



Business & Investment Services Provider

SMART Business Guides

Buying and Selling Stocks

## Buying and Selling Stocks

### 1. Choose a stockbroker

In choosing a broker, you should check if that broker (person or corporation) is a member of good standing at the Tehran Stock Exchange. A complete listing of the TSE member-brokers can be found in various publications or from the TSE Membership Department. It is important that you trust your broker and that you are satisfied with the services it provides for you. Brokerage services include market reports, advice regarding the stock selection and timing of purchases and sales, trade executions, on time delivery of important documents – such as confirmation receipts – and other trading-related activities that their client's may require.

### 2. Open a brokerage account

Once the investor has chosen his brokerage firm a brokerage account has to be opened. This account allows the client to perform stock transactions (buy and sell shares) any time – similar to a bank account which enables you to deposit, transfer and withdraw money. Opening a brokerage account is relatively easy to accomplish and takes no longer than opening a bank account. A specimen signature card needs to be filled out containing the: name, address (professional and private), telephone number(s), and most importantly, the client's signature. Frequently, bank and professional references have to be submitted.

Once an account has been opened, the client may buy or sell immediately according to the trading instructions between the investor and the broker. Trading instruction can vary depending on the investors' objective whether it is short-term or long-term, minimum or maximum value of trades (trading limit), etc. All transactions are handled confidentially and the broker will not reveal the details of any purchases or sales done for his client to any person.

### 3. Place your order with your broker

After opening the account, a trader will be assigned to the investor. A trader is a licensed salesman who is authorized to buy and sell securities at the TSE. The assigned trader will be your contact person for the all transactions. He/she will receive your order most likely by telephone (unless arrangements are made) and will execute the order through the trading terminal connected to the main system of the Exchange.

Thus, when placing an order to buy or sell you have to call your trader and give the details of your order. The trader needs to know the following specifications: buy or sell order, which stock to buy or sell, the number of shares to buy or sell, and preferably also the bid price (when buying) or asked price (when selling).

### 4. Settle your transaction

Buying and selling transactions are settled by book-entry. This means that the ownership of shares and cash is transferred electronically to the brokerage account without the stock certificates and cash being handed over physically. The account is credited when buying shares and debited in the case of selling shares. Tehran Stock Exchange is launching the paperless or script-less trading that result in eliminating the physical handover of stock certificates when buying or selling. The system replaces the scrip-based system where the stock certificates are handed over for transfer to the next owner. Instead, stock certificates are simply immobilized and kept in a safe place – Central Securities Depository of Iran, Inc. The book-entry system clearly has advantages over the paper-based system. It has dramatically reduced paper works, facilitated the trading and eliminated the loss or forgery of shares.

Currently the TSE settles trades on T3+, i.e., four days after the transaction date. Therefore, payments and/or securities must be delivered to your broker on trading day. Be sure always to verify the settlement deadline with your broker for future transactions.



## Global Relationship

TSE is the full member of WFE (Since 1992) and also a member and one of the founders of FEAS (Since 1995) as well as a subscriber of International corporate governance network (ICGN). TSE also is an active participant of OIC Members' Stock Exchange Forum.

## Required Documents for Issuance of the Foreign Investment License

1. Application Form
2. Establishment License / Primary agreement / Preliminary agreement of the pertinent Iranian organization
3. Official letter of the foreign investor to the OIETAI to submit
4. The foreign investors background including a brief history of the company, the year of establishment, area of activities in case of foreign investor is a natural person, a photocopy of passport and the resume
5. A list of machinery, equipment and CKD part may be imported into the country as a part of the foreign investors capital (if available)
6. A draft of the contract outlining the conditions of the transfer of technology in case that part of the foreign investor's share is in the form of technical expertise
7. Any further useful information

The primary objective in this process is to find a suitable and "acceptable" local partner. If the contemplated foreign investment project complies with the plan already sanctioned, the Ministry of Economic Affairs and Finance may introduce the potentially interested foreign investor to the local partners already holding an "agreement in principle" for taking part in such a project.

A ministerial "agreement in principle" must be applied for jointly by both the foreign and the local potential investors. Details of the project should be submitted to the Ministry of Economic Affairs and Finance as per a standard questionnaire together with a feasibility study. Once the agreement in principle is issued the parties should take the preliminary steps along with implementation of the project such as importation of the machinery, equipment and setting up the required infrastructure.

An "application for participation" is required to be filed by the foreign investor with OIETAI to the effect of participation in implementation of the sanctioned project.

Then, the process is followed by a review of the application by the Supervisory Board for Attraction and Protection of Foreign Investment. The Foreign Department of Ministry of Economic Affairs and Finance upon preliminary coordination with the Ministries concerned shall prepare a comprehensive report for submission to the Supervisory Board to adopt the decision. If the project is deemed to be in the country's overall interest, the Board conveys its favored decision for approval and issues an Investment Decree through MEAF. The Decree, once issued, is the formal permission for the investor to begin operation and to import the necessary capital which will be protected under the law.

