSDI

Responsible for pre and post-trade issues of securities and traded commodities in the country's exchanges, and as the central entity in charge of registry and one of the pillars in the capital market, CSDI, along with Iran Financial Center (IFC) held a one-day conference on the phenomenon of mergers and acquisitions and its opportunities and challenges for improving and polishing the vision of Iran economics and capital market's participants, according to their duties and also for demands of the capital market and the economy. In this conference, the attendees tried to argue the existing obstacles and challenges in order to develop this industry with the attendance of clear-sighted experts and participants in the capital market and propounded practical and operating suggestions for the improvement and development of business area pertinent to merging and acquisition by sharing ideas and

professional viewpoints.

Measures and actions relating to this conference held by the Planning and Development Department of CSDI with the collaboration of IFC are as following.

Over 15 papers in various fields such as different approaches and models in the areas of recognition and management of mergers and acquisition risks, legal fundamental of mergers and acquisition, offering experiences and lessons of successful mergers and acquisition in the world, challenges of mergers and acquisition in Iran, functional financial institutional role in the development of mergers and acquisition industry and so on were submitted to the secretariat office of the conference.

On the whole, capital market people and also researchers welcomed the mergers and acquisition conference because of the novelty of the subject in Iran and also CSDI's practical approach in presenting matters. In the end, it was decided that the next conferences and workshops in this field will be followed and held with the professional collaborating and analysis of CSDI.

CSDI Business Process Review

Due to the strategic importance of business processes, CSDI has task forces in place to continuously review business needs in terms of internal processes and internal controls. A process is a collection of events, activities and decisions that collectively lead to an outcome that brings value to an organization's customers.

SIGNIFICANT DEVELOPMENTAL STEPS IN 2014—CONTINUED

As CSDI potentially serves the whole nation in Iran and hopefully foreign nations in the future and is in fact the sole registry body in charge of all the pertinent issues of clearing and settlement in Iran, it actively pursues ways to optimize its service frontiers as well as internal process chains. Besides its own efforts, once in a while the optimization process is being carried out collaboratively with a well-known advisory Iranian company in order to completely get the specialized and most up-to-date viewpoints.

This time, the project has been outsourced to a renowned expert company and some CSDI staff members are assigned to closely cooperate and monitor the progress of the project in order that, while ensuring the success

of the business processes improvement, internal controls are implemented by means of accurate and detailed written procedures for each activity! The Commodity Exchange Project Post Trade Department along with the Shareholders Relations Department is in fact handling this reviewing process.

Research Projects in 2014

1	The Sixth Plan of Development Bill	Analytical Reports Set	SEO, Ministry of Economic Affairs and Finance	
2	The Membership of Banks in Clearing House	Developing Report	Department of Clearing and Settlement	
3	SPS2F (\$2F) a Simulator for a Novel Approach on Single Stock Futures Margin Calculation in Iran Capital Market	Scientific Paper	Risk and Finance Engineering Conference	Recognized as one of the 12 Prominent Papers Among 115 Papers
4	Offering a Model for Covering Currency Cross Risk Using Future Contract of Golden Coin	Scientific Paper	Risk and Finance Engineering Conference	Recognized as one of the 12 Prominent Papers Among 115 Papers
5	Share Certificate	Developing Report	Stock and Farabourse Issuers	Three Editions of This Report Were Prepared and Published
6	DVP	Developing Report	Clearing and settlement Department	
7	The Road Map of South Korean Financial Industry over the Recent Decade	Comparative Study	Entire Departments, SEO	
8	Corporate Governance and the Issue of Transparency of Vision to the Role of CSDI	Scientific Lecture	Accounting Day Ceremony – Alzahra university	
9	CSDI in the Vision of the Sixth Plan of Development	Journal Article	Bourse Magazine	
10	The Connection Between CSDI and Issuers	Developing Report	Issuers Affairs Department	

SIGNIFICANT DEVELOPMENTAL STEPS IN 2014—CONTINUED

On Job Training Courses

The following are a selection of many courses have been held in order to increase the corporate knowledge and efficiency of personnel, in 2014:

1	Professional Ethics
2	CSDI's Electronic Services
3	Theoretical Foundation of Sukuk
4	Practical Study of Sukuk in Iran's Capital Market
5	Technical Session of Dematerialization Approach
6	Capital Market Laws (Penalties and Punishments in Iran's Capital Market)
7	Capital Market Laws (Violations, Discords, and the Procedure for Dealing with Them in Iran's Capital Market)
8	Clients' Satisfaction
9	"Evaluation of Intellectual Properties" Meeting
10	A Lecture about "Islamic Asset Management Corporations"
11	Intelligence of Data Analysis and Commerce
12	Introduction to Various Software and Systems Relating to CSDI's Field of Action
13	Infrastructures of CSDI's Distant Services

05





FUTURE DEVELOPMENTAL PROGRAMS

- Iran Post-trade System (IRPT) Launching
- CSDI Overtaking Post-trade Issues of IME
- Justice Share or Mass Privatization Project

FUTURE DEVELOPMENTAL PROGRAMS

Iran Post-trade System (IRPT) Launching

In regard to CSDI business, registry system is of the utmost significance owing to the high volume and vast range of shareholders' data, companies, transactions, brokers and in general maintaining status and statement of the capital market, and as a result, designing and implementing the new post-trade system was on the working agenda of CSDI. CSDI has followed the new post-trade system implementation in two steps whose first one is the comprehensive multi currencies clearing and settlement system named Netclear implemented in 1390 (2011) and has routinely been used by brokers and pillars of the capital market since then. And the second step is the new registry system, named Iran Post-trade System (IRPT), which was unveiled on October 26, 2014 and has been being utilized in its trial version since then. The other users of this system such as issuers, regional exchanges, executive directors of exchanges etc also passed tutorial and using stages over the appointed time table till the end of 1393 (2014).

The elements taken into account in the design and need analysis of IRPT have been its different designing based on the discovery and correction of previous post-trade system pitfalls, IBM AS400. The pitfalls have been overcome by using valuable experiences. So in this system we have not tried to carry out the project based on the current logic as it is. Therefore existing architecture and frameworks have totally changed and improved and consequently a wide range of facilities are available in IRPT. The new system is based on cloud computing which in fact provides the basics of linking to other systems and upgrading the current communicative models.

Prominent Features

Designing based on the modern knowledge and demand is the two prominent features of IRPT. Concerning the specialization of various sections of Iran capital market including pre-trade, trade and post-trade processes,

designing and implementing a post-trade system for Iran capital market, in order to respond properly to market's needs, was always on our agenda. This system which is completely based on updated standards of the world has been designed and implemented by CSDI technical team tailor-made not only for the Iranian capital market but also for other foreign capital markets.

Full Hybrid Registry Model

Asset registry in the full hybrid model has been made dramatic changes in the registry system benefiting for brokers and customers. The current registry model in post-trade system is semi-hybrid which works in fully hybrid mode as a result of providing appropriate basics of communication with the trading engine. The supervisory broker logic has been implemented and used in the recent years. In the new post-trade system, the share selling operation is done much easier than before and each broker as the agent broker is able to sell the number of shares bought for the shareholder in the past. On the other hand, the brokers' credit risk is limited to the number of shares bought for each shareholder and they are able to achieve new models of interaction with customers in terms of their payment at their discretion and this mechanism of asset registry makes asset aggregation possible. This signifies that if a customer wants to grant the control of all his asset to a broker, he can refer to a broker and give his request in and the broker registers the request of asset aggregation into the system. With this request registration, the system sends all the brokers which have positive share remain of this customer and inquires about the asset aggregation permission. With brokers' permission, the customer's asset is put under the control of a specified broker entirely. In regard to the importance of changing registry model to the complete hybrid topic, needed instructions and rules of this area are totally being revised and modified according to new changes.

FUTURE DEVELOPMENTAL PROGRAMS—CONTINUED

Interaction Standardizing

Communication with other systems of the capital market is a necessity which is obvious for all. Technical infrastructure of the capital market and multiplicity of systems being used creates the need of a post-trade system which is able to communicate with the other systems in the standard protocols. In the new system there is no limitation relating to connection with other systems and CSDI will offer the new value-added services to the participants in the capital market. The new system supports FIX standard, web service and ISO20022 and more than 130 standard messages. These standards are very important especially in terms of the appropriate basics of capital market connections.

Shareholding Account Structure Change

Data integration into shareholding account structure helps reporting and managing to be easier. In the previous system, pledged share asset, blocked shares, endowed share etc are kept in separate shareholding accounts whose reporting was not easy. In the new system, a shareholder's asset and keeping data relating to the numbers of tradable shares, pledged, blocked shares are integrated by which reporting gets more facile and portfolio management for shareholders and other pillars in regard to the definition of sub-account. On the other hand, support for unlimited shares for one shareholder is possible in this system. In the old system, there was a limitation in share number registry for a shareholder created by the issue of overflow and registry and asset maintenance in the new shareholding account and this issue was managed hard with complexity in creating multiple codes. In the new post trade system, the overflow issue has been completely solved and there is no limitation in the share number. The change in shareholding account structure has been made in order to promote new facilities for the system. The new account structure smartly has data on letter section of the account and it is always possible to change old accounts to

the new ones through a certain procedure. So shareholders and brokers will have no concern about the transaction account change.

Supporting a High Number of Shareholders

By finalization of some plans such as Justice Share (Mass Privatization) and entrance of 45 million people to the capital market, certain infrastructures should be prepared and offering services to this number of stockholders through the old system was not possible. So in the new system special capabilities have been designed and implemented based on different functional logic for registering Justice Share issues. Justice Share project needs other basic matters which are not mentioned here. In this system, a special engine for the interaction with National Organization for Civil Registration named People Registration Engine (PRE) has been designed and implemented as the messages at high volume and without limitation in the number are exchanged and archived in a way that the next access to individuals' identification information is done faster and without re-asking National Organization for Civil Registration in case of having a special situation. Some benefits of this system are concentrating the inquiries from National Organization for Civil Registration (NOCR) and increasing the speed of transaction account creation in the distributed form and also integrating the inquiry action for all services and CSDI's business programs along with concentrated monitoring on inquiries.

Electronic Dashboards

The first part drawing the attention of any user after entering the system is varying electronic dashboards installed on each panel. Dashboard is almost an ability that each manager or expert needs to control the operation in the area of his management. As an instance, in the field of issuer's tasks the number of created accounts in group, the number of pledged shares in group, the number

FUTURE DEVELOPMENTAL PROGRAMS—CONTINUED

of exchanges accounts which have been registered in the system, and actions like this as the components of reporting in the dashboard part, are reported every moment to the manager. The new post-trade system also has this ability to design the specific dashboard for each group according to its need and type of functional sensitivity and informs the senior managers of operation in that collection through graphical charts, comparative reports etc. all risk management scenarios and reporting are able to be designed and implemented through the system dashboards. Actually, modules relating to report and dashboard are desirably related to risk management and operating control.

Dynamic Interface

The result of an opinion poll of the users in the post-trade field shows that just 10 percent of applications result in a change in logic and main cores structure system so 90 percent of needs are related to the type, format and the structure of application reports on the post-trade system. One of the designers' innovations is the implementation of the interface production engine, under the title of SUIP. With this engine, any user of the system without any knowledge of IT can paint his request through graphical charts and the system produces a report and prepares it as an option to be used. So any user can design his interface according to his need and target use by himself and without any referring or making application to CSDI.

Safe Connection

Designing and implementation of live operating system with solid architecture named SANAX is one of the innovations considered for simple and secure connection of the post-trade system on the user stations. All the users can connect to the post-trade system with no need for any certain adjustment and just by putting the CD related to this operating system and restarting the device. This method of connection makes the troubleshooting and supporting much easier and safer. One of the most important features of a successful designing is being safe as it operates independently from its subsidiaries and in a controlled way and all the transactions should be registered and also be recoverable. In this design, definition and determination of the access level among various layers is accurately done and there are independent security layers at interface levels, data base, exchange messages and clients. All security measures and essential standards in designing and implementation of the new post-trade system have been taken and designers have properly used their successful certificates in passive defense in this system as well.

Supporting Value-Added Services

Actually the new system provides the basics for offering a wide range of value added services to the shareholders, brokers' issuers including mobile services to the shareholders, algorithmic trades, comprehensive system of client information named IR2A and specific system for issuers. In fact, CSDI's new post-trade system will be an appropriate platform to promote Iran capital market in all the aspects.

CSDI Overtaking Post-trade Issues of IME

Concerning the Fifth Plan of Development Bill and holding various meetings between the two companies' board of directors about shifting IME's post-trade as soon as possible, IME's post-trade is to be shifted to CSDI in the following year. In this regard, a complete study has been carried out and the task force of the CSDI has settled in the IME's post-trade office.

FUTURE DEVELOPMENTAL PROGRAMS—CONTINUED

Smart Management System of Documents and iDMS

Although with the new approach, a wide range of actions in the capital market have tend to be dematerialized, some documents such as the scan of the first page of identification card and national card, letter of attorney and financial documents are not completely omitted and just their bureaucracy is eliminated from executive and administrative procedures. So the need to validation, electronic archive and loaded documents classification has increased along with electronic system development. In fact, by the presence of electronic systems and allocation of uploading option of the documents by clients resulting in a decrease in need for personal reference and faster start of work process after the reception of approved documents ending in a decrease in document reception time, this method will be even much faster and more efficient than the models for registering from distant places and receiving documents.

Prominent Feature

This system compares the uploaded scanned documents with their verified patterns through the advanced image processing algorithm and the image resemblance recognition, and informs the user about their validity. Pattern definition, working process for verifying the documents and following the process have been dynamically implemented in this system along with displaying and controlling the users at each business stage and layer. This system is capable to be integrated with the other systems which need uploading and verifying the documents. For instance, this system is able to be implemented and upgraded as an attachment in IR2A and other processes such as verifying power of attorney, and PCOR system and some parts of IRPT.

Justice Share or Mass Privatization Project

Justice Share or Mass Privatization is a sort of subsidy granted to the people qualified for it. The principal criterion for granting Justice Share is the financial status of the people. The main objective of this project is to extend the role of cooperation in the economy of Iran. Based on this project, some parts of the shares of the state enterprises are divested to the less wealthy classes in society with subsidy provided by the government. The goal of the distribution of Justice Share is to optimize the income distribution in Iran and the cooperation of all the citizens in the economic issues of Iran. This project will eventually contribute to the efficient economic equilibrium in the dominant economy. The following is a brief summary on the goals of Justice Share:

- A balanced distribution of wealth and income in the country
- A dramatic increase in the wealth of families and also creating a permanent income for them
- Facilitation of privatization via the extensive divestiture of the shares of the state enterprises
- A more transparent and fair method for the divestiture of the shares of state enterprises
- Encouraging families to save up and invest for a better income in families
- A decrease in the role of the government and an increase in the role of the private sector
- Upgrading the efficiency of economic enterprises
- An increase in the competitiveness in the national economy and boosting it
- Improving the public level of employment
- Enhancing the efficiency of the government in terms of governmental duties

FUTURE DEVELOPMENTAL PROGRAMS—CONTINUED

The Qualified for *Justice Share*

In Iran, basically the people are ratified into ten classes; each class making up of 10% of society. These classes are ranked from the underprivileged to the rich.

The classes qualified for Justice Share include 6 classes of the population of the country such as the people under charities, physically and mentally retarded people, nomads and villagers, the employees in the state enterprises, and pensioners, the female breadwinners, and so on.

PCOR (Partition Custody Ordering and Registry)

The project of Justice Share for the secondary transaction in the capital market requires the necessary steps and financial and technical tools. These tools can come into practice by the active role of CSDI as the sole registry office and the data analyzer.

The geographical vastness in Iran and the high number of the people qualified for Justice Share may pose some difficulty for this project. This problem can undeniably be addressed by propagating the required channels of services throughout the country, for instance, provincial justice cooperative offices, E-offices present in all parts of Iran, notary public offices, rural ICT offices and so on.

In the primary analysis, it is tangibly understood that registering all the data of the shareholders in question in the post-trade system is not mandatory and as a result a new system should be designed from scratch. It can be mentioned that the registry system allotted to Justice Share named “P-COR” (Partition Custody Ordering and Registry) was designed by CSDI’s IT team for this purpose. This system has many things in common with the post-trade system and is more diversified and extensive in several aspects since in addition to the registry management of 45 million shareholders, it should enjoy the numerous capabilities such as the option for receiving the request for selling and buying and granting the access to the role-players and beneficiaries. Therefore, the proposed

system, namely PCOR, in addition to being a registry system is also a system capable of receiving orders. This system should be capable of meeting all the beneficiaries’ requirements in the section where the clients and users are connected to the system. The orders for selling are received via the system with a broker’s code and then are offered in the market.

The overall schema of this system entails the following components:

- Custody Engine
- Post-trade System
- Transaction Engine
- Net-clear
- Out of Band Data Disseminator

The registry of data in PCOR is carried out by the use of the data present in Justice Share based on the national ID.

The Current Situation

There are a group of investment banks in charge of market-making of Justice Share in Iran’s capital market. In fact, Iran’s Parliament has passed some laws and regulations to prevent the problem of the formation of trusts in the areas related to Justice Share, since Justice Share covers a very huge number of shares and it is susceptible to the formation of trusts from either side. In the current status, thirty provincial justice firms have already been formed and they are in charge of portfolio activity. The plan of forming a unified investment fund by thirty firms has already been enacted; this fund is actually an ETF. Simply put, these thirty firms are merged into one unified fund so that they boost the exchangeability in the market. This fact can eliminate the price variations more efficaciously.

FUTURE DEVELOPMENTAL PROGRAMS—CONTINUED

Other Developmental Programs

- Collaborating with Iranian Mercantile Exchange in offering post-trade services through the plan “commodity depository certificate trades”.
- Providing the fundamental of holding companies’ meetings and voting electronically (e-voting).
- The completion of researches and feasibility studies about:
 - a. Implementation of DVP and change the clearing house to CCP
 - b. Performing risk management plans (CPSS-IOSCO)
 - c. Following putting into action and inaugurating investment protection fund (IPF)
 - d. Development of electronic offices of CSDI (in terms of the number of available services and brokers’ offices.
 - e. Reinforcement of company’s website in order to conversion into the data reference in the field of market’s registry information.
 - f. Inauguration of CSDI’s cell phone apps
 - g. Regulations assessment of total administrative and financial affairs of the company.
 - h. Improvement of corporate process bimonthly with CEO’s choice.
 - i. Inaugurating declaration system of shareholders’ credits from issuers.

06





SUPPORTING BUSINESS

Our technical and human assets show who we are, and our output shed light on it.

SUPPORTING BUSINESS

SUPPORTING BUSINESS

Information Technology Services

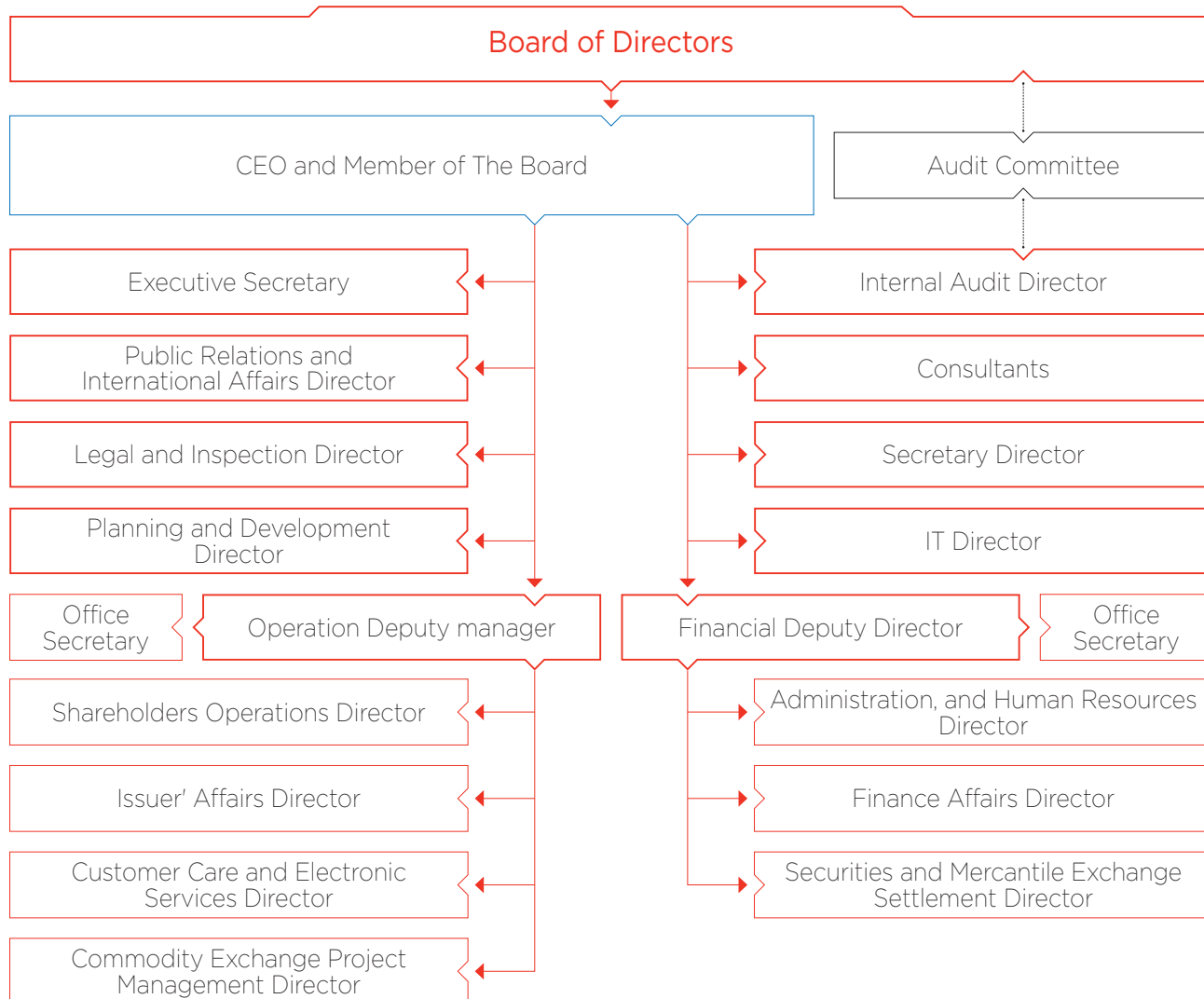
Processing a large number of transactions in relation to registering and depositing securities, clearing and settling and necessarily staying in touch with an enormous number of people including investors, publishers, brokers, regulatory bodies, markets, and so on, CSDI has adopted a new mechanized outlook and even dematerialized and non-personal process in providing services. Right now the system and infra-system below are being launched in CSDI.

1	NetClear Suite	NetClear	Rule-based clearing, settlement and reporting system for TSE and OTC Trades	Clearing House and its participants, Pillars
		Multi Currency NetClear	Multi – currency Clearing and Settlement solution	Clearing House and its participants
		IreMcNc Rolling	Net-Clear based clearing system with Rolling features for TSE, IFB and IRENEX trades	Clearing House and its participants
		Gross Net Rolling Clear	Net-Clear based clearing system that can settle both DVP1 and DVP2 at the same time for TSE, IFB and IRENEX	Clearing House and its participants
		Cert Reporter	Electronic based certificate distributor	Issuers
		Broker Reporter	Online declaration and trades' certificate distributor	Brokers
		Cert Distro	Online certificate distributor	Shareholders
2	SGF	-	Settlement guarantee fund for estimating participant's cooperation share and default penalties	Clearing House and its participants
3	ISS	-	A system for dividend payments	Issuers, Brokers and shareholders
4	IGS, IPS	-	Internet-based Information gathering system and information portfolio system	shareholders
5	FPTS	-	Futures post-trade system and performing operations related to the delivery of single share futures contract	Clearing House and transference
6	Irenex Family	Irenex	Iran Energy Exchange (IRENEX)	Clearing House and its participants, pillars, IGMC
		Regex	Specially designed registry for energy post-trade of energy exchange	Clearing House and its participants, pillars, IGMC
7	IR2A	-	Incremental risk reduction and awareness system	Shareholders
8	CSDIData	-	Online data disseminator	Brokers
9	CDS	-	Corporate data gateway as a tool for unifying formats in communication with stakeholders	Issuers
10	MFR	-	Mutual Fund registry system which will be synchronized with post-trade system through UUID (Universal Unique Identifier)	Shareholders, Investment companies, pillars
11	IRPT	-	Post-trade hybrid system	Brokers, Shareholders, Issuers, Pillars, CSDI
12	iDMS	-	Smart document management system	Brokers, Shareholders, CSDI
13	IBM Registry System	-	Securities registry, depository and transaction code issuance is done in this system and provides the other systems, data	All markets' people and the other systems.

SUPPORTING BUSINESS—CONTINUED

CSDI Human Resources

There are approximately 170 staff members working in CSDI. Among the staff members, over forty people are postgraduates, and the rest are graduates. Almost 35 people in CSDI are working in the technical field developing more technically modern products. All the staff members in CSDI believe in work ethic and work hand in hand to ameliorate the status quo of CSDI both nationwide and worldwide. The following chart sheds light on this fact.

Figure 5: CSDI Organizational Chart

07

CENTRAL SECURITIES
DEPOSITORY OF IRAN





INTERNATIONAL EVENTS

The world is the destination. We plan to achieve the world.

INTERNATIONAL EVENTS

INTERNATIONAL EVENTS

International Relations

Concerning the determinant role of CSDs in connecting capital markets universally, CSDI has commenced plenty of fruitful collaborations with foreign organizations by being affiliated to international associations and signing MoUs with its own counterparts in other countries.

Memorandum of Understanding

Aiming at information exchange, technical knowledge, and experts, CSDI has already signed MOUs with:

1. Takas Bank of Turkey,
2. Central Registry Agency (MKK) of Turkey,
3. Korea Securities Depository (KSD),
4. KSEI and KPEI of Indonesia,
5. Muscat Clearing & Depository (MCD),
6. National Clearing Company of Pakistan Limited (NCCPL),
7. Central Depository Company of Pakistan Limited (CDCPL),
8. China Securities Depository and Clearing Corporation Limited (CSDC)

Membership in International Groups

CSDI is already a member of four international organizations:

Asia- Pacific Central Securities Depository Group	ACG	Asia-Pacific Central Securities Depository Group	Member
Interchange Electronic Union	IEU	Union of legal entities of exchange structures which acting in a virtual electronic field	Member
Federation of Euro – Asia Stock Exchange	FEAS	Group of stock exchanges and dependent institutions in Asia and East Europe	Associate Member
Organization of Islamic Cooperation	OIC	Organization of Islamic cooperation member states' stock Exchanges forum	Member

INTERNATIONAL EVENTS—CONTINUED

**CSDI and NCCPL**

An MOU was signed between CSDI and National Clearing Company of Pakistan Limited (NCCPL). Actually, this MoU is a new turning point between the cooperative horizons of both companies as one of the members of NCCPL told us: "Signing of MOU is a great success and both the organizations will support each other to drive true benefits of the same".

**CSDI and MCD**

The General Manager, Mr. Abdulla Al Nabhani, and the operation manager, Mr. Mohamed Al Hassan Dhiyab, and the capital marketer advisor, Mr. Irfan Ahmad, of Muscat Clearing and Depository had a two-day trip to Iran and to Central Securities Depository of Iran (CSDI) for signing an MOU with CSDI and also discussing some significant matters pertinent to both companies. In the end, CSDI signed an MOU with MCD in CSDI headquarters. Following the content of the MOU, both parties signed significant minutes so that they could turn the MOU articles into practice.

INTERNATIONAL EVENTS—CONTINUED



CSDI and CSDC

CSDI's President and CEO, Mr. Hamed Soltaninejad, accompanied by two of the senior figures of CSDI, that is to say, Dr. Hossein Mohammadi, the CEO Senior Consultant and Mr. Bahador Bijani, the CEO Consultant, had a business trip to China to sign a bilateral MOU with China Securities Depository Clearing Corporation Limited (CSDC). These two companies decided to sign a bilateral MOU so that they could work together on the areas of mutual interest. In this MOU, some future common projects are intimated and in the days coming they will begin their joint activities including connecting the two countries, stock markets and preparing the required infrastructures for the foreign investors of the countries. As the first practical stage, CSDI will host the first joint workshop in Iran so that the people of the companies will be able to reach highly important topics for their future projects.



ACG 16th Cross-Training Seminar

The ACG Cross Training Seminar is a conference hosted by an ACG Member which is basically planned and managed by the host Member and Task Forces.

The event has been held annually for 16 consecutive years since 1999, for the purpose of facilitating exchange of information among working level attendees of ACG member institutions. The 16th Seminar was hosted by Central Securities Depository of Iran (CSDI).

In a two-day conference, the host and the Task Forces had the sessions. This time, Risk & Recovery Management Task Force joined newly as the fifth Task Force. In addition, non-ACG members including custodians were officially invited to the seminar for the first time.

New Task Force, new members and wide variety of topics activated the Seminar more and more. In this seminar, there were over 60 attendees from almost 17 countries. The attendees in these two days had numerous programs varying from diverse presentations, panel discussions, breakout sessions, and cultural and sports programs. On behalf of CSDI, there were four presentations and the CSDI delegates were also present in the breakout sessions.

INTERNATIONAL EVENTS—CONTINUED

KSD and CSDI Joint Workshops

Following the articles of the MOU signed between CSDI and KSD, a group of CSDI directors had a visit to Korea in order to participate in the first joint workshop arranged and held by KSD. This workshop was held from April 15th till 18th 2014 and it basically covered Corporate Actions Processing, Securities Deposit, Securities Settlement, Investment Fund Settlement (FundNet), Information Management, Collateral Management (SLB, Repo) and Cross-Border Services.

CSDI and KSD had their second joint workshop in the headquarters of CSDI from September 13th to 15th 2015. CSDI in fact organized this workshop during which CSDI team had six presentations and two presentations were made by the KSD team. The areas touched upon over this workshop were mainly on the main functions and business of CSDI and its prospective cooperative horizon with KSD. To name but a few of the presentations, we can refer to “Iran’s Energy Exchange”, “CSDI Risk Management Profile”, “Net-clear System: Model and Business”, “CSDI Corporate Action”, “Legal Infrastructure of Iran”, “KSD and CSDI: Mutual Cooperation” by CSDI team and “KSD’s Securities Lending and Borrowing and Fund Net” by KSD team.

On the afternoon of the first day of the workshop, the Chairman of KSD, Dr. Jaehoon Yoo, delivered a comprehensive lecture with the topic of “Korea’s Model for the Development of Capital Market” in CSDI headquarters. The lecture was attended by some top-figures of Iran’s capital market.

In addition, there were plenty of programs on the sidelines

of this workshop. The former President of Iran’s Securities and Exchange Organization (SEO), Dr. Ali Salehabadi, and the Ambassador of The Republic of Korea in Tehran, Mr. Song, Woong-Yeob, were invited to a dinner session organized by CSDI. At this dinner session, both Korean and Iranian attendees came to fruitful conclusions regarding their mutual cooperation.

The President and CEO of CSDI, Mr. Soltaninejad, and Dr. Jaehoon Yoo paid some visits to some significant organizations such as Iran National Development Fund and Social Securities Investment Company, Tehran Stock Exchange (TSE), Iran Farabourse, and Iran Mercantile Exchange (IME) to further.

INTERNATIONAL EVENTS—CONTINUED



CSDI and KPEI, KSEI, and Sigma Joint Workshop

CSDI signed an MOU with PT Kliring Penjaminan Efek Indonesia (KPEI) in 2013 and as a result, sixteen delegates, including the commissioners, senior directors and staff members, from three companies from Indonesia named KPEI, KSEI, and Sigma had a visit to Tehran and specifically to CSDI so as to take part in the first joint workshop organized by CSDI.

During this two-day workshop, the CSDI team had several presentations for the Indonesian attendees. In the end, both parties decided to have some joint ventures and more joint workshops on the contents of their collaborative projects.



First Joint Workshop between CSDI and MCD

Following the minutes of the bilateral MOU signed between CSDI and Muscat Clearing Depository (MCD) in May 2014, MCD hosted and organized the first joint workshop in Muscat from February 24th to February 26th, 2015. One of the major elements highlighted in the bilateral MOU was the exchange of information and sharing knowledge between the parties, as a result, MCD and CSDI came to the decision to have the first joint workshop in Muscat. Over the workshop, the delegates from MCD had four presentations on the principal business and system functions of the company and the delegates from CSDI had two presentations on one of the most significant ongoing businesses and also on one of the future programs of the company. On behalf of CSDI, Mr. Hamed Soltaninejad, Dr. Hossein Mohammadi, and Mr. Bahador Bijani attended this workshop.

On the sidelines of this workshop, MCD organized some meetings with the high-ranking figures of Omani capital market. The representatives from CSDI had two meetings with Mr. H.E. Abdullah bin Salim Al Salmi, the President of the Capital Market Authority Sultanate of Oman, and Director General of Muscat Securities Market, Mr. Ahmed Bin Saleh Al-Marhoon. In these meetings, the attendees had some discussions on the mutual collaboration of the Iranian capital market and the Omani capital market.

At the end of the workshop, in addition to some agreements on some future mutual projects, both parties concurred to have their second joint workshop in Iran hosted by CSDI.

INTERNATIONAL EVENTS—CONTINUED



Attendance of CSDI's Team at ACG 18th General Meeting

CSDI's team including Dr. Hossein Mohammadi, CSDI CEO Senior consultant, and Mr. Bahador Bijani, CEO's consultant, headed by CSDI's CEO, Mr. Hamed Soltaninejad, attended ACG 18th General Meeting in Xian, China. During this event, apart from the prescheduled programs, CSDI's team had some meetings with their foreign counterparts attending ACG 18th General Meeting. In these meetings, the topics of mutual cooperation, cementing bilateral relationships, and potential future programs were probed into at the meetings in Xian.

CSDI's Meeting with Central Depository and Clearing Company (SKDD) in Zagreb

CSDI's delegations had a meeting with the high-ranking managers of Central Depository and Clearing Company (SKDD) of Croatia in Zagreb on November 20th in the headquarters of SKDD. The attendees from CSDI included Dr. Ibrahim Enayat, Vice- President of the Board of Directors of CSDI, Dr. Hossein Mohammadi, CSDI CEO Senior Consultant, and Mr. Bahador Bijani, CSDI CEO Consultant. Ms. Vesna Zivkovic, President of the Management Board, Mr. Stjepko Cicak, Member of the Management Board, Ms. Tina Ugljestic, Managing Director of the Securities Operations Department, and Mr. Ivan Sobin, Managing Director of the Legal Department attended the meeting on behalf of SKDD.

INTERNATIONAL EVENTS—CONTINUED



Incentage Delegates in CSDI

Incentage CEO, Mr. Huber, and Mr. Majid Jalilzadeh, Incentage Iran Business Development Manager, attended CSDI headquarters for having bilateral and mutual negotiations and meetings with CSDI CEO, Mr. Hamed Soltaninejad, CSDI CEO Senior Consultant, Dr. Hossein Mohammadi, and some other top managers. During these two days, there were some presentations made by both Incentage and CSDI.



CSDI Team at FEAS 20th Annual Meeting

Federation of Euro-Asian Stock Exchange (FEAS) 20th Annual Meeting was held on November 20-19th in Zagreb, which was hosted by Zagreb Stock Exchange. On behalf of CSDI, Dr. Ibrahim Enayat, Vice-President of the Board of Directors of CSDI, Dr. Hossein Mohammadi, CSDI CEO Senior Consultant, and Mr. Bahador Bijani, CSDI CEO Consultant took an active part in this event. At this meeting, new management and executive board members were elected by the members of FEAS.

INTERNATIONAL EVENTS—CONTINUED

**Norwegian Ambassador**

The Ambassador of Norway in Iran, Ms. Aus Lise Norheim and the first secretary, Mr. Thomas Bruusgard Hogseth, attended CSDI headquarters so as to have bilateral mutual negotiations and meeting with CSDI President and CEO, Mr. Hamed Soltaninejad, and some other high-ranking directors. During a six-hour talk accompanied by lunch, the common grounds in two countries' stock markets, practical ways to future cooperation, and alike were discussed.

In the end, it was decided by the parties to hold more meetings to talk about more practical stages of mutual cooperation.

08





BUSINESS REVIEW

Getting the most valuable things is important but maintaining it is in a safe place is more important. We safeguard your precious things.

BUSINESS OVERVIEW

BUSINESS OVERVIEW

CSDI in Charge of the Markets

CSDI in fact provides different post-trade services for all the exchanges in Iran including Tehran Stock Exchange (TSE), Iran farabourse (IFB), Iran Energy Exchange (IEE), and Iran Mercantile Exchange (IME).

CSDI Activities

The activities of CSDI are generally divided into the following areas. All these activities can be summarized as following:

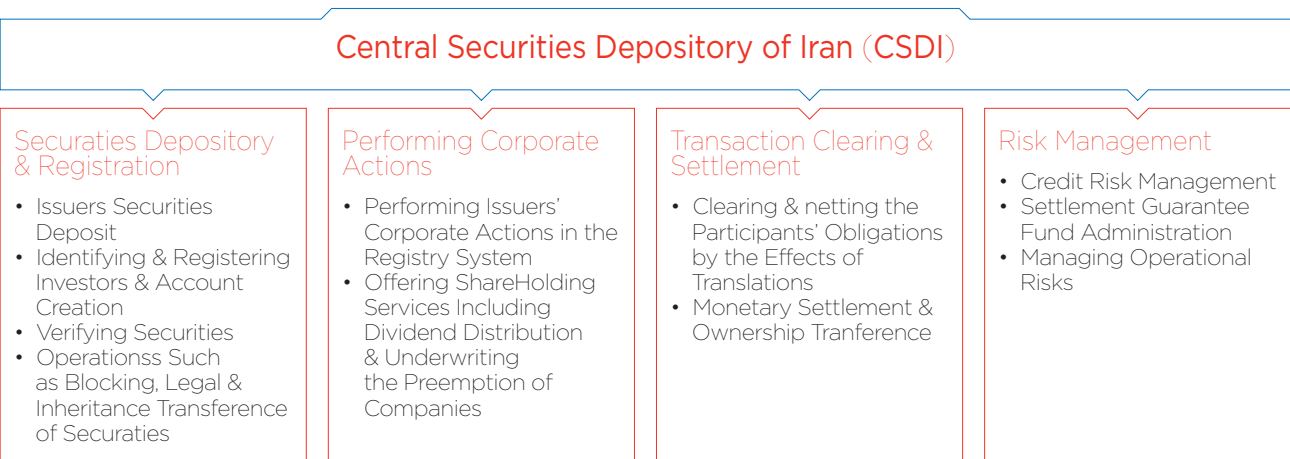
- 1. Registering the securities and asset-based contracts and also commodities and energy products
- 2. Verifying depositions and safekeeping all the securities and financial assets
- 3. Operations such as blocking, legal and inheritance

- transference of securities
- 4. Clearing and settling all the transactions in different markets
- 5. Performing corporate actions
- 6. Managing all the risk exposures, esp. settlement and operational
- 7. Providing various value-added services
- 8. Reporting as a golden source of data

Figure 1: CSDI in Charge of the Markets



Figure 2: CSDI Activities



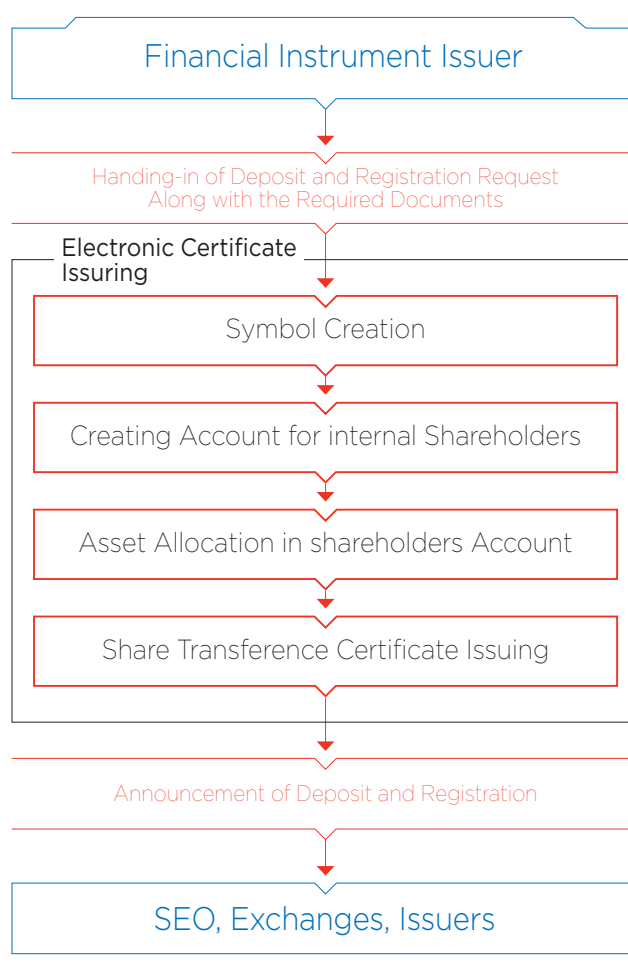
BUSINESS OVERVIEW—CONTINUED

Depository and Registering Securities

One of the responsibilities of CSDI is the deposition of financial instruments and registering the IDs of the owners of these papers. To become tradable in pertinent markets, the instruments getting the trading permits in financial markets under cover along with their owners must be registered in CSDI so that CSDI can carry out some issues such as settling trades and other transferences and also issuing “License of Transferring (deposit) Shares” in its electronic offices widespread in the entire country. Therefore, some issues including increasing the capital of companies, allocating ownership accounts and shares to people, preparing reports from symbols, ownership accounts, an on-line connection with markets and giving reports to relevant organizations are devolved upon the depositor.

The process of the depository and registry of the securities in CSDI can be explicated as following:

- After the deposition of securities in CSDI, they get tradable in the accepted market.
- CSDI is responsible for the bureaucratic process via the deposition of securities.
- CSDI enjoys the structure of a direct and hybrid safeguard of securities.
- By direct safeguard, it is meant that CSDI is responsible for identifying the natural people or legal entities.
- The accounts of the natural people are created mechanically via the system of entering clients' data by brokers.
- In terms of the natural clients, their birth certificate and national card data are verified through the electronic connection with the registry system.
- The hybrid model signifies that each ownership account must have a broker supervising the client's possession.
- The supervising broker is basically the same broker purchasing securities. Allocating a supervising broker to the market participants can make them work more easily and transparently.
- The accounts of natural people, foreign investors, dedicated accounts, and so on after a detailed consideration are issued in CSDI in a non-mechanized way.
- Getting the ownership status and account state of each account is possible through the Internet or in person.

Figure 3: Deposit and Registration in CSDI

BUSINESS OVERVIEW—CONTINUED

Depositing Securities in CSDI

As mentioned before, securities get tradable in the exchanges just after the deposit of securities in CSDI. The statistics of the registered securities in CSDI are as following:

	Market	Item	Kind	Symbol Number	Capital (Share)	Number of People
1	TSE	Embedded Put Option	-	42	30,824,899,060	2,956
2		Share	-	319	871,883,546,940	4,106,839
3		Bonds	-	7	7,235,220	1,494
4		Exchange Traded Fund	Share	3	250,000,000	1,007
			Bonds			
			Mixed	1	100,000,000	5,229
5	IFB	Embedded Put Option	-	1	900,000,000	1
6		Real Estate Preemptive Rights	-	54	37,718,231	1,072,763
7		Share	-	330	278,998,355,452	2,352,597
8		Bonds	-	40	65,467,955	5,210
9		Exchange Traded Fund	Share	5	5,000,000	2132
			Bonds			
			Mixed	1	1,000,000	392
			Construction	1	29,600,000	483
10		Intellectual Properties	-	2	2,000	2
11	IEE	Electricity Trades	-			
12	IME	Salam Securities	-	2	800,000	68
		Aggregate		808	1,189,097,624,858	7,551,173

The number of electronically deposited share certificates for the sake of dematerialization is shown in chart 2.

The statistics related to symbol processing such as new symbol listing, symbol delisting, symbol transference between markets are shown in chart 3.

Chart 2: Number of Electronic Certificates

2014		11,519,438
2013		12,451,365
2012		7,117,238
2011		647,001

Chart 3: Listing, Transference and Delisting

2014		152
2013		245
2012		370
2011		352
2010		87

BUSINESS OVERVIEW—CONTINUED

Registering Securities Owners in CSDI

The unique ownership account is used so as to identify and register natural and legal investors in the depository system. The number of present accounts in the registry system along with the accounts requiring modification is below presented

Number of Accounts at the Same time in the Previous Year	Total Number of Available Accounts in the System				
7,362,668	7,965,111				
	The Number of Inactive Accounts	The Number of Active Accounts			
	2,079,774	5,885,337			
		Foreign	Institutional	Individual	
		344	31,615	5,853,378	
				Unknown	Female Male
				100,545	1,709,220 4,034,613

Chart 4: Shareholding Account Statistics







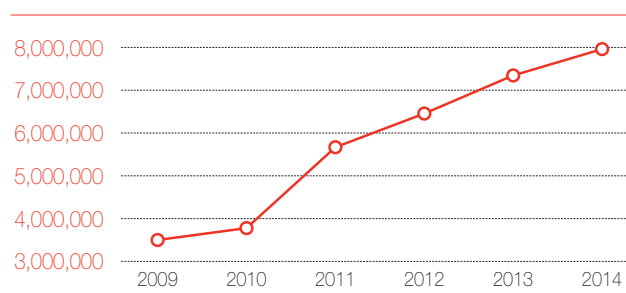
2014		7,965,111
2013		7,362,668
2012		6,488,316
2011		5,714,394
2010		3,861,259
2009		3,587,724

Chart 5: Shareholding Account Number

BUSINESS OVERVIEW—CONTINUED

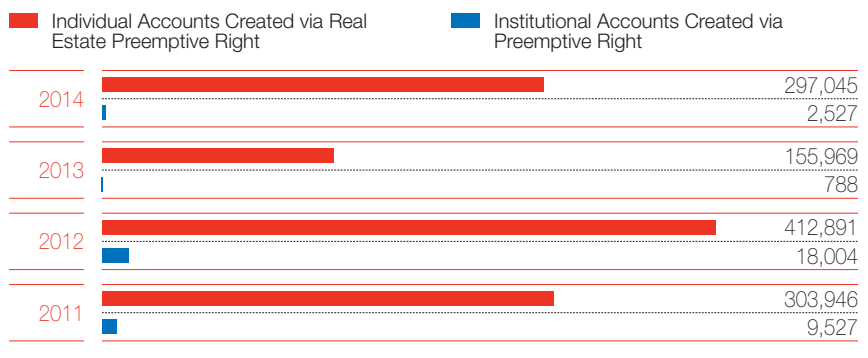
Statistics Regarding Accounts Created via Real Estate Preemptive Right

Real estate bonds help the applicants buy houses by enhancing the power of buying in the housing market. Therefore, the number of the applicants referring to the financial markets to purchase these rights and use the present facilities and as a result get familiar with the policy of the financial markets is shown in the following chart.

Created Individual Accounts	704,059	7,854,410,189
Created Institutional Accounts	4,236	822,719
Total Created Accounts	708,295	7,855,232,908
Buyers	2,759,485	40,002,180
Users	838,558	29,783,607
Cancellers	32,048	475,113

2011	303,946	9,527
2012	412,891	18,004
2013	155,969	788
2014	297,045	2,527

Chart 6: Created Accounts for House Purchase Facilities

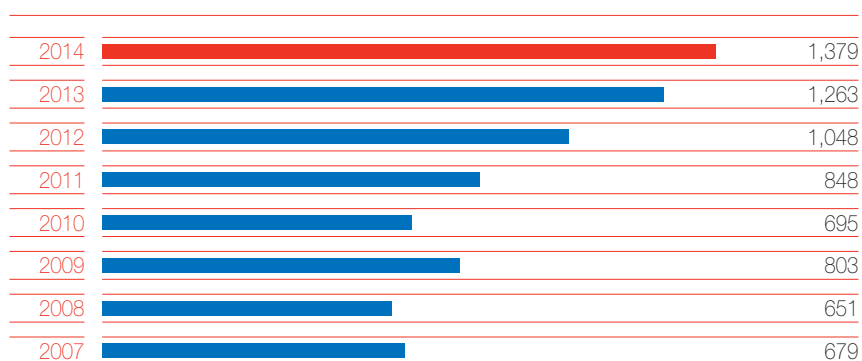
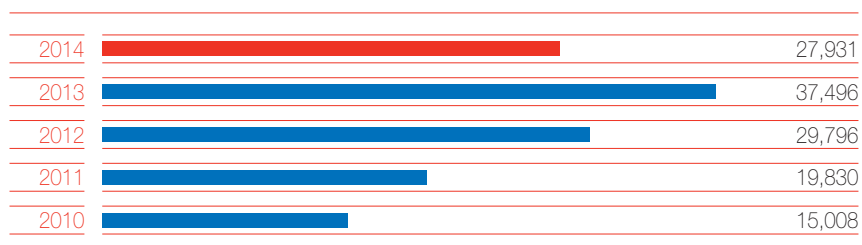


BUSINESS OVERVIEW—CONTINUED

Pledging Securities

Pledging securities is to guarantee the obligations or the repayment of the loan received by the pledger (the owner of pledged securities) and given by the security - receiver (the person in favor of whom the securities are pledged) which is in fact reliable banks and financial institutions.

Releasing the properties in question after meeting the obligations or selling the pledged assets usually occurs after the process of pledging.

Chart 7: Number of Pledging Requests**Chart 8: Number of Pledged Shares Based Upon the Post-Trade System (Million Shares)**

BUSINESS OVERVIEW—CONTINUED

Tender Offer Transferences

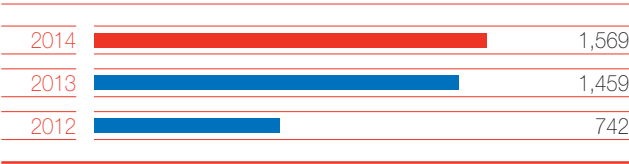
Some transferences cases are done in a mechanized manner like allocating shares by the Privatization Organization due to the high number of transferences cases.

1	Preference Shares of Privatization Organization	203	227	187	204	170
2	Group Account and Group Share Allocation	515	486	655	749	175
3	Group Blocking and Unblocking	104	71	107	24	35

Portfolio Management Activities

Portfolio management is the process through the expert person in investment forms suitable portfolio for customers upon the features, level of risk and the capital of each investor also supervises and manages it regularly. In order to separate the customer’s activities from the portfolio, these trades are done through the specific account. This account is set up based on the contract between the customer and asset manager in CSDI. The statistics related to portfolio management including issuance, ending, and continuation of portfolio management in chart 9.

Chart 9: Portfolio Management Activities (Ncumber)








BUSINESS OVERVIEW—CONTINUED

Performing Corporate Actions






Thanks to the registration and deposit implemented in CSDI, the act of raising the capital on shareholders' asset is carried out in the customer relation and electronic services of CSDI. Accordingly, after the capital raise verification by the supervisory body, SEO, CSDI begins to do the act of raising the capital on shareholders' asset in the form of bones issue or preemption right. Mixing the capital increase in the form of the underwriting preemption is among the acts CSDI does in this regard.

The statistics of the relevant services regarding the corporate actions requests in the electronic offices of CSDI is based on the following chart.

Chart 10: Number of Corporate Action Requests**Unused Preemptive Rights**

2014		113
2013		66
2012		122
2011		94
2010		33







Capital Increase

2014		176
2013		194
2012		120
2011		111
2010		51

Investment Portfolio System (IPS)

IPS is a convenient way for the investors to get updated on their portfolios. This system can be run on tablets, smart phones or similar gadgets. Investors can refer to CSDI English website, en.csdiran.com, to make use of IPS. The following chart shows the IPS user accounts issued in the past 6 years.

Chart 11: IPS User Accounts

2014		4,932
2013		7,226
2012		3,353
2011		4,385
2010		2,796
2009		1,581

BUSINESS OVERVIEW—CONTINUED

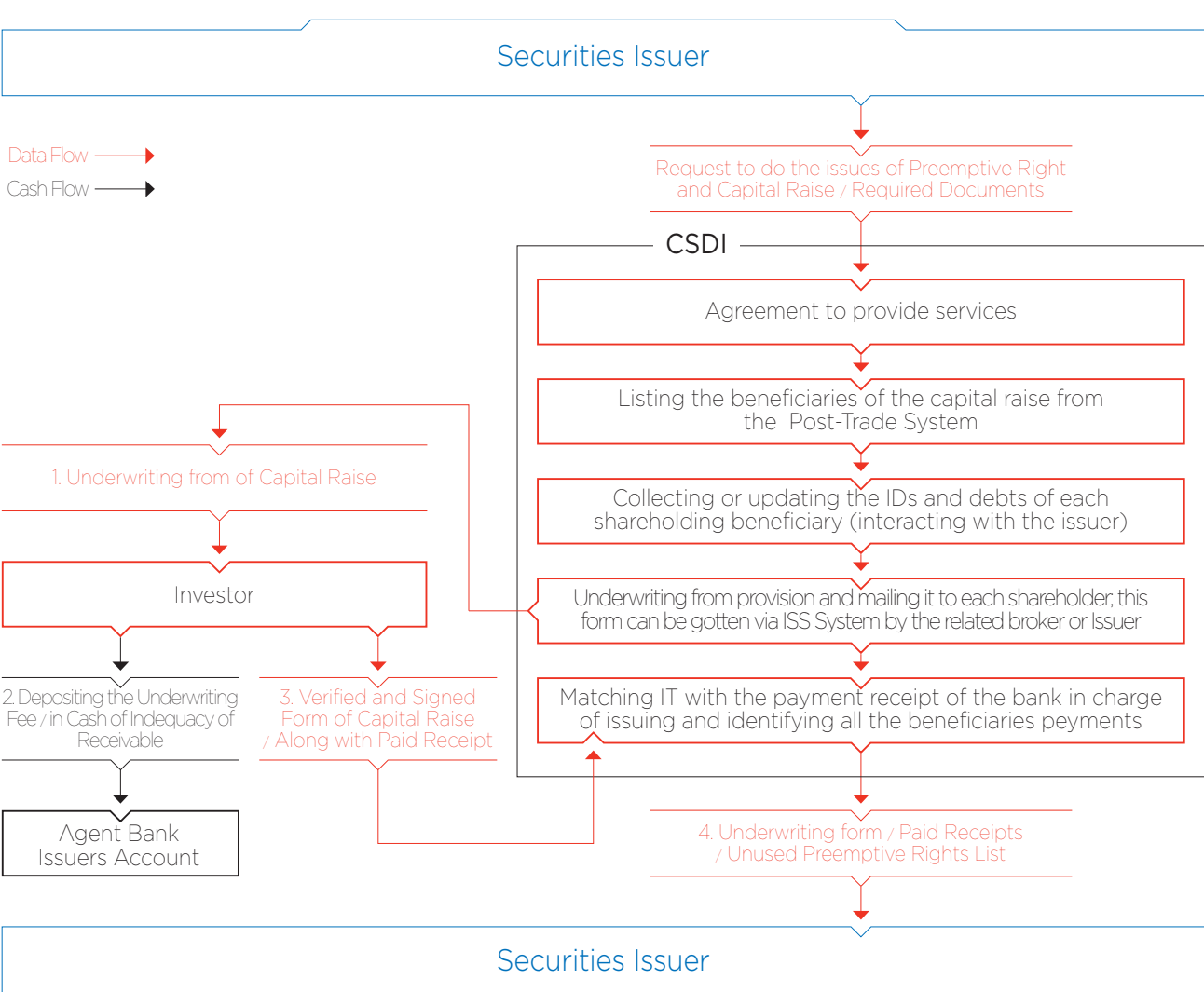
Owing to the reasons mentioned above, CSDI provides some value-added services to perform the issues related to the raise in the capital of issuers, preemption and to distribute the fixed-income securities benefits as follows:

Issuers Capital Increase

Since CSDI has all the information of share beneficiaries, it centrally starts to underwrite the capital increase of the issuers' preemptive rights which has devolved the issues in question upon CSDI. This process is very significant because this is in touch with a large number of shareholders of different companies and also this

interaction is done through giving and incurring information (via brokers, issuers, and shareholders).

Figure 9: Overall Scheme of the Underwriting Process of Capital Raise



BUSINESS OVERVIEW—CONTINUED

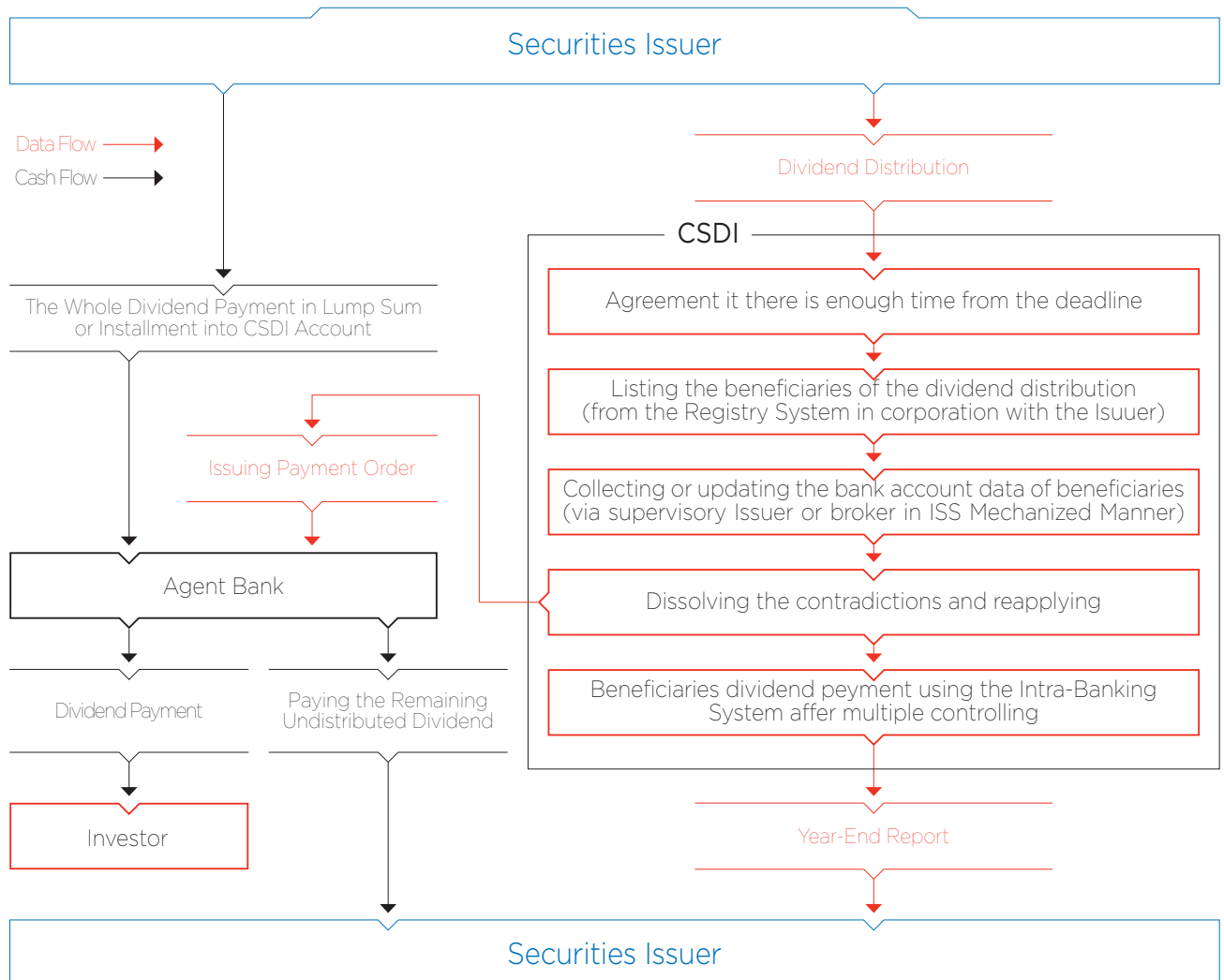
Benefit Distribution

CSDI basically has access to all the information of share beneficiaries; therefore, it centrally starts to distribute the relevant benefit distribution devolved upon CSDI as shareholding services. Observing the temporal deadlines and collecting the beneficiaries' account data are very important.

Since CSDI has all the information of the beneficiaries of Sukuk, certificates of deposit, and other financial instruments, it centrally starts to distribute the benefits of Ijarah and Murabaha Sukuk and other securities.

The general overview on this process is delineated in the figure 10.

Figure 10: Overall Scheme of Shares Dividends and Fixed-income Securities Benefits

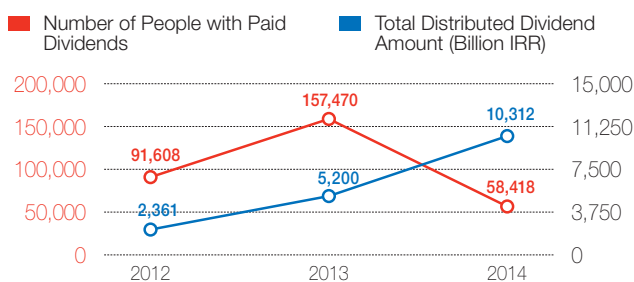


BUSINESS OVERVIEW—CONTINUED

CSDI carries out the issues related to the interest distribution of the following cases as shareholding services or the paying agency.

Year	Number of People with Paid Dividends	Total Distributed Dividend Amount (IRR)
2012	91,608	2,361,439,289,981
2013	157,470	5,199,614,192,428
2014	58,418	10,311,994,241,139

Chart 12: Total Statistics of Dividend Distribution

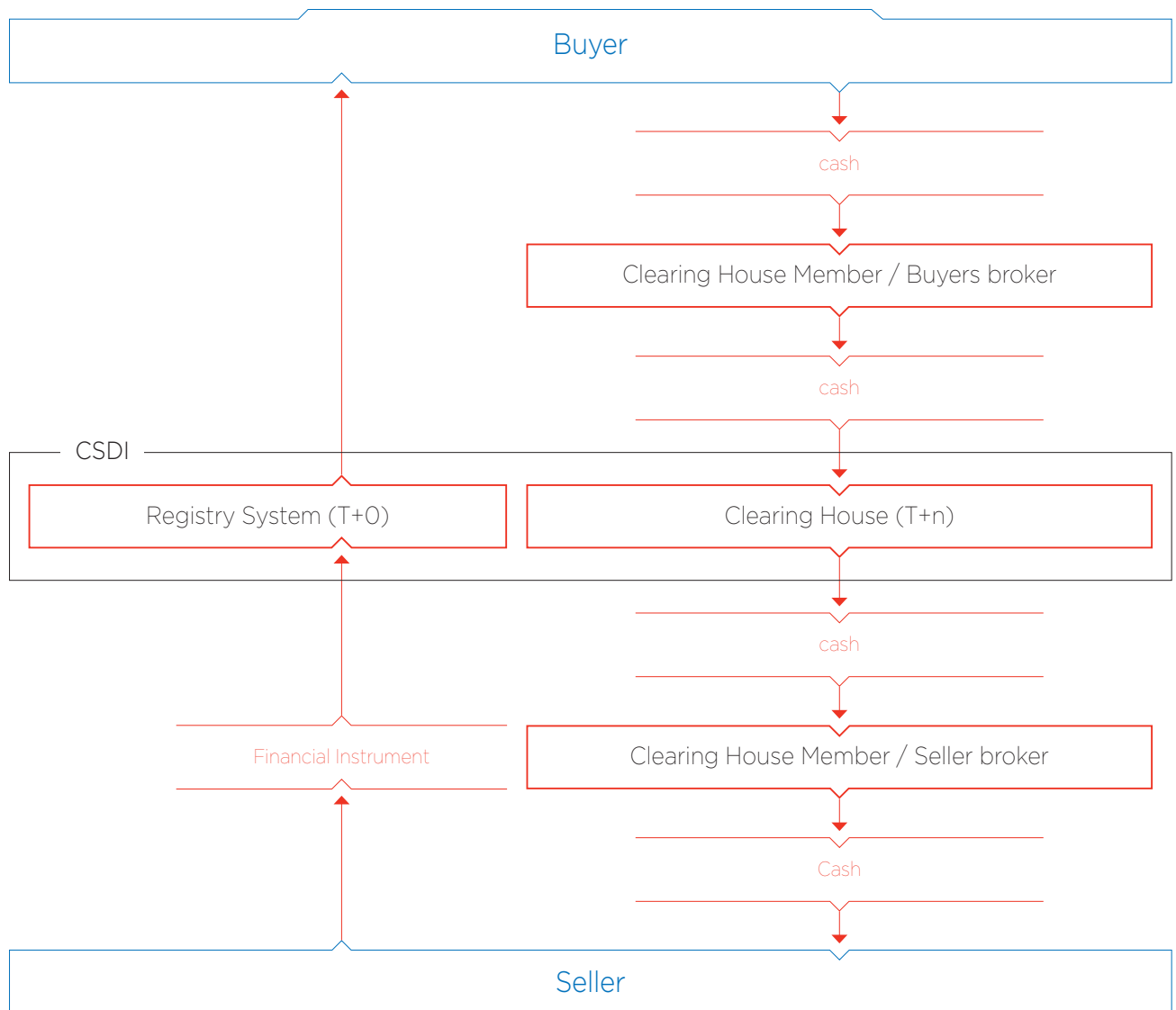


Clearing and settlement Transactions

With an increase in the number of participants and, as a result, an increase in the number and volume of transactions, the exchange of money and financial instruments between sellers and buyers is virtually considered a taxing challenge. Participants in the market usually make use of institutional services named the clearing house which is in fact responsible for the concentration and facilitation of these transactions. In the process of money and financial instruments between seller and buyer after the finalization of the transaction, the clearing house plays the role of the intermediary and in the modern markets it plays the role of the guarantor in lieu of money and financial instruments. CSDI has oversight of the clearing house in TSE, IFB, IEE, and IME.

BUSINESS OVERVIEW—CONTINUED

Figure 11: Overall Scheme of Settlement Process in CSDI



BUSINESS OVERVIEW—CONTINUED

The features of the business of depositing in CSDI are as follows:

- The settling of securities is done grossly and at the level of invests' account.
- The settling of funds is done at the level brokers and after netting (DVP₂).
- Netting funds is done extensively in terms of the financial instruments in TSE and IFB. Settlement funds are netted together and settled every day, regardless of the fact to which financial instrument it is related.
- The clearing and settlement of fixed-income securities is carried out usually one day after the transaction and usually ETF clearing and settlement is done two or three days after the transaction hinging upon the sort of the financial instrument.
- CSDI has already signed contracts with several Iranian banks for clearing and settlement. These banks act as the agent banks.
- The settlement of futures contracts is done through the well-known modus operandi of these contracts in a daily or ultimate settlement form (along with delivery).
- The clearing and settlement of energy exchange is contract-oriented so it does not require netting.

Number of the members of clearing house or brokers is as following:

TSE	101
IFB	100
Single Stock Future	38
IEE	41

Clearing and settlement volume of the following transactions, along with futures and IEE transactions is shown in the following table:

Stock Exchange and IFB Shares Trades	290,657,935,290,614
Stock Exchange and IFB Fixed-income Securities Trades	
Kish Floor Shares Trades	5,861,533,129,297
Kish Floor Bonds Trades	
Futures Trades	3,618,386,984
IRENEX Trades (Electricity)	1,731,293,325,885
IRENEX Trades (Energy Products)	1,662,254,693,990
Total	299,916,634,826,770

The statistics is based upon the two sides of the transactions ignoring the transactions out of clearing and settlement.

BUSINESS OVERVIEW—CONTINUED

Settlement Guarantee

At the time of the transactions in the financial markets, it is possible that one of the counterparties, either buyer or seller, does not manage to meet their commitments regarding the transaction either in providing cash or financial instruments. As a result, the participants of such markets tend to use the strategy of guaranteeing settlement and this strategy is adopted along with settlement or the clearing house so that it can be used effectively at emergency times.

The process of guaranteeing settlement in CSDI is as following:

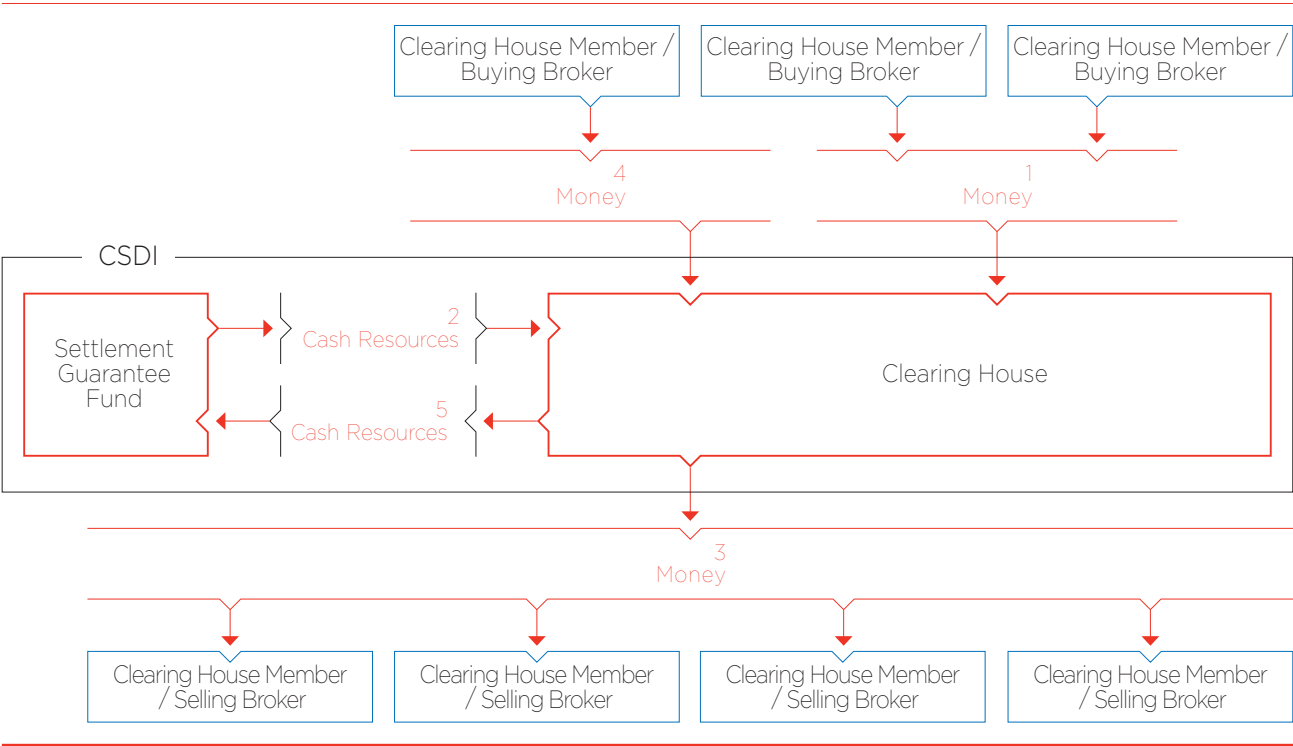
- The Settlement Guarantee Fund is made use of to purvey the daily settlement cash resources.
- Obtaining the fund guarantee is done to insure that the participants of the tender offers equaling 3% of the base value of the transactions will meet their putative commitments.
- Margining in futures is carried out based upon the same rules in these contracts.
- Obtaining additional guarantees from the active brokers in the contractual domains of futures.
- Obtaining guarantees from sellers and buyers of energy exchange and in the future from their brokers.

Settlement Guarantee Fund (SGF)

Acting as a credit risk management instrument, the settlement guarantee fund by nature provides the cash resources required for completing the settlement.

BUSINESS OVERVIEW—CONTINUED

Figure 12: Settlement Guarantee Fund



BUSINESS OVERVIEW—CONTINUED

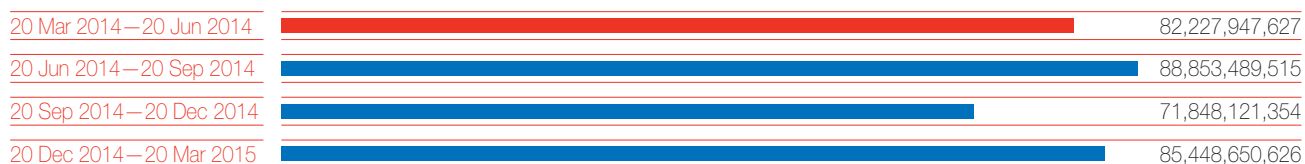
Settlement Guarantee Fund Statistics

The resources of the guarantee fund are revamped by the steering committee of the fund every three months.

Considering scheduling liabilities payment resulting from the hourly estimation of delay charges and also the present efficiency of the current guarantee fund, paying creditors by the clearing house in CSDI is implemented as following:

Using the resources in the guarantee fund, about 90% of the settlement days of the second and fourth terms and 80% of the settlement days of the third term in 2014, CSDI

managed to do the settlement operations more than 30 minutes sooner than the expected time of settlement (12:00 o'clock). Also working for three terms in 2014, consecutively around %96, %97, %98 of settlement days, the process of settlement was carried out before 13:00 o'clock and the fund was deposited into the creditors' account.

Chart 13: Resources of SGF**Chart 14:** Distribution of Settlement over Time (IRR)

BUSINESS OVERVIEW—CONTINUED

SOCIAL SERVICES

1. Dematerialization, was one of the developmental measures taken by CSDI in 2013. Accordingly, CSDI has dramatically abandoned the usage of paper in its bureaucratic messaging and also news section of the company. The small amount of paper used in CSDI, just for some specific purposes or the letters coming from outside of the company, is totally recycled by the Municipality of Tehran. In addition to it, there is an International Exhibition of Exchange, Bank & Insurance (Finance Industry and Investment Exhibition, "FINEX") held in Tehran. CSDI takes an active part in FINEX every year and CSDI's booth in Tehran FINEX 2014 was to comply with the environmentalist slogan and promote the slogan. CSDI had a booth symbolizing the green environment and as a result it was selected the best in terms of social parameters and responsibilities and design.

3. To have a small share in the Accounting Day in Tehran, held on December 6th, CSDI had a role in the organization and arrangement of the annual ceremony of accountants via its financial contribution and active participation either in presenting some articles or giving out some prospectus and books in the ceremony.

2. Every year, CSDI organizes and holds the annual establishment ceremony with the attendance of all the staff members and also some invitees from the capital market. This year this ceremony was held on January 8th, 2015 in Tehran. At this event, almost all the employees, senior and junior, along with their family members attended and there were plenty of various programs at the event. All the gifts and the decoration stuff on the stage and decoration were donated to a charity house to help children suffering from incurable and acute illness.

4. CSDI bought 1000 cards to congratulate its own staff members and national counterparts and working partners over the Iranian New Year. These cards were deliberately bought from Society to Support Children Suffering from Cancer (MAHAK), a very well-know charity house, so that CSDI could have a role in helping these children.

BUSINESS OVERVIEW—CONTINUED



09

CENTRAL SECURITIES
DEPOSITORY OF IRAN





FINANCIAL STATEMENT

We attach great weight to transparency and fairness.

FINANCIAL SECTION

FINANCIAL STATEMENT

Income Statement

Operating Revenue	255,550	356,792
Salaries	67,517	53,757
Other General and Administrative Expenses	80,700	54,154
Depreciation Expenses	12,343	12,832
	160,560	120,743
Operating Profit	94,990	236,049
Non-Operating Gain	110,876	56,766
Profit before Tax	205,866	292,815
Tax	23,081	57,633
Net Profit	182,785	235,182
Earnings per Share (Rial)	366	470

FINANCIAL SECTION—CONTINUED

Balance sheet

Cash	98,942	194,500
Short-term Investments	287,000	178,000
Credit from the Subsidiary Companies	166	1,372
Commercial Receivables and Notes	103,344	26,776
Other Receivables	6,521	7,715
Prepaid Expenses	1,144	1,313
Total Current Assets	497,117	406,676
Long-term Investments	165,274	206,792
Tangible Assets	316,318	320,268
Intangible Assets	22,444	13,007
Other Assets	230	1,291
Total Non-Current Assets	504,266	541,358
Total Assets	1,001,383	951,034

Current Liabilities		
Commercial Payables	24,105	26,431
Other Payables	92,546	154,836
Debt to the Subsidiary Companies	26,976	23,364
Advances	19,102	27,964
Tax Reserve	21,742	56,994
Payable Dividends	134	58
Total Current Liabilities	184,605	289,647
Non-Current Liabilities		
Provision for Severance & Retirement Benefits	10,588	7,982
Total Non-Current Liabilities	10,588	7,982
Total Liabilities	195,193	297,629
Shareholders' Equity		
Capital Stock	500,000	300,000
Legal Reserve	39,139	30,000
Precautionary Reserve	108,231	71,656
Retained Earning	158,838	251,749
Total Shareholders' Equity	806,190	653,405
Total Liabilities and Shareholders' Equity	1,001,383	951,034



10

CENTRAL SECURITIES
DEPOSITORY OF IRAN





MANAGEMENT PROFILE

MANAGEMENT PROFILE

MANAGEMENT PROFILE

Board of Directors



Mr. Amiri
Chairman



Mr. Enayat
Deputy Chairman



Mr. Rastegar
Board Member



Mr. Mohammdreza Mohseni
President and CEO



Mr. Hajinorouzi
Deputy Manager

Consultants



Dr. Mohammadi
Senior CEO Consultant

MANAGEMENT PROFILE—CONTINUED

Directors



Mr. Bozorgi
Finance Affairs Director



Mr. Hassani
IT Director



Ms. Akhavan
Shareholders Operations
Director



Ms. Farhoomand
Internal Audit Director



Ms. Saeedi
Commodity Exchange Project
Post Trade Director



Mr. KHodabakhsh
Securities and Mercantile
Exchange Settlement Director



Ms. Moravvej
Issuers' Affairs Director



Mr. Dabiri
Legal and Inspection Director



Ms. Alinejad
Administration, and Human
Resources Director



Mr. Siahkarzadeh
Planning and Development
Director



Mr. Nemati
Public Relations Department



Mr. Khosravi
Customer Relation and
Electronic Services Director

11



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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

FATER

Audit & Financial Services Institute

No. 14, Oskou Alley, Western
Bozorgmehr St., Vesal-e-
Shirazi Ave., Tehran, Iran

Central Securities Depository of Iran
To the Board of Manager,
Tehran

Tel: +982166492871

Independent Auditors' Report on Financial Statements For the Period 20 March, 2013 – 20 March 2014

Consolidated the financial statement of Central Securities Depository of Iran (hereinafter referred to as "CSDI") including balance sheet as on 20 March, 2014 moreover the profit-and-loss and cash flow statement for the fiscal year then ended, together with covering letter ranging 1 to 34 have been audited by this institute.

Board of Directors' Responsibility for the Financial Statements

The board of directors is responsible for the preparation of above-mentioned financial statements in accordance with accounting standards. This responsibility includes: designing, implementing, and keeping internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's and statutory examiner's responsibility

This institute's responsibility is to verify the afore-mentioned financial statements based on the auditing carried out in accordance with auditing standards. Those standards require that this institute comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control pertinent to the entity's preparation and fair presentation of the financial statements in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

This institute believes the audit obtained evidence is sufficient and appropriate to provide a basis for our audit opinion. Also this institute as the statutory examiner is obligated to report any violation of commerce amendment law amendment and corporate statute and the other required items to the annual general meeting.

Opinion

In this institute's opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Securities depository of Iran as of 20 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with the accounting standards.

The above represents a translation, for convenience only, of the original report issued in the Persian language.

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Keshavarz Boulevard, Tehran-Iran
Postal Code: 1416643114

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Fax: +98 21 **88 96 97 33**