

14.1. Key Aspects of Monetary Policy Approved for 2021/22

In 2021/22, the economy of Iran, like those of many other countries, grappled with the COVID-19 pandemic, which impacted all macroeconomic aspects as well as the household welfare, businesses, and the government budget. In addition, the combined effect of foreign exchange developments and the elimination of the preferential exchange rate of 42,000 rials raised the average twelve-month inflation rate during the six-month period spanning from April to September 2021, followed by a decline as of October 2021 until March 2022.

In 2021/22, the CBI prioritized economic stabilization policies through the timely implementation of monetary, credit, and foreign exchange policies, alongside revised banking regulations, aiming to curb inflation and support production and economic growth. The pursuit of all these policy and regulatory measures by the CBI resulted in continued positive GDP growth (oil and non-oil). Guided by the goal to manage broad money growth and steer interbank interest rate towards the target rate (policy rate), the CBI utilized indirect monetary policy tools, including the OMOs (through repo and reverse repo agreements), standing facilities, and standing deposit facility. Additionally, the CBI's brokerage firm continued its activities through holding auctions with the aim of selling government

debt instruments, facilitating banks' and credit institutions' access to such instruments and placing the instruments in banks' balance sheets for the expansion of the Open Market Operation (OMOs), the appropriate utilization of the standing facilities, and strengthening the reliance of government financing on the issuance of debt instruments aimed at preventing the monetization of government budget deficit and offsetting its inflationary effects on the economy.

A review of the developments of the interbank interest rate indicates that the weighted average interest rate of transactions in the interbank market, which was approximately 20 percent in April 2021, decreased to 17.9 percent by July 2021. However, as the supply of government bonds increased in August 2021, the pressure on the yields of bonds reduced interbank reserves and resulted in a subsequent rise in the interbank interest rate, exceeding 21 percent as of November 2021 until January 2022. Following a period of stability at around 21 percent, the interbank interest rate fell during January-March 2022 due to the CBI's expansionary monetary policy, reaching 20.24 percent. Given the banks' imbalances and insufficient reserves in the interbank market, overdrafts increased concurrently with the heightened supply of government bonds and the necessity of

maintaining the reserve requirement, although these overdrafts were influenced by other factors as well, including government funds.

The average yields on treasury bills in the secondary market rose above 25 percent in January 2022, but fell to 22.3 percent in February 2022, as the CBI adopted an expansionary monetary policy in the interbank market, which reduced the interbank interest rate. However, the mentioned rate subsequently increased again to 23.18 percent by March 2022.

To steer the interbank interest rate towards the policy rate, the CBI established the interest rate corridor within the range of 14 to 22 percent in 2021/22. It is important to note that the policy rate initially decreased from 20 percent to 18.5 percent in August 14, 2021, remaining at that level until February 2022 before rising to 20 percent later in the year. Under these circumstances, the ceiling on the provisional profit rate of ordinary short-term deposits was set by the CBI at 10 percent, special short-term (three-month) deposits at 12 percent, special short-term (six-month) deposits at 14 percent, one-year deposits at 16 percent, and two-year deposits at 18 percent. The CBI pursued its prudential policy of limiting growth in banks' and credit institutions' balance sheets, in accordance with the "Guideline on Limiting the Quantity of the Assets of the Banking Network" in 2021/22. This was in line with controlling broad money growth by banks and containing inflation. Furthermore, the CBI's policy of obliging banks to maintain at least 3 percent of their deposit balances in the form of Islamic financial instruments issued by the Treasury, and tradable in the capital market, continued. This policy was aimed at effectively managing the banking network's liquidity risk, improving balance sheet management, strengthening the banks' capacity to utilize

these instruments for conducting the Open Market Operations (OMOs), and enabling banks to receive potential credit offers from the CBI at a defined rate against eligible assets (in the form of standing facilities) for the more efficient implementation of the monetary policy.

To finance the government, prevent monetization of the budget deficit and its inflationary consequences, reduce transaction costs, improve access to government debt securities for banks and non-bank credit institutions, enhance balance sheet quality, deepen the debt market, and establish a standardized method for collateralized lending using open market operations and standing facilities, the CBI's brokerage firm sold government bonds through initial offerings to banks (in the interbank market) and capital market participants (including natural and legal persons). As of May 25, 2021, until the end of the Iranian year (March 2022), 36 weekly auctions resulted in the sales of Rls. 906 trillion worth of various government bonds.

Furthermore, the CBI actively managed banks' overdrafts to control and limit their debt to the CBI. This was achieved through strengthening the interbank market, implementing the open market operations, and providing collateralized credit.

In the area of credit policy, notable initiatives include the announcement of the "Guideline on Financing the Small and Medium-sized Enterprises in 2021/22", aimed at financing domestic producers. Additionally, a circular was issued regarding the provision of facilities by banks and credit institutions to brokerage firms, investment companies, and holding companies. The "Bylaw on Granting Welfare Card and Financing the Production Chain" was also communicated to support people's

livelihood, increase purchasing power across various segments of the society, and improve the financing of the production chain. To support households and businesses adversely affected by the pandemic, the National Taskforce for Fighting Coronavirus approved several banking support measures, including extending deadlines outlined in the "Law on Facilitation of Debt Settlement for Debtors to the Banking System" until September 2021, as well as extending the deadlines for the registration and payment of facilities to business owners severely affected by the pandemic. The support also covered sectors such as tourism, sports and youth, culture and art, and rail and air transportation. Assistance was also announced to the banking network regarding the issuance of checks and banking facilities. Additional measures outlined in the 2021/22 budget law included provisions for banking facilities, such as Gharz-al-hasaneh facilities for marriage and facilities for the construction of urban and rural housing.

Based on a Cabinet resolution and a proposal from the CBI, the ceiling on housing facilities for the liberated POWs, the war disabled, and families of martyrs increased in 2021/22. Upon the CBI's recommendation, the Monetary and Credit Council (MCC) also raised the ceiling on both essential and ordinary Gharz-al-hasaneh facilities granted by these banks. In addition, the ceiling on Gharz-al-hasaneh facilities for employment, the purchase of utility connections, house development, and the establishment of small businesses in rural areas rose. The MCC also raised the individual ceiling and the repayment period on Gharz-al-hasaneh housing facilities for those who live in deprived urban areas and are supported by Imam Khomeini Relief Foundation and State Welfare Organization of Iran. Based on a resolution from the MCC, the CBI informed the Housing Bank about increases in the ceiling on facilities for

"housing purchase and construction" and "Ju'alah for housing", which was to be financed out of the issuance of Rights certificates. This also includes provisions for utilizing up to 10 percent of the issued certificates as security deposit.

Other credit policy measures included the announcement to the banking network of "Rules Governing the Issuance of Various Types of Sukuk by Credit Institutions", based on a resolution by the MCC that allows banks to issue different types of Sukuk (as a founder) within the capital market. In addition, the development of the supply chain finance and its expansion into various sectors of the economy, and support for knowledge-based companies through increased facility disbursements were the key aspects of this initiative.

In 2021/22, the Central Bank also issued the instruction on "Supply Chain Finance by Credit Institutions", aimed at enhancing banks' performance and improving the efficiency of credit policies within the country's banking network. In line with this instruction, the "Executive Bylaw on the Utilization of Electronic Bills in Supply Chain Finance" was announced. Moreover, the "Executive Guideline on Granting Facilities for the Construction and Renovation of Housing, as per the National Housing Action Plan approved in 2021/22", was developed in collaboration with the CBI and Iran's Ministry of Roads and Urban Development, subsequently communicated to the agent banks for implementation. The CBI revised the "Credit Cards Executive Guideline" to align the regulations governing Murabaha credit cards with the current conditions and requirements, aimed at facilitating finance for households and small and medium-sized enterprises (SMEs). Following amendments to the credit allocation ceiling and adjustments to the total credit that can be allocated to each client via credit cards, as well as an

increase in the maximum repayment period for facilities granted through Murabaha credit cards, these updates were communicated to the banking network.

14.2. Performance of the Banking System

The assets and liabilities of the banking system¹ rose by 41.0 percent compared with March 2021, to Rls. 92,761.5 trillion in March 2022. The non-public debt (including future profits and revenues), with a rise of 48.6 percent (Rls. 11,693.0 trillion) compared with March 2021, was the main factor responsible for raising the assets of the banking system. Other assets, with a growth rate of 31.1 percent (a rise of Rls. 6,369.1 trillion) and foreign assets, with a growth rate of 50.8 percent (a rise of Rls. 7,943.8 trillion) were the next two important factors raising the assets of the banking system by March 2022. Broad money, with a rise of 39.0 percent (an increase of Rls. 13,562.7

trillion) compared with 2020/21, and other liabilities (including the capital account of the banking system and advance payments on LCs by the public sector), with a growth rate of 36.1 percent (a rise of Rls. 6,931.1 trillion) compared with the year before, were the most important factors contributing to the rise of the banking system's liabilities.

Figure 14.1. Growth in Major Economic Variables

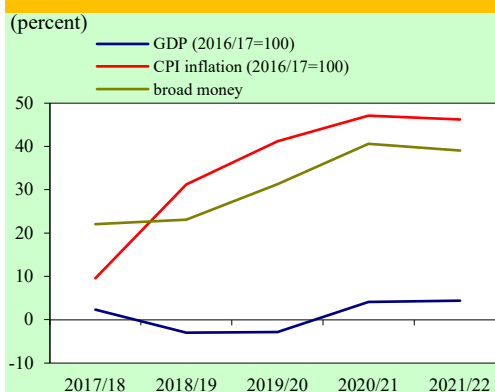


Table 14.1. Major Assets and Liabilities of the Banking System ¹

(trillion rials)

	Balance			Percentage change	
	March 2020	March 2021	March 2022	March 2021	March 2022
Assets	47,435.5	65,802.0	92,761.5	38.7	41.0
Foreign assets	11,580.4	15,643.7	23,587.5	35.1	50.8
Central Bank	5,364.6	6,450.9	7,320.0	20.2	13.5
Public commercial and specialized banks	2,609.7	3,606.2	6,331.6	38.2	75.6
Private banks and non-bank credit institutions	3,606.1	5,586.6	9,935.9	54.9	77.9
Public debt	4,164.9	5,609.8	6,563.4	34.7	17.0
Non-public debt ²	16,220.2	24,065.4	35,758.4	48.4	48.6
Other	15,470.0	20,483.1	26,852.2	32.4	31.1
Liabilities	47,435.5	65,802.0	92,761.5	38.7	41.0
Broad money	24,721.5	34,761.7	48,324.4	40.6	39.0
Deposits of public sector	1,366.9	2,054.6	3,137.0	50.3	52.7
Foreign liabilities	6,948.1	9,766.2	15,149.5	40.6	55.1
Central Bank	1,888.9	1,747.2	1,638.0	-7.5	-6.3
Public commercial and specialized banks	2,087.0	3,180.2	5,555.5	52.4	74.7
Private banks and non-bank credit institutions	2,972.2	4,838.8	7,956.0	62.8	64.4
Other ³	14,399.0	19,219.5	26,150.6	33.5	36.1

¹ Excludes below-the-line items.

² Includes future profits and revenues.

³ Includes "capital account" and "advance payments on LCs by public sector".

¹Includes the CBI, public commercial and specialized banks, private banks, and non-bank credit institutions.

14.2.1. Banking System and the External Sector

In March 2022, the net foreign assets (NFAs) of the banking system increased by 43.6 percent (Rls. 2,560.5 trillion) compared with the year before to reach Rls. 8,438.0 trillion. This was attributable to the increase in the NFAs of the CBI by Rls. 978.3 trillion on the one hand and that in the NFAs of public commercial and specialized banks, private banks, and non-bank credit institutions by Rls. 1,582.2 trillion on the other. The reason behind the rise in the NFAs of the CBI was an increase of Rls. 869.1 trillion in its foreign assets as against a reduction of Rls. 109.2 trillion in its foreign liabilities. The increase in the NFAs of the public commercial and specialized banks, private banks, and non-bank credit institutions was attributable to increases in their foreign assets and liabilities by Rls. 7,074.7 trillion and Rls. 5,492.5 trillion, respectively.

14.2.2. Banking System and the Public Sector

The public debt (net) to the banking system fell by Rls. 128.8 trillion compared with the year before, to reach Rls. 3,426.4

trillion in March 2022. The public debt to the CBI went up by 20.0 percent (Rls. 298.3 trillion), mainly due to an increase of 15.2 percent in the government debt to the CBI as well as a growth rate of 36.1 percent in public corporations' and institutions' debt to the CBI. Of total government debt to the CBI, Rls. 39.2 trillion (3.0 percent) was due to the deficit in the foreign exchange obligations account¹. Meanwhile, Rls. 8.9 trillion was related to the unification of the exchange rate in 2002. The value of the deposits of the public sector with the CBI rose by 55.6 percent (Rls. 955.9 trillion), mainly attributable to the increase in the government's deposits with the CBI by Rls. 938.3 trillion and the rise in the deposits of public corporations and institutions with the CBI by Rls. 17.6 trillion compared with March 2021.

The value of the public debt to banks and non-bank credit institutions (excluding the Central Bank) indicated an increase of 15.9 percent (Rls. 655.3 trillion) compared with March 2021, mainly due to a rise of 14.4 percent (Rls. 573.0 trillion) in the government debt to banks and non-bank credit institutions. The government debt to banks and non-bank credit institutions amounted to Rls. 4,542.7 trillion in March 2022.

Table 14.2. Increase/Decrease in Public Debt (Net) to the Banking System (trillion rials)

	March 2021	March 2022
Increase/decrease in total public debt to the banking system (net)	757.2	-128.8
Central Bank	-381.1	-657.6
Public commercial and specialized banks	312.9	310.4
Private banks and non-bank credit institutions	825.4	218.4
Increase/decrease in government debt to the banking system (net)	751.0	-316.6
Central Bank ¹	-314.1	-763.1
Public commercial and specialized banks	254.0	268.0
Private banks and non-bank credit institutions	811.1	178.5
Increase/decrease in public corporations' and institutions' debt to the banking system (net)	6.2	187.8
Central Bank	-67.0	105.5
Public commercial and specialized banks ²	58.9	42.4
Private banks and non-bank credit institutions	14.3	39.9

¹ Includes the deficit in the foreign exchange obligations account, resulted from the unification of the exchange rate in 1993, as well as the government debt to the CBI due to the unification of the exchange rate in 2002. ² Includes indebtedness for the exchange rate differential resulted from the unification of the exchange rate in 1993.

¹ The foreign exchange obligations account was opened in 1993, upon the unification of the exchange rate.

14.3. Banking Network¹ and the Non-public Sector²

In March 2022, the outstanding facilities³ (net) extended by the banking network to the non-public sector increased by 49.6 percent (Rls. 10,433.0 trillion) to Rls. 31,446.7 trillion. This was indicative of an increase of 1.2 percentage points compared with the growth rate of 48.4 percent in March 2021. The share of the outstanding facilities extended by the banking network to the non-public sector equaled 86.8 percent of the total outstanding facilities extended to public and non-public sectors, up by 3.2 percentage points compared with the respective figure in the year before (83.6 percent). In March 2022, the outstanding facilities (net) extended by the public commercial banks to the non-public sector increased by 103.9 percent (Rls. 3,353.2 trillion) to Rls. 6,581.6 trillion (excluding future profits and revenues). The outstanding facilities extended by the specialized banks to the non-public sector increased by 29.7 percent (Rls. 923.7 trillion) to Rls. 4,035.0 trillion. For the private banks and non-bank credit institutions, this variable grew by 42.0 percent (Rls. 6,156.1 trillion) to Rls. 20,830.1 trillion.

The share of the public commercial banks (net) in the outstanding facilities extended to the non-public sector decreased from 15.4 percent in March 2021 to 20.9 percent in March 2022 and that of the public specialized banks fell from 14.8 percent to 12.8 percent over the same period. Similarly, the share of the private banks and non-bank credit institutions out of the total outstanding facilities extended by the banking network to the non-public sector indicated a fall from 69.8 percent in March 2021 to 66.3 percent in March 2022.

Figure 14.2. Public and Non-public Debt to Banks and Non-bank Credit Institutions (excluding future profits and revenues)

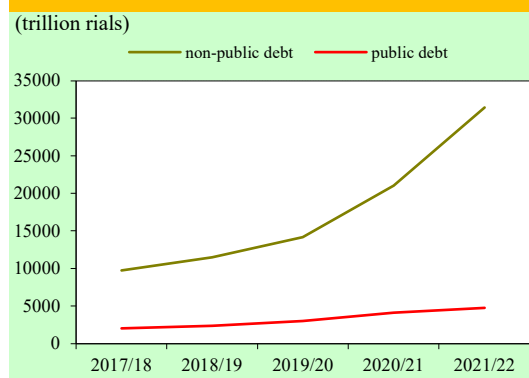


Table 14.3. Facilities Extended by Banking Network to Non-public Sector¹ (trillion rials)

	Outstanding (net)			Percentage change		Share (percent)	
	March 2020	March 2021	March 2022	March 2021	March 2022	March 2021	March 2022
Public commercial banks	2,335.5	3,228.4	6,581.6	38.2	103.9	15.4	20.9
Public specialized banks	2,557.0	3,111.3	4,035.0	21.7	29.7	14.8	12.8
Private banks and non-bank credit institutions	9,270.3	14,674.0	20,830.1	58.3	42.0	69.8	66.3
Total	14,162.8	21,013.7	31,446.7	48.4	49.6	100.0	100.0

¹ Excludes future profits and revenues.

¹ Includes public commercial and specialized banks, private banks, and non-bank credit institutions.

² Excludes future profits and revenues.

³ Includes overdue and non-performing loans.

The highest share of the increase in the outstanding facilities (net) extended by the banking network to the non-public sector was related to the "exports, domestic trade, services, and miscellaneous" sector, with an aggregate share of 63.8 percent in March 2022. Ranking next were "manufacturing and mining", "agriculture", and "construction and housing" sectors by 26.9, 5.6 and 3.7 percent, respectively. Reviewing the composition of the outstanding facilities extended by the banking network to the non-public sector by contract indicates that "Murabaha", "installment sale", and "partnership" contracts held the highest shares by respectively 35.0, 17.0 and 13.8 percent. By March 2022, the shares of facilities in the form of Murabaha, legal partnership, forward transactions, Gharz-al-hasaneh, and hire purchase increased, while the shares of installment sale, partnership, direct investment, and other contracts decreased.

The ratio of the overdue and non-performing loans to the sum total of rial

facilities extended by the banking network to public and non-public sectors decreased by 1.4 percentage points from 6.2 percent in March 2021 to 4.8 percent in March 2022. The said ratio declined by 1.2 and 1.9 percentage points, respectively, for public specialized banks and private banks and non-bank credit institutions. However, it rose by 0.1 percentage point for public commercial banks compared with the year before.

Given the important role of the SMEs in job creation and for the realization of the objectives of the economic resilience, the "Guideline on Financing the SMEs" was drafted by the CBI and announced for implementation to banks and non-bank credit institutions in April 2016¹. With the implementation of this Guideline and based on revised data, Rls. 2,261.1 trillion worth of direct facilities was allocated to 146.4 thousand eligible manufacturing establishments by March 2022, within the framework of the provincial working group's approvals.

Table 14.4. Share of Economic Sectors in Increase in Outstanding Facilities (Net)¹ Extended by Banking Network to Non-public Sector (percent)

	March 2021			March 2022		
	Public commercial and specialized banks	Private banks and non-bank credit institutions	Banking network	Public commercial and specialized banks	Private banks and non-bank credit institutions	Banking network
Agriculture	21.5	1.1	5.5	12.1	2.0	5.6
Manufacturing and mining	18.4	36.6	32.7	21.7	29.8	26.9
Construction and housing	7.0	9.5	8.9	3.6	3.8	3.7
Exports	0.9	0.0	0.2	1.1	0.0	0.4
Domestic trade, services, and miscellaneous	52.2	52.8	52.7	61.5	64.4	63.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

¹ Outstanding facilities (net) are calculated upon the deduction of the outstanding debt of customers and extended facilities under the exchange rate differential, future profits, future profits and commissions, receipts from Mudarabah, partnership contracts (with the bank as partner), and outstanding profits and commissions headings. Outstanding facilities include legal partnership and direct investment contracts.

¹ Circular No. 95/27577 dated April 20, 2016.

Table 14.5. Composition of Outstanding Facilities Extended by Banking Network to Non-public Sector by Contract (percent)

	March 2021	March 2022
Installment sale	23.0	17.0
Mudarabah	1.2	1.2
Partnership	16.9	13.8
Gharz-al-hasaneh	8.5	8.7
Hire purchase	0.7	0.9
Forward transactions	1.8	2.4
Legal partnership	5.0	7.2
Direct investment	0.3	0.2
Ju'alah	4.4	4.4
Murabaha	28.1	35.0
Other ¹	10.1	9.2
Total	100.0	100.0

¹ Includes debt purchase, machinery and housing units transacted under Islamic contracts, Istisna, and overdue and non-performing loans.

Banks' and credit institutions' scheduled facilities amounted to Rls. 1,797.8 trillion in March 2022, of which Rls. 896.1 trillion (49.8 percent) was related to "Gharz-al-hasaneh" and Rls. 901.7 trillion belonged to "other scheduled" facilities. Out of total Gharz-al-hasaneh facilities, Rls. 800.8 trillion (89.4 percent) was exclusively allocated as marriage facility and Rls. 95.3 trillion was extended for essential needs, employment of help-seekers of welfare organizations as well as war veterans, home-based businesses, and as an aid to prisoners lacking the necessary

financial resources to pay blood money. Moreover, a sum of Rls. 226.0 trillion out of the "other" uses was related to the purchase of wheat and other strategic agricultural products at guaranteed and agreed prices, Rls. 206.0 trillion was allocated to the financing of the imports of basic goods, and Rls. 87.2 trillion was extended to rural housing purposes. Meanwhile, Rls. 66.8 trillion was disbursed to war veterans as housing facility and Rls. 8.0 trillion was allocated to the Mehr Housing Project¹ in 2021/22.

Table 14.6. Ratio of Overdue and Non-performing Loans to Facilities Extended by Banking Network to Public and Non-public Sectors (in rials)¹ (percent)

	March 2021	March 2022	March 2022 compared with March 2021 (percentage points)
Public commercial banks	4.0	4.1	0.1
Public specialized banks	8.8	7.6	-1.2
Private banks and non-bank credit institutions	6.2	4.3	-1.9
Banking network	6.2	4.8	-1.4

¹ Includes overdue and non-performing loans

¹ As per the MCC Approval dated September 22, 2015, the ceiling on Mehr housing facilities was set at Rls. 555.4 trillion, with a performance of Rls. 548.0 trillion by March 2022. No separate quota was determined for 2021/22.

Table 14.7. Banks' Performance on Scheduled Facilities in March 2022

Purposes	(trillion rials) Paid facilities in March 2022
Gharz-al-hasaneh facilities	896.1
Marriage	800.8
Other	95.3
Other scheduled facilities	901.7
Purchase of wheat and other strategic agricultural products at guaranteed and agreed prices	226.0
Rural housing	87.2
Mehr Housing Project	8.0
War veterans' housing facility	66.8
Financing of the SMEs	307.7
Financing of the imports of basic goods	206.0
Total	1,797.8

14.4. Broad Money and Its Determinants

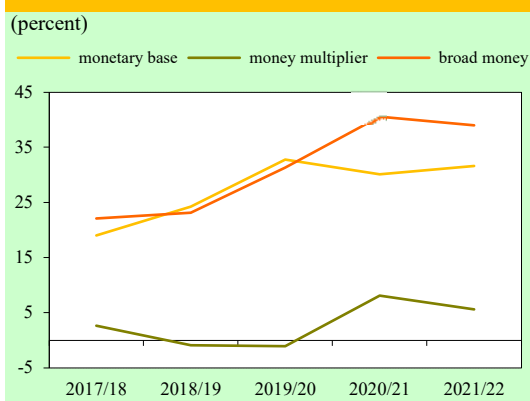
In March 2022, broad money amounted to Rls. 48,324.4 trillion. The growth rate of broad money was 39.0 percent, indicating a decrease of 1.6 percentage points compared with a growth rate of 40.6 percent in March 2021. The rise in broad money was mainly

due to an increase of 31.6 percent in the monetary base, which was in turn due to the increase in the NFAs of the CBI. Moreover, money multiplier rose by 5.6 percent to 8.001 in March 2022. Among the factors affecting broad money growth, the net domestic assets of the banking system, with a growth rate of 38.1 percent, had an increasing share of 31.6 percentage points in raising broad money. Among the items of the net domestic assets, the non-public debt to banks and non-bank credit institution (excluding future profits and revenues), with a rise of 49.6 percent and a positive share of 30.0 percentage points, and other items (net), with a growth rate of 16.2 percent and an increasing share of 2.0 percentage points, were the main contributing factors. The public debt to the banking system (net) had a decreasing share of -0.4 percentage point in raising broad money. The NFAs of the banking system, with a rise of 43.6 percent, had a positive share of 7.4 percentage points in growth of broad money.

Table 14.8. Contribution of Factors Affecting Broad Money Growth (percentage points)

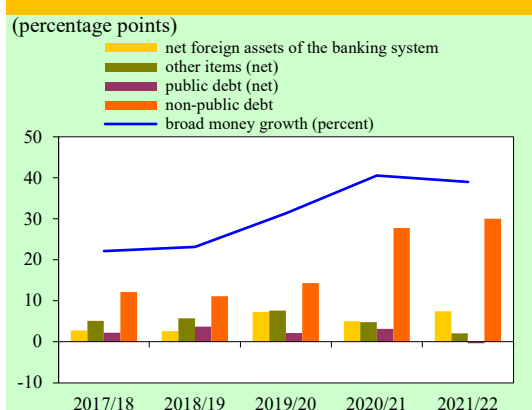
	March 2021	March 2022
Net foreign assets of the banking system	5.0	7.4
Net domestic assets of the banking system	35.6	31.6
Public debt (net) to banking system	3.1	-0.4
Government	3.1	-0.9
Public corporations and institutions	0.0	0.5
Non-public debt to the banking system ¹	27.7	30.0
Other items (net)	4.8	2.0
Broad money (percent)	40.6	39.0

¹Excludes future profits and revenues.

Figure 14.3. Growth in Broad Money and Its Determinants**Table 14.9. Broad Money and Its Determinants**

	Balance		Percentage change	
	March 2021	March 2022	March 2021 compared with March 2020	March 2022 compared with March 2021
Monetary base□ (trillion rials)	4,588.9	6,039.7	30.1	31.6
Money multiplier	7.575	8.001	8.1	5.6
Broad money (trillion rials)	34,761.7	48,324.4	40.6	39.0

Figure 14.4. Factors Affecting Broad Money Growth



14.4.1. Monetary Base and Its Determinants

The net foreign assets (NFAs) of the CBI, with an increase of 20.8 percent compared with March 2021 and an increasing share of 21.3 percentage points, were the most important factor positively affecting the monetary base growth in March 2022. The increase in the NFAs of the CBI was mainly due to the monetary effects of the foreign exchange transactions (net) at NIMA rate. The net value of the foreign exchange bought and sold rose by Rls. 950.4 trillion, from Rls. 2,223.8 trillion in March 2021 to Rls. 3,174.2 trillion in March 2022.

The other items of the CBI (net), with an increase of 79.0 percent compared with March 2021 and an increasing share of 18.2 percentage points, were the second important factor positively affecting the monetary base growth in March 2022. This was mainly attributable to the large increase in the CBI's other assets in March 2022 compared with March 2021, which was in turn due to the rise in the balance of securities carried through the OMOs from Rls. 333.2 trillion in March 2021 to a sum of Rls. 1,012.9 trillion in March 2022.

Table 14.10. Breakdown of Factors Affecting Monetary Base Growth (percentage points)

	March 2021	March 2022
Net foreign assets (NFAs) of the CBI	34.8	21.3
Public debt to the CBI (net)	-10.8	-14.3
Banks' debt to the CBI	1.8	6.4
CBI's other items (net)	4.3	18.2
Monetary base (percent)	30.1	31.6

Banks' debt to the CBI, with a rise of 24.9 percent (Rls. 292.0 trillion) compared with March 2021, had a positive share of 6.4 percentage points in growth of monetary base. This shows an increase of 4.6 percentage points compared with the respective share in March 2021. Banks' debt to the CBI had an increasing share of 1.8 percentage points in the 30.1 percent growth of the monetary base in March 2021.

The public debt to the CBI (net) amounted to -882.4 trillion rials in 2021/22 as against -224.8 trillion rials in 2020/21, which, with a decreasing share of -14.3 percentage points in the monetary base growth, was the only negative factor affecting the monetary base. Compared with the previous year (a decreasing share of -10.8 percentage points in the 30.1 percent growth of the monetary base in March 2021), the mentioned share indicated a decrease of 3.5 percentage points. This was attributable to an increase of 20.0 percent in the public debt to the CBI (with a positive share of 6.5 percentage points in growth of monetary base) and a rise of 55.6 percent in the deposits of the public sector with the CBI (with a share of -20.8 percentage points in growth of the monetary base).

14.4.2. Money Multiplier and Its Determinants

The money multiplier increased by 5.6 percent to 8.001 in March 2022. "The ratio of reserve requirement to total deposits" rose by 0.2 percent, reducing money multiplier by 0.0107 point. However, "the ratio of banks' excess reserves to total deposits" and "the ratio of notes and coins with the public to total deposits" decreased by 48.3 and 15.7 percent, respectively, raising money multiplier by 0.2592 and 0.1775 points, respectively.

14.5. Composition of Broad Money

The share of money in broad money rose from 19.9 percent in March 2021 to 20.4 percent in March 2022. However, the share of quasi-money decreased by 0.5 percentage point to 79.6 percent in March 2022.

A review of the composition of long-term deposits indicates that the share of one-year deposits in long-term deposits decreased by 21.9 percentage points from 74.4 percent in March 2021 to 52.5 percent in March 2022, while the share of two-year deposits rose by 22.0 percentage points from 25.2 percent in March 2021 to 47.2 percent in March 2022. The increase in the share of two-year deposits was in line with the CBI's objectives to preserve the value of the national currency and to diversify banking deposits. On this basis, the CBI introduced two-year deposits¹ upon the approval of the MCC through its 1297th Meeting. The shares of three- and four-year deposits remained unchanged, while the share of five-year deposits decreased by 0.1 percentage point compared with March 2021.

Table 14.11. Composition of Broad Money

(trillion rials)

	Balance			Percentage change		Share in broad money (percent)	
	March 2020	March 2021	March 2022	March 2021	March 2022	March 2021	March 2022
Money	4,273.0	6,909.6	9,865.8	61.7	42.8	19.9	20.4
Notes and coins with the public	611.4	735.0	864.3	20.2	17.6	2.1	1.8
Sight deposits of non-public sector	3,661.6	6,174.6	9,001.5	68.6	45.8	17.8	18.6
Quasi-money (non-sight deposits)	20,448.5	27,852.1	38,458.6	36.2	38.1	80.1	79.6
Gharz-al-hasanah savings deposits	1,448.1	2,268.2	3,261.7	56.6	43.8	6.5	6.8
Term deposits	18,568.0	24,945.0	33,989.5	34.3	36.3	71.8	70.3
Miscellaneous deposits	432.4	638.9	1,207.4	47.8	89.0	1.8	2.5
Broad money	24,721.5	34,761.7	48,324.4	40.6	39.0	100.0	100.0

Table 14.12. Composition of Long-term Deposits

(percent)

Deposits	March		
	2020	2021	2022
One-year	98.8	74.4	52.5
Two-year	0.3	25.2	47.2
Three-year	0.0	0.0	0.0
Four-year	0.1	0.0	0.0
Five-year	0.8	0.4	0.3

¹ The main factor behind the increase in the share of one-year deposits and the decrease in the share of those with terms of more than a year until 2019/20, was the ban placed on deposits with terms of more than one year as of May 2014.

14.6. Sources and Uses of Funds of Public Commercial Banks

The deposits of non-public sector with public commercial banks grew by 92.0 percent (Rls. 5,920.2 trillion) in March 2022. Deposits of non-public sector held with commercial banks included sight deposits, the value of which rose by Rls. 1,092.2 trillion, and non-sight deposits whose value increased by Rls. 4,828.0 trillion. The non-usable sources of public commercial banks rose Rls. 568.7 trillion, mainly owing to a rise by Rls. 545.5 trillion in reserve requirement, an increase of Rls. 23.1 trillion in the value of notes and coins, and a rise of Rls. 0.1 trillion in government bonds. Moreover, the balance of the "deposits of public sector" with commercial banks rose by Rls. 51.7 trillion, while that of the "capital account" fell by Rls. 2,030.3 trillion. Accordingly, the non-public debt¹ went up by Rls. 3,353.2 trillion and the public debt² increased by Rls. 100.2 trillion.

14.7. Sources and Uses of Funds of Specialized Banks

In March 2022, the deposits of non-public sector held with specialized banks increased by Rls. 1,069.7 trillion. The value of sight deposits rose by Rls. 106.3 trillion and that of non-sight deposits increased by Rls. 963.4 trillion. The non-usable sources of the specialized banks rose by Rls. 93.8 trillion, resulting from a rise of Rls. 91.3 trillion in reserve requirement, an increase of Rls. 2.4 trillion in the value of notes and coins, and an increase of Rls. 0.1 trillion in the value of government bonds. Free sources

out of non-public sector's deposits held with specialized banks increased by Rls. 975.9 trillion. Total free sources of specialized banks, including debt to the CBI and other banks, foreign liabilities, capital account, deposits of public sector, and other funds increased by Rls. 978.0 trillion. This included the rise in the non-public debt to specialized banks by Rls. 923.7 trillion (excluding future profits and revenues) and an increase in the public debt by Rls. 54.3 trillion. The specialized banks' debt to the CBI increased by 9.7 percent (Rls. 43.4 trillion) to Rls. 492.3 trillion in March 2022.

14.8. Sources and Uses of Funds of Private Banks and Non-bank Credit Institutions

In March 2022, the deposits of non-public sector with private banks³ and non-bank credit institutions increased by 26.4 percent (Rls. 6,443.5 trillion) compared with March 2021. In this regard, the value of sight deposits increased by Rls. 1,628.4 trillion and that of non-sight deposits went up by Rls. 4,815.1 trillion. The non-usable sources of private banks and non-bank credit institutions increased by about Rls. 790.5 trillion compared with March 2021, mainly due to an increase in reserve requirement by Rls. 772.0 trillion, an increase in the value of notes and coins with Rls. 18.0 trillion, and a rise of Rls. 0.5 trillion in the government bonds of all private banks and non-bank credit institutions. Furthermore, the balance of the capital account of private banks and non-bank credit institutions increased by Rls. 1,326.5 trillion compared with March 2021. Similarly, the deposits of the public sector with private banks and non-bank credit institutions increased by Rls. 15.2 trillion in March 2022. Therefore, the non-public debt to private banks and non-bank credit institutions increased by Rls. 6,153.3

¹ Excludes future profits and revenues.

² Excludes participation papers issued by the government. Hence, the figure for public debt is different from the corresponding figure in "Summary of the Assets and Liabilities of Public Commercial Banks" Table in the Appendix.

³ Banks privatized under Article 44 of the Constitution.

trillion (excluding future profits and revenues) and the public debt to private banks and non-bank credit institutions decreased by Rls. 423.6 trillion compared with 2020/21.

14.9. Banking Units and Personnel

By March 2022, the number of banking units, including branches and counters in both domestic offices and representative offices abroad, decreased by 12.5 percent to 19,381 units, of which 19,333 were located in Iran and the remaining were on foreign lands. Sepah, Melli, and Saderat banks held the highest shares in the number of domestic units by 18.0, 13.7 and 10.2 percent, respectively. The total number of banks' employees decreased by 2.4 percent to 209,179 persons by March 2022. Moreover, the number of employees in public commercial banks rose by 44.4 percent, the number of employees in private banks and non-bank credit institutions fell by 20.2 percent, and the number of employees in public specialized banks decreased by 0.7 percent compared with March 2021. The ratio of the employees in the banking network to banking units rose by 1.1 persons to 10.8 persons on average, and that of the total population to each domestic banking unit rose by 576 persons to 4,348 persons.

14.10. Major Regulations, Bylaws, Guidelines, Circulars, and Amendments in 2021/22

- Announcement of the guideline on issuing rial payment cards for foreign natural persons by the CBI's Commission on Regulation and Supervision of Credit Institutions;

- Communication of the guideline on enhancing the transparency of the customers' transactions at banks and non-bank credit institutions by the CBI's Commission on Regulation and Supervision of Credit Institutions;

- Announcement of the instructions for designing and formulating the evaluation procedures for auditors on the sound implementation of the policies and measures of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law;

- Announcement of the guideline on mandating the transition to digital operations and electronic exchange and the processing of information, including the preparation of electronic responses to inquiries by executive bodies, utilizing the capacities of the National Center for Information Exchange affiliated to the Ministry of Information and Communications Technology;

Table 14.13. Number of Banking Units¹

	March 2021	March 2022
Domestic branches	22,112	19,333
Public commercial banks	7,445	6,536
Public specialized banks	3,552	3,426
Private banks and non-bank credit institutions	11,115	9,371
Foreign branches	47	48
Total	22,159	19,381

¹ Excludes representative offices.

- Communication of the instructions by the CBI's Commission on Regulation and Supervision of Credit Institutions, requiring the provision of an Electronic Banking Authentication Code (locally known as SHAHAB) to dissolved companies until the liquidation process is finalized;

- Announcement of the executive guideline on the provision of banking services to legally incapacitated persons;

- Communication of the guideline on the obligation for special oversight on fiduciary accounts;

- Announcement of the amendment to the guideline on transparency of banking transactions by the Money and Credit Council (MCC);

- Announcement of the guideline on managing risks related to money-laundering and the financing of terrorism in banks' brokerage operations by the CBI's Commission on Regulation and Supervision of Credit Institutions; issuing of the instruction for the sound implementation of the circular pertaining to the removal of the need for copies from Iranian nationals' ID documents;

- Announcement of the guideline on provision of online services to customers in banks and non-bank credit institutions by the Supreme Council of AML/CFT.

14.11. Major Anti-Money Laundering (AML) Measures

- Implementing the required measures to segregate non-commercial deposit accounts from commercial deposit accounts;

- Investigating and tracking the source of the funds deposited for the establishment or the capital increase of Exchange Bureaus;

- Formulating the executive guideline on the provision of banking services to legally incapacitated persons;

- Investigating the source of funds; and operationalizing AML platforms;

- Overseeing the banking network with respect to the sound implementation of the "Guideline on Transparency of Banking Transactions by Individuals";

- Presiding over the banking network with the aim of ensuring the due observance of the requirements related to customer identification;

- Investigating the banking network for the sound implementation of the inspection document on the observance of the AML/CFT measures with a risk-based approach;

- Supervising the intra-bank transactions of over Rls. 500 million; monitoring clients with multiple accounts;

- Exploring methods for providing banking services to foreign nationals;

- Adopting follow-up measures to fulfil the requirements of the AML/CFT policies and measures;

- Identifying unauthorized foreign exchange operators;

- Exploring ways to offer online services for opening bank accounts in the banking network through banking applications.

14.12. Licensing of Banks ¹

In line with the Monetary and Banking Law of Iran, the Law on Rationalization of

¹ There is a gap between the time when banks and credit institutions obtain their licenses from the CBI and the time they submit their standard general ledgers to the CBI for inclusion in the monetary and banking data.

the Unorganized Money Market, and the five-year development plans of the country, the Central Bank has been vested with the mission to review the applications submitted by monetary foundations willing to start operating in the money market or to request the renewal of their permits. The areas the CBI deals with in this regard include establishment, operation, and registration processes. The relevant adopted measures in 2021/22 were as follows:

- Issuance of the establishment and/or operation permits for 15 credit cooperatives, 6 Gharz-al-hasaneh Funds, 7 exchange bureaus, and 14 leasing companies; renewal of the work permits for 525 financial institutions, which used to have temporary permits; and revocation/suspension of the working permits for 100 exchange bureaus, 1 Gharz-al-hasaneh Fund, and 1 credit cooperative;

- In line with the stipulations of the Country's 6th Five-year Development Plan and Paragraph (A), Article (21) of the Permanent Decrees Act, the revisions to registration processes of the foundations supervised by the CBI, including the Board and General Assembly meeting minutes, are reviewed and submitted to the relevant bodies upon meeting the necessary conditions. Accordingly, 914 registration confirmations were issued by the Licensing Department of the CBI.

- In line with Paragraph (I), Article (21), Permanent Decrees of the Country's Development Plans Act and Clause (4), Paragraph (A), Article (14), 6th FYDP Act, the Licensing

Department of the Central Bank evaluated the professional qualifications of 280 applicants introduced as Managing Director or Board Member of banks and credit institutions, 206 of whom met the committee requirements.

- In implementing its duties, the Bank Licensing Department of the CBI adopted various measures to fulfill demands for the issuance of establishment and operation permits, organization of institutions in the money market, renewal of operation permits, and suspension or revocation of the issued permits and licenses.

- The Bank Licensing Department of the Central Bank issued 27 operation permits for branches and 586 operation permits for banks and non-bank credit institutions.

- The CBI agreed with the capital increase of several banks including Bank Maskan (Housing Bank), Post Bank of Iran, Tose'e Ta'avon Bank, and Day Bank (out of the excess funds resulted from the revaluation of assets), Bank Melli Iran (the implementation of Paragraph (G), Note (5), Single Article of the Budget Law for 2021/22), Pasargad Bank (out of accumulated profit resulting from the revaluation of foreign exchange), Refah Kargaran (out of the shareholders' cash flow and the excess funds resulted from the revaluation of assets), Karafarin (out of shareholders' claims and cash flow), Tose'e Ta'avon Bank (Paragraph (F), Note (5), Budget Law for 2020/21), Middle East Bank (accumulated profit), and Tourism Bank (out of the shareholders' cash flow).

Table 14.14. Number of Licenses Issued, Renewed, and Revoked/Suspended for Institutions Active in Unorganized Money Market by March 2022¹

	Initial licenses		Renewed licenses	Total	Revoked/Suspended licenses
	Establishment	Operation			
Credit cooperatives	7	8	115	130	1
Gharz-al-hasaneh Funds	1	5	27	33	1
Leasing companies	9	5	33	47	0
Exchange bureaus	3	4	350	357	100
Total	20	22	525	567	102

¹ Establishment licenses are issued at the initial phase to allow the establishment of the monetary institutions. Operation licenses allow the institutions to start operating.