

Monetary and Credit Policies for 1396 (2017/18)

In a meeting of banks' and non-bank credit institutions' officials with CBI Governor on Shahrivar 5, 1396 (August 27, 2017), the guidelines on monetary and credit policies, No. 96/173793, regarding the newly adopted deposit and loan profit rates as approved by the MCC, were declared to the banking system for implementation:

1- The 15.0 percent provisional profit rate on one-year deposits is further emphasized by the CBI and as of Shahrivar 11, 1396 (September 2, 2017), banks and credit institutions are strictly required to observe the mentioned rate, as per Circular No. 95/116595 dated Tir 14, 1395 (July 4, 2016). Meanwhile, the maximum provisional profit rate of ordinary short-term deposits (the profit of which is calculated on a daily basis) should be set at 10.0 percent annually.

2- The term investment deposit rate as applied is meant to be provisional. Banks and credit institutions, in accordance with Circular No. 94/69383 dated Khordad 20, 1394 (June 10, 2015) on calculation of banks' profit earned and the assignment of the overall profit to different deposits, need to adjust the provisional rate and apply the differentials to all sorts of term investment deposits.

3- In determining the provisional profit rate of term investment deposits, banks and credit institutions are advised to adopt measures so that the effective provisional profit rates do not exceed the rates stipulated in the mentioned Circular.

4- In introducing any new products or projects for mobilizing deposits, banks and credit institutions are obligated to set and announce the effective deposit rates, based on CBI prior approval.

5- As before, banks and credit institutions cannot open term investment deposit accounts with a maturity date of more than one year. However, the provisional deposit rates stipulated in this Circular will only be applied to new contracts, as of the implementation date of this Circular. The provisional profit rates on previous investment contracts, prior to the current circular, shall remain valid up to the end of the contract term. Investment contracts with

provisional profit rates set prior to the implementation of this Circular cannot be extended at original rates. In case of the extension of deposit contracts by depositors, the newly approved rates as of the date of contract extension will be applied. Considering the fact that opening term investment deposits with a maturity of more than one year was banned as of 1393 (2014), only four- and five-year deposits opened before 1393 (2014) may remain in effect until the end of the contract term. In this regard, banks and credit institutions are required to take measures to settle the issues regarding any other term investment deposits of more than one year existing in their books.

6- The provisional profit rates applied to investment funds with fixed income will also be subject to the provisional profit rates stipulated in this Circular.

7- As for special short-term or one-year deposits, if depositors withdraw funds or close the account prior to the end of the contract term, the provisional profit rate of these accounts will be calculated similar to the provisional profit rate of ordinary short-term deposits (calculated on a daily basis). Based on the current regulations, profit payment to ordinary short-term investment deposit accounts is allowed only if the balance remains in account at least one month from the opening date of the account.

8- Banks and credit institutions are advised to avoid any misappropriation of accounting procedures or manipulation of computer software, which could lead to an increase in the effective rate of deposits over the current approved rates. In case of the adoption of such measures, all violators including the managers and employees of banks and credit institutions as well as the software companies rendering service to these institutions, will be penalized. Meanwhile, in case of the involvement of software companies in manipulating software, banks and credit institutions will be prohibited from any further cooperation with these companies.