

Executive Guideline for the Monetary and Banking Operations in the Free Trade-Industrial Zones of the Islamic Republic of Iran

Approved by the Currency and Credit Council on September 03, 2000

Section 1: Definitions

Article 1

The phrases used in the present Executive Guidelines shall have the following meanings:

Iran: The Islamic Republic of Iran.

Act: The Law on the Administration of the Free Trade-Industrial Zones of the Islamic Republic of Iran.

Regulations : The Administrative Regulations governing Article 18 of the Law on the Administrations of the Free Trade-Industrial Zones of the Islamic Republic of Iran.

Guidelines: The Executive Guidelines for the Monetary and Banking Operations in the Free Trade-Industrial Zones of the Islamic Republic of Iran.

Bank Markazi: Bank Markazi Jomhuri Islami Iran (Central Bank of Islamic Republic of Iran).

Supreme Council : The Supreme Council of the Free Trade-Industrial Zones of the Islamic Republic of Iran .

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

Zone : Each of the Free Trade-Industrial Zones of the Islamic Republic of Iran.

Institution: A credit institution which is permitted to be active in a Zone.

Bank: A bank which is permitted to be operative in a Zone.

Branch : A unit of a bank or credit institution operative inside or outside a Zone , which conducts permissible banking operations in accordance with the provision of the charter of its parent bank or institution and within the framework of the ACT and the Regulations.

Banking Unit : Iranian and foreign banks and institutions , and the branches thereof, which are permitted to conduct banking activities in a Zone.

Off-Shore Banking : Execution of all kinds of banking transactions exclusively in foreign currencies .

Money Changing Units : Firms engaged in sale, purchase and transfer of currencies , gold and silver coins .

This is not an official translation of the Persian text of the Executive Guideline for the Monetary and Banking Operations in the Free Trade and Industrial Zones. It has been prepared as a mere source of information and any interpretation of the contents of the said Guideline shall be validly made only on the basis of the Persian Text.

Agreement in Principle : The initial agreement of Bank Markazi with the establishment of a bank or institution and/or opening branches of foreign banks or institutions upon confirmation of the eligibility of the applicants and the deposition of 50 percent of the capital at Bank Markazi for the purpose of forming the registration file and provision of the full capital .

Establishment Permit: The final agreement issued by Bank Markazi for the establishment of a bank or institution or the opening of branches of foreign banks and institutions, upon deposition of 100 percent of the capital at the and performing the procedures specified in the Regulations and Guidelines for the registration of a Banking Unit in a Zone .

Section 2: Conditions for Establishment

Article 2

Banks and institutions with Iranian or foreign capital and with Iranian and/or foreign partnership are entitled to be registered in a Zone.

Article 3

Banks and institutions registered in a Zone , whose headquarters are located in the same Zone, shall be regarded as Iranian banks and institutions .

Article 4

Establishment of banks and institutions and setting up of branches of Iranian and foreign banks or institutions in a Zone shall be subject to the proposal made by the respective Authority , issuance of the Establishment Permit by Bank Markazi and registration in the same Zone .

Prior to the registration of banking units in a Zone, the Registration Office is obliged to ask for the submission of the Establishment Permit .

Note

The charters of Banks and Institutions and any subsequent amendments thereto should upon proposal made by the Authority, be approved by the Currency and Credit Council.

Article 5

Establishment of the representative offices of Iranian and foreign banks and institutions shall be subject to the approval of the respective Authority, acceptance by Bank Markazi of the officer in charge of the representative office and registration in the Zone .

Note

Prior to the commencement of its operations , the representative office is obliged to send a copy of its registration notice as published in the Official Gazette, together with the exact address of its workplace to Bank Markazi .

Article 6

Branches of the Iranian banks established in a Zone by the authorization of the Bank Markazi prior to the adoption of the Regulations , are not required to obtain new permits for their establishment .

Article 7

The capital of banks and institutions may belong as much as 100 percent to foreign or Iranian nationals or a combination thereof.

According to the present Guidelines , the foreign natural persons are the nationals of the governments recognized by the Government of Iran and the foreign legal persons are the companies and banks registered in the countries recognized by the Government of Iran, with at least three years record of operations .

Note

In exceptional cases and concerning the foreign legal nationals, the matter shall be decided by Bank Markazi.

Article 8

The Banking Units in a Zone are entitled to engage in offshore banking operations on the basis of the permits obtained. The offshore banking units are prohibited from conducting operations and transactions in Rial and are obliged to carry out their operations and transactions exclusively in foreign currencies .

Note

The Banking Units which obtain offshore banking operation permits are obliged to use the term “ Offshore ” along with their names .

Article 9

Establishment of banks and institutions in a Zone as public or private joint -stock companies with registered shares shall be permissible in accordance with the stipulated provisions of the Partial Amendment Bill of the Commercial Code as ratified in 1968.

Article 10

The minimum amounts of capital of the Banking Units in a Zone are determined as follows:

10.1 – On- shore Banking Units:

10.1.1- Banks: a minimum of 1,000,000,000,000.00 (one thousand billion) Rials, one hundred percent of which shall be deposited in cash with Bank Markazi.

10.1.2- Institutions: a minimum of 600,000,000,000.00 (six hundred billion) Rials, one hundred percent of which shall be deposited in cash with Bank Markazi.

10.1.3- Branches of foreign banks or institutions: a minimum of 5,000,000.00 (five million) Euros, one hundred percent of which shall be deposited in cash with Bank Markazi.

10.2- Off-shore Banking Units:

10.2.1- Banks: a minimum of 100,000,000.00 (one hundred million) Euros, one hundred percent of which shall be deposited with Bank Markazi.

10.2.2- Branches of foreign banks or institutions: a minimum of 5,000,000.00 (five million) Euros, one hundred percent of which shall be deposited in cash with Bank Markazi.

Note 1

The issuance of the Agreement in Principle is subject to the provision and deposition of 50 percent of the capital of the respective Banking Unit and the issuance of the Establishment Permit is subject to the provision and deposition of 100 percent of the

capital of the respective Banking Unit with Bank Markazi of Iran , in conformity with the stipulations of this article .

Note 2

The issuance of the Establishment Permits of the Banking Units with foreign capital shall be subject to submission of the receipt of foreign currency sale to one of the banks , for the full amount of the capital belonging to foreign nationals , and in the case of off-shore Banking Unit the deposition of foreign exchange amount with Bank Markazi .

Note 3

The branches of domestic banks and institutions in a Zone are not required to deposit their capitals.

Note 4

Bank Markazi at its own discretion , is entitled to change the amount of the required cash capital of the Banking Units .

Article 11

Utilization of the amounts deposited with Bank Markazi shall be subject to the submission of the companies registration documents , consisting of the registered charter and declaration , the registration notice as published in the Official Gazette and specifying the names of directors and holders of the authorized signatures.

Article 12

The applicants for the establishment of banks and institutions are required to submit to the Authority the following documents and information , attached to their applications :

- 12.1. Specifying whether the intended joint-stock company shall be private or public.
- 12.2. Specifying the type of the activity.
- 12.3. the amount of the intended capital , while specifying the percentage of the paid- up and undertaken portions thereof .
- 12.4. The proposed charter.
- 12.5. Submission of the business plan of the bank or institution in the Zone.
- 12.6. names , qualifications and the record of activities of the founders , and the number of shares subscribed by each of the founders .
- 12.7. names, particulars , educational background , record of activities and the previous positions held by the members of the board of directors , the executive board, the proposed managing director and the deputy managing director for the bank or institution .
- 12.8. in case the founder is a judicial person subscribing more than 5 percent of the capital , submission of the charter , registration certificate, the audited financial statements for the past three years (while taking into account the provision of the Note to Article 7) , whereas if such founder or founders posses more than 50 percent of the shares belonging to other companies , submission of their consolidated audited financial statements for the past three years , together with the names , qualifications and the type of the activities of the subsidiary companies .
- 12.9. submission of the certificates specified hereunder for the members of the board of directors , the executive board , the managing director and the deputy managing director :

- 12.9.1. Written acknowledgement by a reputable bank regarding financial solvency of the applicant.
- 12.9.2. certification of good reputation issued by three judicial or natural persons.
- 12.9.3. Clearance certificate issued by the police department of the place of residence.
- 12.9.4. A certificate issued by each of the persons specified in the item.
- 12.9. stating that the respective person has had no record of bankruptcy in any part of the world, has held no position in a company which became insolvent or went bankrupt and had no criminal conviction whatsoever regarding any type of financial offences in any country. In cases where submission of a certification as described above is not possible, the required information shall be presented to Bank Markazi for evaluation thereof.
- 12.10...name and address of the selected auditor to audit the financial statements.
- 12.11. written commitment by the founders to incorporate the following text into the charter of the bank or institution :
 “Replenishing the capital (of the bank or institution) to the levels specified in Article 10 of the Executive Guidelines for the Monetary and Banking Operations in the Free Trade – Industrial Zones of the Islamic Republic of Iran , in cases where the value of the shareholders equity diminishes as a consequence of sustained losses ”.
- 12.12. submission of the permits issued by the competent authorities of the respective countries of the founders for the establishment of the banks or institutions in the Zone , in cases where such founders are foreign nationals .
- 12.13. specifying the name of the relevant supervisory authority in the respective countries of the founders of the banks and institution , in cases where such founders are foreign nationals .
- 12.14. letter of commitment to conduct their banking operations on the basis of the obtained permit and their charter and in compliance with the provisions of the Act , the Regulations and the Guidelines .

Article 13

At least three members of the board of directors , the managing director and the deputy managing director of banks and institutions are required to have sufficient experience in banking business, with a minimum of five years of experience at the managerial positions, (i. e. manager of first-grade branches or equivalent positions in the head office) .

Article 14

On applying for opening a branch , foreign banks and institutions are required to submit to the Authority the following documents and information , attached to their application :

- 14.1. Type of the activity.
- 14.2. Amount of the capital of the branch.
- 14.3. The business plan of the branch.
- 14.4. their charter , registration certificate , the audited financial statements and the management report for the previous three years .
- 14.5. particulars of those shareholders possessing more than 10 percent of the shares of the bank or institution .
- 14.6. information concerning all the companies and banks in which the applicant possesses more than ten percent of the shares or is a member of the board of directors.

14.7. names , particulars and the educational background of the proposed manager and assistant managers for the branch along with the record of their services and positions held during the post five years .

14.8. written confirmation by the president of the bank or institution as to the financial integrity , good reputation and lack of criminal record for the manager of the branch .

14.9. approval of the board of directors of the applicant bank or institution of the establishment of a branch in the Zone, along with the relevant permits issued by the competent authorities .

14.10. name of the competent authority supervising over the applicant bank or institution .

14.11. letter of commitment regarding compensation of losses caused by the operations of the branch .

14.12. letter of commitment concerning replenishment of the minimum amount of the branch's capital, in cases when its capital , as the result of the sustained losses , falls below the minimum amount as stipulated in Article 10 .

14.13. letter of commitment for conducting of the banking operations in the Zone in accordance with the provisions of the permits obtained , the charter and the observance of the provisions of the Act , the Regulations and the Guidelines .

14.14. name and address of the auditor selected for auditing financial statements of the branch .

Article 15

After considering the application for establishment of banks , institutions, or branch of foreign bank or institution , the Authority is required to submit its views to Bank Markazi together with all the documents and information obtained from the applicant .

Note

The Authority is obliged to notify Bank Markazi of the reasons for accepting or rejecting the application .

Article 16

Upon approval of the proposed charter , business plan and the particulars of the founding board , board of directors , executive board, managing director and deputy managing director and fulfilment of other conditions as well as approval of the opening of a branch by a foreign bank or institution , Bank Markazi shall initially proclaim its agreement in principle as to the establishment of the foreign bank or institution and opening of foreign bank's branch .

Article 17

In case the application is for establishment of public joint-stock company , the underwriting plan is required to be approved by Bank Markazi prior to the public offering .

Note

The minimum conditions for formulation of the prospectus and underwriting shall be based on the provisions of the Commercial Code and its amendment dated 1968.

Article 18

Establishment Permits for the Banking Units for the purpose of registration in a Zone shall be issued by Bank Markazi after deposition of one hundred percent of the capital and completion of other arrangements subject of the Regulations and the Guidelines .

Note

After the registration of a Banking Unit in a Zone and receipt of the registration documents such as the registered charter and registration notice as published in the Official Gazette , and confirming of their conformity with the documents and information previously submitted , Bank Markazi shall issue a certificate concerning the permissibility of the activity of the Banking Unit .

Article 19

The Agreement in Principle and the Establishment Permit issued by Bank Markazi is not transferable to others .

Article 20

The Agreement in Principle and the Establishment Permit issued by Bank Markazi shall be valid for a maximum period of six months from the date of their issuance , unless otherwise specified due to particular reasons .

Article 21

The lump sum or gradual transfer of more than ten percent of the shares of a bank or an institution to other persons as well as any change in the combination of the membership of the board of directors , the executive board, managing director and the deputy managing director of a bank or an institution shall be subject to the prior agreement and approval by Bank Markazi .

Article 22

Opening of branch by a Bank or an Institution in the same Zone and in other Free Zones of Iran or in other countries shall be subject to proposal by the Authority and approval by Bank Markazi . The applicants are required to enclose to their application a report justifying the reasons for opening branch in their intended locations .

Article 23

Opening of branch of domestic banks or credit institutions in a Zone shall be contingent upon proposal by the Authority and approval by Bank Markazi .

Note 1

Banks or credit institutions operating in Iran which apply for opening a branch in a Zone are required to submit their business plans pertaining to the opening of the branch, to the Authority .

Note 2

The eligibility of the proposed manager for the branch shall be approved by Bank Markazi . The banks and credit institutions active inside Iran which apply for the opening of a branch in a Zone are required to submit to Bank Markazi the documents and information specified hereunder, attached to their applications :

-names, particulars , educational background , record of professional services and the previous positions held by the proposed manager of the branch during the past 5 years.

-attestation by the managing director of the bank or institution as to the professional integrity , good reputation and lack of criminal record of the proposed manager of the branch .

Article 24

Establishment of a Money Changing Unit in a Zone shall be contingent upon proposal made by the Authority and issuance of permit by Bank Markazi .

Note

The Authority is required to evaluate the documents subject of the Article 27 of the Guidelines and submit the same enclosed with its own views thereto to Bank Markazi .

Article 25

A Money Changing Unit shall be established only in the form of a joint liability company. Money Changing Units which had been set up prior to the ratification of the Guidelines are obliged to adjust their conditions with the provisions of the Guidelines , within a period of six months .

Article 26

The minimum amount of the paid-up capital for a Money Changing Unit shall be equivalent to 500,000,000.00 (five hundred millions) Rials .

Article 27

Applicants for the establishment of Money Changing Units are required to submit to the Authority , the documents and information mentioned hereunder ;

27.1. The amount of the capital.

27.2. The proposed charter.

27.3. names , particulars and the records of the activities of the founders , and the amount of shares held by each of them .

27.4. names , particulars , educational background , records of the activities and previous positions held by the managers and the managing director .

27.5. Name and address of the proposed inspector.

27.6. submission of the certificates specified hereunder for the managers and the managing director :

27.6.1. certificate on the their financial solvency , issued by a credible bank .

27.6.2. certificate on good reputation , issued by at least three reputable natural or Judicial persons .

27.6.3. certificate from the police department of the place of residence on the lack of criminal record .

27.6.4. letters of undertaking from each of the managers and the managing director to the effect that they have never been charged legally with financial offences and they lack any criminal convictions whatsoever in any country of the world .

27.6.5. letter of commitment as to conducting foreign exchange operations in line with the provisions of the Guidelines .

Article 28

Upon approval of application and subsequent to the receipt of the certificate of deposit of the capital, Bank Markazi shall issue establishment permit for setting up a Money Changing Unit for the purpose of submitting it to the Registration Office of the Zone .

Article 29

After registration of a Money Changing Unit in a Zone and notifying Bank Markazi of exact address of its workplace, the Money Changing Unit is entitled to commence its operations.

Article 30

The permit issued for a Money Changing Unit is not transferable to any third party.

Article 31

Money Changing Units are required to display their establishment permits at their workplace for the observation of their clients .

Section 3: The Foreign Exchange System in the Zones

Article 32

All foreign currency transactions and movements in the Zones shall exclusively be governed by the provisions of the Regulations and the Guidelines .

Article 33

Buying and selling of all foreign currencies against Rial or other currencies and all foreign currency transactions and movements by natural and judicial persons are permitted within the Zones.

Note

Bank Markazi shall compile the list of major currencies in specified intervals and put it at the disposal of Banking Units that are authorized to engage in foreign currency operations so that the said Units would buy and sell major currencies only .

Article 34

Remittance of all foreign currencies from abroad to the Zones and from each Zone to the other Zones and foreign countries is permitted .

Note

Remittance of foreign currencies in any form from the Zones to other parts of the country and vice-versa shall be governed by the foreign exchange regulations of the country .

Article 35

The rates for buying and selling of foreign currencies as well as their conversion into Rial in the Zones shall be determined on the basis of supply and demand in the free market .

Section 4: Conditions and Modes of Operations

Article 36

Banks and institutions and the branches of foreign banks and institutions may commence their operations after submission to the Authority of the detailed documents specified hereunder ;

- 36.1. Letter of approval by Bank Markazi subject of the note under Article 18,
- 36.2. a copy of the charter endorsed by the Registration Office .
- 36.3. a copy of the registration notice as published in the Official Gazette .
- 36.4. a copy of the lease contract and or the title deed of their workplace .

Article 37

Starting from the date of notification of the Guidelines , the existing Iranian banks and institutions in the Zones are required to adjust , within six months , their operations with the provisions of the Regulation and the Guidelines and obtain the confirmation thereof from Bank Markazi .

Article 38

Transactions by all Banking Units in the Zones in Rial shall be subject to the provisions of the Law for Usury -Free Banking . These Units are however, authorized in their foreign exchange transactions to comply with the international banking practices.

Article 39

Institutions are not authorized to open Gharz-al-hassaneh current accounts or other types of accounts , whether in Rial or foreign currencies , which may be drawn on by cheques .

Article 40

Banking Units , except the offshore banking units , shall receive from Bank Markazi a separate permit for conducting foreign exchange operations .

Article 41

Offshore Banking Units in the Zones are not authorized to conduct banking operations in Rial.

Article 42

Except in cases which have not been authorized by virtue of Article 39 and 41 , the Banking Units are entitled to raise their required financial resources , in conformity with the provisions of the Law for Usury- Free Banking Operations, in the following manners:

1. Acceptance of Gharz al Hassane current deposits.
2. Acceptance of interest - free saving deposits and similar demand deposits.
3. acceptance of investment time deposits .
4. issuance of partnership bonds .
5. obtaining credit facilities from natural and judicial persons .
6. utilization of other financing instruments .

Note

The criteria pertaining to the above sub – articles 42.4 , 42.5 and 42.6 in cases of Rial financing should be approved by Bank Markazi .

Article 43

Based on stipulations of the Law for Usury - Free Banking Operatins and in accordance with their own charter , Banking Units are entitled to grant credit facilities to any of the economic sectors such as agriculture , industry and mining , housing and construction , services , trade and exports .

Article 44

At their own discretion , the Banking Units are entitled to determine the provisional profit on the investment deposits , and pay the same in specified intervals on the basis of the contracts signed with the depositors .

Article 45

The Banking Units are, every year for the whole duration of the relevant contract , obliged to insure in their own favour , in accordance with the rules and regulations of the Zones , the collaterals received against their credit facilities , at least in an amount equal to the outstanding balance of such facilities .

Article 46

The offshore Banking Units and the onshore Banking Units licensed by Bank Markazi to engage in foreign exchange operations are entitled to render services and to conduct transactions in foreign currencies , in conformity with international practices , as detailed below ;

- 46.1. establishment of correspondent relationship with other banks .
- 46.2. execution of all kinds of money transfers in their own favour or for clients.
- 46.3. execution of all transactions related to buying and selling of foreign currencies in cash on one's own account or that of the clients .
- 46.4. maintenance of current accounts (excluding the Institutions) .
- 46.5. maintenance of savings accounts .
- 46.6. holding of various time deposits with varying maturities .
- 46.7. obtaining various kinds of loans and credits .
- 46.8. issuance , buying , selling , underwriting and holding of partnership bonds and bonds . Buying and underwriting of such equities and the terms and conditions of their issuance shall be approved by Bank Markazi .
- 46.9. granting various kinds of loans and credits.
- 46.10. buying , discounting and guaranteeing various kinds of commercial papers .
- 46.11. undertaking all affairs concerning documentary credits , bills of exchange , drafts and letters of guarantee .
- 46.12. management of assets and provision of portfolio investment services for the customers .
- 46.13. provision of custody and trust services and other management services .
- 46.14. conducting other authorized banking operations and services in foreign currencies .

Note

The offshore Banking Units are entitled to undertake any type of banking operations in accordance with the provisions of their charters .

Article 47

Foreign exchange transactions of the Banking Units in the Zones shall not be subject to the foreign currency regulations of the mainland and the charges for the banking operations , the rates for buying and selling of foreign currencies , the interest rates on the credit facilities received and various types of deposits as well as the interest rates on the credit facilities granted shall be determined freely on the basis of supply and demand prevailing in the market .

Article 48

In granting foreign exchange credit facilities, Banking Units in the Zones shall in all cases obtain , based on their own evaluation , secure collaterals or other credible guarantees in foreign currencies or convertible thereto .

Note

Should the received collaterals be located in the mainland, their convertibility and transfer of the value thereof to the Zones shall be subject to the foreign exchange regulations of the country .

Article 49

Issuance of the letters of guarantee, excluding bid bonds, shall be contingent upon receiving deposits equivalent to at least ten percent of the amount involved.

Note

The said minimum deposit in cases of letters of guarantee for export of technical and engineering services shall be as follows:

- Up to U.S. \$ 10 million, equivalent to 3 percent.
- for amounts in excess of U.S. \$ 10 million up to U.S. \$ 50 million , equivalent to 5 percent.
- for amounts exceeding U.S. \$ 50 million , equivalent to 3 percent .

Article 50

Banking Units in the Zones shall not be authorized to accept their own shares as collateral for the credit facilities granted.

Article 51

Banking Units are required to obtain endorsement of Bank Markazi for their annual plans concerning risk management of their foreign exchange operations , including the risks involved in their open positions .

Article 52

The outstanding final balance of the credit facilities granted by each Banking Unit to each customer (judicial and/or natural persons) , whether such facilities are directly extended to the customers and/or their spouses and children under their custody and/or to institution and companies in which such customers hold more than 20 percent of their shares , should not in the aggregate exceed 15 percent of the capital account .

Note 1

The total commitments pertaining to the documentary credits, letters of guarantee, underwriting and the balance of the credit facilities subject of this Article shall not exceed 25 percent of the amount of the capital account.

Note 2

The capital account of a bank or institution shall consist of its paid-up capital, reserves and the balance of the accumulated profit and loss.

Article 53

Whenever the resources for facilities granted by branches of Iranian and foreign banks are provided by their parent bank or institution, such facility shall not be subject to the restriction stipulated in Article 52 above.

Article 54

Whenever a credit facility is granted against deposits of the applicant as collateral, the ceilings specified in Article 52 above shall not be applied for the amount thus covered.

Article 55

Banks and institution in the Zones are required to observe the criteria governing the capital adequacy ratio as declared by Bank Markazi as well as the prevailing international criteria.

Note

Branches of foreign banks and institution in the Zones shall observe the ratio between their capital and their total assets as determined by Bank Markazi. In considering the financial position of the above branches, the financial position of their parent banks or institutions, specially their capital adequacy ratio, shall be taken into account.

Article 56

Banking Units in the Zones are required to calculate their statutory deposit on a weekly basis and deliver them to Bank Markazi not later than the end of the working hours of the last day of the next week in accordance with the formats supplied to them by Bank Markazi.

Note 1

Deposits received from the banks and institutions and, with respect to the branches of the Iranian and foreign banks and institutions, the deposits received from the parent bank or institution and/or any indebtedness to them, shall not be subject to statutory deposit.

Note 2

The average balance of deposit accounts as at the end of the last working day of the week shall be taken as the basis for calculating the statutory deposit.

Note 3

Upon approval by Bank Markazi, the statutory deposit for the deposits in foreign currencies may be deposited with Bank Markazi, in the currencies of the received deposits.

Article 57

Bank Markazi shall determine and pay interest in Rial on the statutory deposits in Rial, on the basis of approved rates, and interest in foreign currencies for the statutory deposits in foreign currencies, at its own discretion, commensurate with the rates in international markets. On the basis of the duration and balance of the deposits the said interests shall be calculated and paid at the end of each 6-month period.

Article 58

Banking Units in the Zones are not authorized to buy and sell goods for their own accounts and for commercial purposes.

Note

Buying and selling of goods for commercial purposes as well as conducting transactions in property by the banks not intended to engage in property transactions shall be authorized within the framework of the Law for Usury-Free Banking and shall not be subject to the restriction stipulated in this Article.

Article 59

All documents pertaining to the operations of the Banking Units in the Zones shall be denominated and registered in the account books, in Rial. With regard to the foreign currency transactions of the Banking Units, the amounts in foreign currencies shall also be registered in the relevant documents.

Article 60

The un-depreciated balance of the immovable assets of the Banking Units at the end of each year shall not exceed 30 percent of their capital account.

Note

If, due to the purchase of residential buildings for their personnel, the Banking Units fail to meet the limit stipulated in this Article they are required to obtain the necessary authorization from Bank Markazi.

Article 61

The properties acquired by a bank in lieu of the claims of the Banking Units are to be sold at most within a year. In exceptional cases, upon approval by Bank Markazi the said grace period is renewable.

Article 62

The outstanding balance of the total assets emanating from the purchase of stocks and participation in the capital of companies as well as other equities shall never exceed 30 percent of the capital account of the Banking Units.

Article 63

The banks and institutions in the Zones are not entitled to grant credit facilities exceeding one percent of their capital accounts to each member of the board of directors or the executive board, the managing director and the deputy managing director of the bank and institution, their spouses and children under their custody. In any case, the aggregate amount of facilities granted to the said persons should not exceed five (5) percent of the capital account.

Article 64

The banks and institutions in the Zone are authorized to grant credit facilities to the companies in which the members of the board of directors and the managing director of the same bank and institution are shareholders, and/or are the members of the board of directors thereof, under the conditions set forth below:

64.1. granting of facilities to any judicial person in which one of the major shareholders or a member of the board of directors, the managing director or the deputy managing director of the bank or institution or the spouses and children under their custody hold more than five percent of the shares or the combined shares of the said persons exceed ten percent of the total shares of the judicial entity, shall not exceed ten percent of the balance of the capital account of the bank or institution.

64.2. granting of facilities by a bank or institution to a judicial person whose managing director (or the deputy) and/or each member of their board of directors hold executive or non-executive positions as member of the board and/or managing director (or the deputy) in the same bank or institutions is also subject to the conditions stipulated under section 64-1.

Note 1

The restrictions mentioned in this Article shall not apply to those companies whose stock are listed at the Stock Exchange and the granting of facilities to such companies is restricted to the individual credit ceiling (up to 15 percent of the balance of the bank's or institution's capital account).

Note 2

The terms and conditions for granting facilities stipulated in this Article shall be similar to the terms and conditions of other facilities granted by the banks and institutions.

Article 65

Foreign exchange assets and liabilities of Banking Units should be calculated in Rial at the end of each financial year on the basis of the rate for the sale of the relevant currencies announced by the central branch of Bank Melli Iran in the Zone. With respect to assets and liabilities having maturity dates of less than a year, the difference resulting from such computation shall be reflected in the profit and loss account.

The difference resulted from computation Rial of the long-term foreign exchange assets and liabilities shall be computed at the end of each financial year. If the result of such computation indicate that, as a result of changes in the rates of the foreign currencies, the assets are overvalued or the liabilities are undervalued, for the resulting loss a reserve fund, equal to the amount of loss resulted from the conversion of the said item shall be established in the accounts of the Banking Units. In the next financial year if the changes in the rates of foreign currencies are in such a way that there is no need for keeping the reserve fund wholly or partially, the said reserve shall be reverted up to the amount which is not needed, to the profit and loss account.

Article 66

Banking Units in the Zone are required to transfer each year at least 15 percent of their net profits to the legal reserve fund. When the amount of the legal reserve equals the amount of the capital, such reserve can be maintained voluntarily.

Article 67

Depreciation of the fixed assets shall each year be determined and calculated on direct method at the following rates , and shall be transferred to the profit and loss account:

Buildings: at the rate of 10 percent

Installations: at the rate of 20 percent

Motor Vehicles: at the rate of 20 percent

Office equipments: at the rate of 20 percent

Electronic equipment: at the rate of 33 1/3 percent

Automated payment devices and communication equipment: at the rate of 20 percent

Establishment and software expenses: in three years

Article 68

The establishment expenses shall be depreciated before any distribution of the profit.

Article 69

Banking Units in the Zone are required every year to set up sufficient reserve in their accounts for the purpose of covering the losses resulting from the failure to collect the claims .

69.1. establishment of the mandatory reserve with respect to each of the facilities granted . With regard to the sufficiency of these reserves , Bank Markazi shall take into consideration the views expressed by the independent auditor .

69.2. establishment of reserves at least equal to 2 percent of the total amount of the granted facilities, after deduction of the facilities specified in section 69-10.

Article 70

If as the result of sustained losses the capital of the Banking Units and Money Changing Units fall below the limits prescribed in Articles 10 and 26 Banking Units and Money Changing Units are required at most within six months to replenish their capital.

Article 71

The representative offices shall function exclusively as liaisons offices to pursue banking relationships of their parent bank in the Zone and are prohibited to engage in any kind of banking transactions or rendering banking services of any nature .

Article 72

Money Changing Units shall exclusively engage in buying ,selling and transfer of various kinds of currencies, in cash and through money orders , as well as gold and silver coins and register all their operations in their journal and the general ledger.

Article 73

Money Changing Units are forbidden to grant any kind of credit facilities or keep accounts for their clients.

Note

Money Changing Units for all transactions and services rendered fortheir customers shall submit detailed formal invoices. The Rial rates and cross rates of the currencies shall be put on display at the workplace of Money Changing Units for public viewing .

Section 5: Regulations on supervising Banking Units, Reperentative Offices and Money Changing Units In the Zones.

Article 74

Banking Units and representative offices in the Zones are required to comply with all the rules and regulations as provided by the Act, Administrative Regulations, Guidelines and the instructions of Bank Markazi.

Note

Money Changing Units in the Zones are required to comply with all the rules and regulations related to the operations of the Money Changing Units as provided by these Guidelines.

Article 75

Banking Units are required to mention the phrase “ by the official authorization of Bank Markazi Jomhouri Islami Iran” on their name boards and to print the reference number and date of issuance of their license on all their printed forms .

Article 76

Banking Units are required to adopt measures to enable their auditors, while observing the accepted professional principles and standards of auditing, to comment explicitly on the observance of the rules and regulations governing the operations of the Banking Units in the Zones.

Article 77

All the Banking Units and Money Changing Units are required to constantly keep available in their legal domicile , the documents and papers pertaining to their operations as well as their account books for examination by the inspectors of Bank Markazi .

Article 78

Banking Units in the Zones are required to arrange and keep the article of accounts, books and financial statements in accordance with the titles and forms determined by Bank Markazi.

Article 79

The on-shore Banking Units are required to send to Bank Markazi , at specified intervals, the statistics and information specified hereunder.

Note

If necessary, Bank Markazi shall send the relevant forms to the on- shore Banking Units:

79.1. Weekly statistics and information:

79.1.1. Statutory deposit statements;

79.1.2. List of foreign exchange assets and liabilities classified according to economic sectors.

79.2. Monthly statistics and information required to be sent by the 10th day of the following month:

79.2.1. The form of summery of General Ledger.

79.2.2. list of foreign exchange assets and liabilities classified on the basis of various currencies.

79.3. Quarterly information required to be sent within 15 days after each quarter:

79.3.1. Capital adequacy calculations;

79.3.2. list of approved and utilized facilities classified in accordance with duration , type of collaterals and profit rates .

79.3.3. the outstanding letters of guarantee and letters of credits on the basis of the classification recommended by Bank Markazi .

79.3.4. balance of the received foreign currency loans, credits and deposits classified according to natural and judicial persons, banks and countries .

79.4. information to be sent within 30 days after the end of each semi annual periods of each financial year :

79.4.1. Balance sheet;

79.4.2. Profit and loss account;

79.4.3. Cash flow statement.

79.4.4. Particulars of the chief and senior managers of the Banking Units (branch manager and above) and exchange dealers:

Note

The particulars of the said persons shall be sent in complete forms at the end of the initial six-month period of the Banking Units' operations but only the changes at the subsequent intervals.

79.4.5. Facilities granted to persons subject of Articles 63 and 64 of the Guideline.

79.5. Information and statistics to be sent not later than four months after the end of each financial year:

- 79.5.1. Audited financial statements (including the financial statements of the parent banks and institutions of the foreign branches);
- 79.5.2. Copy of the inspector's report;
- 79.5.3 Report of the board of directors to the annual general meeting of banks and institutions;
- 79.5.4. Copy of the adopted decisions of the annual general meeting of banks and institutions.

Article 80

The offshore Banking Units shall send, at the specified time intervals, to Bank Markazi the statistics and information detailed hereunder;

Note

If necessary, Bank Markazi shall send the relevant forms to the offshore Banking Units,

80.1. Weekly statistics and information:

- 80.1.1. Statutory deposit statements,
- 80.1.2. foreign exchange asset and liabilities statements classified according to the economic sectors .

80.2. monthly statistics and information to be sent not later than ten days after each month :

- 80.2.1. General ledger abstract;
- 80.2.2. assets and liabilities statements by countries and customers , classified according to natural and judicial , persons and banks .

80.3. quarterly information to be sent not later than 15 days after each quarter :

- 80.3.1 Capital adequacy calculations.
- 80.3.2. list of the approved and utilized loans and facilities classified on the basis of duration (short-term , medium-term and long - term) , types of collaterals and profit rates ;
- 80.3.3. list of outstanding balance of letters of guarantees and documentary credits on the basis of the classification specified by Bank Markazi ;
- 80.3.4. balance of the received foreign currency loans, facilities and deposits classified according to natural and judicial persons , banks and countries.

80.4. information to be sent within 30 days after the end of each half – yearly periods of each financial year :

- 80.4.1. balance sheet ;
- 80.4.2. profit and loss statement ;
- 80.4.3. cash flow statement ;
- 80.4.4. personal particulars of the chief and senior managers of the Banking Units (branch manager and above) and exchange dealers .

Note

The particulars of the above persons shall be sent in complete forms at the end of the initial six – month period of the operation of the Banking Units , but only the changes at the subsequent intervals .

- 80.4.5. facilities granted to persons subject of the Articles 63 and 64 above ;
- 80.5. **annual statistics and information to be sent not later than four months after the end of each financial year :**

80.5.1. audited financial statements (including the financial statements of the parent banks and the parent institutions of the foreign branches) ;

80.5.2. Copy of the inspector's report;

80.5.3. report of the board of directors to the annual general meeting of the banks and institutions ;

80.5.4. copy of the adopted decision by the annual general meeting of the banks and institutions .

Article 81

Banking Units shall submit one copy of their audited financial statements to the respective Authority .

Article 82

Bank Markazi shall receive other required information , on a case - by - case basis , from the Banking Units in the Zone .

Article 83

The statistics and information except financial statements compiled and submitted by the Banking Units in the Zone , in the manners specified above , shall be regarded as confidential by Bank Markazi and may be published only as the collective statistics of the Banking Units , on the basis of classification determined by Bank Markazi .

Article 84

The board of directors and the managing directors of the banks and institutions as well as the branch managers shall be accountable as to the authenticity and conformity with the books, of the statistics and information submitted to Bank Markazi .

Article 85

At its own discretion , Bank Markazi shall , at any time , dispatch its inspectors to inspect the accounts and operations of the Banking Units , representative offices and Money Changing Units in the Zone . The managers and other officials of the Banking Units , representative offices and Money Changing Units are required to submit all the documents and books necessary for such inspections and provide the facility for the necessary and sufficient investigations by the inspectors of Bank Markazi .

Article 86

In cases where instances of wrong - doing or breach of rules are detected through investigations carried out by Bank Markazi , the cases shall be notified , at the discretion of Bank Markazi , to the concerned Banking Unit , representative office and Money Changing Units .

Article 87

Upon receiving the results of the investigations carried out by Bank Markazi , in cases of wrong - doing or breach of the rules , the concerned Banking Unit , representative office and Money Changing Units are obliged to send explanations and justifications , along with the supporting documents , to Bank Markazi , not later than the deadline determined by the latter as the case warrants . Otherwise , they are obligated to redress the problem or undo the breach of rules before the set deadline and notify Bank Markazi of the results of the measures taken in this regard .

Article 88

Determination of the incidences of the breach and the necessity of taking punitive measures , in accordance with the relevant regulations, is vested with Bank Markazi .

Article 89

The Money Changing Units are required to send , not later than the tenth day of the subsequent month , the monthly data of their total purchase and sale of foreign currencies, gold and silver coins by the forms provided by Bank Markazi .

Article 90

The Money Changing Units are required to send to the Authority , not later than twenty days after the end of each relevant period , their balance sheets and the profit and loss account as at the end of each half-yearly period of their financial year .

Article 91

The Money Changing Units are required to send , to Bank Markazi and the Authority not later than four months after the end of their financial year , their annual audited financial account, including the balance sheets , profit and loss accounts and cash flow statements .

Article 92

Bank Markazi shall receive other necessary information , on a case - by -case basis, from the Money Changing Units in the Zone .

Section 6: General Regulations

Article 93

The use of the names “ bank ” , “ institution ” , “ branch of bank ” , “ branch of institution ” and “ representation office ” in the Zones shall be permissible solely upon compliance with the provisions of the article 18 of the Act , the Regulations and the Guidelines .

Note 1

All the Banking Units and representative offices in the Zone shall be subject to the provisions of the Act , the Regulations , the Guideline and the instructions of Bank Markazi issued in accordance with the relevant regulations .

Note 2

The use of the name “ Money Changer ” in the Zone shall be permissible solely upon compliance with the provisions of the Guidelines and all the Money Changing Units are required to comply with the provisions of the Guidelines and the instructions of Bank Markazi , as issued in accordance with the relevant rules and regulations .

Article 94

Prior to the appointment of each member of the board of directors , the governing board , the managing director and the deputy managing director , all banks and

institutions in the Zone are required to obtain the necessary approval as to the professional qualifications and competence of the said persons .

Note

The managers of the branches of banks and institutions and managers of the representative offices in the Zones are also required to be confirmed as to their professional qualifications and competence by Bank Markazi .

Article 95

Those convicted of theft , bribery , embezzlement , breach of trust , swindling , forgery , drawing of bounced cheques , fraudulent bankruptcy or fraud , whether the verdict is issued by a domestic or a foreign court or the convict is either the main culprit or an abettor in a crime , shall be barred from taking charge , whatever the position , of the Banking Units .

Article 96

Unless authorized by Bank Markazi , the managers and members of the governing board or the managing director and the deputy managing director of the banks and institutions as well as the managers of the branches of banks and institutions are not entitled to hold any share or a positions in other banks or institutions in the Zones .

Article 97

The working hours of the Banking Units shall be determined by the relevant Authority.

Article 98

In order to facilitate the exchange of cheques and the banking documents, a clearing house shall be established upon approval by Bank Markazi , by the Banking Units in the Zones, whose expenses shall be borne by the said units .

Article 99

Banking Units in each of the Zones are entitled to establish a bankers' association and assume its membership. Such an associations enjoying legal status and financial independence, shall be managed in accordance with the provisions of a charter to be endorsed by Bank Markazi .

Article 100

The banks and institutions in the Zones are required to have their financial statements certified by the auditors and approved by their respective general meeting, not later than four months after the end of the financial year , and secure the issuance of the said statements at least in a local newspaper (if such a newspaper exists) as well as in a widely - circulated newspaper throughout the country , not later than six months after the end of each financial year .

Article 101

All banks and Money Changing Units are required to notify Bank Markazi of the date and agenda of their respective general meeting , at least ten days prior to the date of the said meeting , and send , subsequently , to Bank Markazi the decisions adopted at that meeting .

Article 102

Any breach of the provisions of the Act , the Regulations , the Guidelines and the instructions of Bank Markazi which are issued on the basis of the provisions of the Banking Laws or the by - laws thereof shall be subject to the penalties provided by the Article 44 of the Monetary and Banking Law of Iran . .

Note

The competent authority for investigating the offences subject of this Article and issuing ruling for the due disciplinary penalties shall be the Banks' Disciplinary Board subject of Article 44 of the Monetary and Banking Law .

The ruling issued by the Disciplinary Board maybe reviewed , within ten days from the date of notification, by the Currency and Credit Council and the ruling by the said Council shall be final .

Article 103

In the following cases the management of a bank or an institution in the Zone may be assigned to Bank Markazi or other arrangements can be made for management of the bank :

103.1. at the request of the competent authorities of the bank or institution .

103.2. in cases where a bank or an institution cease its activities , in violation of the provisions of the Act , the Regulations and the Guidelines for a period exceeding one week .

103.3. in cases where a bank or institution operate in violation of the provisions of the Act , the Regulations , the Guidelines , the regulations of Bank Markazi or in contravention of its own approved articles of association .

103.4. in cases where the solvency of a bank or institution is in jeopardy or has come to a naught .

Note

Assignment of the management of a bank or an institution to Bank Markazi or their administration through other arrangements shall be carried out in accordance with the provisions of Articles 39 and 40 of the Monetary and Banking Law .

Article 104

From the date of the commencement of their operations , Banking Units shall be constantly inspected and audited by independent auditors , certified by Bank Markazi . To this effect, Bank Markazi shall communicate the list of its certified auditors to the Banking Units so that each of them could select their own auditor.

Should the Banking Units intend to choose an auditor other than those contained in the list of certified auditors as announced by Bank Markazi , the formers shall propose to Bank Markazi the intended auditor , along with his/her name and particulars . Bank Markazi shall , not later than a month after receipt of the proposal by the Bank Unit, declare its views on the proposed auditors .

Article 105

The methods of keeping the papers , documents and books , the manner of investigating the offences , procedures for dissolution and bankruptcy and revocation of the establishment permit of the Banking Units and the other issues unforeseen in the Guidelines shall be subject to the provisions of the Monetary and Banking Law ratified in 1972 .