CHAPTER 14

MONETARY AND BANKING POLICY AND PERFORMANCE

Key Aspects of Monetary Policy in 1390

The "Monetary, Credit, and Supervisory Policy of the Banking System in 1390" was approved in the last meeting of the Money and Credit Council (MCC) in 1389. Major aspect of this policy was related to reduction of deposit and lending rates, decrease of the provisional profit rate of participation papers, and prohibition of participation papers' repurchase by agent banks prior to maturity date. These policies were adopted in light of relative decline of inflation in 1388 and 1389 compared with previous years. Other targets of these policies were to reduce the costs of financing for the real sector of the economy, investment and production growth, and improvement in employment opportunities. However, upon the rise in inflation and volatility in foreign exchange and gold markets, the approved Guideline was revised and a new set of regulations under the title of the "Monetary, Credit, and Supervisory Policy of the Banking System" was approved by the MCC on Dey 20, 1390[1]. The key approaches in the formulation of the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390"[2] were as follows:

[1] This new Guideline was communicated to banks and non-bank credit institutions on Bahman 5, 1390.

[2] It refers to the Policy approved in the last meeting of the Money and Credit Council (MCC) in 1389.

A. Banks' Deposit Rates: The maximum provisional annual profit rates of banking deposits were as follows:

Table 14.1. Provisional Profit Rate of Term Deposits (percent)

Deposits	1389	1390 [1]	1390 [2]
Short-term [3]	6.0	6.0	7.0
6-month to less than 9-month	11.0 [4]	8.0	12.0
9-month to less than one-year	11.0 [4]	10.0	15.0
One-year	14.0	12.5	17.0
Two-year	14.5	13.0	17.0-20.0
Three-year	15.0	14.0	17.0-20.0
Four-year	16.0	14.5	17.0-20.0
Five-year	17.0	15.0	20.0

[1] Based on the Guideline approved in the last meeting of the MCC in 1389.

[2] Based on the Guideline approved on Dey 20, 1390, as well as the agreement between the Coordination Council of State-owned Banks and the Association of Private Banks and Non-bank Credit Institutions.

[3] For 1390, short-term deposits were defined as 3-month to less than 6-month deposits. In 1389, they were defined as one-month to less than 3-month deposits.

[4] Special short-term deposits were defined differently in terms of their duration in 1389 and 1390. Based on the "Monetary and Credit Policy in 1389", special short-term deposits were classified as: a) more than 3-month to less than 6-month deposits with a profit rate of 8 percent, and b) more than 6-month to less than one-year deposits with a profit rate of 11 percent. Based on the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390", special short-term deposits were classified as: a) 6-month to less than 9-month deposits, and b) 9-month to less than one-year deposits. According to the revised Guideline and based on the agreement between the Coordination Council of State-owned Banks and the Association of Private Banks and Non-bank Credit Institutions, special 3-month deposits with a profit rate of 10 percent were introduced.

B. Banks' Lending Rates: The rate of return on facilities extended under non-PLS contracts was set at 11 percent for loans of up to 2 years maturity and 14 percent for loans of more than 2 years. In the "Monetary and Credit Policy of the Banking System in 1389", the corresponding figures were 12 and 14 percent, respectively. Moreover, in order to reduce the costs of financing for productive units, the expected profit rates in PLS contracts, concluded between *banks and non-bank credit institutions* and *their clients*, were set within a range of 14 to 17 percent. It is noteworthy that no ceiling was imposed for PLS contracts previously[1].

C. Participation Papers: The conditions for the issuance of participation papers were altered significantly in 1390. The maximum allowable provisional profit rate for participation papers issued by public corporations, non-public corporations, and municipalities was set one percentage point above the corresponding banks' deposit rates. However, in light of the reduction of provisional banking deposit rates, the provisional profit rate of participation papers was also decreased. For the secondary transaction of these papers through the stock exchange, banks were banned from repurchasing participation papers prior to the maturity date. Paper holders were instead advised to purchase and sell these papers on the stock exchange before the maturity date of the papers. Thus, the expected profit rate of participation papers decreased. This, coupled with the prohibition of these papers' repurchase by the issuing banks prior to the maturity date and transactions of these papers in OTC market, led to the low liquidity of these papers compared to other instruments. Investors' unwillingness to purchase participation papers finally caused the MCC to revise the rules related to the profit rate of participation papers in Mehr, 1390[2]. On this basis, maximum profit rate of participation papers issued by the public and non-public corporations as well as the municipalities was set 2.5 percentage points higher than banking deposit rates and the maturity of these papers was reduced to 4 years at most. Moreover, banks were allowed to repurchase these papers prior to maturity at the rate tantamount to the provisional profit rate of banks' term deposits (proportionate to the duration deposits remained within banks).

Following the surge in the inflation in the summer of 1390 and the ensuing fluctuation in the gold and foreign exchange markets, revision of the monetary policy was deemed necessary. With the rise in inflation, banks' deposit rates fell noticeably in real terms, leading to a decrease in the motivation for investment in the money market. This, together with the political developments in the region, heightened international conflicts regarding Iran's nuclear program, and the upward trend in the international price of gold strengthened public expectation for the rise in the exchange rate. Therefore, deposit holders withdrew their term deposits from banks, channeling banking resources toward the gold and foreign exchange markets and contributing to the surge in the exchange rate and the domestic gold price[3].

[1] In previous years, in reaction to the reduction of lending rate on facilities under non-PLS contracts, banks opted for extending facilities in the form of PLS contracts whose lending rate was unrestricted. Therefore, through the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390", a ceiling was determined for the lending rate of PLS contracts.

[2] 1st Paragraph of the 1130th Minutes of the MCC dated Mehr 26, 1390

[3] Central Bank took measures for the unlimited advance sale of gold coins through the branches of Bank Melli Iran on Azar, 29, 1390, aimed at reducing tensions in the gold market. The price of the Full Bahar Azadi gold coin was set at Rls. 5,460 thousand, scheduled to be delivered to the purchasers within 4 months of registration. On Bahman 3, 1390, this policy was revised and the Central Bank started to set the price of gold coins on a weekly basis, to be delivered to the applicants within four or six months of application. Total funds received from the advance sale of gold coins amounted to Rls. 54.4 trillion by end-1390, reducing the growth rate of monetary base and liquidity in this year.

Given the above-said conditions, the Money and Credit Council (MCC) revised the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390" on Dey 20, 1390. The new set of regulations titled "Monetary, Credit, and Supervisory Policy of the Banking System" was approved by the MCC. The revision was mainly focused on lending and deposit rates as well as measures for improvements in investment climate and opportunities. The following summarizes the mentioned revisions:

A. Banks' Deposit Rates: The main approach taken in the revised "Monetary, Credit, and Supervisory Policy of the Banking System" was the liberalization of banks' deposit rates and setting ceilings on lending rates. Accordingly, the Coordination Council of State-owned Banks, in cooperation with the Association of Private Banks and Non-bank Credit Institutions, set ceilings for rates on various banking deposits with the aim of avoiding negative rivalry in the money market. Based on this agreement, the provisional profit rate of ordinary short-term deposits was set at 7 percent, special three-month deposits at 10 percent, special 6-month deposits at 12 percent, special 9-month deposits at 15 percent, one-year deposits at 17 percent, five-year deposits at 20 percent, and 2- to 4-year deposits within a range of 17 to 20 percent.

B. Banks' Lending Rates: For the extension of more facilities and elimination of economic rents in receiving these facilities, the lending rate on non-PLS contracts was set at 14 percent for credits with a maturity of up to 2 years, and 15 percent for credits with a maturity of more than 2 years[1]. The range of expected lending rate on PLS contracts between credit institutions and their clients was set between 18 and 21 percent. Moreover, in order to preclude the rise in the share of PLS contracts in banking facilities, finance and credit institutions were required to allocate a minimum of 20 percent of their non-Gharz-al-hasaneh resources to facilities under non-PLS contracts.

C. Participation Papers: The MCC revised the condition of participation papers issuance in Mehr 1390 as this subject was not given due consideration in the 1st edition of the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390" and investors were not willing to purchase participation papers in the first half of the mentioned year.

Despite the mentioned revisions, participation papers did not prove to be highly competitive when compared to other investment alternatives, and their sales performance was still not remarkable in the months following Mehr 1390. In the revised "Monetary, Credit, and Supervisory Policy of the Banking System", the conditions for the issuance of participation papers were improved. On this basis, prior-to-maturity repurchase of these papers by the agent banks was plausible and their maximum provisional profit rate was set at 20 percent. Moreover, the profit rate on the repurchase of these papers, within one year of issuance date, was set at 18 percent and for longer periods (one year and more), it was subject to 0.5 percentage point penalty. Central Bank was also authorized to issue participation papers, in implementation of the monetary policy, up to the amount determined by the Governor of the CBI. It is to be noted that although the Central Bank Governor was fully authorized to set the amount, provisional profit rate, and other conditions related to issuance of participation papers, CBI did not issue any participation papers in 1390.

[1] The lending rate on facilities extended for the installment sale of housing units remained at 13 percent. The lending rate on facilities allocated to Mehr Housing Program was set at 11 percent for the construction period and under Islamic contracts. Moreover, the lending rate on facilities extended for the installment sale after the completion of projects was set at 12 percent.

D. Certificates of Deposit (CDs): The "Supervisory, Credit, and Monetary Policy of the Banking System in 1390"[1] did not have any Article on the issuance of Certificates of Deposit (CDs). However, the set of Guidelines revised by the MCC in Mehr 1390 defined the terms and conditions for the issuance of CDs as these certificates were perceived to be appropriate instruments for the financing of banks[2]. The revised terms and conditions for the issuance of CDs also addressed banks' difficulties regarding repurchase arrangement of CDs. On this basis, issuance of general term CDs by banks was authorized, observing the ceiling for 1389 and with a maximum maturity of one year. The provisional profit rate of these certificates with an up to one-year maturity was set one percentage point higher than the provisional profit rate of banks' corresponding term deposits. However, the repurchase of these certificates by issuing banks prior to maturity was not allowed.

Despite the mentioned revisions, investment in CDs was still not welcomed by market since prior-to-maturity repurchase was not authorized and the expected rate of return on these certificates was not as attractive as it should. Therefore, "Monetary, Credit, and Supervisory Policy of the Banking System" reviewed the terms and conditions for the issuance of CDs again and similar to banks' autonomy on returns for term deposits, the decision on annual provisional profit rate for general and special CDs was relegated to banks.

E. Sukuk papers: In implementation of Article 83, Paragraph B of Article 97, and Paragraph Q of Article 224 of the 5th Five-Year Development Plan Law, the Central Bank was obliged to prepare the Executive Guideline on Sukuk (both in rial and foreign currency) for the financing of public corporations, municipalities, and finance and credit institutions. Moreover, it was determined that the rate of Sukuk papers should be set by the Central Bank, tantamount to the value of the underlying asset and the maturity of Sukuk. Repurchase and secondary market transaction of these papers would be subject to the terms and conditions applied to the issuance of participation papers. This paved the way for the transaction of this instrument in Iran's money market. Furthermore, the Central Bank was authorized to issue Islamic Sukuk, a strategy CBI opted not to use in 1390.

Other important approvals in the new Guideline, "Monetary, Credit, and Supervisory Policy of the Banking System", included:

- The reserve requirement ratios remained the same as the year before.

- In the area of credit policy, the ceiling for individual loans for the purchase of essential goods and services such as first-hand consumer durables from local producers, education expenditures, housing deposit, and other basic needs was set at a maximum of Rls. 40 million; loans and credit facilities for housing repair at a maximum of Rls. 50 million; auto loans at Rls. 70 million, not exceeding 80 percent of the value of the car; and loans and facilities for the purchase of new pick-ups and taxis replacing the obsolete ones, up to Rls. 100 million, not exceeding 80 percent of the value of the new car.

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[1] It refers to the Policy approved in the last meeting of the Money and Credit Council (MCC) in 1389.

[2] Paragraph 6, 1130th Minutes of the MCC meeting on Mehr 26, 1390

- The maximum lending facility of Bank Maskan for housing purchase was set at Rls. 250 million and the maximum lending facility under Mehr Housing Program for construction activities was set at Rls. 200 million for each housing unit. In practice, however, the ceiling for the housing lending facility of Bank Maskan was not raised to Rls. 250 million, due to the disagreement of the Iranian High Council of Housing[1]. The ceiling for housing construction projects which use semi-advanced construction technologies was set at Rls. 220 million, and for projects which use advanced construction technologies, at Rls. 250 million. Gharz-al-hasaneh loans and facilities were set to be extended to meet the emergency needs of the applicants at a maximum of Rls. 20 million for healthcare, Rls. 30 million for the individuals of married couple (Rls. 60 million in total for the couple), and Rls. 100 million for job creation and enabling of individuals under the patronage of Imam Khomeini Relief Foundation.

- In their lending operations, finance and credit institutions were required to give the priority to employment generation and productive activities. Moreover, it was advised that credit institutions observe the ratios shown in the respective table, in sectoral allocation of the increase in their outstanding loans. It was also determined that at least 90 percent of specialized banks' loans and facilities should be allocated to the sectors those banks are specialized in.

- Those finance and credit institutions that observe the sectoral ratios will benefit from reduced reserve requirement ratios and other incentives of CBI in tandem with the observance of sectoral targets, based on CBI recognizance.

[1] Paragraph 4, Approval No. N47848T/6757 dated Farvardin 20, 1391, ratified by President's representatives in Housing Working Group

Table 14.2. Share in Change in Outstanding Facilities Extended by Banking System

Sectors	Share (percent)
Water and agriculture	20
Manufacturing and mining	37
Construction and housing	25
Exports and trade infrastructures	10
Trade, services, and miscellaneous	8
Total	**100**

Furthermore, the Money and Credit Council (MCC), in its 1136th Meeting dated Bahman 11, 1390, determined that the provisional deposit and lending rates in the Free Economic Zones should be set and practiced as in the main land[2].

Banking System[3] Performance

Banking system assets and liabilities went up by 21.4 percent to Rls. 8,447,941.7 billion in 1390. On the assets side, 20.1 percent growth in non-public sector indebtedness (Rls. 587,621.5 billion increase) and 27.5 percent growth in foreign assets (Rls. 463,131.6 billion increase) were the main contributing factors. On the liabilities side, 20.1 percent surge in liquidity (Rls. 593,677.7 billion rise) and 20.5 percent growth of other items (Rls. 544,327 billion rise) were the major factors contributing to banks' liabilities.

Banking System and External Sector

In 1390, net foreign assets of the banking system grew by 22 percent (Rls. 151,097.1 billion) to Rls. 836,814.2 billion. This was due to increase in net foreign assets of the Central Bank by Rls. 133,134.7 billion, and increase in net foreign assets of banks and

[2] Circular No. 90/280562 dated Bahman 23, 1390, Office of Director General of Banking Regulations, Licensing and Anti-Money Laundering Department, CBI

[3] Includes Central Bank, public commercial and specialized banks, private banks, and non-bank credit institutions.

non-bank credit institutions by Rls. 17,962.4 billion. Unprecedented rise in net foreign assets of the CBI mainly resulted from CBI purchase of foreign exchange to finance the budget. Rise in net foreign assets of banks and non-bank credit institutions was due to Rls. 129,467.6 billion growth of their foreign assets.

Banking System and Public Sector

Banking system net claims on the public sector increased by Rls. 48,406.4 billion compared with 1389 and reached Rls. 238,939.5 billion. In 1390, Central Bank's claims on public sector declined by 1.7 percent, due to 45.8 percent reduction of CBI claims on the government. Of total Central Bank's claims on the government, Rls. 39,177.1 billion (41.7 percent) was due to deficit in foreign exchange obligations account, which showed Rls. 10.9 billion increase compared with last year. Moreover, public corporations' and institutions' indebtedness to Central Bank went up by 152.0 percent. Public sector's deposits with the CBI grew by 23.5 percent, mainly due to 22.0 percent increase in government deposits held with the CBI. Public corporations' and institutions' deposits with the Central Bank rose 46.4 percent in this year.

Figure 14.1. Major economic variables

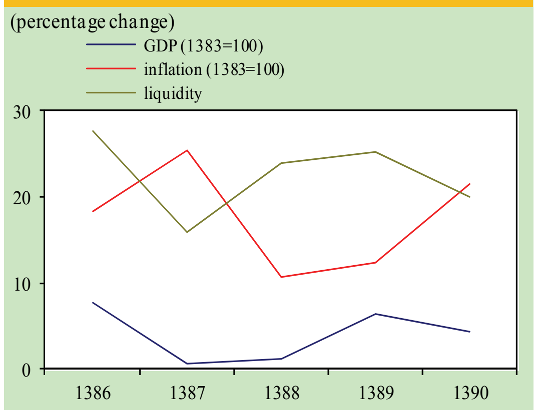


Table 14.3. Major Items in Assets and Liabilities of the Banking System (billion rials)

	Year-end balance			Percentage change	
	1388	1389	1390	1389	1390
Assets	**5,171,237.5**	**6,961,236.3**	**8,447,941.7**	**34.6**	**21.4**
Foreign assets	1,331,223.8	1,682,556.1	2,145,687.7	26.4	27.5
Central Bank	764,435.5	842,977.5	1,176,641.5	10.3	39.6
Public banks [1]	204,908.9	297,360.1	362,188.2	45.1	21.8
Private banks and non-bank credit institutions [2]	361,879.4	542,218.5	606,858.0	49.8	11.9
Newly privatized banks [3]	323,641.7	436,842.3	470,398.4	35.0	7.7
Claims on public sector	364,633.9	553,403.5	638,476.1	51.8	15.4
Claims on non-public sector	2,137,363.8	2,929,224.5	3,516,846.0	37.0	20.1
Others	1,338,016.0	1,796,052.2	2,146,931.9	34.2	19.5
Liabilities	**5,171,237.5**	**6,961,236.3**	**8,447,941.7**	**34.6**	**21.4**
Liquidity	2,355,889.1	2,948,874.2	3,542,551.9	25.2	20.1
Deposits and funds of public sector	300,025.1	362,870.4	399,536.6	20.9	10.1
Foreign liabilities	606,006.0	996,839.0	1,308,873.5	64.5	31.3
Central Bank	109,135.4	227,494.0	428,023.3	108.5	88.1
Public banks [1]	137,539.6	230,813.1	276,436.9	67.8	19.8
Private banks and non-bank credit institutions [2]	359,331.0	538,531.9	604,413.3	49.9	12.2
Newly privatized banks [3]	316,311.7	438,697.6	455,282.3	38.7	3.8
Others [4]	1,909,317.3	2,652,652.7	3,196,979.7	38.9	20.5

[1] Includes Tose'e Ta'avon Bank since Khordad 1389. [2] Includes Bank Day as of Shahrivar 1389, Tat Bank since Mehr 1389, Ansar Bank as of Dey 1389, Bank Shahr since Shahrivar 1390, and Tourism Bank as of Shahrivar 1390. It is important to note that based on the MCC Approval in Esfand 1390, the operation license of Tat Bank was revoked and upon merging with Salehin Finance and Credit Institution and Pishgaman Finance and Credit Institution (ATI), it started operating under the title "Ayandeh Bank". [3] As of Esfand 1388, Bank Saderat Iran, Tejarat Bank, Bank Mellat, and Refah Kargaran Bank have been classified as private banks. [4] Includes capital account of the banking system, advance payments on public sector LCs, and imports' order registration deposit by non-public sector as well.

Public sector indebtedness to banks and non-bank credit institutions surged by 26.8 percent (Rls. 88,808.1 billion). This was mainly attributable to 33.4 percent rise (Rls. 98,701.7 billion growth) of banks' and non-bank credit institutions' claims on the government. Government indebtedness to banks and non-bank credit institutions reached Rls. 394,598.3 billion.

Table 14.4. Change in Net Claims of Banking System on Public Sector (billion rials)

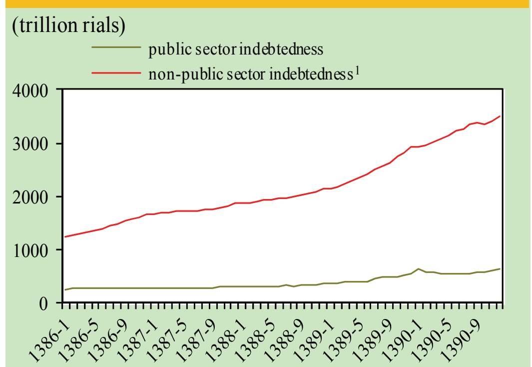
	1389	1390
Public sector	**125,924.3**	**48,406.4**
Central Bank	34,528.4	-59,245.3
Commercial and specialized banks	38,716.8	69,377.2
Private banks and non-bank credit institutions	52,679.1	38,274.5
Newly privatized banks	55,758.7	41,437.0
Government	**118,110.4**	**-10,705.8**
Central Bank [1]	24,581.2	-128,251.1
Commercial and specialized banks	39,349.7	72,214.7
Private banks and non-bank credit institutions	54,179.5	45,330.6
Newly privatized banks	57,259.1	48,493.1
Public corporations and institutions	**7,813.9**	**59,112.2**
Central Bank	9,947.2	69,005.8
Commercial and specialized banks [2]	-632.9	-2,837.5
Private banks and non-bank credit institutions	-1,500.4	-7,056.1
Newly privatized banks	-1,500.4	-7,056.1

[1] Includes deficit in foreign exchange obligations account.
[2] Includes indebtedness for exchange rate difference.

Banks and Non-public Sector

Banking system credit performance in 1390 represents an increase in facilities[1] extended by banks and non-bank credit institutions to non-public sector (excluding profit and revenue receivables) by Rls. 518,958.7 billion (19.5 percent growth). This shows 18.3 percentage points decrease in growth as compared with 37.8 percent growth of the preceding year. The mentioned decrease was due to the lower growth of the monetary base, non-public sector deposits with banks and non-bank credit institutions, and CBI claims on banks compared with the year before. The growth rate of CBI claims on banks decreased from 95.2 percent in 1389 to 26.9 percent in 1390. This declining trend led to a decrease in liquidity growth from 25.2 percent in 1389 to 20.1 percent in 1390. Share of facilities extended by banks and non-bank credit institutions to non-public sector equaled 88.5 percent of total extended facilities, showing a significant share of the non-public sector in allocated credits[2].

Figure 14.2. Outstanding facilities extended by banking system to public & non-public sectors



[1] Includes profit and revenue receivables.

Outstanding facilities extended by public commercial banks to non-public sector (excluding profit and revenue receivables) increased by 17.0 percent (Rls. 96,098.3 billion) to Rls. 662,995.4 billion. Moreover, outstanding facilities extended by specialized banks to non-public sector grew by 14.9 percent (Rls. 108,977.9 billion) to Rls. 842,437.3 billion. Outstanding facilities allocated by private banks and non-bank credit institutions rose by 23.1 percent (Rls. 313,882.5 billion) to Rls. 1,673,183.0 billion. Therefore, share of private banks and non-bank credit institutions in total facilities extended to non-public sector increased from 51.1 percent at the end of 1389 to 52.6 percent at

[1] Includes overdue and non-performing loans.

[2] Facilities extended to public and non-public sectors exclude profit and revenue receivables.

end-1390. On the other hand, the share of public commercial banks in total extended facilities decreased from 21.3 percent in 1389 to 20.9 percent in 1390, and that of specialized banks fell from 27.6 percent at end-1389 to 26.5 percent at end-1390.

The highest share in the rise in outstanding facilities extended by banks and non-bank credit institutions to the non-public sector belonged to "domestic trade, services, and miscellaneous" sector in 1390, followed by "construction and housing", "manufacturing and mining", "agriculture" and "exports" sectors.

Composition of outstanding facilities extended by banks and non-bank credit institutions to the non-public sector according to Islamic contracts in 1390 indicates that partnership and installment sale contracts held the highest shares by 36.7 and 30.2 percent, respectively. It is noteworthy that the share of facilities extended in the framework of Gharz-al-hasaneh, legal partnership, direct investment and others (including debt purchase, overdue and non-performing loans, and machinery and housing units transacted under Islamic contracts) increased while the shares of other facilities were lower than the year before.

The ratio of overdue and non-performing loans to total facilities extended by banks and non-bank credit institutions (in rial) to public and non-public sectors went up by 1.2 percentage points to 15.1 percent in 1390. This variable declined by 0.1 percentage point for specialized banks, increased by 2.7 percentage points for public commercial banks, and grew by 1.1 percentage points for private banks and non-bank credit institutions, compared with 1389 year-end.

Table 14.5. Outstanding Facilities Extended by Banks and Non-bank Credit Institutions to Non-public Sector [1] (billion rials)

	Year-end balance			Percentage change		Share (percent)	
	1388	1389	1390	1389	1390	1389	1390
Commercial banks	471,538.0	566,897.1	662,995.4	20.2	17.0	21.3	20.9
Specialized banks	408,316.9	733,459.4	842,437.3	79.6	14.9	27.6	26.5
Private banks and non-bank credit institutions	1,049,702.0	1,359,300.5	1,673,183.0	29.5	23.1	51.1	52.6
Newly privatized banks	665,502.5	828,958.5	973,974.6	24.6	17.5	31.2	30.6
Total	**1,929,556.9**	**2,659,657.0**	**3,178,615.7**	**37.8**	**19.5**	**100.0**	**100.0**

[1] Excludes profit and revenue receivables.

Table 14.6. Share of Economic Sectors in Increase in Outstanding Facilities Extended by Banks and Non-bank Credit Institutions to Non-public Sector [1] (percent)

	1389				1390			
	Public banks	Newly privatized banks	Private banks and non-bank credit institutions	Banking system	Public banks	Newly privatized banks	Private banks and non-bank credit institutions	Banking system
Agriculture	9.1	8.8	3.9	6.2	12.1	6.1	2.9	7.3
Manufacturing and mining	14.0	34.9	27.9	21.6	10.4	25.2	19.8	15.3
Construction and housing	65.6	20.4	14.3	37.5	61.3	23.9	16.4	38.0
Exports	0.5	-0.1	-0.1	0.2	0.4	1.8	0.8	0.6
Domestic trade, services, and miscellaneous	10.8	36.0	54.0	34.5	15.8	43.0	60.1	38.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Excludes profit and revenue receivables.

Table 14.7. Composition of Outstanding Facilities Extended by Banks & Non-bank Credit Institutions to Non-public Sector by Contracts (percent)

	Banking system	
	1389	1390
Installment sale	31.1	30.2
Mudarabah	4.4	3.6
Partnership	37.7	36.7
Gharz-al-hasaneh	4.1	5.2
Hire purchase	0.8	0.7
Forward transactions	0.7	0.6
Legal partnership	1.5	2.0
Direct investment	0.7	0.9
Jualah	4.5	4.3
Others [1]	14.5	15.8
Total	**100.0**	**100.0**

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

Table 14.8. Ratio of Overdue, Non-performing, & Doubtful (Non-current) Claims to Total Facilities Extended by Banks & Non-bank Credit Institutions[1] (in Rial) (percent)

	1389	1390	Change (percentage points)
Commercial banks	18.2	20.9	2.7
Specialized banks	7.3	7.2	-0.1
Private banks and non-bank credit institutions	15.5	16.6	1.1
Newly privatized banks	12.1	12.9	0.8
Banking system	**13.9**	**15.1**	**1.2**

[1] Includes overdue, non-performing, and doubtful claims of public and non-public sectors.

In 1390, banks also extended facilities within the framework of the executive by-law on the expansion of Small and Medium Enterprises (SMEs). Accordingly, the value of facilities extended in line with the mentioned by-law amounted to Rls. 273,575.1 billion by 1390 year-end, showing Rls. 22,803.7 billion rise compared with end-1389.

In this year, government approved scheduled facilities by banks for housing sector and Gharz-al-hasaneh facilities as follows:

A- Facilities Extended to the Housing Sector

Based on the Cabinet (Housing Working Group) approvals, banks extended a sum of Rls. 164,095.5 billion for the renovation and reconstruction of rural housing, development of Mehr Housing Program, reinforcement of old buildings in urban areas, and extension of housing facilities to war veterans, artists, elites, judges, and the academic staff.

B- Gharz-al-hasaneh Facilities

It was envisaged in the Budget Law for 1390 that a sum of Rls. 50,000 billion be extended out of Gharz-al-hasaneh resources to the needy prisoners and pensioners of State Prisons and Security and Corrective Measures Organization, Imam Khomeini Relief Foundation, and State Welfare Organization, as well as for purposes such as self-employment projects, home-based businesses, housing deposit, and applicants confirmed by the Presidential office. Based on the report released by the agent banks, a sum of Rls. 6,666.3 billion was paid in 1390 to the above-said causes.

Liquidity

In 1390, liquidity grew by 20.1 percent to Rls. 3,542,551.9 billion, down by 5.1 percentage points compared with the liquidity growth of the previous year (25.2 percent). This was due to the fact that monetary base grew by 11.4 percent in 1390, which was lower than the growth figure of 1389 at 13.7 percent. In this year, monetary base increased by 11.4 percent to Rls. 764,568.5 billion, mainly owing to the rise in CBI net foreign assets as well as its claims on banks. Furthermore, money multiplier grew by 7.8 percent compared with the year before, and reached 4.633 in 1390.

Among the factors affecting liquidity growth in 1390, net domestic assets of the banking system, with 19.6 percent growth compared with the year before, had an increasing share of 15.0 percentage points in raising liquidity. Among net domestic assets, non-public sector indebtedness to banks and non-bank credit institutions (excluding profit and revenue receivables), with 19.5 percent growth and an increasing share of 17.6 percentage points, was the main factor contributing to liquidity growth. Moreover, net claims of the banking system on public sector had a positive share of 1.7 percentage points in liquidity growth. Other items (net) of the banking system had a negative share of 4.3 percentage points in liquidity growth. Net foreign assets of the banking system rose 22.0 percent, raising liquidity by 5.1 percentage points.

Table 14.10. Contribution of Factors Affecting Liquidity Growth (percentage points)

	1389	1390
Net foreign assets of the banking system	**-1.7**	**5.1**
Net domestic assets of the banking system	**26.9**	**15.0**
Banks' claims on public sector (net)	5.3	1.7
Government	5.0	-0.3
Public corporations	0.3	2.0
Banks' and non-bank credit institutions' claims on non-public sector [1]	31.0	17.6
Other items (net)	-9.4	-4.3
Liquidity (percent)	**25.2**	**20.1**

[1] Excludes profit and revenue receivables.

Figure 14.3. Liquidity growth and its determinants

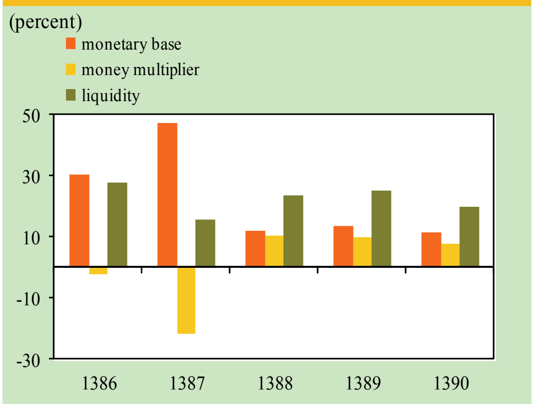


Figure 14.4. Factors affecting liquidity growth

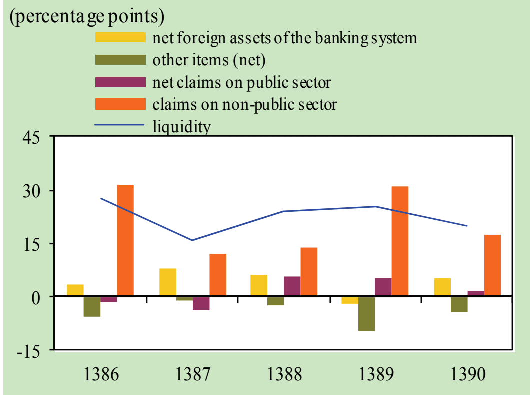


Table 14.9. Liquidity and its Determinants

	Year-end balance		Percentage change	
	1389	1390	1389	1390
Monetary base (billion rials)	686,398.1	764,568.5	13.7	11.4
Money multiplier	4.296	4.633	10.1	7.8
Liquidity (billion rials)	2,948,874.2	3,542,551.9	25.2	20.1

Monetary Base

Monetary base grew by 11.4 percent in 1390, showing 2.3 percentage points reduction as compared with 13.7 percent growth of the previous year. Central Bank's net foreign assets, with 21.6 percent growth compared with the year before and a share of 19.4 percentage points, largely contributed to the growth of the monetary base. This shows 26.0 percentage points increase compared with the respective figure of the previous year (a decreasing share of 6.6 percentage points in the 13.7 percent monetary base growth in 1389). The main factor behind this unprecedented rise was CBI's purchase of foreign exchange proceeds from oil exports for the financing of the approved budget for 1390[1].

In 1390, Central Bank's claims on banks, with 26.9 percent increase and a share of 12.9 percentage points, was the second contributing factor to the growth of the monetary base, showing 13.7 percentage points decline compared with the respective figure of the previous year (the positive share of 26.6 percentage points in 13.7 percent growth of the monetary base in 1389).

CBI net claims on public sector, with 427.0 percent decrease compared with the year before (Rls. 59,245.3 billion), and a negative share of 8.6 percentage points, was one of the major factors reducing monetary base. Compared with the increasing share of the previous year (5.7 percentage points), share of CBI net claims on public sector in the growth of monetary base indicated a decrease of 14.3 percentage points. It is to be noted that 23.5 percent rise in public sector's deposits held with the CBI and 1.7 percent decrease of public sector's indebtedness to the CBI largely reduced CBI net claims on public sector in 1390.

[1] Based on the Budget Law for 1390, it was approved that the rial equivalent of $53 billion received from sales of crude oil as well as $1.4 billion should be allocated to oil-producing and deprived regions (Single Article of 1390 Budget Law, Budget Nos. 210101 and 210109). Besides, it was decided that the rial equivalent of $11.6 billion be allocated to strengthening of defense capability, health, transboundary waters, Agricultural Insurance Fund, subsidy on lending rates, etc.

Table 14.11. Contribution of Factors Affecting Monetary Base Growth (percentage points)

	1389	1390
CBI net foreign assets	-6.6	19.4
CBI net claims on public sector	5.7	-8.6
CBI claims on banks	26.6	12.9
Other items (net)	-12.0	-12.3
Monetary base (percent)	**13.7**	**11.4**

Composition of Liquidity

Share of money in liquidity declined slightly from 25.7 percent in 1389 year-end to 25.3 percent at end-1390. Share of quasi-money, however, increased by 0.4 percentage point to 74.7 percent compared with the year before.

Based on the "Monetary, Credit, and Supervisory Policy of the Banking System in 1390", provisional profit rate of term deposits held with banks and non-bank credit institutions changed as compared with 1389, and was set within a range of 6.0 percent (for short-term deposits of three months to less than six months) to 15.0 percent (for five-year deposits). Based on the revised set of "Monetary, Credit, and Supervisory Policy of the Banking System" approved on Dey 20, 1390, banks were authorized to independently determine the provisional profit rate of term deposits.

The share of five-year deposits in total long-term deposits increased by 2.7 percentage points from 66.7 percent in 1389 to 69.4 percent in 1390, and that of two-year deposits rose from 3.4 percent to 6.8 percent. Conversely, the share of one-year deposits in total long-term deposits decreased sharply from 25.6 percent in the year before to 20.2 percent in 1390. Shares of three- and four-year deposits fell from respectively 3.0 and 1.3 percent in 1389 to 2.5 and 1.1 percent, respectively, in 1390.

Table 14.12. Provisional Profit Rate of Term Deposits[1] (percent per annum)

	1390 (before revision)	1390 (approved on Dey 20)[2]
Short-term	**6.0**	**7.0**
Short-term (special)	**8.0 and 10.0**	**12.0 and 15.0**
Long-term		
One-year	12.5	17.0
Two-year	13.0	17.0-20.0
Three-year	14.0	17.0-20.0
Four-year	14.5	17.0-20.0
Five-year	15.0	20.0

[1] Profit rates of short-term, short-term (special) and one-year deposits with Bank Maskan are higher than other public banks by one percentage point.

[2] Based on the "Monetary, Credit, and Supervisory Policy of the Banking system" approved on Dey 20, 1390, decision on the annual provisional profit rate of term deposits was to be taken on banks' discretion. Coordination Council of State-owned Banks, together with the Association of Private Banks and Non-bank Credit Institutions, determined the ceiling on deposit rates.

Sources and Uses of Funds of Public Commercial Banks

The value of non-public sector's deposits with public commercial banks grew by 21.1 percent (Rls. 136,308.5 billion) in 1390. Deposits of non-public sector held with the public commercial banks included sight deposits, the value of which rose Rls. 35,388.6 billion and non-sight deposits whose value increased by Rls. 100,919.9 billion. In this year, the amount of non-usable resources of public commercial banks increased by Rls. 5,430.5 billion. This was mainly owing to Rls. 14,693.1 billion rise of reserve requirement and Rls. 9,262.6 billion decrease in notes and coins kept with commercial banks. Moreover, balance of capital account of public commercial banks decreased by Rls. 3,426.7 billion, and public sector's deposits and funds rose Rls. 6,355.1 billion.

Table 14.14. Composition of Long-term Deposits[1] (percent)

	Year-end		
	1388	1389	1390
One-year	34.9	25.6	20.2
Two-year	4.0	3.4	6.8
Three-year	2.2	3.0	2.5
Four-year	1.3	1.3	1.1
Five-year	57.6	66.7	69.4

[1] Includes Credit Institution for Development (CID).

Table 14.13. Composition of Liquidity (billion rials)

	Year-end balance			Percentage change		Share (percent)	
	1388	1389	1390	1389	1390	1389	1390
Money	**601,697.0**	**758,716.6**	**897,572.5**	**26.1**	**18.3**	**25.7**	**25.3**
Notes and coins with the public	192,313.9	225,155.3	263,209.3	17.1	16.9	7.6	7.4
Sight deposits of non-public sector	409,383.1	533,561.3	634,363.2	30.3	18.9	18.1	17.9
Quasi-money	**1,754,192.1**	**2,190,157.6**	**2,644,979.4**	**24.9**	**20.8**	**74.3**	**74.7**
Gharz-al-hasaneh savings deposits	180,114.3	239,075.4	255,756.2	32.7	7.0	8.1	7.2
Term deposits	1,522,321.8	1,886,708.3	2,297,937.6	23.9	21.8	64.0	64.9
Miscellaneous deposits	51,756.0	64,373.9	91,285.6	24.4	41.8	2.2	2.6
Liquidity	**2,355,889.1**	**2,948,874.2**	**3,542,551.9**	**25.2**	**20.1**	**100.0**	**100.0**

Sources and Uses of Funds of Specialized Banks

In 1390, non-public sector’s deposits held with specialized banks increased by Rls. 60,264.5 billion. The value of sight deposits increased by Rls. 7,237.4 billion, and that of non-sight deposits, by Rls. 53,027.1 billion. In this year, the amount of non-usable resources of specialized banks increased by Rls. 5,514.0 billion, resulting from Rls. 5,965.5 billion rise in reserve requirement and fall in the value of notes and coins kept with specialized banks by Rls. 451.5 billion. Free resources out of non-public sector’s deposits held with specialized banks indicated Rls. 54,750.5 billion increase. Total free resources of specialized banks, including other sources (debt to Central Bank, external debt, debt to other banks, and other funds), rose Rls. 153,996.3 billion. This included rise in non-public sector’s debt to specialized banks by Rls. 108,977.9 billion and increase in public sector’s debt to specialized banks by Rls. 45,018.4 billion. Specialized banks’ debt to Central Bank grew by 67.7 percent (Rls. 146,471.3 billion) to Rls. 362,693.3 billion at end-1390, compared with 1389.

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

Non-public sector’s deposits with private banks and non-bank credit institutions increased by 20.7 percent (Rls. 359,050.7 billion) in 1390. In this regard, the value of sight deposits increased by Rls. 58,175.9 billion, and that of non-sight deposits by Rls. 300,874.8 billion. Non-usable resources of private banks and non-bank credit institutions increased by Rls. 43,522.4 billion in this year, due to Rls. 47,504.1 billion rise in reserve requirement and Rls. 3,981.7 billion decrease in notes and coins held with private banks and non-bank credit institutions. Furthermore, balance of capital account of private banks and non-bank credit institutions went up Rls. 80,243.2 billion while public sector's deposits and funds kept with private banks and non-bank credit institutions were reduced by Rls. 34,496.4 billion. Therefore, non-public sector’s debt to private banks and non-bank credit institutions grew by Rls. 305,040.6 billion while public sector’s debt declined by Rls. 9,307.3 billion to Rls. 120,471.3 billion.

Sources and Uses of Funds of Newly Privatized Banks[1]

In 1390, non-public sector’s deposits held with the newly privatized banks went up 16.6 percent (Rls. 177,448.5 billion), with Rls. 17,159.3 billion increase related to sight deposits and Rls. 160,289.2 billion to non-sight deposits. The value of non-usable resources of the newly privatized banks increased by Rls. 23,512.5 billion, due to growth of the reserve requirement of these banks by Rls. 26,026.5 billion, and reduction of notes and coins held with them by Rls. 2,514.0 billion. Moreover, balance of capital account of the newly privatized banks increased by Rls. 51,425.1 billion, and public sector's deposits and funds kept with these banks declined by Rls. 34,466.1 billion. On this basis, non-public sector’s debt to these banks increased by Rls. 136,053.2 billion while public sector's debt decreased by Rls. 9,307.9 billion.

Banking Units and Personnel

The number of banking units, including branches and counters in both domestic offices and representative offices abroad,

[1] Including Bank Saderat Iran, Tejarat Bank, Bank Mellat, and Refah Kargaran Bank, privatized in Esfand 1388

grew by 1.9 percent to 21,281 in 1390. Bank Melli Iran and Bank Saderat Iran held the highest shares in the number of domestic units by 16.3 and 16.2 percent, respectively.

In 1390, the number of banking system employees grew by 2.7 percent to 209,091 persons. In this year, the number of employees in public commercial banks decreased by 2.8 percent while that of specialized banks increased by 4.6 percent. The number of employees in private banks and non-bank credit institutions went up by 5.3 percent to 113,487 persons. The number of employees in the Iranian banking sector was 9.8 persons in each banking unit, on average, remaining unchanged compared with the year before. Furthermore, the ratio of total population to each domestic banking unit declined by 49 persons and reached 3,539 persons in this year.

Table 14.15. Number of Banking Units

	1389	1390
Domestic branches	**20,828**	**21,235**
Commercial banks	5,817	5,811
Specialized banks [1]	4,016	4,145
All private banks [2]	10,995	11,279
Newly privatized banks	8,705	8,712
Foreign branches	**46**	**46**
Total	**20,874**	**21,281**

[1] Includes Gharz-al-hasaneh Mehr Iran Bank, and Tose'e Ta'avon Bank.

[2] Includes Sina Bank, Bank Saderat Iran, Tejarat Bank, Bank Mellat, and Refah Kargaran Bank.

Banking Sector Developments

The major developments in the banking sector in 1390 were as follows:

Section One- Major regulations, by-laws, guidelines, circulars, and amendments:

1. Delineation of "Gharz-al-hasaneh reward on rial and foreign currency Gharz-al-hasaneh deposits", approval by the MCC, and announcement to the banking system;

2. Formulation of "By-law on Establishment and Operation of Virtual Banks", approval by the MCC, and announcement to the banking system;

3. Formulation of "Executive Guidelines of *Istisna, Murabaha,* and *Debt Purchase*" contracts, approval by the MCC, and announcement to the banking system;

4. Revision of "Executive Guidelines of Establishment, Operation, Supervision, and Liquidation and Cessation of Operation of Foreign Banks' Branches in Iran", approval by the MCC, and announcement to the banking system;

5. Regulations on "returns on legal reserve deposits of banks, non-bank credit institutions, credit cooperatives, and Gharz-al-hasaneh Funds held by banks", approval by the MCC, and announcement to the banking system;

6. Formulation of "Executive By-law on Establishment, Operation, Supervision, and Liquidation of Iranian Banks' Subsidiaries Abroad", approval by the MCC, and announcement to the banking system;

7. Formulation of "regulations governing foreign entities' participation in Iranian banks' capital", approval by the MCC, and announcement to the banking system;

8. Formulation of regulations regarding bans on occupying double positions as Managing Director and Board Member by one individual in private banks, newly-privatized banks (Bank Saderat Iran, Bank Mellat, Tejarat Bank, and Refah Kargaran Bank), and non-bank credit institutions, approval by the MCC, and announcement to the banking system;

9. Revision of "terms and conditions of opening special Gharz-al-hasaneh accounts", approval by the MCC, and announcement to the banking system;

10. Formulation of "obligations governing domestic LCs (in rial)", approval by the MCC, and announcement to the banking system;

11. Formulation of regulations on "calculation of net value-added tax in Mudarabah facilities at cost price valuation of purchased goods in lieu of tax deductibility", approval by the MCC, and announcement to the banking system;

12. Formulation of "regulations governing banking permissible operations", approval by the MCC, and announcement to the banking system;

13. Formulation of "By-law on State-owned Banks' Investment in Productive Firms", approval by the MCC, and announcement to the Cabinet for final approval;

14. Formulation of regulations on "Exclusion of Exports Development Bank from Investment Provisions with regard to Investment in Iranian-Venezuelan Bi-National Bank", approval by the MCC, and announcement to the banking system;

15. Formulation of "Guideline on Penalty Rate on Debt Arrears arising from Payments on Guarantees", approval by the MCC, and announcement to the banking system;

16. Formulation of regulations on "limiting the activities of banks to one or more specific areas of operation, whether permanently or temporarily" subject of Paragraph 11, Article 14 of the Monetary and Banking Law, approval by the MCC, and announcement to the banking system;

17. Formulation of "Guidelines on Delineation of Gharz-al-hasaneh Savings Commercial Advertisements by Gharz-al-hasaneh Banks/Gharz-al-hasaneh Funds of Finance and Credit Institutions", approval by the Credit Commission, and announcement to the banking system;

18. Formulation of "Guidelines on Professional Competence of Managing Director and Members of the Board of Directors of Finance and Credit Institutions", approval by the Credit Commission, and announcement to the banking system;

19. Formulation of "Executive Regulations of Credit Cards based on Murabaha contracts", approval by the Credit Commission, and announcement to the banking system;

20. Formulation of "Executive Regulations of Mizan Credit Cards for Civil Servants and Workers", approval by the Credit Commission, and announcement to the banking system;

21. Formulation of regulations on "Ban on Rewards for Current Gharz-al-hasaneh Deposits", approval by the Credit Commission, and announcement to the banking system;

22. Formulation of regulations on "Ban of Receipt of Insurance Fee or Tax by Banks from Loan Recipients", approval by the Credit Commission, and announcement to the banking system;

23. Formulation of regulations on "Maximum Credit Ceiling for Murabaha Cards for 1390", subject of Article 13, executive regulation of Murabaha-based credit cards, approval by the Credit Commission, and announcement to the banking system;

24. Revision of "By-laws on Banks' Issuance of Guarantees and Endorsement for the Acceptance of Credit Guarantee (in rial and foreign currency) by Exports Guarantee Fund as Collateral", approval by the Credit

Commission, and announcement to the banking system;

25. Formulation of regulations on "Bans on Loans and Facilities (in rial and foreign currency) by Banks and Non-bank Credit Institutions to Money Exchanges for Purchase and Sale of Foreign Currency and Gold Coins", approval by the Credit Commission, and announcement to the banking system;

26. Formulation of "Guideline on Murabaha Contract Accounting", approval by the Credit Commission, and announcement to the banking system;

27. Revision of "Penalty Rate for Banks' Delinquent Loans of 2, 6, 9, and 18 months, subject of Article 12, By-law on Overdue and Non-performing Loans of Finance and Credit Institutions (in rial and foreign currency)", approval by the Credit Commission and announcement to the Cabinet for final approval.

Section Two- Bank Licensing

Major approaches taken by the CBI in terms of bank licensing in 1390 included:

1. Issuance of work permits for Iran Zamin Bank, 12 credit cooperatives, 9 Gharz-al-hasaneh Funds, 51 money exchanges, and 2 leasing companies; renewal of work permit for 150 similar institutions;

2. Cancelation of work permit of Aria Bank, Tat Bank, and Shargh Bank; cancellation of work permits of 26 money exchanges;

3. Issuance of work permits for banks and finance and credit institutions to open 330 branches throughout the country;

Adoption of measures aimed at preparation and coordination of meetings and follow-up of related affairs with regard to confirmation or cancelation of the professional expediency of 91 persons for the incumbency of positions in the Boards of Directors of banks and finance and credit institutions, in implementation of Note 4, Article 96 of the 5^{th} FYDP Law.

Section Three- Major Anti-money Laundering (AML) Measures

The Central Bank major AML measures in 1390 included:

1. Preparation of three guidelines by the Central Bank and declaration thereof to the banking sector as follows:

a. Guideline on identification of foreign customers of finance and credit institutions including 22 Articles and 14 Notes;

b. Guideline for supervision and oversight of basic banking services rendered by finance and credit institutions, including 12 Articles and 6 Notes;

c. Guideline on identification of customers of money exchanges in 20 Articles and 11 Notes;

2. Updating indicators of suspicious operations concerned with money laundering and financing of terrorism, based on recommendations of the Financial Action Task Force (FATF) and other countries' experiences;

3. Building a communication bridge between the banking sector and the National Security High Council in terms of rendering information to foreign correspondents about money laundering and sanctions;

4. Planning for preparation of identification software with regard to operations suspicious of money laundering;

5. Planning for establishment or completion of databases referred to in the by-law on documentation of flow of funds in the country and the executive by-law on AML/CFT Law;

6. Reviewing the source of initial capital of newly-established banks and finance and credit institutions and the capital increase of the existing banks (in this regard, the initial capital financing of 14 newly-established banks and finance and credit institutions was studied);

7. Continuous on-site and case supervision of banks in preparation for building the necessary infrastructures to implement the AML/CFT Law, relevant guidelines and financial tracking;

8. On-site supervision of AML/CFT divisions of banks and finance and credit institutions to review banks' efforts in implementation of the mentioned Law, relevant executive by-laws, and helpful guidelines for these divisions;

9. Dispatching reports on suspicious operations in terms of money-laundering to the financial intelligence unit;

10. Issuance of Circular on setting deadlines for the obligation to close accounts lacking the national code, and comprehensive supervision of banks to ensure banks' favorable performance in this regard;

11. Revision of the old version and preparation of the final version of the questionnaire on observance of AML/CFT Law by the Iranian banking system's foreign correspondents;

12. Preparation of the web-based audio-visual software for distance learning of AML/CFT courses (with coordination of Iran Banking High Institute);

13. Translation of Iran's set of AML/CFT regulations into English to be presented at the international community;

14. Translation of important international documents on AML/CFT Law into Persian to raise awareness of banks' employees;

15. Creation of an independent division specified for AML/CFT on CBI website in English and Persian, containing all relevant rules and regulations for Iran along with the English translation;

16. Planning educational courses on AML/CFT at Iran Banking High Institute for bank employees;

17. Organizing computer-based courses on AML/CFT by the United Nations Office of Drugs Combating (UNODC);

18. Active participation of Central Bank's experts in educational courses prepared for AML/CFT by the UNODC in order to update the knowledge and expertise level of the employees of banks;

19. Preparation of the comprehensive questionnaire on observance of AML/CFT regulations by foreign correspondents of the banking sector and the dispatching thereof by Iranian banks and credit and finance institutions to foreign correspondent banks;

20. Active interaction with the IMF experts by dispatching of the final version of AML/CFT Draft Law, along with the copy of Iran's response and final drafts of guidelines to FATF;

21. Implementation of the provisions of the Memorandum of Understanding between Iran and Armenia for supervision and setting the ground for a visit between the Iranian experts and Egmont Group, entering discussions concerned with Iran's membership in the most technical international division of anti-money laundering.