

A Letter From The Executive Manager

We are pleased to present the first-ever edition of the "Capital Markets Newsletter", a publication of the Iraqi Association of Securities Dealers, intent to represent the unified voice of the investment professional community.

Our goal at the IASD is to promote the interests of the brokerage companies - 51 are licensed to trade on the Iraq Stock Exchange - and to become a platform for addressing the collective concerns of all components of the Iraqi Securities Market. To that end, we strongly believe that listening to the concerns and needs of our members, as well as expressing their views to the main stakeholders of the capital market, are of utmost importance.

programs that we present. We expect them to play a role in promoting international investment in the Iraqi Securities Market.

Both the brokers and issuers will benefit from raising awareness and building confidence among potential issuers by the implementation of fair and transparent trading rules.

IASD management has been empowered by its membership to develop a platform for reform and change in the capital markets. We intend to work closely with the Iraq Securities Commission (ISC) and the Iraq Stock Exchange (ISX) to advocate for the interests of investors and issuers being considered for adoption



Capital Markets

IASD stands for information, advocacy, services and development. We advocate for a major role of the capital markets in the growth of Iraqi economy and we actively seek to attract foreign investment by setting high ethical standards in trading that will entice more capital investment in our country.

We encourage all our members to participate actively in the activities and

in the Permanent Securities Law currently under draft.

Perhaps the greatest benefit that our members can gain by being part of the IASD is the increased degree of exposure to the best international practices of the industry. On such basis they will be able to develop effective business strategies and engage actively in international market interaction.

Chairman's Message

United for the Future

The publication of the first edition of the IASD Capital Markets Newsletter is an important step forward in building a unified and powerful professional community of securities dealers in our country. Together we have gone a long way in laying out a solid foundation for the capital markets, which represents a vital tool in the economic reconstruction and development of Iraq. Our journey has been successful so far, but new and significant challenges are laying ahead of us this year, as we embark in drafting the Permanent Securities Law and we prepare for automation of the stock exchange.

The efficient functioning of the capital markets is an engine for growth. Together with the other components of the market we must ensure that this engine works smoothly and complies with the modern international standards. We at the IASD are designing a comprehensive training program meant to enhance the professional skills of our members and to bring them to the level of our colleagues and counterparts from abroad. We trust that this program and all the other activities of our Association will foster among our membership a sense of professional commitment and unity in fulfilling our important role in the functioning of the capital markets and in the progress of our country.

Ahmed Waleed Ahmed
Chairman

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IASD Starts Its Engines

The Iraqi Association of Securities Dealers has hired its first team members, those who will work with the 51 licensed brokerage companies to promote the development of a vibrant securities market in Iraq.

"This is an important event in the development of capital markets in Iraq," said Mr. Walid Al-Sadoon, IASD Board Member. "With the establishment of our organization and the implementation of international best practices, we will be better able to encourage a fair and transparent securities industry in Iraq."

The Association's first employees fill the positions of Executive Manager, Accounting Manager, Administrative Assistant and Training Coordinator. Additional staff will be hired as the organization expands into its new headquarters. The new professional staff will manage and facilitate the activities of the Association, provide training for securities professionals, and advocate for the interests of its members.



IASD Office

Business Plan Summary

At a Board meeting held on January 24th, 2006, the IASD Board reviewed the annual business plan for the institution. Mr. Ali Hassan, IASD Board Member remarked "The Iraqi Association of Securities Dealers will promote investor interests in Iraq's securities markets and will actively represent the interests of its members through the development of a sustainable business plan." The business plan is to be approved soon.

In collaboration with the Iraq Securities Commission, the Iraq Stock Exchange and the Depository, the IASD will provide training, certification and continuing education programs for financial intermediaries and the issuer community.

IASD NEWS

New Headquarters

The new headquarters of the IASD will be ready to host the new staff and the Board members of the Association in March. Located in the center of Baghdad, the 3000 square meter facility will provide excellent conditions for the training programs that IASD is preparing to upgrade the professional skills of its members and to improve their awareness of modern trading practices.

The training facilities are exclusively located on the ground floor of the building, to offer attendees easy access to workshops and lecture halls, while the management of the Association will function on the first floor.

The rehabilitation and refurbishment of the building has been a tough and demanding process. The IASD Board of Directors has made tremendous efforts to provide the organization with a venue well-equipped to facilitate the services the Association has already committed to provide. Meticulous measures were taken to maintain the classical façade of the building that reflects its majestic past.



New IASD Facility

Over 90% of the work was completed at the beginning of February, namely the civil works, the electrical wiring and the general refurbishing of the entire building. Furnishing the location is expected to take another two weeks. At the Board Meeting held January 24, the Board of Directors expressed confidence that they will convene the next such gathering in the new

Raising Capital

Companies can not survive without sustainable capital flow being as vital as the flow of blood in a human being. To achieve sustainable development and insure a safe future, Iraqi companies must identify adequate financing resources. Countries promote capital market development for efficient financing, but what are the alternatives to providing capital that would cover the liabilities or achieve revenue generating projects.

The debt capital on commercial terms can only be provided in Iraq through banks charging interest rates ranging up to 17% on a collateral basis, with terms up to one year. Loan principal is limited to 30% of the collateralized property value.

An alternative solution to raising capital is through the issuance of shares on the securities market. The current procedure in Iraq is through underwriting the percentage of capital by the public at a mandated par value of ID 1.

An example of this was the case was the pricing of shares for a prominent Baghdad-based financial institution. To make way for the annual meeting and discuss the financial report of the fiscal year 2005, the General Assembly of this institution agreed to raise capital by issuing 10 billion shares. The shares were subsequently sold at ID1/ share par value according to Company Law 21, 1997 which states that shareholders have preemptive rights to buy those offerings within the first two weeks of the one month's underwriting deadline. However, any stock surplus would be offered to the general public for the other two weeks, to be sold at the same minimal rate. This process decimated the trading price of the company's shares and undermined investor confidence. This contributed to the reasons behind the sharp fall in share prices for the past few months that eventually led to investor distrust in the market.

The Association believes that primary- and secondary- share offerings be left to the market. Companies raising capital ought to be able to work with their underwriters to establish an

The Iraq Securities Commission (An Introduction)

The role of the Iraq Securities Commission (ISC) is to regulate and monitor the securities market, its activities and components including the Iraq Stock Exchange, the intermediaries and the issuers, etc. In this capacity, the Commission develops regulations and rules for its registered entities and market participants (stock exchanges, depositories, issuers, investment professionals, etc.).

The ISC is a government legal entity vested with law enforcement powers over the capital markets. The Board of the ISC consists of a five members (Commissioners), including the Chairman. The Chairman and the Vice-Chairman hold full time positions, while the remaining Commissioners have part-time appointments. The Commission reports to the Council of Ministers. Its accounts are audited by the Board of Supreme Audit and the Integrity Commission.

The ISC is structured in 10 departments which fulfill the following functions:

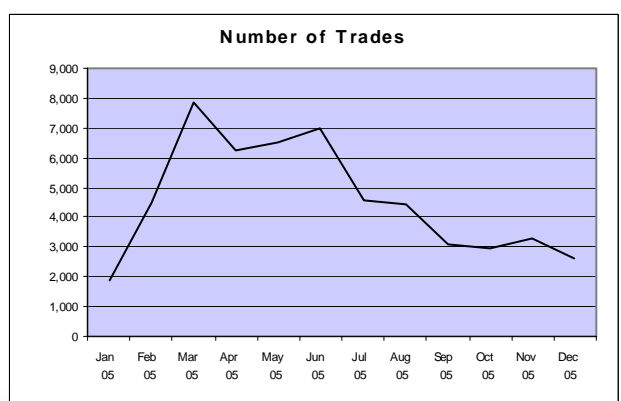
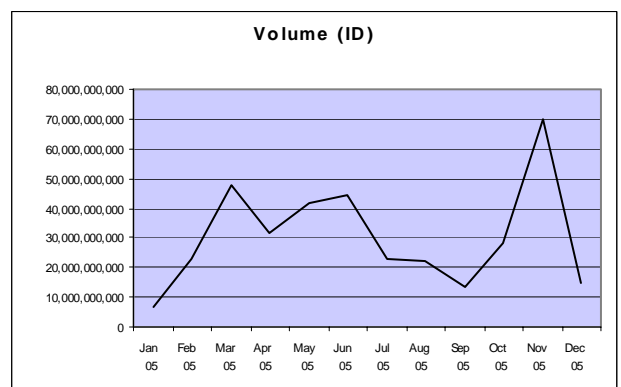
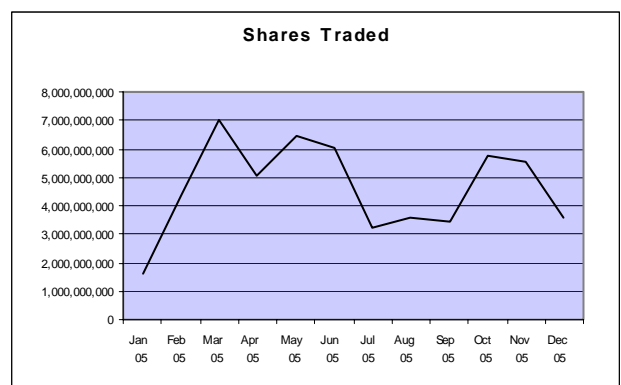
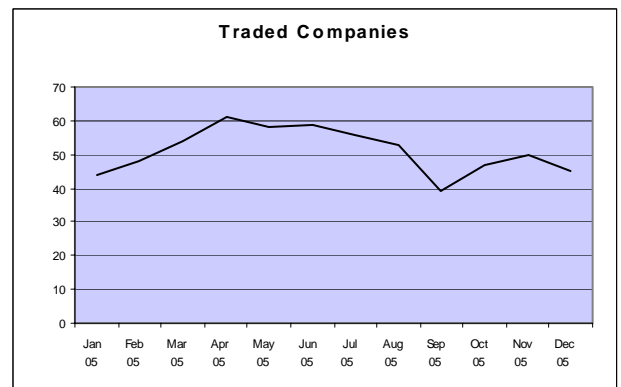
- Review, approve, submit notification or uphold procedures concerning the Depository and the Stock Exchange in accordance with the law;
- Monitor the capital markets, the Depository Center and Transfers, authorize brokers to keep the registers and to set reports on their financial status and trading according to what are considered necessary by the Commission for the implementation of the law;
- Check the operations of the issuing companies listed on the stock markets;
- Issue rules to examine the information and reports which are required to be available to the public. Review the information and reports submitted by the companies and request to review this information and report their defaults, vague or as violation of the Company Law;
- Issue rules related to the issuance of bonds and other securities instruments;
- Issue rules related to the activities of investment professionals from the broker/dealer companies, banks and other related companies; and
- Enforce the Securities Law, any rules approved by this law and any rules of the securities market or the Depository Center and Transfers and take the necessary action with any company or individual violating the law or the rules issued by the Commission.

We intend to follow regulatory developments at the ISC in future editions of this newsletter.

Stock Market Developments

Since the opening of the new Iraq Stock Exchange (ISX) in 2004 a number of reforms have taken place which have had a positive impact on foreign investment in Iraqi banks from the neighboring Gulf as well as international institutions. Investment in the Credit Bank of Iraq by the National Bank of Kuwait (NBK) and in the Dar-Es-Salaam Bank by HSBC are examples of several transactions that were consummated in 2005. It was also a signal for investors that more foreign investment would be coming into Iraq. These developments resulted in share prices reaching an all time high in the latter half of 2005.

ISX Market Activity 2005



Source: www.isx-iq.com

IASD Training Calendar

March 2006

Introduction to Capital Markets – An overview of Capital Markets in Iraq and the world. This course provides the students with a knowledge and understanding of Securities Markets and Securities transaction processing.

- Course Schedule; Sunday, Tuesday and Thursday, from 9:00 am to 2:15 pm
- Cost:
 - IASD Members in good standing - 30.000 ID
 - Non-Members - 60.000 ID
- Venue – IASD Headquarters
- Dates - March 2006

Basic Computer and Microsoft Office User Training – Beginner and intermediate hands-on learning for Windows PC users, including basic Windows functionality, Internet Explorer, and Microsoft Office Word, Excel, PowerPoint, and Outlook.

- Course Schedule; There will be four concurrent sessions as follows:
 - Saturday, Monday, & Wednesday
0900 - 1300 & 1300 - 1700
 - Sunday, Tuesday, & Thursday
0900 - 1300 & 1300 - 1700
- Cost:
 - Members in good standing - 300.000 ID
 - Non-Members - 450.000 ID
- Venue – IASD Headquarters.
- Dates – to be announced.
- Special gifts and certificates available to **Members** in good standing that successfully complete the course. More details to be available soon in our course brochure.

For more information please contact
training@iasd-iq.org

Get an IASD Member Email Address

Each paid-in member of the IASD is entitled to one email account on the iasd-iq.org domain. This account will remain valid as long as the member remains in good standing. For more details please contact membership@iasd-iq.org

Reader Comments & Opinions

The IASD welcomes comments and opinions from the capital markets community to enhance its efforts in voicing the community's concerns. We are focused on a healthy environment of information, advocacy, services and development. Empowered by our members we will be well equipped to implement these objectives by developing a platform for free dialogue and discussion. You are invited to submit your comments and opinions to comments@iasd-iq.org.

Local Events

Corporate Disclosure in the Iraqi Securities Market Iraq Securities Commission Alwya Club, Baghdad, February 2006

The Commission will apprise the issuer community on ongoing reporting and disclosure requirements established in line with the Interim Law on Securities Markets.

The seminar will address the following:

- Developing an Effective Securities Market in Iraq
- Iraqi Securities Market Structure
- Understanding the Interim Securities Law
- The ISC and its Role
- Role of Corporate Disclosure
- ISC Rules on Corporate Disclosure
 - Registration Statement
 - Annual and Periodic Reporting
 - Material Information Reporting
- Work Plan for Issuer Development

Regional / International Events

Bahrain International Exhibition Center Manama, Kingdom of Bahrain

13 – 15 February 2006 (<http://meftec.com/expo/index.shtml>)

Held under the auspices of the Bahrain Monetary Agency, and aptly staged in the heart of the region's financial capital, MEFTEC (Middle East Financial Technology Exhibition & Conference) is the premier and most prestigious annual rendezvous of the Middle East's financial services industry. MEFTEC is where the financial services industry comes together to address pressing strategic and technical issues, preview the latest innovations in technology, and network to build new partnerships.

The 3rd International Rebuild Iraq Exhibition Amman International Fair in Marj El Hamam Amman, Jordan

8 - 11 May 2006 (<http://www.rebuild-iraq-expo.com/>)

56 Government and International Trade Bodies from 36 countries have joined together to support IFP's 3rd International Rebuild Iraq Exhibition, the largest and most prominent exhibition planned in 2006 on the Iraq rebuilding effort. The list of supporting countries runs through all the major powers (the USA, UK, France, Italy, Germany, Russia, Japan, Korea) to most economies in Europe, and the Far East.