

**In the Name of God**  
**Council of Ministers' Resolution**  
**The Central Bank of the Islamic Republic of Iran**

The Council of Ministers has approved the implementing bye-law for the establishment and operations of the foreign banks' branches in Iran in the session held on 28.12.1387 (18 March 2009) at the proposal No. 87/67813 dated 3.10.1387 (23 Dec. 2008) of the Central Bank of the Islamic Republic of Iran and by virtue of Article 138 of the Constitution of the Islamic Republic of Iran.

**The Implementing Bye-Law for the Establishment and  
Operations of Foreign Banks' Branches in Iran**

**Section 1 – Definitions:**

**Article1-** In this bye-law, the following expressions are used as set out below:

- 1- Iran:** The Islamic Republic of Iran.
- 2- Bye-law:** The implementing bye-law for the establishment and operations of the foreign banks' branches in Iran.
- 3- Central Bank:** The Central Bank of the Islamic Republic of Iran.
- 4- Banking Operations:** To receive any type of deposits from the public and apply it in the form of grant of facilities to the applicants and making different types of payment instruments available within the framework of the Monetary and Banking Law of Iran – approved in 1351 (1972) – the Law for Usury-free (interest-free) Banking Operations – approved in 1362 (1983) – and the Law Regulating the Informal Money Market – approved in 1383 (2005).

- 5- **Foreign bank:** Legal entity which is registered abroad as a bank and is engaged in banking operations and is applying for establishment of a branch in Iran.
- 6- **Branch:** Operational unit of a foreign bank which conducts banking operations in Iran within the framework of its articles of association and requirements of this bye-law.
- 7- **Endowment capital:** Funds that a foreign bank endows to the branch for its activities.

## **Section 2- Establishment:**

**Article 2:** Any foreign bank that has been established for at least five years, may proceed to conduct banking operations, as a branch in Iran, with due observance of this bye-law. Financial performance of the foreign bank in the last three years should indicate that it has been profitable during each of the years.

**Article 3:** The minimum capital endowed by the foreign bank to its branch in Iran should be five million euros or its equivalent in other major currencies (at the Central Bank's discretion) which is required to be deposited with the Central Bank in full before the issuance of the establishment license.

**Note 1-**The Central Bank can change the minimum capital endowed by the foreign bank to its branch in Iran, if necessary.

**Note 2-** Repatriation of the endowed capital by the foreign bank is only possible at the time of closure of the branch.

**Note 3-** Manner and conditions of the entry of the endowed capital by the foreign bank can be in accordance with Foreign Investment Promotion and

**Protection Act– approved in 1381 (2002) – and its implementing bye-law subject of Cabinet's Resolution No. H27032/T32556 dated 23.7.1381 (15.10.2002).**

**Note 4-**The establishment license is valid for three months which may be extended to one year at discretion of the Central Bank.

**Article 4:** The foreign bank is duty bound to carry out all the stages of the establishment of a branch and obtaining the necessary licenses by observing the implementing instructions of this bye-law which will be approved by the Central Bank.

### **Section 3- Manner of Activity and Supervision:**

**Article 5:** Banking operations of the branch are subject to the Law for Usury-free (Interest-free) Banking Operations.

**Article 6:** The required competence and expertise for attaining the managerial positions of the branch will be determined by the Central Bank.

**Article 7:** The branch is duty bound to deposit a legal reserve with the Central Bank.

**Note-** The size of the legal reserves will be determined, based on the types of deposits, by the Central Bank.

**Article 8:** The branch is duty bound to observe in its activities, supervisory rules related to liquidity ratios, fulfillment of obligations and limits of large exposures, facilities to the related persons, deposits' insurance, risk management, accounting standards and procedures as well as mechanisms related to internal control systems which are determined by the Central Bank.

**Article 9:** The Central Bank is in charge of supervising the operations of the branch. The Central Bank will apply regulatory and corrective measures to the branch with the aim of protecting the interests of the depositors, ensuring of compliance with regulations of this bye-law and its implementing instructions, and also stability and soundness of management of the branch in dealing with risks facing the branch or future probable risks and adequacy of the resources of the branch for controlling such risks.

#### **Section 4: Closure of the branch**

**Article 10:** A branch may be closed in the following instances:

- A- In the event of non-observance of supervisory and corrective instructions of the Central Bank;
- B- At the request of the foreign bank;
- C- In case the branch suspends its activities and operations for one working week without obtaining permission from the Central Bank;
- D- In case the Central Bank has verified that information and documents submitted by the foreign bank for establishment of the branch has been incorrect or altered.

**Article 11:** Decisions made about closure of a branch, in relation to bankruptcy and liquidation of foreign bank, is unenforceable unless the Central Bank is assured that the liabilities of the branch towards the depositors and other customers are fulfilled.

**Article 12:** A foreign bank cannot close its branch before fulfilling liabilities of its branch in Iran towards its creditors and other customers.

**Article 13: The Central Bank is required to communicate the implementing instructions of this bye-law which governs the manner of establishment, operation, supervision and closure of foreign banks' branches in Iran.**

**Parviz Davoudi**

**First Vice-President**

Copy: Office of the Supreme leader, Office of the President, Office of the Head of the Judiciary Power, Office of the Head of the Expediency Discernment Council of the System, Office of the First Vice-President, Deputy of Strategic Planning and Control of President, Deputy of the Management Development and Human Resources of President, Deputy of Legal and Parliamentary Affairs of President, Executive Deputy of President, Supreme Audit Court, Institute of Administrative Justice, General Inspection Organization, Laws General Department of the Islamic Consultative Assembly, State Department for Laws and Regulations, Legal Department, all ministries, state organizations and institutions, Islamic Republic Agencies, Islamic Republic of Iran Official Journal, Secretariat of the Government Information Council and Cabinet's Office.