

Regulations on Monetary and Banking Operations in Free Trade-Industrial Zone of the Islamic Republic of Iran

Chapter 1: Definition

Article 1

In these regulations, the following terms are used in lieu of the corresponding phrases:

Act: The Act on Administration of the Free Trade - Industrial Zones of the Islamic Republic of Iran and its due amendments;

Regulations: The Administrative Regulations on the Article 18 of the Act on Administration of the Free Trade - Industrial Zones of the Islamic Republic of Iran;

Central Bank: The Central Bank of the Islamic Republic of Iran;

High Council: The High Council of the Free Trade – Industrial Zones of the Islamic Republic of Iran;

Authority: The Organization in charge of administration of each of the Free Trade-Industrial Zones of the Islamic Republic of Iran;

Zone: Each of the Free Zones established in accordance with the provisions of the Act on Administration of the Free Trade – Industrial Zones of the Islamic Republic of Iran and its due amendments;

Bank: The banks being authorized to carry out operations in a Zone;

Branch: A unit of an Iranian or a foreign bank or credit institute which undertakes authorized banking operations in accordance with the statute of its parent bank or institute and within the framework of the Zone rules and regulations;

Institute: The credit institutes having operation permit in a Zone;

Banking Units: Iranian and foreign banks and credit institutes and branches of the same having authorization for operations in a Zone;

Offshore Banking : Various kinds of banking operations performed exclusively in foreign currencies;

Representation Office: Representation offices of banks and credit institutes which are established in a Zone.

Chapter 2: Conditions for Establishing Banks & Institutes

Article 2

Establishment of banks and institutes and engagement in banking operations and using the names “ Bank “ or “ Institute “ in a Zone shall be permissible solely in compliance with the provisions of the Act and these Administrative Regulations and the relevant Instruction Guidelines.

Note

The banking units which receive the license for offshore banking operations are required to use the term “Offshore “along with their names.

Article 3

Banks and institutes with either Iranian or foreign capital or with Iranian or foreign partnership being registered in a Zone and whose main office being located in the same Zone shall be regarded as the registered Iranian banks or institutes in the Zone.

Article 4

Establishment of banks and institutes and setting up of branches of banks and institutes, either Iranian or foreign, in the Zones shall be subject to the recommendation of the Authority and issuance of the due license by the Central Bank.

Note 1

The Monetary and Credit Council thereto shall after being recommended by the Authority, confirm statutes of banks and institutes and any other amendments.

Note 2

Establishment of banks and institutes as public or private joint – stock companies with nominal shares shall be permissible in accordance with the law and subsequent bylaw and stipulated provisions of the Amendment Bill to parts of the Commercial Code adopted in 1968.

Article 5

Registration of banks or institutes or branches of foreign banks in a Zone shall be contingent upon issuance of the license subject of the Article 4 of these Administrative Regulations. The registry authority in a Zone is obliged to demand the said license prior to registering the banks and institutes.

Note

Establishment of representation offices of the Iranian or foreign banks and institutes shall be subject to confirmation of the Authority as well as the registry authority in the Zone. Such offices are not authorized to perform any banking transactions and operations.

Article 6

The Branches of banks which are established prior to the adoption of these Administrative Regulations, in a Zone, shall not require obtaining new licenses; however,

the operations of the aforementioned branches shall be in accordance with the provisions of these Administrative Regulations and the relevant Instruction Guidelines.

Article 7

The minimum amounts of capital of the banking units in a Zone are as follows:

- a) Banks: minimum of 1,000,000,000,000.00 (one thousand billion) Rials, one hundred percent of which shall be deposited in cash with the Central Bank
- b) Institutes: A minimum of 600,000,000,000.00 (six hundred billion) Rials, one hundred percent of which shall be deposited in cash with the Central Bank.
- c) Branches of foreign banks or institutes: A minimum of 5,000,000.00 (five million) Euros, One hundred percent of which shall be deposited in cash with the Central Bank.
- d) Offshore Banking Units:
 - 1. For Banks: A minimum of 100,000,000.00 (one hundred million) Euros, one hundred percent of which shall be deposited in cash with the Central Bank.
 - 2. For branches of foreign banks or institutes: A minimum of 5,000,000.00 (five million) Euros, one hundred percent of which shall be deposited in cash with the Central Bank.

Note 1

Issuance of the establishment license for the banking units with foreign capital subject of the above paragraphs a, b and c shall be subject to submission of the foreign currency sale declaration to one of the established banking units in the Zones, equivalent to the capital belonging to foreign nationals.

Note 2

The banking units shall utilize the amounts deposited with the Central Bank after the registration of the same and submission of the due documents.

Note 3

The Central Bank is entitled to alter, at its own discretion, the minimum amount of the liquid capital of the banking units.

Article 8

The banks and institutes being operational in a Zone are entitled to establish their branches (in the Zones) subject to securing the agreement of the Authority and confirmation of the Central Bank.

Chapter 3: Exchange System of the Free Zones

Article 9

Buying and selling of all currencies in exchange of Rial or other currencies and all currency transactions and transfers in the Zones, by natural and legal persons, are permissible.

Article 10

Transfer of all currencies from outside the country to the Zones and Vice-versa, by natural and legal persons, is permissible.

Note

Transfer of currencies from other parts of the country to the Zones and vice - versa, by natural and legal persons, shall be subject to the foreign currency rules and regulations of the country.

Article 11

The exchange rates for foreign currencies and their exchange rates vis- à-vis Rial shall be determined on the basis of their supply and demand in the free market.

Chapter 4: Conditions for Operations

Article 12

Banks and institutes and branches thereto shall be entitled to commence their operations after securing the due establishment license subject of the Article 4 of these Administrative Regulations, being registered by the Zone Registry authority, complying with the provisions of these Administrative Regulations and submission of the documents specified hereunder:

- Registration notice published in the Official Gazette;
- A copy of the registered statute;
- Announcement of the legal address.

Article 13

The criteria for the operations of banking units in the Zones are as follows:

- a. All the banking units in the Zones shall be subject to the provisions of these Administrative Regulations and the relevant Instruction Guidelines.
- b. Transactions of the Zone banking units in the Iranian Rial shall be subject to the provisions of the Islamic Banking System. The said units are entitled to comply with the international banking procedures in their foreign currency transactions.

Article 14

The monetary and credit regulations adopted by the Central Bank for the established banking units in the Zones shall be devised in line with the objective of encouraging and facilitating investments in the Zones as well as preserving the international competitive status of the same.

Article 15

The offshore banking units shall not be entitled to perform banking operations in the Iranian Rial.

Article 16

The banking units are required to secure the due license from the Central bank for their foreign currency transactions. The said units may include the request for the license concerning the foreign exchange operations in their application for establishment.

Article 17

The banking units having the required license for exchange operations are entitled to provide the following services, on the basis of the type of the license which they secure, and in compliance with the provisions of these Administrative Regulations as well as the latter's Instruction Guidelines:

1. Establishment of agency relationship with other banks;
2. Undertaking various kinds of monetary transfers for oneself or clients;
3. Performing all transactions for buying and selling currencies, in cash, in one's or in the clients' accounts;
4. Keeping of current and saving accounts;
5. Keeping of various kinds of time deposits with different maturates;
6. Receiving various kinds of credit facilities;
7. Issuing, buying, selling, subscribing and keeping bonds;
8. Granting various kinds of credit facilities;
9. Purchase and guarantee of variety of commercial papers;
10. Taking charge of all businesses pertaining to documentary credits, bills of exchange, drafts and surety bonds;
11. Management of assets and provision of investment services in account of clients;
12. Providing all kinds of depositary and managerial services;
13. Performance of other permissible banking operations.

Note

The institutes are not entitled to keep current accounts in foreign exchange for their customers.

Article 18

The commission for the banking operations, the rate of interest for the granted and received credit facilities as well as the rate of interest for the various kinds of deposits in the international banking operations shall be determined by the conditions in the free market.

Article 19

The banking units, excluding the offshore banking units, shall be entitled to secure their required financial resources in Rial in accordance with the provisions of the non-usury Banking Operations Law as well as the other laws and regulations in force through the following means:

1. Admission of interest-free current and saving deposits;
2. Admission of investment time deposits;
3. Issuing of partnership bonds;
4. Receiving credit facilities from natural and legal persons.

Note

The credit institutes shall not be entitled to receive interest-free current deposits in Rial from their clients.

Article 20

The banking units, excluding the offshore banking units, shall be entitled to grant credit facilities in Rial, within the framework of the Interest-Free Banking Operations Law.

Article 21

The banking units, excluding the offshore banking units in the Zones, shall be entitled to undertake the other permissible banking operations in Rial, in accordance with the provisions of their own statutes.

Article 22

The banks and institutes in the Zones shall not be entitled to increase their capital through the re-assessment of their assets.

Article 23

The banks and institutes and branches of foreign banks and institutes in the Zones shall constantly be required to consign, as legal deposit, to the Central Bank a fraction of the deposits consigned to them in the amount and the kinds of currencies determined by the latter. The amount and kinds of currencies concerning the legal deposits may differ on the basis of the kinds of deposits and the scope of the banks' and institutes' operations.

Note

The Central Bank shall pay an appropriate rate of interest in foreign currencies, at its own discretion, to the received legal deposits in the foreign currencies.

Article 24

The Banks and institutes and the branches of foreign banks and institutes in the Zones shall be required to preserve a fraction of their annual net profits as legal reserve. The ratio of the said reserve shall be at least 15 (fifteen) percent of the net profits.

Preservation of the aforementioned reserve shall be optional after its accumulated sum has increased to as much as the amount of the capital.

Article 25

Foreign currency assets and liabilities of the banking units based in the Zones are to be converted, on the basis of the free market rates, at the termination of each financial term. The difference resulted from computation of assets and liabilities having maturity dates of one year and less than one year in the time of computation shall be reflected in the profit and loss account.

Article 26

The Zone – based banking units are not entitled to accept their own shares as sorties for their granted facilities.

Article 27

The banks and institutes based in the Zones are not entitled to perform the operations as follows:

- a. Buying and selling goods in their own accounts and with the purpose of trading, unless such operations are performed in line with the implementation of the Non-usury Banking Operations Law or to meet their own internal needs;
- b. Real – estate transactions exceeding the adopted quota by the Central Bank, exclusive of the banks and institutes whose main mandate entitles them to such transactions;

- c. Buying shares of one or more than one companies or purchase of other securities in their own accounts, exceeding the adopted quota by the Central Bank;
- d. Granting credit facilities to their managing director and board members and to the companies in which the latter persons hold interests, exceeding the adopted quota by the Central Bank;
- e. Granting credit facilities to the board members and directors of the Zone Authority and members of departments, directors and inspectors of the Central Bank, unless in compliance with the special regulations which shall be adopted to this effect by the Central Bank.

Article 28

Should the capital of the established banks and institutes in the Zones decline, due to any damage or loss, from the minimum amount provided in the Article 8 of these Administrative Regulations, action should be taken by the formers to replenish the capital to the aforesaid amount in a period not exceeding six months.

Chapter 5: Regulations on Supervision over Banking Units in the Zones

Article 29

All banks and institutes and branches of foreign banks and institutes based in the Zones shall operate under the supervision of the Central Bank and while providing the latter with its required information, they shall comply with the rules and regulations as follows:

1. Compliance with the monetary and credit policies adopted by the Central Bank;
2. Consign their legal deposits with the Central Bank for the duration and with in the frameworks determined by the latter;
3. Arrange and keep the headings of their accounts and financial statements in accordance with the endorsed rules of the Central Bank;
4. Observe the adopted rules and regulations of the Central Bank regarding, inter alias, capital adequacy;
5. Dispatch the following data and information to the Central Bank on the basis of the determined frameworks and the specified duration:
 - Abstracts of General Ledger and Financial statements of the legal deposits;
 - Financial statements, including the balance sheets and profit and loss accounts, which have been certified by independent auditors who enjoy the sponsorship of the Central Bank;
6. To submit to the Central Bank the other information at any time deemed necessary by the latter. Such information shall be treated as confidential and shall not be published con a case - by - case basis.

7. Extend their cooperation with the authorized inspectors who shall attend at the places of their assignment with written warrants and provide to the latter with the necessary information.

Article 30

Should continuation of the banking units' operations in a Zone involve, by the discretion of the Central Bank, any risks, the latter shall be entitled to assign a comptroller to the concerned banking units.

Chapters 6: Miscellaneous Regulations

Article 31

Members of the Board of Directors, Managing Directors, First Deputy Managing Directors and members of the Executive Boards of banks and institutes as well as directors of branches of the Iranian and foreign banks and institutes in the Zones should be accredited for their professional competence by the Central Bank.

Article 32

The banking units in a Zone shall be held responsible for the losses caused by their operations for customers and are obliged to indemnify the latter for such losses.

The Managing Director and members of the Board of Directors of each bank or institute in a Zone shall also be held responsible towards the shareholders and customers for the losses caused by any of them because of violating these regulations or provisions of their statutes.

Article 33

In order to facilitate interchange of checks and bank shares a Clearing House shall be set up by the banking units in a Zone with the sponsorship of the Central Bank.

The operational expenses of the said Clearing House shall be borne by the aforementioned banking units.

Article 34

The manner in which securities, documents and books should be preserved, the arrangement for the settlement of disputes, dissolution and bankruptcy of banking units (in a Zone) and other issues which have not been provided by these Regulations shall be dealt with in accordance with the provisions of the Monetary and Banking Law, ratified in 1973.

Article 35

The Instruction Guidelines concerning implementation of these Regulations shall be adopted by the Central Bank.