Abstract
In accordance with the tenet of relevant theories of money and finance, the main role of banks in the economy is de facto considered to be the creation of money through holding the cash deposits of public and in turn extending the required facilities to the concerned people viz-a-viz these deposits. In fact banks are de jure assumed to be the liquidity pool in which by changing the maturity of their balance sheet entries, they can create liquidity. In this context, banks will prevail the opportunity to allocate the non-pecuniary entries of their balance sheets for non banking sectors and hold the pecuniary entries of the balance sheet for their depositors and borrowers. As a result, the depositors keep their deposits with banks and the borrowers will receive the needed money in the form of loans in an appropriate time. In addition, banks can also create liquidity by using the entries of their balance sheets and transform the less liquid assets into liabilities quid pro qua. Thus in this paper, an attempt is made to estimate the index of liquidity creation in the Iranian banking system. This index is blend of liquidity creation process of banks which includes per se their assets, liabilities and capitals in toto. However it is pertinent to note that most of the studies in this area, have emphasized on reviewing the role of banks liquidity creation through extension of loans and credits, while in this paper, we have tried to focus on the structure of balance sheet of banking system for the period 2007-2012, sui generis.

Keywords: Liquidity Creation, Financial Intermediation, Banking, Balance Sheet
JEL Classification Codes: G10, G21, E58.
Assessing the Feasibility of Formation an Optimal Common Currency Area Among the ECO Member Countries, the Structural VAR Approach

Behzad Salmani, Ph.D*, Somayeh Razzaghi**

Abstract
In Economic theories, the formation of Common Currency Area and application of Common Currency, could lead to the transparency of prices, more transfer of foreign direct investment owing to reduction of exchange rate fluctuation, greater availability of factors of production, widening the accessibility to labor and financial markets, decrement of transaction costs, promotion of intra-regional and intra-industrial trade between the member countries, sui generis. In this paper, an attempt is made to study the feasibility of formation of Common Currency Area, within the ECO members viz-a-viz utilization of three variable Structural Vector Auto Regression (SVAR) model, to examine the simultaneity of structural shocks amid the ECO Countries for the period 1980-2012. The results prima facie indicate that, the pattern of impulse response of macroeconomic variables to structural shocks and also their speed of adjustment to shocks are symmetric in the sub-group of Afghanistan, Kazakhstan, Pakistan, and Tajikistan. Moreover, we observe that the sources of fluctuations in macroeconomic variables in all ECO member countries are the same in toto. Thus, we have found that, the sub-group of four mentioned countries may implement a unique policy formulation for adjustment of their macroeconomic variables against the mence of structural shocks, and sine qua non the formation of an Optimal Common Currency Area is not only feasible for these Countries but it may also bear spill over benefit for the economic set ups of the region Ipso facto.

Keywords: Optimum Currency Area, Structural Shocks, Eco Countries, Structural VAR Model

JEL Classification Codes: C32, F33, F42.

* Associate Professor of Economics, Department of Economics, University of Tabriz behsalmani@gmail.com
** Ph.D student of Economics, Department of Economics, University of Tabriz s.razzaghi66@gmail.com
The Reciprocal Relation Between the Investment in Telecommunication Technology and GDP, the Case Study of Some Developing Countries

Ali Dehghani, Ph.D*, Majid Feshari, Ph.D**

Abstract
The main objective of this study is to investigate the effect of interaction between investment in telecommunication technology (ICT) and total labor force employed in this sector with the GDP of certain group of developing countries over the period of 1975-2012. For this purpose, we applied the Translog production function and Panel Data Technique, to test the complementary impacts of ICT and labor force employed in this sector on GDP per se. The results of this study prima facie, indicate that there are significant complementary relation between the investment in telecommunication technology and number of labor force employed in this sector in some developing countries under the review. Moreover, the elasticity of production with respect to non-ICT labor force is comparably more than the other explanatory variables, sui generis.

Keywords: Complementary Effects, Investment in Telecommunication Technology, Translog Production Function, Developing Countries, Panel Data.

JEL Classification Codes: C23, E20, E13.
Exploring the Structure of Government Indebtedness to the Central Bank of Iran and Comparing It with the International Standards

Seyed Mehrzad Mirbahari*

Abstract
The credit constrains in which a government may encounter in dealing with the Central Bank, can be deemed as an essential component of the Central Bank independence. In this paper an attempt is made to construe the "Maastricht Model" as an ideal model for credit constraint of the Central Bank to the government. In this context, we have assessed the observed relation between the government and the Central Bank of France as a practical model. Subsequently, we have explored the legal framework of relationship viz-a-viz public sector and Central Bank of Iran from the historical perspective which had started from the Imperial Bank of Iran, to Bank Melli Iran and finally leads to the Central Bank of Islamic Republic of Iran. Then we have analyzed the structure of government indebtedness which comprises the net debt of the government and public corporations and institutions to the Central Bank, sine qua non. Finally we could present the actual figures related to the monetary base and public sector debt to the Central Bank and their trends and all relevant regulations envisaged in various development plans for controlling and limiting the public sector debt to the Central Bank and the modus operandi of these regulations quid pro qua.

Keywords: Structure of Government Indebtedness to the Central Bank, Public Sector Debt to the Central Bank, Maastricht Model, Limiting the Public Sector Indebtedness to the Central Bank.

JEL Classification Codes: E520, E580.

* Economic Expert, Department of Economic Research and Policies, Central Bank Of Iran
m.mirbahari@cbi.com
The Risked Based Approach to Combating Money Laundering in New Banking Services

Hedi Yousefi*, Jamileh Peykar**

Abstract

The "Money Laundering" is a broad concept with wide ranging application, which is nowadays prevailing in the economic system of different countries and hence banks as most common financial institutions are de facto prey to illegal asset derived transactions of organized criminal activities. Concurrent with the growth of financial services, the financial crimes are growing with increased complexity. In contrast, the development of supervisory and regulatory set-ups of banking systems in most of the countries are relatively slow. In these circumstances, the meticulous scrutinizing of financial institutions, and their financial services, the ongoing structure of supervision and regulations and provision of intelligent solutions to deal with the concerned financial crimes and terrorism are all considered to be the prime necessity pro rata. However, in the context of Iran, due to fierce market competition among the Iranian banks for rendering the financial services to people and also irrespective of expansion of e-banking system in Iran, we have observed that the rate and extent of risk for money laundering in these institutions are growing gradually. Nonetheless in certain cases, we can be witness of peril of illegal forgery and underground activities of some financial institutions which are susceptible to become potentially a safe platform for money laundering per se.

Thus, in this paper, an attempt is made to present a framework for adoption of Risk Based Approach in rendering the e-banking services in Iran, for implementation of Anti-Money Laundering and Terrorist Financing Act which is in consonance with the FATF guideline. For this purpose, we have tried prima facie to identify the high and low risk indicators of money laundering in the Iranian economy and subsequently we have specified the possibility of strengthening the regulatory and supervisory power of the banking system in Iran for formulation of coherent Anti-Money Laundering Policy Ipso facto.

Keywords: New E-Banking Services, Risk Based Approach in Anti-Money Laundering and Terrorism Financing, Risk Indicators.

JEL Classification Codes: R51, G32, K42.
Financial Policies and the prevention of Financial Crises in Emerging Market Countries

Translated By:
Mohammad Nadali, Ph.D

Abstract
This paper outlines a set of financial policies that can help make financial crises less likely in emerging market countries. To justify these policies, the paper first explains what a financial crisis is, the factors that promote a financial crisis and the dynamics of a financial crisis. It then examines twelve basic areas of financial policies to prevent financial crises: 1) prudential supervision, 2) accounting and disclosure requirements, 3) legal and judicial systems, 4) market based discipline, 5) entry of foreign banks, 6) capital controls, 7) Reduction of the role of state owned financial institutions, 8) restrictions on foreign denominated debt, 9) elimination of too big to fail in the corporate sector, 10) sequencing financial liberalization, 11) monetary policy and price stability, 12) exchange rate regimes and foreign exchange reserves.

Keywords: Financial Crises, Financial Policies, Emerging Market Countries.
JEL Classification Codes: F33, G28.

* Researcher at Central Bank of Islamic Republic of Iran
mohammadnadali@yahoo.com
The Road to Financial Stability: Capital Regulation, Liquidity Regulation, and Resolution

Translated By:
Haleh Nafarieh

Abstract
Prior to the 2007-9 financial crisis, regulations addressing risk taking in the financial system were woefully inadequate. In this essay, I summarize the regulatory changes implemented over the past five years and come to three conclusions. First, as a result of the new Basel III standards, the global financial system is now substantially safer than it was, but probably not yet safe enough. Second, the costs of increasing capital requirements have been much smaller than we originally thought. And third, we are best advised to shy away from time-varying discretionary regulatory policies.

Keywords: Financial Stability, Capital Regulation, Liquidity Regulation, Basel III.
JEL Classification Codes: E58, G28.

* Head of English Publications Division, Economic Research and Policy Department, Central Bank of Iran
h.nafarieh@cbi.ir