

## **Guidelines on Monetary and Credit Policies in 1394 (2015/16)**

*Effective as of Ordibehesht 16, 1394 (May 6, 2015)*

❖ Banks' provisional deposit rate ceiling is set at 20.0 percent, proportionate to the maturity of deposit (with a maximum maturity of one year).

- Banks and credit institutions are obligated to finalize the provisional deposit rates under the Islamic contracts, based on audited financial statements and actual profit, at the end of the financial period. The banks and credit institutions' finalized actual deposit rate is subject to General Assembly approval after the consent of the CBI.

- Regulations related to the issuance of general and special Certificates of Deposit (CDs), including the amount and value of issued CDs, their provisional profit rates, and maturity, shall be determined by the Central Bank.

❖ The maximum lending rate on loans and facilities extended by banks and credit institutions under non-PLS contracts is set at 21.0 percent.

- The lending rate on loans and facilities extended to the housing sector under Bank Maskan's priority rights (installment sale contracts) is determined at 16.0 percent. Furthermore, the lending rate on housing loans extended by Bank Maskan under the Housing Savings Fund program is set at 14.0 percent.

- The lending rate on the facilities extended for Islamic contracts under Mehr Housing Program in housing sector is set at 11.0 percent for the construction period of the new projects and 12.0 percent for installment sale after the completion of projects.

- The lending rate on facilities extended by leasing companies is set at 21.0 percent. Any extra charge by these companies for the extension of such facilities shall be prohibited.

❖ The expected maximum profit rate of PLS contracts concluded between banks and credit institutions and their clients is set at 24.0 percent. This rate is subject to revision by the

Money and Credit Council (MCC) on a quarterly basis, taking into consideration the economic trajectory of the country.

❖ The reserve requirement ratio applied to commercial banks and credit institutions (state-owned and private) is unified at 13.0 percent. The reserve requirement ratio for specialized banks and banks' and credit institutions' branches in free trade zones is determined at 10.0 percent. The reserve requirement ratio for the Housing Savings Fund program of Bank Maskan remains unchanged. The release of funds to banks as a result of execution of current regulation (lowering of banks' reserve requirement ratios) will be utilized first for debt settlement of banks to CBI.

- Reserve requirement ratio on Gharz-al-hasaneh savings deposits held with banks and credit institutions is determined at 10.0 percent.
- Banks' permission to keep up to 2.0 percentage points of their reserve requirement (deposits) with the Central Bank in cash (subject of Circular No. MB/2412 dated 28.6.1387 (September 18, 2008)) remains in effect in 1394 (2015/16).

❖ The provisional profit rate of Participation Papers issued by public and private corporations and municipalities is determined tantamount to the expected profit accrued from the investment projects and will be paid on a quarterly basis. The maximum provisional profit rate on these papers is set at 21.0 percent per annum. The issuing institutions are obligated to calculate the final profit rate of the projects and adjust the profit payment to paper holders.

- The repurchase of Participation Papers by banks is not allowed prior to the maturity date of papers. However, these papers can be transacted in secondary market in banks and on the Stock Exchange.

❖ A ceiling of Rls. 100 trillion will be applied to the issuance of Participation and Sukuk Papers (issued by banks, municipalities, and public corporations) for 1394 (2015/16), based on the license issued by the Central Bank. The ceiling for the issuance of Participation Papers, subject of Note under Article 4 of the Law on Issuance of Participation Papers, based on the license issued by the Securities and Exchange Organization, is set at Rls. 50 trillion for 1394 (2015/16).

❖ The rate of Sukuk Papers issued under the license of the CBI shall be set by the CBI, with observance of the value of the underlying assets and maturity date of Sukuk.

- The repurchase of Sukuk Papers by banks is not allowed prior to the maturity date of papers. However, secondary market transaction of these papers in banks and on the Stock Exchange is permissible.
- The rate of Sukuk in the money market, issued under the license of the Securities and Exchange Organization and guaranteed by the credit institutions, shall be set in coordination with the CBI.

❖ Central Bank is obligated to adopt measures for credit rating of banks and credit institutions and announce the ratings and rankings publicly through appropriate measures.

❖ Banks' and credit institutions' directors who do not observe the MCC approved rates for financial resources mobilization and allocation are considered to be breaching the directions and approved measures. These directors will be stigmatized publicly as such and will be referred to Banks' Superintendent Board for their violation.