



Securities & Exchange
Organization

Iran Capital Market Insight

Nov 2022



Department of Research, Development
and Islamic Studies

Statistics and Risk Analysis Group

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Abbreviation

IFB	Iran Fara Bourse
IFX	Iran Fara Bourse Index
IME	Iran Mercantile Exchange
IRENEX	Iran Energy Exchange
SPS	Standard Parallel Salam
TEDPIX	Tehran Dividend and Price Index
TRI	Total Return Index
TSE	Tehran Stock Exchange

Stock Market Indices

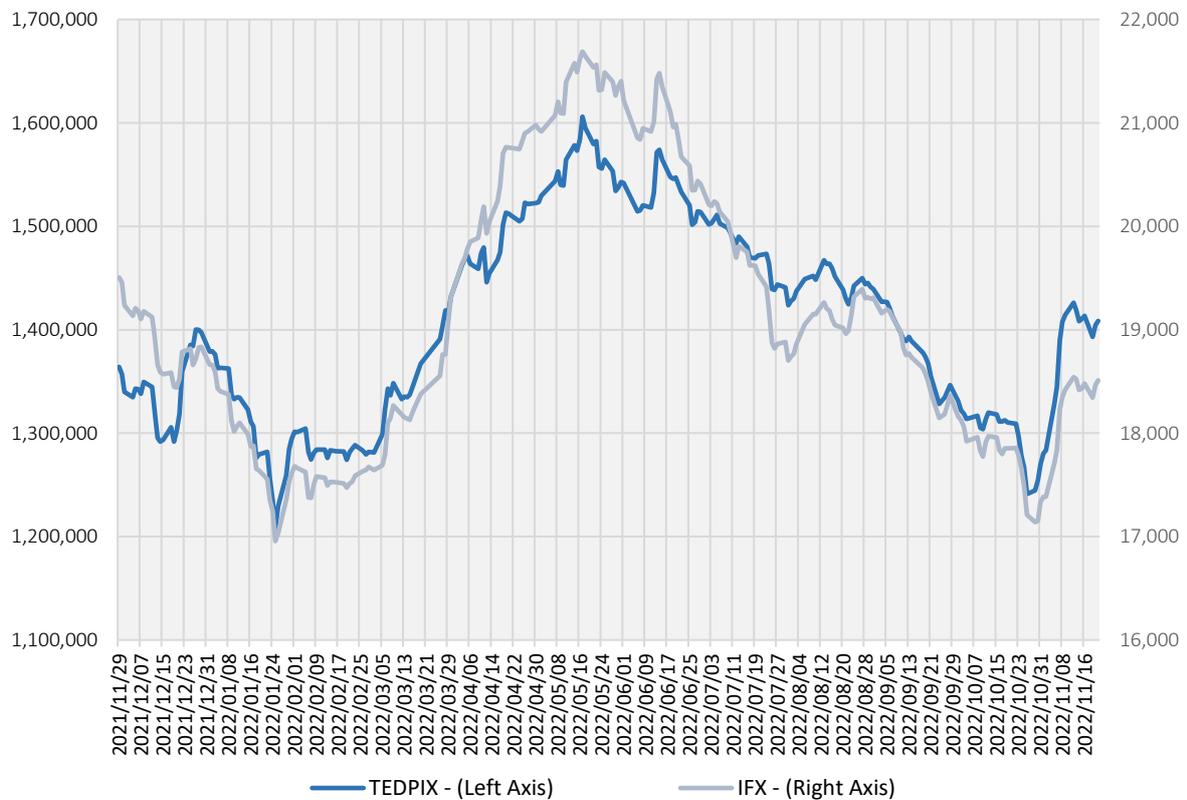
The end of month figure of Iran stock market major indices including the TSE's (TEDPIX) and the IFB's total return index (IFX) is compared with that of the previous month in Table 1.

Table 1: Stock Market Indices

Index	Nov 2022	Oct 2022	Change (%)
TEDPIX	1,408,598	1,308,960	7.61%
IFX	18,510	17,855	3.67%

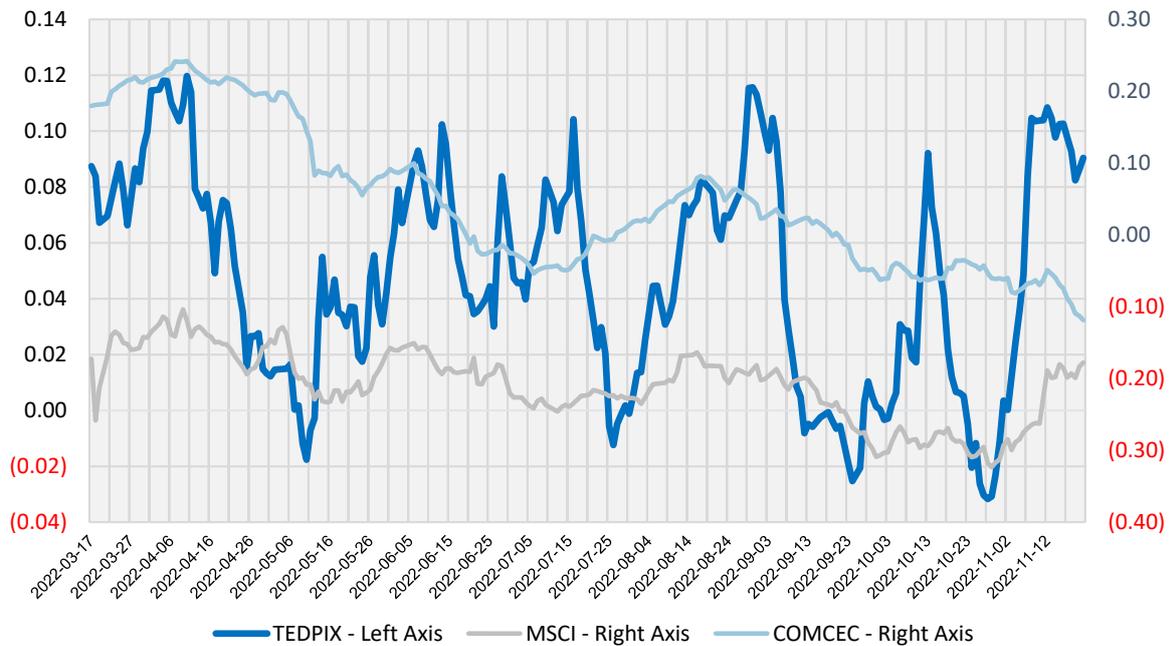
The past year's trend of the indices is illustrated in the following figure.

Figure 1: Major Indices



In addition, the performance (annual return in percent) of TEDPIX is compared with MSCI Emerging Market TRI and S&P/OIC COMCEC 50 SHARIAH TRI in figure (2).

Figure 2: TEDPIX, MSCI, COMCEC Annual Returns in a Window



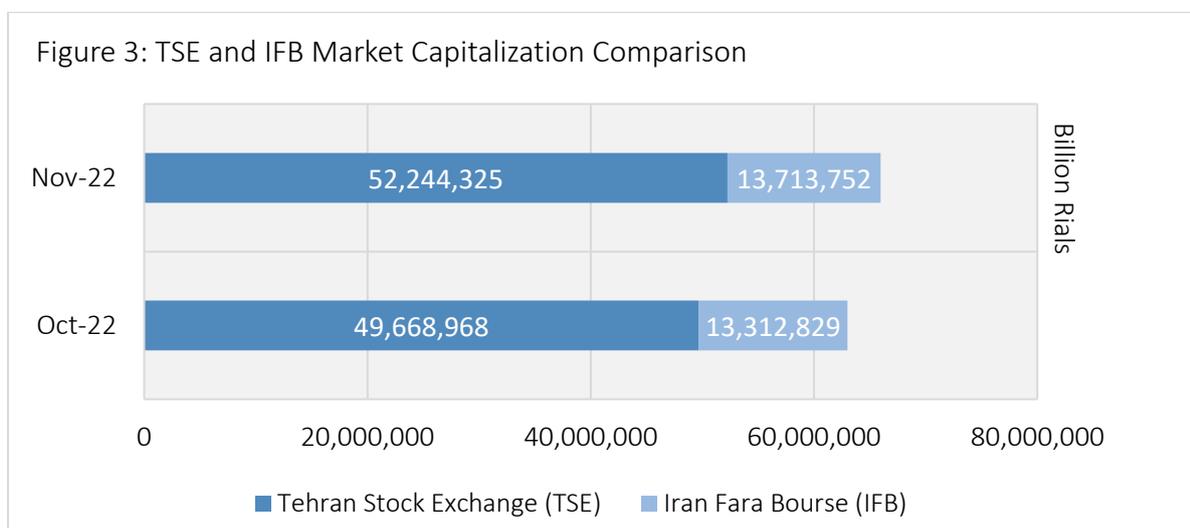
MSCI Emerging Market TRI: The index includes securities from 23 countries; however, it excludes stocks from emerging and frontier economies.

COMCEC: The S&P/OIC COMCEC 50 Shariah is designed to provide investors with a Shariah-compliant benchmark that measures the performance of leading companies from the Organization of Islamic Cooperation (OIC) member states.

TSE and IFB Market Capitalization

Share of the IFB and the TSE market capitalization in comparison with the end of Oct is demonstrated below. The IFB is younger and smaller; yet, has differentiated itself in hosting state-of-the-art financial instruments.

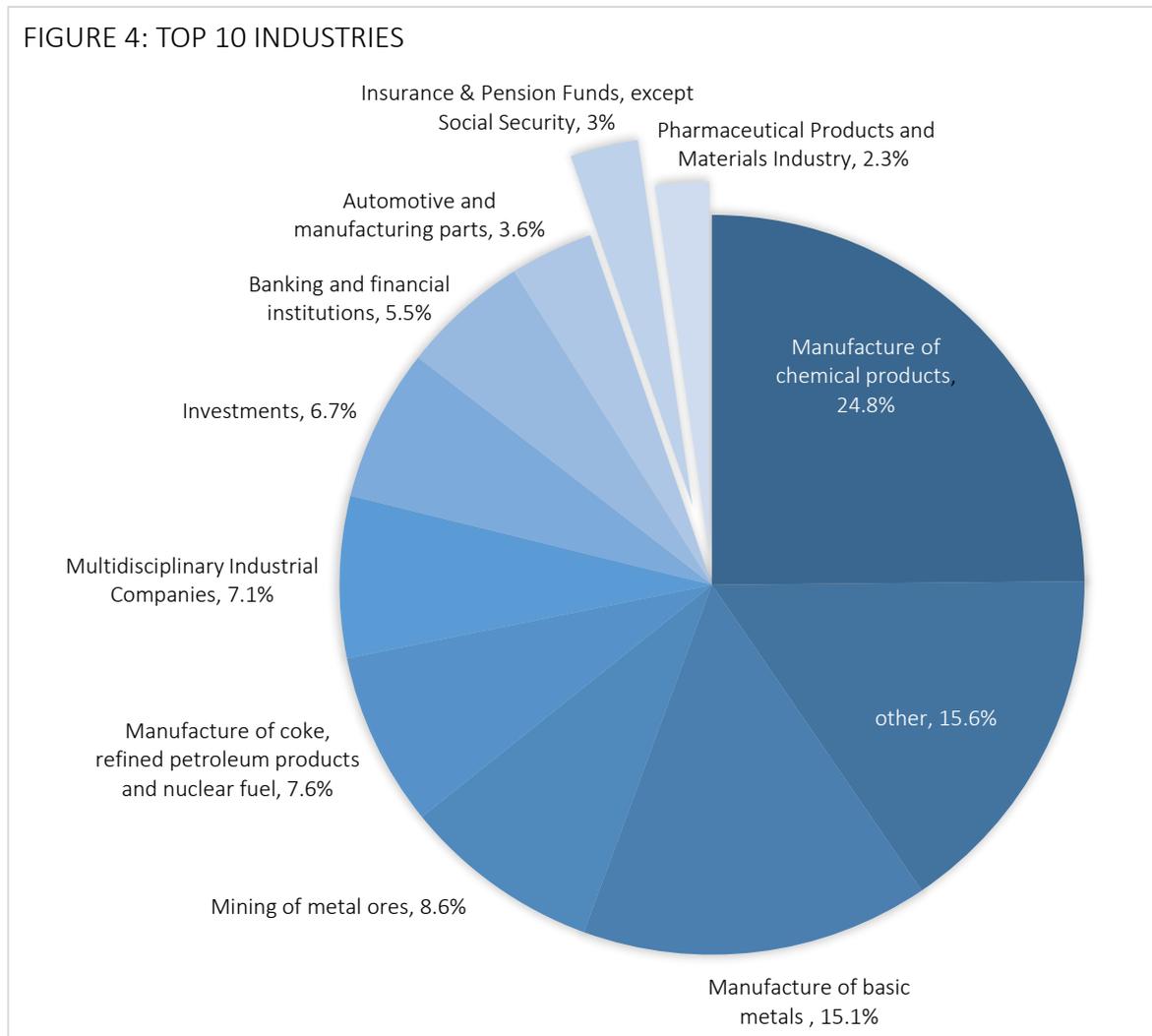
Figure 3: TSE and IFB Market Capitalization Comparison



Industries Market Capitalization

Tehran Stock Exchange and Iran Fara Bourse

The break-down of top industries' market capitalization in the aggregate of the IFB and the TSE is depicted in the following figure.



Exchanges' Trading Statistics

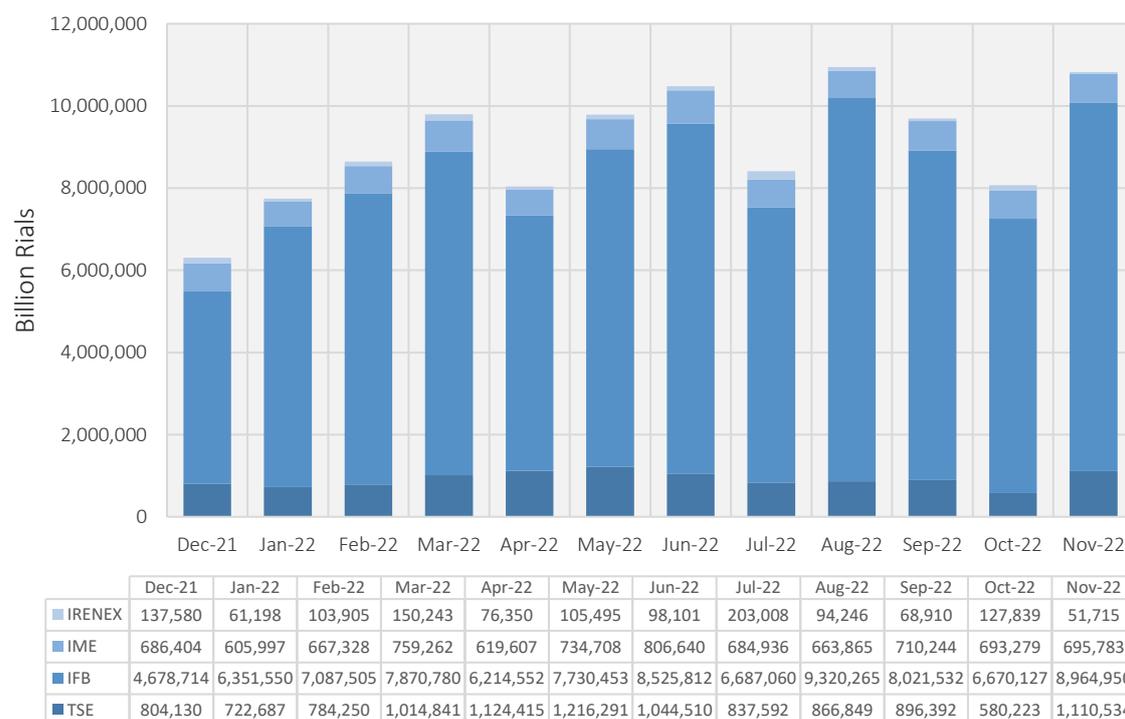
The value of trades for each exchange is depicted in the following table.

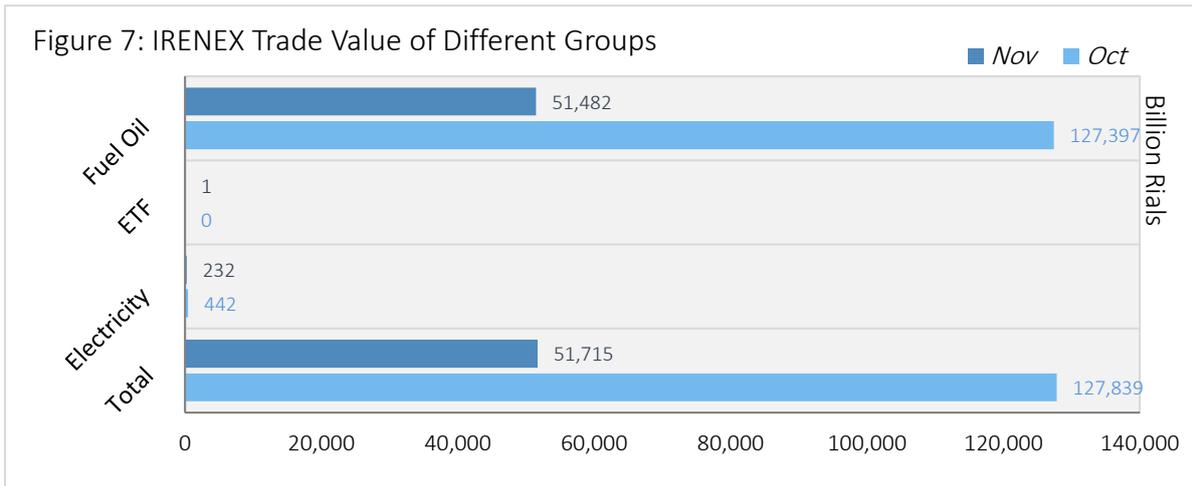
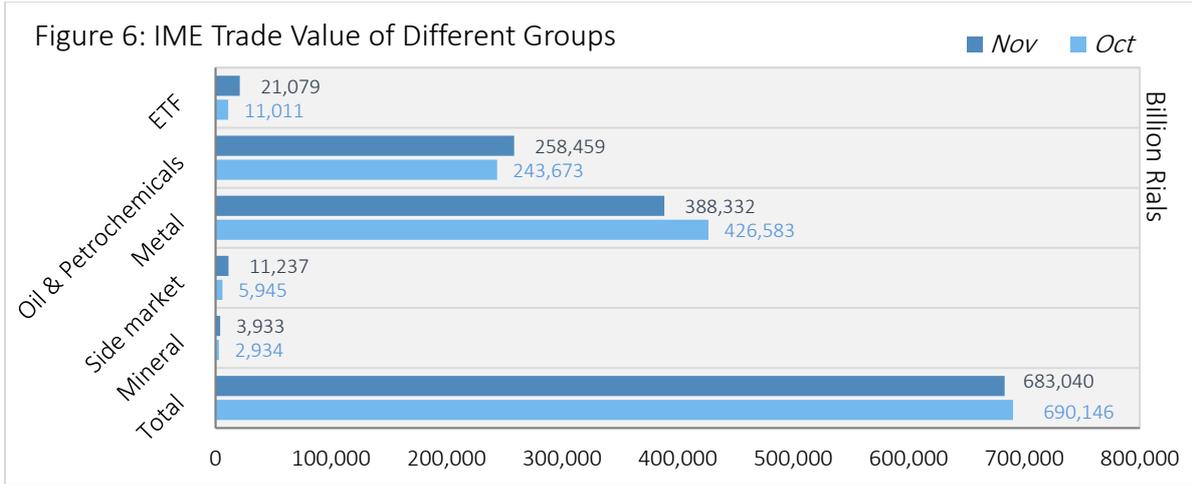
Table 2: Value of trades for each exchange

Exchange	Securities	Trade Value (Billion Rials)			change Percent	
		Nov-22	Oct-22	Nov-21	compared to month previous	compared to previous year
Tehran Stock Exchange	Stock	657,918	289,226	744,820	127.48%	-11.67%
	Sukuk	24,195	29,480	37,190	-17.93%	-34.94%
	ETFs	428,420	261,517	307,819	63.82%	39.18%
Iran Fara Bourse	Stock	244,973	154,271	287,386	58.79%	-14.76%
	Sukuk	8,378,423	6,323,334	3,074,032	32.50%	172.55%
	ETFs	341,553	192,522	89,304	77.41%	282.46%
IME	Physical Market	674,704	682,268	655,651	-1.11%	2.91%
	ETFs	21,079	11,011	8,935	91.44%	135.91%
IRENEX	Physical Market	51,714	127,839	91,020	-59.55%	-43.18%
	ETFs	1	0	2	-	-50.00%
Grand Total		10,822,981	8,071,467	5,296,159	34.09%	104.36%
Daily Average		491,954	448,415	252,198	9.71%	95.07%

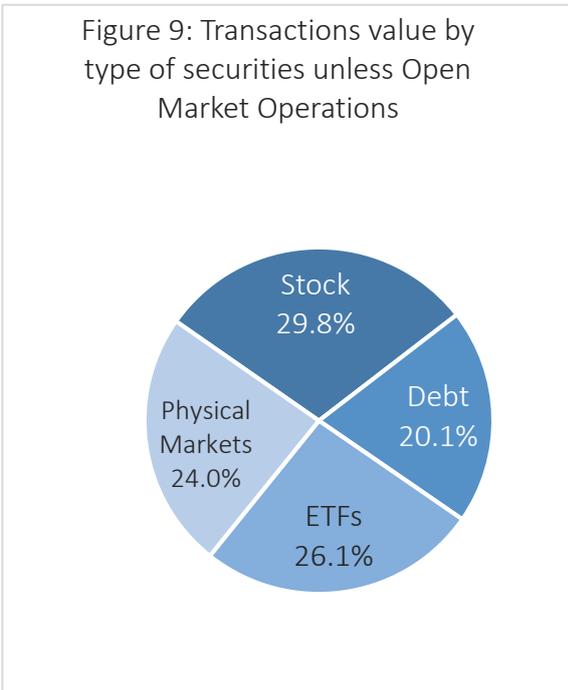
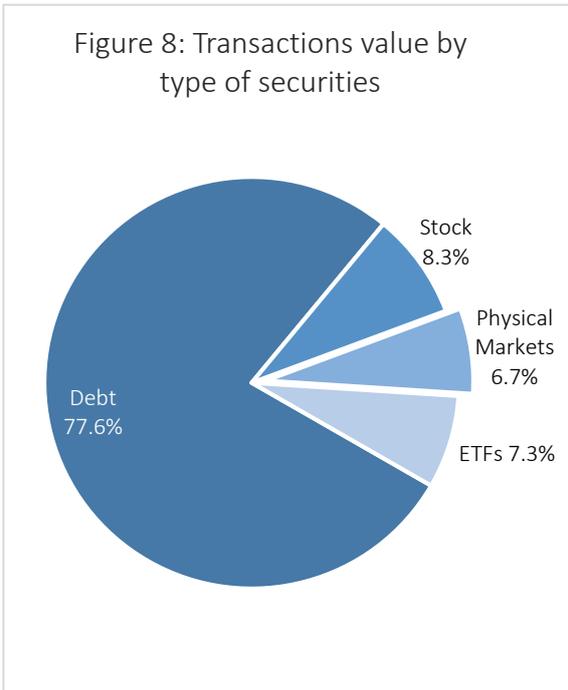
The trading value of each exchange is depicted in the following figures.

Figure5: Annual trend of total transaction value by exchanges



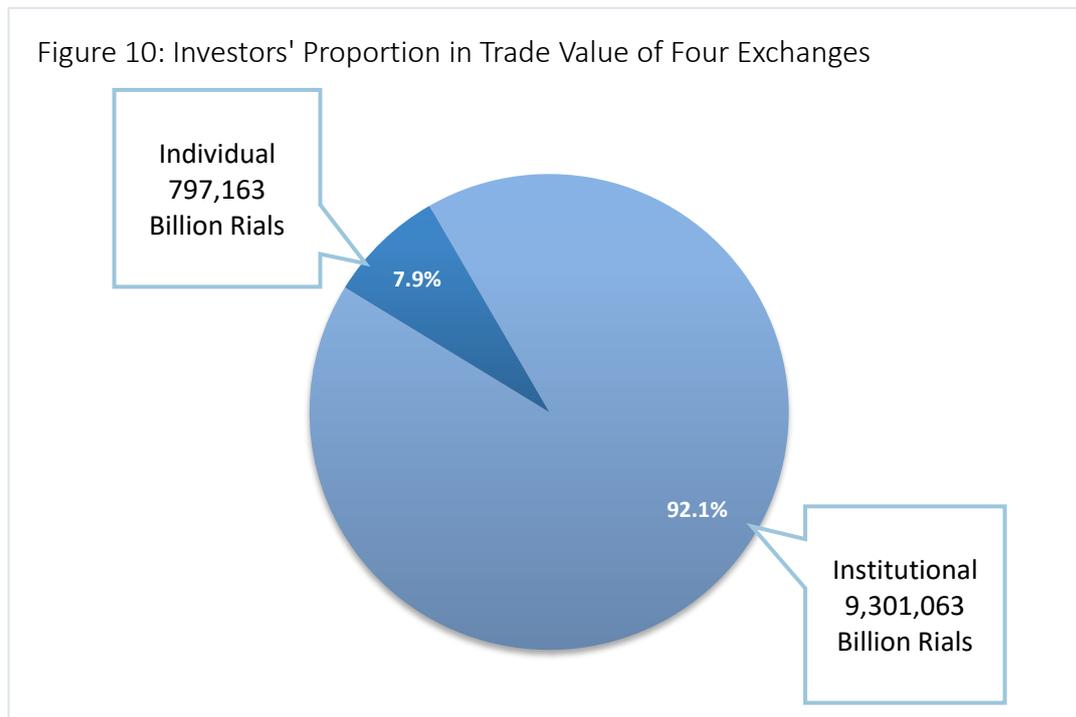


Instruments' Trading Statistics



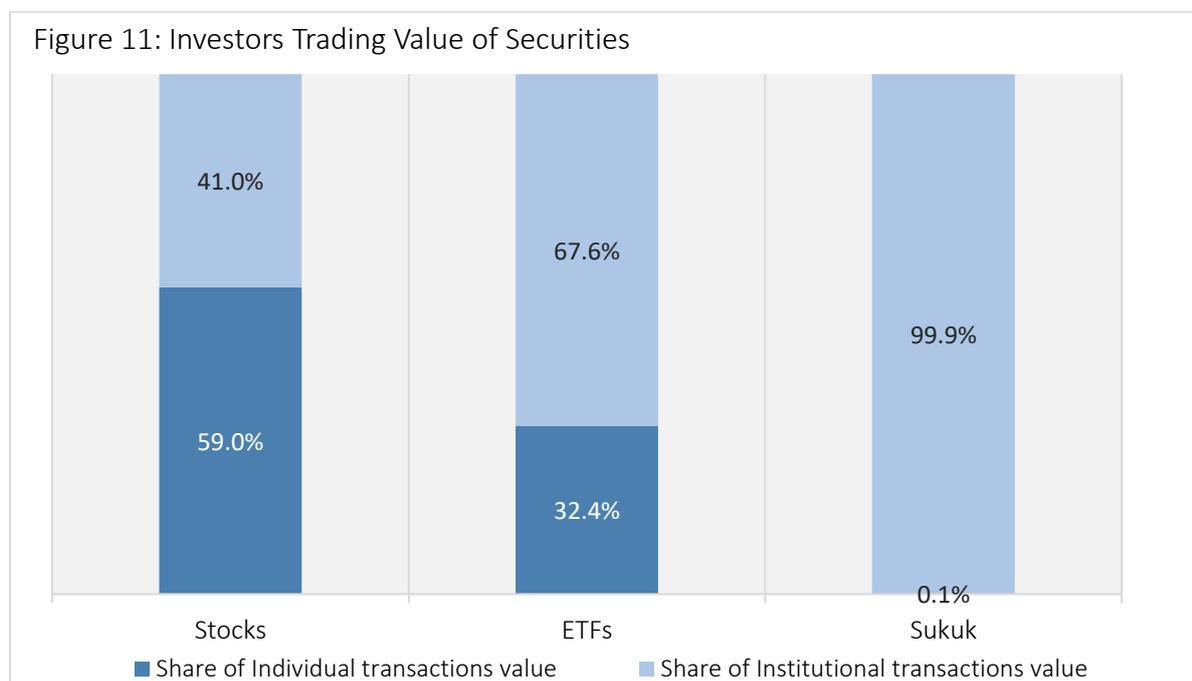
Share of Institutional and Individual Investors in Trading Value

Figure 10 reveals the proportion of individual and institutional investors in the total market trading value of TSE and IFB.



Institutional and Individual Transactions

Institutional and Individual contribution for each category of instruments in TSE and IFB is demonstrated in the following figure.



Sukuk

Outstanding Sukuk

The outstanding value of each Islamic securities (Sukuk) is presented in the following figures. It is noteworthy that all instruments in the Iran capital market are Shariah-compliant.

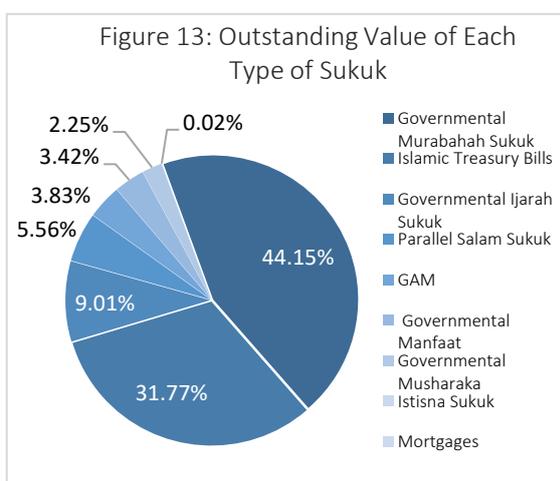
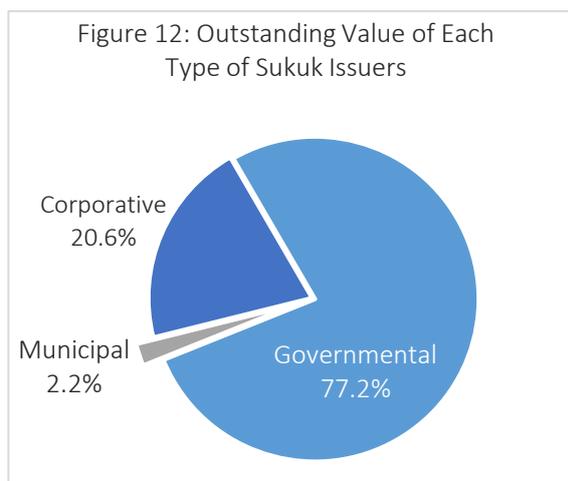
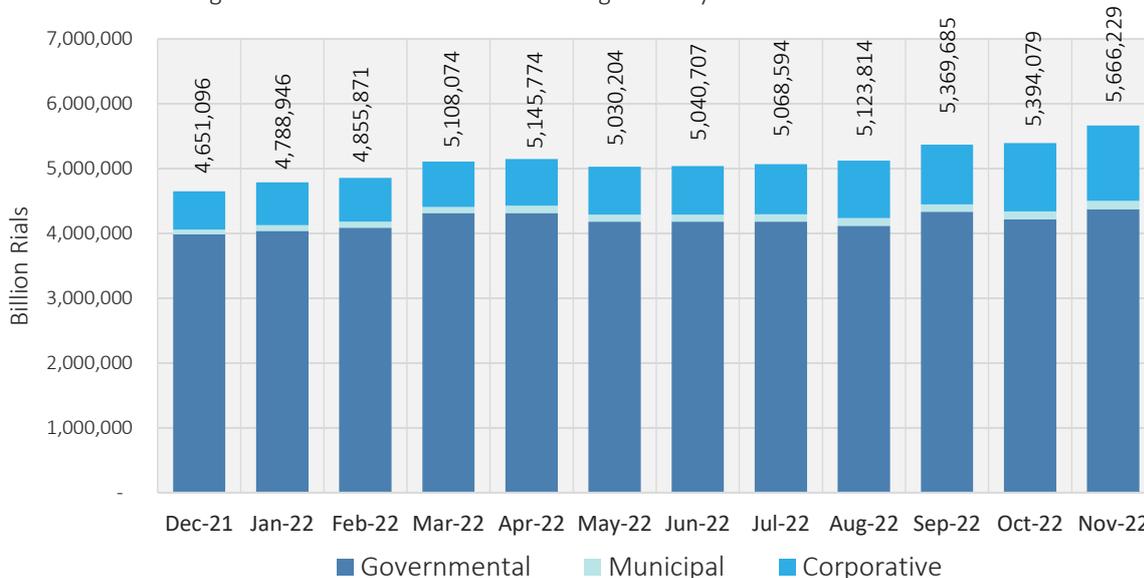


Figure 14: Annual trend of Outstanding Value by the nature of the issuer's securities



Number of Listed and Unlisted Companies

The number of listed and registered companies on the TSE and the IFB are presented in the following table.

Table 3: Number of Listed and Registered Companies on TSE and IFB

Nov 2022	
Listed Companies in the TSE	377
Listed Companies in the IFB	166
Unlisted Companies in the IFB	189
Total	732

Initial Public Offerings

The trend of the number of initial public offerings in the TSE and the IFB is presented in the following figure.

Figure 15: Annual trend of IPO on the TSE and the IFB



News



The 2-day 14th International Forum on Islamic Capital Market officially closed on 7 November 2022. The event was officially inaugurated by the speech of Dr.Majid Eshghi, SEO Chair.

Given the outbreak of Corona virus and for the safety measures of all respected participants, the SEO had held two previous Forums virtually. This year, the SEO decided to run this event physically again, welcoming all erudite and knowledgeable scholars from across the globe to join this prestigious annual event. Therefore, the 14th ICM was attended by 37 high-caliber

lecturers and participants from 15 countries. Moreover, 9 internationally well-known lecturers / presenters / panelists along with a number of Iranian ones flaunted the event.

The theme of this year was “Prospects of Islamic Capital Markets in Digital Era”, while the presented topics included:

1. Fintech in Islamic Capital Markets:

- Opportunities & Challenges of Islamic Fintech in Islamic Markets;
- Islamic Fintech and Regulatory Frameworks;
- Artificial Intelligence and Islamic Fintech;

2. Digitalization in Islamic Capital Markets:

- Application of Blockchain and Smart Contracts in Islamic Capital Markets;
- Digital Currencies, Investment, and the future of Islamic Capital Markets;
- Tokenization of Assets (Financial and Real) through Islamic Capital Markets;
- Metaverse & Islamic Capital Markets;

3. Alternative Investments in Islamic Capital Markets:

- SRIs, ESGs, and Corporate Governance in Islamic Capital Markets;
- Crowdfunding in Islamic Capital Markets;
- New Models of Financing by Investment Funds;
- Crypto Assets ETFs.

SEO welcomes participants across the globe for this annual event.

14th International Forum on Islamic Capital Market was held on 6th and 7th of November, 2022 in Tehran. The **Main Topics** that were covered in the event include the perspective of the Islamic capital market in the digital era, fintech in the Islamic capital market, digitalization of the Islamic capital market, and alternative investments in the Islamic capital market.

Digitalization of the Islamic capital market were explored in the form of topics such as the use of blockchain and smart contracts in the Islamic capital market, digital currency, investment and the future of the Islamic capital market, tokenization of assets (financial and real) through the Islamic capital market and Metaverse. As for the alternative investments in the Islamic capital market, socially responsible investment (SRI), environmental, social and governance (ESG) approaches, corporate governance principles in the Islamic capital market, and new models of financing by investment funds as well as Exchangeable Trade Funds (ETF) were among the topics that were discussed.

In the beginning of the event **Dr. Majid Eshqi, Head of the Securities and Exchange Organization of Iran (SEO)**, welcomed the attendees warmly, mentioning that the use of technology can also lower costs for investors. In the past, investors needed to pay substantial fees for financial services. With the advent of technology, these services can now be automated and be provided at a lower cost. To sum up, in financial services, we see that technology has certain potentials:

- reduce the cost and improve the efficiency of product and service delivery;
- empower customers who will be able to deal directly, more seamlessly, and flexibly with product and service providers;
- empower businesses to deliver a better value proposition and customer experience to their customer base.

He touched upon that beyond technology developments so far, crypto market as a new rival to financial markets has emerged. Crypto market has branched out into a wide array of asset classes and use cases – that often are functionally seen as economic substitutes to traditional financial market products and services which are usually overseen by securities regulators.

Global crypto-asset market capitalization has increased exponentially. In 2021 alone, the market for cryptocurrencies hit a peak of just over \$3 trillion in November, although this has receded very significantly to about \$1 trillion in recent weeks. This illustrates two important points. First, that even at current numbers, the crypto-asset market is no longer in its infancy and cannot be ignored by either investors or regulators. Second, there is still much volatility in crypto-asset markets, which calls for regulatory guardrails to be developed to ensure fairness and resilience.

Although this market is dark in many jurisdictions, it has engaged many people. That is a common phenomenon that investors and crypto practitioners ask regulators to make processes for licensing crypto related activities. Many ask for licensing crypto platforms, some for crypto currencies and some as securities regulators to allow crypto assets to be issued. What regulatory bodies should be aware of is the risk this fragmentation may raise for them.

Finally he said new financial technologies are already having a tremendous impact on our markets and the businesses we regulate. We need to be open to the benefits of innovation but we also need to stay vigilant about potential risks.

The type of Fintech which promotes financial inclusion and efficiency needs to be distinguished from emerging technologies whose value to society is yet to be proven. This is particularly so when these technologies raise potential financial stability concerns and pose immediate investor and consumer protection risks.

Lecturers' Presentations



Dr. Meysam Hamed

Director, Dept. of Research, Development and Islamic Studies (& one of Conference Organizing Committee Members)

The International Islamic Capital Markets Forum has always been a gateway for raising new and emerging issues related to Islamic Capital Markets and provided a platform for discussing and exchanging ideas in respect of new issues among practitioners, scholars, and regulatory bodies. The 14th forum became a basis for discussing digitalization in Islamic capital markets as the main theme of the forum and its cooperation with the changing atmosphere in Islamic countries' markets.

Dr. Hossein Mohammadi

He talked about Technology Adoption & Design-Centric Development for Islamic Financial Instruments.

The lecturer said design-centric system consists of user requirements, network requirements, application requirements, selection and composition, capabilities, resources and service composition with functional blocks. Regarding sharia framework in technology, Mohammadi stressed that sharia law is as an enabler not a barrier, moreover it can lead to better integration into human life.

Dr. Syed Aun R. Rizvi, Chairman of Center for Islamic Finance, Lahore University of Management Sciences

Micro Retail Sukuk on Blockchain Enabled Platform

He said sukuk is as a critical part of the Islamic financial ecosystem and US \$185bn worth of sukuk was issued in 2021. The lecturer told sovereigns, multinational corporations, municipal agencies and

large corporates are sukuk issuers, while financial institutions, mutual and pension funds, corporate treasury and high net worth individuals are sukuk investors.

Regarding this point that why SMEs don't issue sukuk, Rizi said it's because of its cost and legal and regulatory environment. Somewhere else the lecturer mentioned that the objectives of employing blockchain in sukuk platform are:

- Connecting all stakeholder through one platform
- Reducing cost of issuance
- Creating simplicity in transactions
- Facilitating all investors of sukuk across boundaries

Dr. Hazik Mohamed, Founder and Managing Director, Stellar Consulting Group ***Current Risks in AI and Blockchain Capital Market Applications***

He talked about purposes of using AI in capital markets, mentioning that AI is generally used to process Big Data to assist financial institutions through improved and true real-time insights in the customer behavior as well as market movements. AI is used for:

- Identity theft deterrence
- Liquidity management efficiency
- Credit risk management
- Fraud detection

As to blockchain usage in capital markets, Mohamed said blockchain can be used for:

- Securities Transactions and Issuance
- Asset Servicing and Treasury Operations
- Derivative Transactions
- Post-trade processing
- Audit and Monitoring
- Securities Issuance

Regarding the blockchainized sukuk issuance, the lecturer said instead of sukuk certificates, the tokens act as a trust certificates to the ownership of the sukuk for the holder, furthermore, the tokens can subsequently be floated on a legitimate crypto-exchange for price discovery and secondary trading liquidity. Finally he told there are two main risks associated with using Ai technology, which are risk in data sources and risks in big data processes.

Dr. Farhad Morsali, Faculty Member at Imam Sadiq University ***Central Bank Digital Currency***

He said digital currency also known as digital money, electronic money, or electronic currency is any currency managed, stored or exchanged on digital computer systems, especially over the internet.

The lecturer emphasized that central bank digital currency is issued and backed by a central bank, a central bank digital currency (CBDC) is a digital currency used by individuals to pay businesses, shops or each other or between financial institutions to settle trades in financial markets.

Objectives of using CBDC:

Safeguarding public trust in money

Maintaining financial stability

Ensuring safe, resilient payment systems and infrastructure

As to the merits of CBDC, Morsali said it can lead to cost savings, border financial inclusion, payment efficiency, less counterparty risk, lower reporting burden, higher transparency and simplicity.

The lecturer said using CBDC in capital markets can also lead to efficiency in settlement, credit risk mitigation and reduction in transaction costs.

Dr. Aishath Muneeza, Associate Professor, INCEIF

Role of Technology in Reshaping the Sukuk Market

She said Blockchain, Artificial intelligence/machine learning, Big data analytics and Cloud computing are some types of technology compatible for sukuk markets.

Regarding the adoption of technology in Sukuk market, Muneeza mentioned that blockchain provides realtime and a uniform view of transaction data, devoid of the need for many reconciliations, will go a long way in reducing costs and removing certain inefficiencies and frictions that plague the financial system.

Somewhere else she touched upon the advantages of using blockchain technology in sukuk market, stressing

First is in the efficiencies of clearing and settlement processes of securities, whereby blockchain helps institutions save thousands of dollars in back office and operational costs.

Second is in the reduction of risk exposure, particularly with respect to settlement, which is lowered by more than 99%, bringing down costs dramatically. With settlement occurring in real time, counterparty risk is dispelled as well.

Third is the reduction of issuance cost because of removal of superfluous intermediaries and the associated fees involved. Consequently, the operational risks and administrative burden of the traditional *shukūk* issuance, which is often a manual and multi-tiered process, are lessened.

Dr. Shadi Nahifi, Financial Markets and Financial Instruments Analyst/ Research Development and Islamic Studies Department

Current Status of the Crypto Market in Islamic Countries

She said Indonesia does not allow cryptocurrencies to be used as a payment instrument, but does allow them to be traded as a traded commodity.

In Kuwait Ministry of Finance Says [It] does not Recognize e Virtual Currency Bitcoin.

In Oman financial institutions are prohibited from dealing in cryptocurrencies. Omani citizens should be cautious when dealing in cryptocurrencies.

In Pakistan the State Bank has not imposed a ban on cryptocurrencies in Pakistan.

Tunisia's Central Bank doesn't recognize or deal in cryptocurrencies as a form of payment, while in Turkey the purchase of cryptocurrencies is not banned, cryptocurrencies may not be used in payments.

As to the digital token, the lecturer said the digital token is not issued or guaranteed by any government body or central bank as may be specified by the commission.

Dr. Ziyaad Mohamed, Head, Micra INCEIF University/ International Sharia Advisor on Banking and Fintech

Crypto, NFTs and the Metaverse: Sharia Considerations and Current Approaches

Regarding the global Islamic fintech landscape, the lecturer said Indonesia leads by number of Islamic fintechs (61/20%), followed by the UK (45/15%) and UAE (42/14%). The total market size is estimated at US \$79 billion (0.83% of global transactions) in 2021 with expected growth reaching US\$ 179 billion by 2026.

As to sharia approach to transactions and technology, Mohamed told sharia can lead to preventing harm and doing good, general permissibility and public benefit. Regarding the classification of cryptocurrencies based on their purposes, Dr. Mohamed mentioned they are Payment Coins, Utility Coins, Capital Market Coins, Stablecoins and Central Bank Digital Coins.

Somewhere else he touched upon that NFT can be the asset itself or a digital representation holding the rights to it. Mohamed said Metaverse use cases are in gaming, virtual tourism, virtual socializing, Meta marketplace and virtual events. If each of them leads to Gharar (Uncertainty, and excessive

Speculation) that is uncertain value and trade is based on sentiment, risk and danger, it is not acceptable in terms of sharia principles.

Dr. Seyed Nasrollah Ebrahimi, Associate Professor of Law, Faculty of Law & Politics, Tehran University

Nature and principles of International Islamic Finance & Disputes Resolution Mechanisms

The lecturer said Islamic jurisprudence and requirements, technical nature and characteristics, complexities and difficulties, unknown and non-regulated market are nature of international Islamic finance disputes.

Regarding the principles of international Islamic finance, Ebrahimi mentioned that prohibition of interest in loan contracts on a no-riba basis, prohibition of use of money for the purposes of making money, principle of La-zarara-wa-la-zerar are some of the principles of international Islamic finance.

Somewhere else he said disputes mechanisms in international Islamic finance could be hybrid, namely Islamic expert-mediation, Islamic expert-arbitration. Advantages of hybrid disputes mechanisms are efficiency in costs, time saving, and preservation of relationship.

Shabbir Razvi, Islamic Finance Advisor

International Finance Solutions Associates

The lecturer said environmental, social and governance (ESG) considerations are now seen as an essential aspect of asset management by investors around the world.

All categories of asset owners, from pension funds to sovereign wealth funds to retail investors, are calling on asset managers to consider ESG risks and opportunities. Because these issues affect the long-term sustainability of businesses and entire economies everywhere.

Environmental, social and governance investing is gaining in popularity every day, but there are potential pitfalls for the unwary investor. It is more important than ever to incorporate ESG into the investment process. ESG integration, focuses on financially material factors and is very much process-oriented.

Dr. Sidy Mbaye, Inspector, member of the Islamic Unit at AMF-UMOA

West African Monetary Union -Capital Market Authority Islamic Capital Market in West Africa

The lecturer said West African financial system has many supervisor.

1. The money market supervised by the regional Central Bank (BCEAO) and the Banking Commission;
2. The capital market controlled by the AMF-UMOA, the capital market authority;
3. The insurance sector is supervised by the CIMA (Inter-African Conference on Insurance Markets);
4. The pension funds are controlled by the CIPRES (Inter African Social Security Conference).

West Africa's experience in Islamic finance.

Banking sector:

Banking Islamic framework in WAEMU (The regulation framework covers the credit and microfinances activities offering Shariah compliance products)

- Islamic banks (Niger and Senegal) operates in WAEMU
- Islamic banks branches opened by the Coris Bank Group (Burkina Faso, Benin, Côte d'Ivoire, Mali and Senegal)
.Microfinance institutions (in Burkina Faso, in Côte d'Ivoire, Niger in Senegal and inTogo)

Capital market sector:

- Sovereign sukuks issued by Senegal,Côte d'Ivoire,Mali,Togo and public company sukuk

- Islamic Capital market framework just adopted
- Member of IFSB Working Group in charge of elaborating Standard on Investor protection in ICM since January 2019

Mohamad Ghasemi

Tokenization of Assets (Real Estate, Financial Instruments, Commodities) through Islamic Capital Markets

He talked about the advantages of securities tokens, mentioning that they are:

1. Enabling international activities for local stock market institutions
2. International Fundraising Opportunities
3. Increasing liquidity of assets
4. Making easier transfer for assets
5. Keeping pace with the changes in the infrastructure of the world's monetary system (CBDC)

Ghasemi said the pillars of operation for security tokens are supervisory power, auditor, crypto exchange, digital asset manager, central depository and custodian.

Finally he mentioned that by tokenization of assets financial markets will become more active, fair, and transparent.

International Panel

The last part of the event was panel discussion about epistemological foundation of Islamic token and crypto money.

The panelists were:

Dr. Takeshi Kito, Vice-Chairman of Fintech Association of Japan.

Dr. Majid Pireh, Secretary of Shariah Committee at Securities and Exchange Organization of Iran.

Dr. Hassan Ban, Chief Business Development Officer at Persian Gulf Investment Bank.

Dr. Farhad Morsali, Faculty Member of Imam Sadiq University.

Moderator:

Alireza Kamandi, Secretary of International Affairs at Iranian Association of Islamic Finance.

At the end of **Nov 2022**, the market capitalization (stock) reached 65,958,077 billion IR, which represents 4.73% increase compare with the previous month.

The TSE's total return index (TEDPIX) at the end of one-month trading session in **Nov 2022** increased by 7.61% and touched 1,408,598, while the IFB's total return index (IFX) reached 18,510, which demonstrates a 3.67% increase.

The total trading value of four exchanges (TSE, IFB, IME, and IRENEX) amounted to 10,822,981 Billion IRR in **Nov 2022**, which shows 34% increase comparing to the last month.



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