

## Regulations on Monetary and Banking Operations in

# Free Trade-Industrial Zone of the Islamic Republic of Iran

### CHAPTER ONE: Defijbutuins

#### Article 1

In these Regulations, the following terms are used in lieu of the relevant phrases:

**Regulations:** Regulations on Monetary and Banking Operations in the Free Trade-Industrial Zones of the Islamic Republic of Iran.

**Authority:** The organization 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.

**Bank Markazi:** Central Bank of the Islamic Republic of Iran.

**Bank:** Bank and branches which are authorized to operate in a Zone.

**Branch:** A bank branch in a Zone that is a unit of an Iranian or foreign bank (the parent bank) which engages in authorized banking activities in accordance with the parent bank's charter and within the framework of the Zone's laws and Regulations.

**Institution:** A non-bank credit institution which is established and operates in a Zone in accordance with the provisions of these Regulations.

**Offshore Banking:** Conducting various banking operations solely in foreign currencies.

**High Council:** The high council of the Free Trade-Industrial Zones of the Islamic Republic of Iran.

#### Chapter Two: Conditions for Establishment of Banks and Credit Institutions

#### Article 2

The use of the words "bank" and "institution"

in a Zone is authorized solely in compliance with the provisions of these Regulations.

#### Note

Banks that obtain authorization for offshore banking activities are required to affix the term "offshore" to the name of their bank.

#### Article 3

The establishment of an Iranian bank, with due regard to the amount of shares specified under

Note 2 of the "Law of Modification of the Law on the Administration of Free Trade Industrial Zones" ratified in 1375, and institution and the opening of bank and institution branches, whether

Iranian or foreign, is conditional upon approval by Bank Markazi, with the proposal by the Authority and ratification of the majority of the member of the High Council of Free Zones.

#### Note 1

Banks that intend to engage in offshore banking operations are required to obtain special authorization for above-mentioned activities from Bank Markazi, upon proposal by the Authority

#### Note 2

The establishment of foreign exchange dealership is possible upon the permission of the Authority

#### Article 4

The articles of association of the banks and institutions and any modification thereto must be approved by the majority of the members of the High Council of Free Zones after suggestion of

the Authority and confirmation of Bank Markazi.

#### **Article 5**

The registration of banks and institutions in a Zone is contingent upon issuance of the permit subject of Article (3) of these Regulations. The registration office in a Zone is required to demand the said permit prior to the registration of banks and institutions.

#### **Article 6**

The branches of the mainland's banks which are established in a Zone before the ratification of these Regulations, shall be managed as before in accordance with the regulations and rules of their parent bank.

#### **Article 7**

A bank may be established only as a public joint stock company with registered shares and an institution only as a public or private joint stock company with registered shares, in accordance with the provisions set forth in the law approved in 1347 (1968), amending part of the Commercial Code, in the following manner:

(a) Banks whose capital belong to the Iranian banks or government organizations for a ratio exceeding fifty one percent (51%).

(b) Institutions whose capital belong to Iranian or foreign natural or legal persons.

#### **Article 8**

The minimum capital, whether contribution or working capital, of Zone banks and institutions mentioned in Article (7) of these Regulations are determined as follows:

A. Iranian banks: At least 15 billion Rials (15,000,000,000), all of which should be deposited in cash with Bank Markazi,

B. Iranian institutions: At least 5 billion Rials (5,000,000,000), all of which should be deposited in cash with Sank Markazi.

C. Foreign bank branches: At least 5 million (5,000,000) dollars all of which shall be deposited with Bank Markazi.

D. Foreign institutions: At least five million (5,000,000) dollars, all of which should be deposited with Bank Markazi,

#### **Article 9**

Establishment of branches, sub-branches and

representative offices by the banks and institutions set up in a Zone is permitted, upon proposal by the Authority and authorization by Bank Markazi.

### **Chapter Three: Conditions for Activity**

#### **Article 10**

After obtaining the permit for establishment, subject of Article 3 of the Regulations and having registered in registration office of the Zone, banks and institutions may commence their activities in compliance with the provisions of these Regulations and upon submission of the following detailed documents to the Authority:

- Notice of registration published in the Official Gazette;

- One copy of the registered Articles of Associations.

- Notice of the address of the Head Office.

#### **Article 11**

Monetary and credit guidelines and policies of a Zone shall be as stated below:

A. All banks and institutions and their branches that have obtained permits to operate in the liree Trade-Industrial Zones and are engaged in activities in the Zones are governed by these Regulations and the Law on Non-usury Banking Operations.

B. While adopting the monetary and credit policies, Bank Markazi shall make special arrangements for the Zone's banks and institutions in order to facilitate investments in the Zone and to safeguard their competitive position vis-a-vis the Free-Zones of other countries.

#### **Article 12**

Banks subject to Note (1) of Article (3) of the Regulations ate not authorized to accept deposits and to grant credit facilities in Rials.

#### **Article 13**

Rules governing the foreign exchange operations and transactions by the banks and institutions in a Zone are as follows:

A. Inflow of foreign exchange in any manner from a Zone to the mainland is permitted.

B. Outflow of foreign exchange from the mainland to a Zone shall be subject to the rules and guidelines of the mainland.

C. Upon compliance with the provisions of these Regulations and relevant rules, banks and

institutions are permitted, within the framework of the internationally accepted banking rules and principles, engage in foreign exchange operations and services such as the following:

(1) Maintaining correspondence relationship with other banks.

(2) Conducting all kinds of operations relating to documentary letter of credits, bills for collection, foreign exchange letter of guarantee and foreign exchange money.

(3) Foreign exchange deposits in various forms that the banks and institutions accept must be in internationally traded currencies as listed by Bank Markazi.

(4) Purchase and sale of foreign exchange.

(5) Upon approval by Bank Markazi, issuance and purchase and sale of bonds, shares and investments.

(6) Transactions in gold and silver.

(7) Obtaining various kinds of credit facilities

(8) Granting various kinds of credit facilities.

D. Commissions on banking operations, the buying and selling rates of foreign exchange, interest paid on various deposits as well as interest charged for facilities granted shall be determined by free market conditions.

E. Foreign exchange dealers are allowed solely to buy and sell foreign currencies whose rates are fixed on the basis of supply and demand.

F. Transfer of funds, whether Rial or foreign exchange, by foreign exchange dealers shall be conducted exclusively through Zone banks and institutions.

#### **Article 14**

Banks and institutions established in a Zone are not entitled to increase their capital by means of re-evaluation of their assets.

#### **Article 15**

Banks and institutions of a Zone are required at all times to deposit with the Bank Markazi a portion of their deposits as the statutory deposit in ratios determined by Bank Markazi; the ratios of statutory deposits may vary in terms of the type of deposits and the scope of the activities of the banks and institutions; however, such ratio shall not be less than ten per cent (10%) nor exceed thirty per cent (30%).

#### **Article 16**

Banks and institutions of a Zone are required

to retain a portion of their annual net profits as legal reserve; the ratios of these reserves shall be a minimum of fifteen percent (15%) and a maximum of twenty percent (20%) of the net profits; continuation of such a retention shall be optional when the accumulated amount of such reserves has reached the amount of the capital.

#### **Article 17**

All foreign currency assets and liabilities of the banks and institutions subject of paragraph (a) of Article 3 of the Regulations must be converted at the relevant foreign exchange rate as at the end of each financial year. The differential resulting from such conversion of assets and liabilities whose maturity dates exceed one year from the date of conversion, shall not be transferred to the profit and loss account.

#### **Article 18**

Banks and institutions of a Zone are not authorized to accept their own shares as security for granting facilities.

#### **Article 19**

For the purpose of mobilization of financial resources, the banks and institutions of a Zone are authorized to issue bonds, participation and investment instruments. Rules governing the issuance of such instruments shall be approved by Bank Markazi.

#### **Article 20**

Banks and institutions of a Zone are not authorized to undertake the following operations:

(a) Purchase and sale of goods, except gold and silver, directly through banks and institutions of a Zone for commercial purposes.

(b) Transactions in immoveable exceeding the ceiling determined by Bank Markazi, except the banks and institutions whose principal purpose is transactions in immoveable;

(c) Purchase of shares and participation in the capital of one or more companies, and or purchase of securities for their own account in amounts exceeding the ceiling set by Bank Markazi;

(d) Granting of credit facilities to the Managing Director, and members of the Board of Directors and companies in which they hold interest, in amounts exceeding the ceiling set by Bank Markazi;

(e) Granting of credit facilities to the member of the Board of Directors and the directors of the Authority and top-ranking officials, directors of the departments and inspectors of Bank Markazi, unless in compliance with special regulations to be approved by Bank Markazi.

#### **Article 21**

In the event that the capital of a bank or institution of a Zone, as a result of the losses sustained, falls below the minimum amount stipulated in Article 8 of these Regulations, the capital must be replenished within a maximum period of six months.

### **Chapter Four Regulations Governing the Supervision Over Operations of the Banks and Institutions of a Zone**

#### **Article 22**

Bank Markazi is empowered to exert supervision on the activities of the banks and institutions of a Zone through utilizing the devices and mechanisms provided for in the Monetary and Banking Law.

#### **Article 23**

Banks and institutions subject of Note (1) of Article (3) of these Regulations are exempt from the provisions of Article (22), and the supervision of Bank Markazi shall be effected through the following mechanisms:

1- To pay their legal deposits for each month to the account of Bank Markazi, in the amounts set by Bank Markazi, not later than 25th day of the next month.

2- To keep the headings of their accounts, books and financial statements, as are used and to the extent possible, in accordance with the specific forms.

3- To observe the international standards set by Basle Committee, Switzerland, on capital sufficiency in case of the branches of the offshore banks and institutions in a Zone, their contribution or paid-in capital shall be counted as their capital in computation of their capital sufficiency

4- To send to Bank Markazi all the required information and statistics in the following manners:

- Detailed position and legal deposits for each month on a monthly basis, not later than 25th day of the next month.

- Balance sheet and profit and loss account, as certified by independent auditors and the

Authority, on annual basis, for each year, not later than the end of next Khordad (June).

5- To provide other information required by Bank Markazi whenever Bank Markazi determines, such information shall be considered confidential and shall not be made public, whether specifically or individually.

6. To cooperate with and put the necessary information at the disposal of Bank Markazi inspectors who shall be dispatched to the Zone with the written order.

### **Chapter Five: Miscellaneous Regulations**

#### **Article 24**

Appointments of the Managing Director and the members of the Board of Directors of the Zone's banks and institutions has to be approved from the standpoint of their professional capability and qualifications.

#### **Article 25**

Each bank or institution in a Zone is responsible for, and must compensate, losses and damages sustained by their customers as a result of their operations. The Managing Director and the member of the Board of each bank and institution are also responsible vis- a -vis their shareholders and customers for losses and damages suffered by such shareholders and customers resulting from the violations of these Regulations or their charters by any of them.

#### **Article 26**

The business hours of banks and institutions shall be determined by the Authority.

#### **Article 27**

For the purpose of facilitating the exchange of cheques and banking instruments, a clearing house shall be established by the banks and institutions operating in the Zone, whose operating costs shall be financed by the said banks and institutions.

#### **Article 28**

The manner of verifying the balance sheet, keeping books, papers and documents, investigating violations, manner of dissolution and bankruptcy of the banks and institutions and other cases not stipulated in these Regulations, shall be carried out in accordance with the Monetary and Banking Law, as approved in 1351 (1972).