



CENTRAL BANK OF THE ISLAMIC REPUBLIC OF IRAN

**Banking Law And Regulations  
prevailing in The Free  
Trade-Industrial Zones Of The  
Islamic Republic Of Iran**



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## In The Name Of God

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## **Law on the Administration of Free Trade-Industrial Zones**

Approved by the Islamic Consultative Assembly on August 29, 1993

Approved by the Expediency Council on November 12, 1996

Amended by the Expediency Council on July 21, 1999

### **Section One: Purpose**

#### **Article 1**

In order to accelerate the implementation of infrastructure, development projects, to enhance economic growth and progress, to raise the level of investment and public income, to create sound and productive employment, to regulate the labor and commodities market, to actively participate in regional and international markets, to produce and to export industrial and processed goods and to provide public services, the government is hereby authorized to administer as free trade and industrial zones, the following areas in accordance with legal standards and the present law:

1. Kish Island Free Zone, as delineated in the map attached hereto.

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. This is not an official translation of the Persian text of the Law on the Administration of Free Trade-Industrial Zones. It has been prepared as a mere source of information and any interpretation of the contents of the said Law shall be validly made only on the basis of the Persian Text.

2. Qeshm Free Zone, a contiguous area not exceeding three hundred square kilometers situated at northeastern part of the island whose boundaries shall be determined by the Board of Ministers. \*as the map attached hereto.
3. Chabahar Free Zone (according to the map attached hereto) \*\*

**Note 1**

Free Zones shall benefit the facilities and privileges provided by this law.

**Note 2 (Amended July 21 1999)**

The coastal water boundary adjacent to the Free Zones, whose area of jurisdiction shall be specified and decreed by the board of ministers, shall enjoy the advantages of this law solely on the grounds of ships' bunkering activities

**Note 3**

The establishment of new Zones and their boundaries shall be ratified by the Islamic Consultative Assembly upon such proposal by the government.

**Article 2**

The revenues of the Free Zones should be spent solely within their annual budget which would be approved by the Board of Ministers Development aid for areas outside the Free Zones (with the priority to neighboring areas) should be granted solely upon approval by the Board of Ministers and any other aid shall be considered unlawful use of public property.

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\*The Board of Ministers, by ratification no. H28574/T/18808 dated June 30, 2003, announced that the whole Qeshm Island to be regarded as Free-Zone.

\*\*According to the Board of Ministers' ratification no. H28574/T/18808 dated June 30, 2003, Shahid Beheshti Port and Shahid Kalantari Port in Chabahar were added to the previous area of Chabahar Free-Zone.

## **Section Two: Definitions**

### **Article 3**

In this law, the following terms are used in lieu of the following phrases:

**Country:** The state of the Islamic Republic of Iran.

**Zone:** Free Trade-Industrial Zone.

**Authority:** Authority responsible for the administration of each Free Zone.

**The Majlis:** The Islamic Consultative Assembly.

## **Section Three: Functions**

### **Article 4**

The Board of Ministers is responsible for:

- a) approval of regulations and coordination of all activities of each Zone.
- b) approval of the charter of the authority and companies affiliated thereto.
- c) approval of the annual development, cultural programs and budgets, and projected financial operations of the Zone Authorities.
- d) upon confirmation by the supreme commander of the armed forces, approval of the security and law enforcement regulations of the Zones.

e) overall supervision of the activities in the Zones.

**Article 5**

Each Zone shall be administered by an Authority organized as a company, with autonomous legal status, whose capital shall belong to the government. Such companies and their affiliates and subsidiaries shall be exempt from the laws and regulations governing state-owned companies and from other general regulations decreed by the government; they shall be administered solely on the basis of the present law and its respective bylaws, with respect to cases not provided in this law and charter, these companies shall be subject to the Commercial Code.

**Article 6**

A Board of Directors, consisting of three or five persons, shall administer the Authority. The Board of Ministers shall appoint members of the board of directors. The Managing Director, who shall be the ex-officio chairman of the Board, shall be appointed by Presidential decree from amongst the members of the board of directors and shall be the highest executive authority in the affairs of economy and infrastructure in the Zone. The Managing Director and the Members of the board of directors shall be appointed for tenure of three years and their reappointment is permissible. Dismissal from the office of the Managing Director and the Board Members rests with the same appointing authorities. The responsibility for and the power of general meetings of each Zone Authority are vested with the Board of Ministers.

**Article 7**

Upon approval by the Board of Ministers, the Authority of each Zone is empowered to set up, as deemed necessary, companies, which shall be established in accordance with the provisions of the Commercial Code.

**Section Four: General regulations**

**Article 8**

The Authority and its affiliated companies are permitted to conclude the necessary contracts with natural or legal persons, whether foreign or domestic, and to participate with domestic or foreign investors for the implementation of development and productive projects, according to observance of the stipulations of the Constitution. Disputes and claims arising out of the concluded contracts, shall be examined and settled in accordance with the mutual agreements and the contractual commitments of both parties concerned.

**Article 9**

Ministries, organizations, institutes and companies owned by or affiliated to the government, may enter into contracts with the Authority or its affiliate companies for the purpose of providing facilities or services in each zone, within the stipulations of the Board of Ministers decrees. The terms and conditions of such contracts should be drawn up in a manner to safeguard the competitive position of the respective authority as against the Free Zones of other countries.



**Article 10**

Upon approval by the Board of Ministers, the Authority of each Zone is empowered to collect charges from natural or legal persons residing in the Zone in return for provision of municipal services and communications, health, cultural, educational and welfare facilities.

**Article 11**

Issuance of permits for any kind of permitted economic activity, construction of buildings and installations and embarking on various occupations which do not fall under a direct responsible head person, by a natural or legal person within the boundaries of the Zone, rests solely with the Authority.

**Article 12**

Regulations governing the employment of workforce, social insurance and security and the issuance of entry visa to foreign national, shall be based on rules which are to be approved by the Board of Ministers.

**Article 13**

Natural and legal persons engaged in any kind of economic activity in a Zone are exempt from payment of invoice and property tax as from the date of the commencement of the operation mentioned in the permit with respect to any type of economic activity in the Free Zone, and after the lapse of 15 years shall be subject to the tax regulations to be enacted by the parliament, upon the proposal by the Board of Ministers.

**Article 14**

Exchange of goods between the Zones and outside the country is excluded from the provisions of the Export-Import Regulations after being registered at the customs office. Government Regulations for the export and import of goods and customs formalities with each Zone shall be approved by the Board of Ministers. Exchange of goods between the Zones and the rest of the country, whether of commercial nature or by travelers is governed by the general Export- Import Regulations of the country.

**Article 15**

Importation of goods produced in a Free Zone to other parts of the country is exempt from payment of all or a part of custom duties and commercial benefit tax up to the added value thereof in the Zone, upon approval by the Board of Ministers.

**Article 16**

Importation of goods produced in a Zone all or parts of whose raw materials are wholly or partly supplied domestically is exempt from all or a part (proportionally) of the custom duties and commercial benefit tax relating to the respective domestic raw materials.

**Article 17**

Goods transported from the rest of the country for use and consumption in a Zone shall be constituted as domestic movement of goods, but their exportation from a Zone to the outside world shall be governed by general Export-Import Regulations.

**Article 18 (Amended July 21, 1999)**

A bank and credit institute, in the form of a public limited company or private joint stock company, owning registered shares, carrying out banking operations, utilizing the bank title and or credit institute in the Free Zones, shall be established in accordance with only this law and the executive bylaw thereof shall be compiled by the central bank and ratified by the Board of Ministers.

**Note 1**

The Iranian bank and credit institute, with domestic and external investment in the Zones, shall be established upon the proposal of the Zone Authority and ratification of their articles of association made by the "Money and Credit Council", and issuance of license by the Central Bank of Iran.

**Note 2**

Opening of a branch by the Banks and credit institutes, whether Iranian or foreign shall be upon the proposal of the Zone Authority and approval of the Central Bank.

**Note 3**

The governing order in determining the equivalence of the Iranian Rial against the foreign exchange in the Free Zones, shall be ordained by the Board of Ministers.

**Note 4**

Transactions in the banking units located in the Free Zones shall be on the basis of the Iranian Rial and shall be subject to the Islamic Banking Regulations.

Banking units, having obtained the license for off-shore Banking operations, are banned from transactions with the Iranian Rial.

**Article 19**

Upon approval by the Board of Ministers, the Authority is empowered, within the framework of its approved plan and budget, to obtain and guarantee credits from domestic and foreign sources for the purpose of implementing of infrastructures and productive projects. Repayment of these credits shall take place only through drawing on revenues of the Zone concerned.

**Article 20**

Inflow and outflow of capital and expatriation of profits generated by economic activities in each Zone are permitted. The required regulation for attraction and protection of investment in each Zone and the modality and participation of foreigners in activities in each Zone shall be approved by the Board of Ministers.

**Article 21 (Amended on July 21, 1999)**

The legal rights of investors, the acceptance of whose capital investment has been decreed by the Board of Ministers, shall be guaranteed and protected. Should the capital of such investors be nationalized to the favor of the public or their properties being dispossessed of, a fair compensation shall be undertaken by the government. The regulations thereto the manner of acceptance of such investments and the manner

of compensation shall be in accordance to the bylaw decreed by the Board of Ministers.

**Article 22 (Amended on July 21, 1999)**

Registration of companies, intellectual and industrial property rights, as well as registration of ships, vessels and aircrafts in the Zone, shall be, accomplished with due to consideration of the article 81 of the constitution, in accordance with the bylaw decreed by the Board of Ministers.

**Note**

Registration of companies and intellectual and industrial property rights in each Zone shall be accomplished by the Organization of that Zone.

**Article 23**

The Authority is entitled to open representative offices wherever deemed necessary.

**Article 24**

Utilization of land and national resources belonging to the government within each Zone and the sales or lease thereof to Iranian nationals shall be determined by regulations as approved by the Board of Ministers and with regard to the development plans of each Zone. The Authority of each Zone shall be responsible for the enforcement of relevant regulations.

**Note 1**

Renting of land to foreign nationals is permitted but its sale thereto is strictly forbidden.

**Note 2**

Iranians residing in the islands, subject to the Free Zones, shall enjoy the same rights of ownership of the land and improvements thereto as the rest of the country.

The registry of the Deeds and Properties Organization is obliged to issue title deeds to individuals in accordance with laws and regulations.

**Article 25**

The president and directors of each Zone Authority, managing directors and board members of affiliated companies, all the ministers and the heads of government organizations, heads of the judiciary power, the Supreme Court and Administrative Justice Tribunal, the public prosecutor, the chief of state inspectorate, their respective deputies and advisors, Members of the Majlis, governor – general, mayors and their deputies and their respective first degree relatives are not authorized to hold shares in companies established by a Zone Authority or in private companies operating in the Zones.

**Article 26**

The bylaws for implementation of this Law shall be approved by the Board of Ministers.

**Article 27**

In order to coordinate the activities within the Zones, and as the case may be, and with the approval of the competent minister, one of the following two procedures may be adopted:

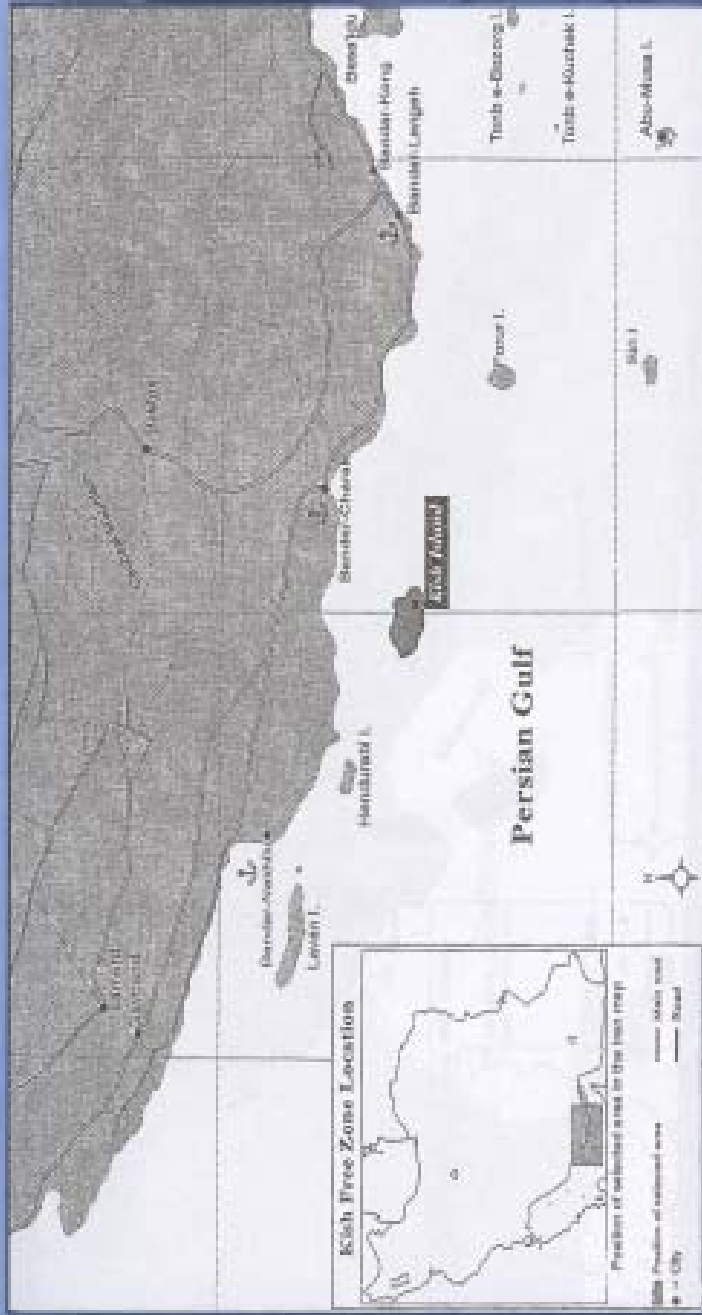
a. The executive organizations (affiliated to the

executive power may transfer their authority to the chairman and Managing Director of the Free Zone Authority).

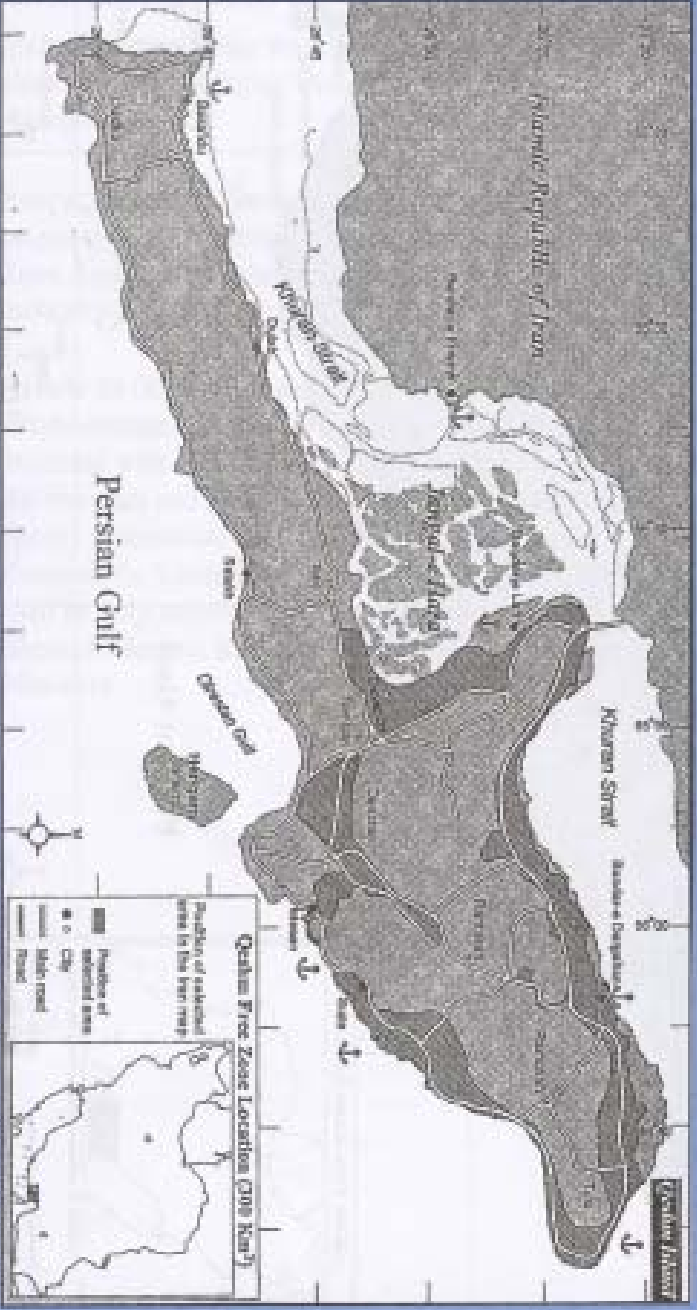
b. capacities in the Zones shall be appointed by the proposal of the chairman and managing director of the Zone Authority and the ordinance of the competent authority in the executive establishment.

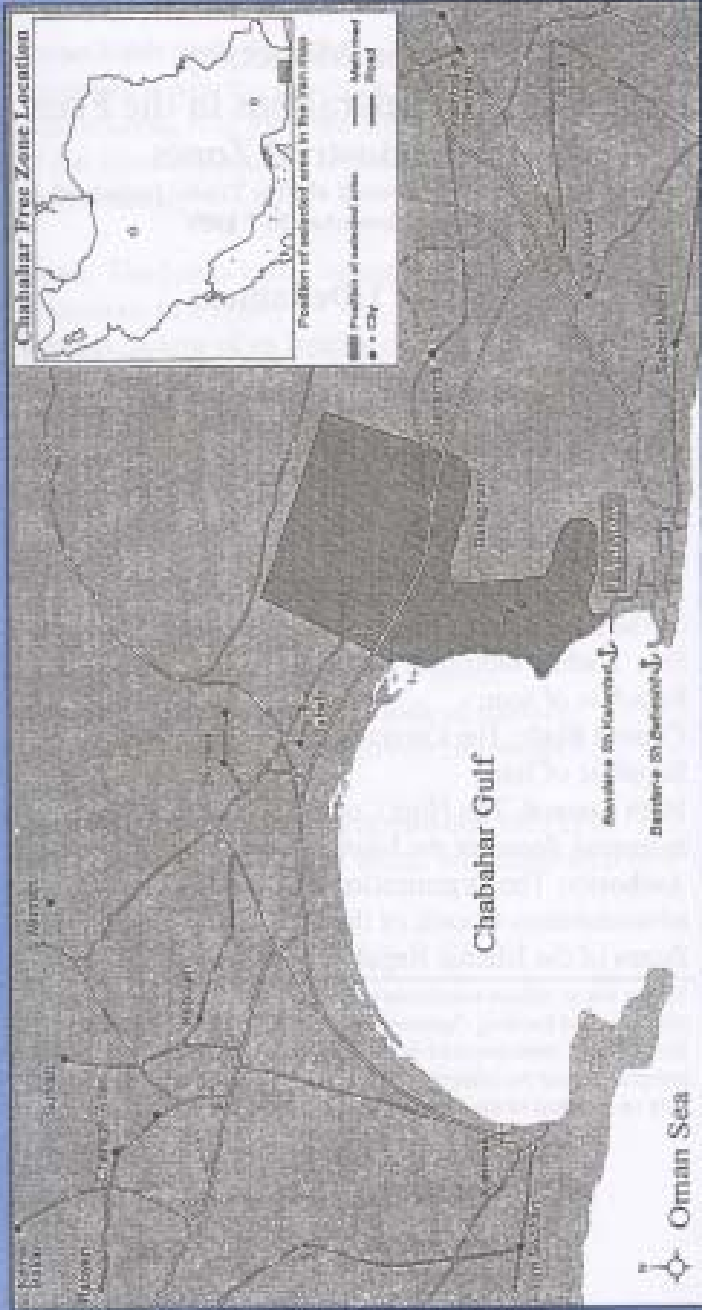
**Article 28 (Ratified on July 21, 1999)**

Establishment and activity of Iranian insurance institutes with domestic and foreign capital investment, the branches and representatives as well as insurance agency representatives in the Free Trade Industrial-Zones of the Islamic Republic of Iran is permitted and shall be only subject to the regulations proposed by the Bimneh Markazi Iran and approval of the Board of Ministers.









# **Bylaw on Monetary and Banking Operations in the Free Trade-Industrial Zones**

**Decreed by the High Council of Free Trade- Industrial  
Zones on November 30<sup>th</sup> 1999**

## **Chapter 1:Definitions**

### **Article 1**

In this regulations, the following terms are used in lieu of the corresponding phrases:

**Act:** The Act on Administration of the Free Trade- Industrial Zones of the Islamic Republic of Iran and its due amendments;

**Regulations :**The Administrative Regulations on the Article 18 of the Act on Administration of the Free Trade – Industrial Zones of the Islamic Republic of Iran;

**Central Bank:** The Central Bank of the Islamic Republic of Iran;

**High Council:** The High Council of the Free Trade – Industrial Zones of the Islamic Republic of Iran;

**Authority:** The Organization in charge of administration of each of the Free Trade – Industrial Zones of the Islamic Republic of Iran;

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

**Zone:** Each of the Free Zones established in accordance with the provisions of the Act on Administration of the Free Trade – Industrial Zones of the Islamic Republic of Iran and its due amendments;

**Bank:** The banks being authorized to carry out operations in a Zone;

**Branch :**A unit of an Iranian or a foreign bank or credit institute which undertakes authorized banking operations in accordance with the statute of its parent bank or institute and within the framework of the Zone rules and regulation;

**Institute:** The credit institutes having operation permit in a Zone;

**Banking Units:** Iranian and foreign banks and credit institutes and branches of the same having authorization for operations in a Zone;

**Off-shore Banking:** various kinds of banking operations performed exclusively in foreign currencies;

**Representative Office:** Representation offices of banks and credit institutes which are established in a Zone.

## **Chapter 2: Conditions For Establishing Banks & Institutes**

### **Article 2**

Establishment of banks and institutes and engagement in banking operations and using the names "Bank" or "Institute" in a Zone shall be permissible solely through compliance with the provisions of the Act and this Administrative Regulations and the relevant Instruction Guidelines.

### **Note**

The banking units which receive the License for offshore banking operations are required to use the term "Off-shore" along with their names.

### **Article 3**

Banks and institutes with either Iranian or foreign capital or with Iranian or foreign partnership being registered in Zone and whose main office being located in the same Zone shall be regarded as the registered Iranian banks or institutes in the Zone.

### **Article 4**

Establishment of banks and institutes and setting up of branches of banks and institutes ,either Iranian or foreign ,in the Zones shall be subject to the recommendation of the Authority and issuance of the due License by the Central Bank.

**Note1**

The Monetary and Credit Council thereto shall after being recommended by the Authority ,confirm statutes of banks and institutes and any other amendments.

**Note2**

Establishment of banks and institutes as public or private joint-stock companies with nominal shares shall be permissible in accordance with the law and subsequent bylaw and stipulated provisions of the Amendment Bill to parts of the Commercial Code adopted in 1968.

**Article 5**

Registration of banks or institutes or branches of foreign banks in a Zone shall be contingent upon issuance of the license subject of the Article 4 of this Administrative Regulations .The registry authority in a Zone is obliged to demand the said license prior to registering the banks and institutes.

**Note**

Establishment of representative offices of the Iranian or foreign banks and institutes shall be subject to confirmation of the Authority as well as the registry authority in the Zone.

Such offices are not authorized to perform any banking transactions and operations.

**Article 6**

The Branches of banks which are established prior

to the adoption of this Administrative Regulations, in a Zone ,shall not require to obtain new licenses ; however ,the operations of the aforementioned branches shall be in accordance with the provisions of this Administrative Regulations and the relevant Instruction Guidelines.

**Article 7**

The minimum amounts of capital of the banking units in a Zone are as follows:

- a. Banks :A minimum of 35,000,000,000.00 (thirty five billion) Rials , one hundred percent of which shall be deposited in cash with the Central Bank.
- b. Institutes: A minimum of 15,000,000,000.00 (fifteen billion) Rials , one hundred percent of which shall be deposited in cash with the Central Bank.
- c. Branches of foreign banks or institutes :A minimum of 10,000,000,000.00 (ten billion) Rials , One hundred percent of which shall be deposited in cash with the Central Bank.
- d. Off-shore Banking Units:
  1. For Banks :A minimum of 10,000,000.00 (ten million)U.S Dollars ,one hundred percent of which shall be deposited in cash with the Central Bank.
  2. For Institutes :A minimum of 5,000,000.00 (Five million) U.S .Dollars ,one hundred

percent of which shall be deposited in cash with the Central Bank.

3. For branches of foreign banks or institutes:  
A minimum of 3,000,000.00(three million) U.S Dollars , one hundred percent of which shall be deposited in cash with the Central Bank.

**Note 1**

Issuance of the establishment license for the banking units with foreign capital subject of the above paragraphs a, b and c shall be subject to submission of the foreign currency sale declaration to one of the established banking units in the Zones, equivalent to the capital belonging to foreign nationals.

**Note 2**

The banking units shall utilize the amounts deposited with the Central Bank after the registration of the same and submission of the due documents.

**Note 3**

The Central Bank is entitled to alter ,at its own discretion ,the minimum amount of the liquid capital of the banking units.

**Article 8**

The banks and institutes being operational in a Zone are entitled to establish their branches (in the



Zones) subject to securing the agreement of the Authority and confirmation of the Central Bank.

### **Chapter 3: Exchange System of the Free Zones**

#### **Article 9**

Buying and selling of all currencies in exchange of Rial or other currencies and all currency transactions and transfers in the Zones ,by natural and legal persons, are permissible.

#### **Article 10**

Transfer of all currencies from outside the country to the Zones and vice-versa ,by natural and legal persons, is permissible.

#### **Note**

Transfer of currencies from other parts of the country to the Zones and vice-versa ,by natural and legal persons ,shall be subject to the foreign currency rules and regulations of the country.

#### **Article 11**

The exchange rates for foreign currencies and their exchange rates vis-à-vis Rial shall be determined on the basis of their supply and demand in the free market.

## **Chapter 4: Conditions for Operations**

### **Article 12**

Banks and institutes and branches thereto shall be entitled to commence their operations after securing the due establishment license subject of the Article 4 of this Administrative Regulations, being registered by the Zone Registry authority, complying with the provisions of this Administrative Regulations and submission of the documents specified hereunder:

- Registration notice published in the Official Gazette;
- A copy of the registered statute;
- Announcement of the legal address.

### **Article 13**

The criteria for the operations of banking units in the Zones are as follows:

- a. All the banking units in the Zones shall be subject to the provisions of this Administrative Regulations and the relevant Instruction Guidelines.
- b. Transactions of the Zone banking units in the Iranian Rial shall be subject to the provisions of the Islamic Banking System. The said units are entitled to comply with the international banking procedures in their foreign currency transactions.

### **Article 14**

The monetary and credit regulations adopted by

the Central Bank for the established banking units in the Zones shall be devised in line with the objective of encouraging and facilitating investments in the Zones as well as preserving the international competitive status of the same.

**Article 15**

The off-shore banking units shall not be entitled to perform banking operations in the Iranian Rial.

**Article 16**

The banking units are required to secure the due license from the Central bank for their foreign currency transactions. The said units may include the request for the license concerning the foreign exchange operations in their application for establishment.

**Article 17**

The banking units having the required license for exchange operations are entitled to provide the following services, on the basis of the type of the license which they secure, and in compliance with the provisions of this Administrative Regulations as well as the latter's Instruction Guidelines:

- a) Granting various kinds of credit facilities;
- b) Purchase and guarantee of variety of commercial papers;
- c) Taking charge of all businesses pertaining to documentary credits, bills of exchange, drafts and security bonds;
- d) Management of assets and provision of investment services in account of clients;

e) Providing all kinds of depositary and managerial services;

f) performance of other permissible banking operations.

**Note**

The institutes are not entitled to keep current accounts in foreign exchange for their customers.

**Article 18**

The commission for the banking operations, the rate of interest for the granted and received credit facilities as well as the rate of interest for the various kinds of deposits in the international banking operations shall be determined by the conditions in the free market.

**Article 19**

The banking units, excluding the offshore banking units, shall be entitled to secure their required financial resources in Rial in accordance with the provisions of the non-usury Banking Operations Law as well as the other laws and regulations in force through the following means;

- a) Admission of interest-free current and saving deposits;
- b) Admission of investment time deposits;
- c) Issuing of partnership bonds;
- d) Receiving credit facilities from natural and legal persons.

**Note**

The credit institutes shall not be entitled to receive

interest-free current deposits in Rial from their clients.

**Article 20**

The banking units, excluding the off-shore banking units, shall be entitled to grant credit facilities in Rial, within the framework of the Interest-Free Banking Operations Law.

**Article 21**

The banking units, excluding the off-shore banking units in the Zones, shall be entitled to undertake the other permissible banking operations in Rial, in accordance with the provisions of their own statutes.

**Article 22**

The banks and institutes in the Zones shall not be entitled to increase their capital through the re-assessment of their assets.

**Article 23**

The banks and institutes and branches of foreign banks and institutes in the Zones shall constantly be required to consign, as legal deposit, to the Central Bank a fraction of the deposits consigned to them in the amount and the kinds of currencies determined by the latter. The amount and kinds of currencies concerning the legal deposits may differ on the basis of the kinds of deposits and the scope of the banks' and institutes' operations.

**Note**

The Central Bank shall pay an appropriate rate of interest in foreign currencies, at its own discretion, to the received legal deposits in the foreign currencies.

**Article 24**

The Banks and institutes and the branches of foreign banks and institutes in the Zones shall be required to preserve a fraction of their annual net profits as legal reserve .The ratio of the said reserve shall be at least 15(fifteen) percent of the net profits. Preservation of the aforementioned reserve shall be optional after its accumulated sum has increased to as much as the amount of the capital.

**Article 25**

Foreign currency assets and liabilities of the banking units in the Zones are to be converted ,on the basis of the free market rates,at the termination of each financial term. With respect to assets and Liabilities having maturity dates of less than a year,the differences resulting from such computation shall be reflected in the profit and loss account.

**Article 26**

The banking units in the zones are not entitled to accept their own shares as securities for their granted facilities.

**Article 27**

The banks and institutes in the Zones are not entitled to perform the operations as follows:

- a) Buying and selling goods in their own accounts and with the purpose of trading, unless such operations are performed in line with the implementation of the Non-usury

Banking Operations Law or to meet their own internal needs;

- b) Real-estate transactions exceeding the adopted quota by the Central Bank, exclusive of the banks and institutes whose main mandate entitles them to such transactions;
- c) Buying shares of one or more than one company or purchase of other securities in their own accounts, exceeding the adopted quota by the Central Bank;
- d) Granting credit facilities to their managing director and board members and to the companies in which the latter persons hold interests, exceeding the adopted quota by the Central Bank;
- e) Granting credit facilities to the board members and directors of the Zone Authority and members of departments, directors and inspectors of the Central Bank, unless in compliance with the special regulations which shall be adopted to this effect by the Central Bank.

**Article 28**

Should the capital of the established banks and institutes in the Zones decline, due to any damage or loss, from the minimum amount provided in the Article 8 of this Administrative Regulations, action should be taken by the formers to replenish the capital to the aforesaid amount in a period not exceeding six months.

## **Chapter 5: Regulations of Supervision on Banking Units in the Zones**

### **Article 29**

All banks and institutes and branches of foreign banks and institutes in the Zones shall operate under the supervision of the Central Bank and while providing the latter with its required information, they shall comply with the rules and regulations as follows:

- a) Compliance with the monetary and credit policies adopted by the Central Bank;
- b) Consign their legal deposits with the Central Bank for the duration and within the frameworks determined by the latter;
- c) Arrange and keep the headings of their accounts and financial statements in accordance with the endorsed rules of the Central Bank;
- d) Observe the adopted rules and regulations of the Central Bank regarding, inter- alia , capital adequacy;
- e) Dispatch the following data and information to the Central Bank on the basis of the determined frameworks and the specified duration:
  - Abstracts of General Ledger and Financial statements of the legal deposits;
  - Financial statements ,including the balance sheets and profit and loss accounts, which have been certified by independent auditors who enjoy the sponsorship of the Central Bank;
- f) To submit to the Central Bank the other information at any time deemed necessary



by the latter. Such information shall be treated as confidential and shall not be published on a case-by-case basis.

g) Extend their cooperation with the authorized inspectors who shall attend at the places of their assignment with written warrants and provide to the latter with the necessary information.

**Article 30**

Should continuation of the banking units' operations in a Zone involve, by the discretion of the Central Bank, any risks, the latter shall be entitled to assign a comptroller to the concerned banking units.

## **Chapter 6: Miscellaneous Regulations**

**Article 31**

Members of the Board of Directors, Managing Directors, First Deputy, Managing Directors and members of the Executive Boards of banks and institutes as well as directors of branches of the Iranian and foreign banks and institutes in the Zones should be accredited for their professional competence by the Central Bank.

**Article 32**

The banking units in a Zone shall be held responsible for the losses caused by their operations for customers and are obliged to indemnify the

latter for such losses.  
The Managing Director and members of the Board of Directors of each bank or institute in a Zone shall also be held responsible towards the shareholders and customers for the losses caused by any of them because of violating these regulations or provisions of their statutes.

**Article 33**

In order to facilitate interchange of checks and bank shares a Clearing House shall be set up by the banking units in a Zone with the sponsorship of the Central Bank.

The operational expenses of the said Clearing House shall be borne by the aforementioned banking units.

**Article 34**

The manner in which securities, documents and books should be preserved, the arrangement for the settlement of disputes, dissolution and bankruptcy of banking units (in a Zone) and other issues which have not been provided by this Administrative Regulations shall be dealt with in accordance with the provisions of the Monetary and Banking Law, ratified in 1973.

**Article 35**

The Instruction Guidelines concerning implementation of this Administrative Regulations shall be adopted by the Central Bank.

This text substitutes the Cabinet Decree No. 17992T/51860 of June 21, 1997

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

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

**Section 1 : Definitions**

**Article 1**

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

**Iran** : The Islamic Republic of Iran .

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Section 2 : Conditions for Establishment**

### **Article 2**

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

### **Article 3**

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

**Article 4**

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

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

**Note**

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

**Article 5**

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

**Note**

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

**Article 6**

Branches of the Iranian banks established in a Zone by

the authorization of the Bank Markazi prior to the adoption of the Regulations , are not required to obtain new permits for their establishment .

**Article 7**

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

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

**Note**

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

**Article 8**

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

**Note**

The Banking Units which obtain off-shore banking operation permits are obliged to use the term " Off-shore " along with their names .

**Article 9**

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

**Article 10**

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

**10.1 – On- shore Banking Units :**

10.1.1- Banks : a minimum of 35,000,000,000.00

( thirty five billions ) Rials , one hundred percent of which shall be deposited in cash with Bank Markazi.

10.1.2- Institutions : a minimum of 15,000,000,000.00

( fifteen billions ) Rials , one hundred percent of which shall be deposited in cash with Bank Markazi.

10.1.3- Branches of foreign banks or institutions : a minimum of 10,000,000,000.00 ( ten billions ) Rials , one hundred percent of which shall be deposited in cash with Bank Markazi .

**10.2- Off-shore Banking Units :**

10.2.1- Banks : a minimum of 10,000,000.00 ( ten millions ) U. S. Dollars , one hundred percent of which shall be deposited with Bank Markazi .

10.2.2- Institutions : a minimum of 5,000,000.00 ( five millions ) U. S. Dollars , one hundred percent of which shall be deposited in cash with Bank Markazi .

10.2.3- Branches of foreign banks or institutions : a minimum of 3,000,000.00 (three millions ) U. S. Dollars, one hundred percent of which shall be deposited in cash with Bank Markazi .



**Note 1**

The issuance of the Agreement in Principle is subject to the provision and deposition of 50 percent of the capital of the respective Banking Unit and the issuance of the Establishment Permit is subject to the provision and deposition of 100 percent of the capital of the respective Banking Unit with Bank Markazi , in conformity with the stipulations of this article .

**Note 2**

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

**Note 3**

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

**Note 4**

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

**Article 11**

Utilization of the amounts deposited with Bank Markazi shall be subject to the submission of the companies registration documents , consisting of the registered charter and declaration , the registration

notice as published in the Official Gazette and specifying the names of directors and holders of the authorized signatures.

#### **Article 12**

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

12.1. specifying whether the intended joint-stock company shall be private or public.

12.2. specifying the type of the activity.

12.3. the amount of the intended capital, while specifying the percentage of the paid-up and undertaken portions thereof.

12.4. the proposed charter.

12.5. submission of the business plan of the bank or institution in the Zone.

12.6. names, qualifications and the record of activities of the founders, and the number of shares subscribed by each of the founders.

12.7. names, particulars, educational background, record of activities and the previous positions held by the members of the board of directors, the executive board, the proposed managing director and the deputy managing director for the bank or institution.

12.8. in case the founder is a legal person subscribing more than 5 percent of the capital, submission of the charter, registration certificate, the audited financial statements for the past three years (while taking into account the provision of the Note to Article 7), whereas if such founder or founders possess more than 50 percent of the shares belonging

to other companies , submission of their consolidated audited financial statements for the past three years , together with the names , qualifications and the type of the activities of the subsidiary companies .

12.9. submission of the certificates specified hereunder for the members of the board of directors , the executive board , the managing director and the deputy managing director :

12.9.1. written acknowledgement by a reputable bank regarding financial solvency of the applicant .

12.9.2. certification of good reputation issued by three legal or natural persons.

12.9.3. clearance certificate issued by the police department of the place of residence.

12.9.4. a certificate issued by each of the persons specified in the item.12.9. stating that the respective person has had no record of bankruptcy in any part of the world , has held no position in a company which became insolvent or went bankrupt and had no criminal conviction whatsoever regarding any type of financial offences in any country . In cases where submission of a certification as described above is not possible , the required information shall be presented to Bank Markazi for evaluation thereof .

12.10.name and address of the selected auditor to audit the financial statements ,

12.11. written commitment by the founders to incorporate the following text into the charter of the bank or institution :

"Replenishing the capital (of the bank or institution ) to the levels specified in Article 10 of the Executive Guidelines for the Monetary and Banking Operations

in the Free Trade – Industrial Zones of the Islamic Republic of Iran , in cases where the value of the shareholders equity diminishes as a consequence of sustained losses ”.

12.12. submission of the permits issued by the competent authorities of the respective countries of the founders for the establishment of the banks or institutions in the Zone , in cases where such founders are foreign nationals .

12.13. specifying the name of the relevant supervisory authority in the respective countries of the founders of the banks and institutions , in cases where such founders are foreign nationals .

12.14. letter of commitment to conduct their banking operations on the basis of the obtained permit and their charter and in compliance with the provisions of the Act , the Regulations and the Guidelines .

#### **Article 13**

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

#### **Article 14**

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

14.1. type of the activity.

- 14.2. amount of the capital of the branch .
- 14.3. the business plan of the branch .
- 14.4. their charter , registration certificate , the audited financial statements and the management report for the previous three years .
- 14.5. particulars of those shareholders possessing more than 10 percent of the shares of the bank or institution .
- 14.6. information concerning all the companies and banks in which the applicant possesses more than ten percent of the shares or is a member of the board of directors.
- 14.7. names , particulars and the educational background of the proposed manager and assistant managers for the branch along with the record of their services and positions held during the past five years .
- 14.8. written confirmation by the president of the bank or institution as to the financial integrity , good reputation and lack of criminal record for the manager of the branch .
- 14.9. approval of the board of directors of the applicant bank or institution of the establishment of a branch in the Zone, along with the relevant permits issued by the competent authorities .
- 14.10. name of the competent authority supervising over the applicant bank or institution .
- 14.11. letter of commitment regarding compensation of losses caused by the operations of the branch .
- 14.12. letter of commitment concerning replenishment of the minimum amount of the branch's capital, in cases when its capital , as the result of the sustained losses , falls below the minimum amount as

stipulated in Article 10 .

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

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

#### **Article 15**

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

#### **Note**

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

#### **Article 16**

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

the foreign bank or institution and opening of foreign bank's branch .

**Article 17**

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

**Note**

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

**Article 18**

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

**Note**

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

**Article 19**

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

**Article 20**

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

**Article 21**

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

**Article 22**

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

**Article 23**

Opening of branch of domestic banks or credit



institutions in a Zone shall be contingent upon proposal by the Authority and approval by Bank Markazi .

**Note 1**

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

**Note 2**

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

- names, particulars , educational background , record of professional services and the previous positions held by the proposed manager of the branch during the past 5 years.
- attestation by the managing director of the bank or institution as to the professional integrity , good reputation and lack of criminal record of the proposed manager of the branch .

**Article 24**

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

**Note**

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

**Article 25**

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

**Article 26**

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

**Article 27**

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

27.1.the amount of the capital .

27.2.the proposed charter .

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

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

27.5.name and address of the proposed inspector .

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

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

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

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

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

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

#### **Article 28**

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

#### **Article 29**

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

**Article 30**

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

**Article 31**

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

**Section 3 : The Foreign Exchange System in the Zones**

**Article 32**

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

**Article 33**

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

**Note**

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

**Article 34**

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

**Note**

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

**Article 35**

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

### **Section 4 : Conditions and Modes of Operations**

**Article 36**

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

- 36.1. letter of approval by Bank Markazi subject of the note under Article 18 ,
- 36.2. a copy of the charter endorsed by the Registration Office .

36.3. a copy of the registration notice as published in the Official Gazette .

36.4. a copy of the lease contract and/or the title deed of their workplace .

**Article 37**

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

**Article 38**

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

**Article 39**

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

**Article 40**

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

**Article 41**

Off-shore Banking Units in the Zones are not authorized to conduct banking operations in Rial .

**Article 42**

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

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

**Note**

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

**Article 43**

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

**Article 44**

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

**Article 45**

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

**Article 46**

The off-shore Banking Units and the on-shore Banking Units licensed by Bank Markazi to engage in foreign exchange operations are entitled to render services and to conduct transactions in foreign currencies , in conformity with international practices , as detailed below :

- 46.1. establishment of correspondent relationship with other banks .
- 46.2. execution of all kinds of money transfers in their own favour or for clients.
- 46.3. execution of all transactions related to buying and selling of foreign currencies in cash on one's own account or that of the clients ,
- 46.4. maintenance of current accounts (excluding the Institutions ) .
- 46.5. maintenance of saving accounts .



46.6. holding of various time deposits with varying maturities .

46.7. obtaining various kinds of loans and credits .

46.8. issuance , buying , selling , underwriting and holding of partnership bonds and bonds . Buying and underwriting of such equities and the terms and conditions of their issuance shall be approved by Bank Markazi .

46.9. granting various kinds of loans and credits.

46.10. buying , discounting and guaranteeing various kinds of commercial papers .

46.11. undertaking all affairs concerning documentary credits , bills of exchange , drafts and letters of guarantee .

46.12. management of assets and provision of portfolio investment services for the customers ,

46.13. provision of custody and trust services and other management services .

46.14. conducting other authorized banking operations and services in foreign currency .

#### **Note**

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

#### **Article 47**

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

rates on the credit facilities granted shall be determined freely on the basis of supply and demand prevailing in the market.

**Article 48**

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

**Note**

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

**Article 49**

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

**Note**

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

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

**Article 50**

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

**Article 51**

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

**Article 52**

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

**Note 1**

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

**Note 2**

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

**Article 53**

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

**Article 54**

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

**Article 55**

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

**Note**

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

**Article 56**

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

accordance with the formats supplied to them by Bank Markazi .

**Note 1**

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

**Note 2**

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

**Note 3**

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

**Article 57**

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

**Article 58**

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

**Note**

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

**Article 59**

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

**Article 60**

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

**Note**

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

**Article 61**

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

**Article 62**

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

**Article 63**

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

**Article 64**

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

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

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

**Note 1**

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

**Note 2**

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



**Article 65**

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

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

**Article 66**

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

**Article 67**

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

Buildings : at the rate of 10 percent

Installations : at the rate of 20 percent

Motor Vehicles : at the rate of 20 percent

Office equipments : at the rate of 20 percent

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

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

Establishment and software expenses : in three years

**Article 68**

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

**Article 69**

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

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

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

**Article 70**

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

**Article 71**

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

**Article 72**

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

**Article 73**

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

**Note**

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

**Section 5: Regulations on supervising  
Banking Units, Representative Offices  
and Money Changing Units  
in the Zones.**

**Article 74**

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

**Note**

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

**Article 75**

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

**Article 76**

Banking Units are required to adopt measures to enable their auditors, while observing the accepted

professional principles and standards of auditing, to comment explicitly on the observance of the rules and regulations governing the operations of the Banking Units in the Zones.

**Article 77**

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

**Article 78**

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

**Article 79**

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

**Note**

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

**79.1. weekly statistics and information :**

79.1.1. statutory deposit statements;

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

**79.2. monthly statistics and information required to be sent by the 10<sup>th</sup> day of the following month :**

79.2.1. The form of summary of General Ledger;

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

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

79.3.1. capital adequacy calculations ;

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

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

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

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

79.4.1. balance sheet;

79.4.2. profit and loss account ;

79.4.3. cash flow statement;

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

**Note**

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

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

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

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

#### **Article 80**

The off-shore Banking Units shall send , at the specified time intervals, to Bank Markazi the statistics and information detailed hereunder.

#### **Note**

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

#### **80.1. weekly statistics and information :**

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

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

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

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

80.3.1 capital adequacy calculations;

80.3.2. list of the approved and utilized loans and facilities classified on the basis of duration ( short-term , medium-term and long - term ) , types of collaterals and profit rates ;

80.3.3. list of outstanding balance of letters of guarantee and documentary credits on the basis of the classification specified by Bank Markzi ;

80.3.4. balance of the received foreign currency loans, facilities and deposits classied according to natural and legal persons , banks and countries.

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

80.4.1. balance sheet ;

80.4.2. profit and loss statement ;

80.4.3. cash flow statement ;

80.4.4. personal particulars of the chief and senior managers of the Banking Units (branch manager and above ) and exchange dealers .

**Note**

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

80.4.5. facilities granted to persons subject of the Articles 63 and 64 above.



**80.5. annual statistics and information to be sent not later than four months after the end of each financial year :**

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

80.5.2. copy of the inspector's report ;

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

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

**Article 81**

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

**Article 82**

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

**Article 83**

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

**Article 84**

The board of directors and the managing directors

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

**Article 85**

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

**Article 86**

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

**Article 87**

Upon receiving the results of the investigations carried out by Bank Markazi , in cases of wrong -doing or breach of the rules , the concerned Banking Unit , representative office and Money Changing Unit are obliged to send explanations and justifications , along with the supporting

documents , to Bank Markazi , not later than the deadline determined by the latter as the case warrants . Otherwise , they are obligated to redress the problem or undo the breach of rules before the set deadline and notify Bank Markazi of the results of the measures taken in this regard .

**Article 88**

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

**Article 89**

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

**Article 90**

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

**Article 91**

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

**Article 92**

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

**Section 6 : General Regulations**

**Article 93**

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

**Note 1**

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

**Note 2**

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

**Article 94**

Prior to the appointment of each member of the board of directors , the governing board , the managing director and the deputy managing director, all banks and institutions in the Zone are required to obtain the necessary approval as to the professional qualifications and competence of the said persons .

**Note**

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

**Article 95**

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

**Article 96**

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

banks or institutions in the Zones .

**Article 97**

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

**Article 98**

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

**Article 99**

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

**Article 100**

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

**Article 101**

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

**Article 102**

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

**Note**

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

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

**Article 103**

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

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

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

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

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

**Note**

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

**Article 104**

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

Should the Banking Units intend to choose an auditor other than those contained in the list of certified auditors as announced by Bank Markazi , the formers shall propose to Bank Markazi the



intended auditor, along with his/her name and particulars, Bank Markazi shall, not later than a month after receipt of the proposal by the Bank Unit, declare its views on the proposed auditors.

**Article 105**

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

Accelerating the implementation of infrastructure, developing projects, enhancing economic growth and progress, raising the level of investment and public income, creating sound and productive employment, regulating the labor and commodities market, actively participating in regional and international markets, producing and exporting industrial and processed goods and providing public services, are certain parts of the main objectives of establishing Free Trade-Industrial Zones.