

In the Name of God

“Executive Instruction Supervising Establishment, Activity, Supervision and Dissolution of Off-Shore bank Units in Free Trade and Industrial Zones of the Islamic Republic of IRAN”

In the framework of the Law on the administration procedure of Free Trade and Industrial Zones of the Islamic Republic of IRAN approved in 1993 and the subsequent amendments and on the strength of article 35 of the executive bylaw of monetary and banking operations in the Free Trade and Industrial Zones of the Islamic Republic of IRAN approved in 1999 by the cabinet of ministers and the subsequent amendments and addenda, money and credit council approved the “Executive Instruction Supervising Establishment, Activity, Supervision and Dissolution of Off-Shore bank Units in Free Trade and Industrial Zones of the Islamic Republic of IRAN” hereinafter referred to as “Instruction” as below.

Chapter one: Definitions

Article 1) In this instruction, the following titles shall be used instead of the respective phrases:

- 1.1) Central Bank: Central Bank of the Islamic Republic of IRAN.
- 1.2) Organization: Organization of any of the Free Trade and Industrial Zones of the Islamic Republic of IRAN.
- 1.3) Zone: Any of the Free Trade and Industrial Zones of the Islamic Republic of IRAN.
- 1.4) Secretariat: Secretariat of the supreme council of free trade- industrial and special economic zones.
- 1.5) Foreign credit institute: A bank or non-banking credit institute which has been established outside the Iranian territory involving in banking operations under the supervision of banking supervisory authority of its own country and which is an applicant for establishment of an Off-Shore banking unit in the zone.
- 1.6) Off-Shore banking unit: Off-Shore banking unit consists of Off-Shore bank and Off-Shore branch.
- 1.7) Off-Shore bank: A bank which has been established in the zone by the license of the central bank and is involved in Off-Shore banking within the framework of this instruction.
- 1.8) Off-Shore branch: An operational unit of the foreign credit institute which is involved in Off-Shore banking by the license of central bank and within the framework of this instruction.
- 1.9) Off-Shore banking: Performing banking operations exclusively by a currency other than I.R. IRAN Rial.
- 1.10) Managerial capacity: Managerial capacity consists of board member, managing director, deputy director, chairman, chair and vice-chair of Off-Shore branch.
- 1.11) Resident persons: (a) Iranian nationals who reside in the territory governed by the Islamic Republic of IRAN; (b) Non-Iranian nationals with residence permit in Iran; (c) Legal entities registered in Iran.
- 1.12) Foreign legal entities: Legal entities registered out of Iran.
- 1.13) Granted capital: Funds allocated and paid as capital by a foreign credit institute to the Off-Shore branch in the zone for beginning of its activity.
- 1.14) Supervisory authority: Authority in charge of supervising credit institutes in the concerned country of foreign credit institutes.

Chapter two: Conditions for establishment of an Off-Shore bank unit

Article 2) Establishment of an Off-Shore bank unit and involving in Off-Shore banking in the zone shall be subject to submission of an application to the organization by the applicant, organization's agreement with the application, issuance of a license by the central bank and registration of the said bank unit in the zone.

Article 3) Only those applications for Off-Shore bank unit shall be reviewed by the central bank which are submitted to the central bank upon recommendation of the organization and through the secretariat.

Article 4) Establishment of an Off-Shore bank in the zone shall be possible in terms of a public/private joint stock company with registered shares.

Article 5) Constitution of the Off-Shore bank and the subsequent changes shall be approved by the money and credit council after the recommendation of organization.

Article 6) an Off-Shore bank which is registered in the zone and its head office is located in the same zone shall be considered as an Iranian Off-Shore bank.

Article 7) Possession of shares of an Off-Shore bank by foreign entities on the date of its establishment and/or during its activity shall be subject to the agreement of the central bank.

Article 8) Possession of more than 10% of shares of an Off-Shore bank by entities shall be subject to the agreement of the central bank.

Article 9) Establishment of an Off-Shore branch in the zone shall be possible only by a foreign credit institute.

Chapter three: Required capital for establishment and activity of an Off-Shore bank unit

Article 10) Minimum capital and granted capital required for establishment of an Off-Shore bank unit in the zone is as below:

10.1) Bank: Minimum €100,000,000.00¹ or an equivalent sum in other valid currencies acceptable for the central bank;

10.2) Foreign credit institute branch: Minimum €5,000,000.00 or an equivalent sum in other valid currencies acceptable for the central bank;

Note 1) Issuance of a license by the central bank shall be subject to full payment of foreign currency capital with that bank.

Note 2) As for Off-Shore branch, exit of granted capital shall be possible only upon branch closure.

Note 3) Minimum specified capital of the Off-Shore bank unit shall be reviewable at the discretion of the central bank. However, minimum capital of the Off-Shore bank unit shall not be lower than the figures specified in the executive bylaw of monetary and banking operations in the trade and industrial free zones of the Islamic Republic of IRAN approved on Nov. 30, 1999 by the cabinet of ministers.

Chapter four: Regulations supervising the activity of Off-Shore bank unit

Article 11) Off-Shore bank unit shall not be authorized to perform operations and transactions in IR IRAN Rials and it shall conduct its operations and transactions exclusively by foreign currencies.

Article 12) Obtaining deposits and granting/establishing facilities and credits by the Off-Shore bank unit shall be performed within the framework of international banking procedures.

Article 13) Obtaining deposits from persons including resident or non-resident by the Off-Shore bank unit shall be authorized.

Note) obtaining deposits from resident persons shall be possible only in terms of transfer and from the currency belonging to the aforesaid persons.

Article 14) Minimum deposit amount to be obtained from persons shall be €50,000.00 or its equivalence in other valid currencies.

Article 15) Opening current deposit accounts or any similar accounts by the Off-Shore bank unit with the possibility of withdrawal by checks shall be prohibited.

¹ Modified according to 1223th session of the Money and Credit Council, dated Sep06, 2016.

Article 16) Granting/establishment of facilities and credits by the Off-Shore bank unit to the persons including resident and non-resident shall be authorized.

Article 17) Off-Shore bank unit is obligated to clearly publish for the public a detailed description of field of activity, products and banking services which may be offered, target market, commissions and interest rates, guarantee of deposits and the like.

Article 18) Off-Shore banking unit is obligated to always inset the term "Off-Shore" after its name.

Article 19) Off-Shore bank unit can engage in different banking operations and services in foreign currency within the framework of international banking procedures and standards and within the framework of its constitution and received permission.

Article 20) Off-Shore bank unit shall pay to central bank as legal deposit with that bank an amount equal to 5% of the received deposits according to the currency to be specified by the central bank.

Note. As for the legal deposits paid in foreign currency, central bank is authorized at its own discretion to pay to the Off-Shore bank unit foreign exchange interests proportional to international markets.

Article 21) Interest rate of deposits, facilities and commission of different banking services of the Off-Shore bank unit as well as the rate of purchase and sale of foreign currency shall be determined based on supply and demand conditions in the market.

Article 22) Transfer of all foreign currencies by the Off-Shore bank unit from abroad to the zone and from each zone to other zones and out of the country shall be authorized.

Article 23) Transfer of foreign currency by the Off-Shore bank unit in any way from the zone to other parts of the country and vice versa shall be subject to national foreign exchange rules and regulations.

Article 24) The Off-Shore bank unit shall in its board use the term "Licensed by the Central Bank of the Islamic Republic of IRAN" and shall insert on all its letterheads the number and date of its activity license.

Article 25) Work hours of the Off-Shore bank unit shall be specified by the organization.

Chapter five: Supervising the Off-Shore bank unit

Article 26) The Off-Shore bank unit is obligated to observe all monetary and banking rules and regulations supervising free zones, the contents of approved constitutions and circulars and instructions of central bank to be issued within the framework of rules and regulations.

Article 27) Breaching from the contents of the present instruction and other monetary and banking rules and regulations shall be specified at the discretion of the central bank. The breaching parties shall be treated according to the rules and regulations including the following items.

27.1) Written notice;

27.2) Written order for ceasing and/or removing breach instances and performing corrective measures within the framework of the schedule approved by the central bank;

27.3) Ordering for preparation of financial statements in the time intervals intended by the central bank, preparing auditing report;

27.4) Intensified precautionary requirements;

27.5) Disqualification of individuals with managerial capacity in the Off-Shore bank unit;

27.6) Prohibiting/establishing restrictions for the overseas bank unit in performing some of the banking activities and operations;

27.7) Appointing temporary director or resident supervisor to ensure good performance of corrective measures set by the central bank;

27.8) Annulment of establishment license.

Note 1) Based on the significance degree of breach and repetition times, central bank can execute one or more than one of the above supervisory measures after passing legal stages.

Note 2) In case of disqualification of holders of managerial capacity in the Off-Shore bank unit, the concerned person shall be deemed as dismissed. Continuation of service of the said person shall be deemed as illegal interference in the public funds and properties.

Note 3) Salary and fringe benefits of the temporary director or resident supervisor shall be specified at the discretion of the central bank and shall be paid by the overseas bank unit.

Note 4) Scope of duties, responsibilities and authorities of the temporary director and resident supervisor shall be specified by the central bank.

Note 5) The Off-Shore bank unit whose establishment license is annulled, shall be dissolved as of the date of license annulment and shall act according to the order of the central bank until completion of liquidation and its notice.

Chapter six: Other

Article 28) In the instances not mentioned herein this instruction including issues such as dissolution, bankruptcy and liquidation, the overseas bank unit shall be subject to current rules and regulations including the Law of administration procedure of free trade and industrial zones of the Islamic republic of IRAN, national monetary and banking Law, Commercial Code, Anti Money Laundering Act, the Law of the 5-year development plans of the Islamic Republic of IRAN, executive bylaw of monetary and banking operations in the free trade and industrial zones of the Islamic republic of IRAN, bylaw of establishment and administration of nongovernmental credit institutions, executive bylaw of procedure of establishment, activity, supervision and closure of branches of foreign banks in IRAN and other related rules and regulations as well as its own approved constitution. All former regulations and approvals of money and credit council Supervisingseas banking which are contrary to the present instruction shall be null and ineffective as of the execution date of the present instruction.

Amendment of the "Executive Instruction Supervising Establishment, Activity, Supervision and Dissolution of Off-Shore bank Units in Free Trade and Industrial Zones of the Islamic Republic of IRAN" was approved by the money and credit council in the 1220th session dated Jun 28, 2016 in 28 articles and 10 notes and it shall be effective and enforceable as of the date it is notified.